

NTC 8/28/09

2010-000947

Klamath County, Oregon



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01/26/2010 03:32:53 PM

Fee: \$212.00

Return Address:

Northwest FCS-Pasco
PO Box 2585
Pasco, WA 99302

Royale Columbia Farms, Inc.;
WRMS, LLC;
Richard E. Betz;
Walter V. McDevitt, Jr.
Michael D. and Colleen M. Thornton;
Stanley E. and Earla J. Welch
Customer No. 67004

**LINE OF CREDIT DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
AND FIXTURE FILING
(Open End)**

THIS DEED OF TRUST IS ALSO INTENDED TO BE A SECURITY AGREEMENT.

NOTICE: THIS DEED OF TRUST IS A LINE OF CREDIT DEED OF TRUST. THE MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED UNDER THE SECURED OBLIGATION (AS DEFINED HEREIN) IS \$4,500,000.00. IN ADDITION, THIS DEED OF TRUST SECURES ALL OTHER INDEBTEDNESS EVIDENCED BY THE SECURED OBLIGATIONS OR OTHERWISE CREATED IN CONNECTION WITH THIS DEED OF TRUST, WHICH INDEBTEDNESS IS POTENTIALLY UNLIMITED. THE SECURED OBLIGATIONS PROVIDE FOR LOAN MATURITY DATES AS LATE AS FEBRUARY 1, 2040 (EXCLUSIVE OF THE OPTION TO RENEW OR EXTEND).

NOTICE: THE SECURED OBLIGATIONS PROVIDE FOR A VARIABLE INTEREST RATE.

This Line of Credit Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (this "Deed of Trust"), dated as of January 22, 2010 is executed by **ROYALE COLUMBIA FARMS, INC.**, an Oregon corporation; **WRMS, LLC**, an Oregon limited liability company which acquired title as **WRMS L.L.C.**, an Oregon corporation; and **G-2 FARMING, L.L.C.**, an Oregon limited liability company ("Trustor"), whose address is P.O. Box 93, Hermiston, OR 97838, in favor of Pioneer Title Company ("Trustee"), for the benefit of **NORTHWEST FARM CREDIT SERVICES, PCA**, a corporation organized and existing under the laws of the United

DEED OF TRUST (Open End) - 1

Royale Columbia Farms, Inc., et al.; CIF No. 67004

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States ("Beneficiary"), whose address is 1700 South Assembly Street, Spokane, WA 99224-2121, P. O. Box 2515, Spokane, WA 99220-2515. Each capitalized term used and not otherwise defined in this Deed of Trust shall have the meaning given such term in the Term Note and Loan Agreement (the "Loan Agreement") executed by Borrower (as defined herein) on or around even date.

Pursuant to the terms and conditions of the Loan Agreement, Trustor has agreed to grant this Deed of Trust in favor of Beneficiary to provide security for Trustor's or Borrower's obligations under the Secured Obligations described herein, the Loan Agreement and the related Loan Documents and any and all other documents entered into pursuant thereto.

ARTICLE 1 GRANT OF SECURITY

Trustor, in consideration of the indebtedness secured by this Deed of Trust, irrevocably bargains, sells, grants, mortgages, transfers, conveys, assigns and warrants to Trustee, IN TRUST, WITH POWER OF SALE, AND RIGHT OF ENTRY AND POSSESSION for the benefit and security of Beneficiary, all Trustor's existing and future rights, titles, interests, estates, powers and privileges in or to the following (collectively the "Collateral"):

1.1 Real Estate.

a. That certain real property located in Klamath and Umatilla County, State of Oregon, more particularly described on Exhibit A attached hereto and incorporated herein (the "Land").

b. That certain leasehold estate created by that certain Lease dated January 1, 2009, executed by WRMS, LLC, as Lessor and Fault Line, LLC dba Epicenter, as Lessee;

c. All buildings, wells and other improvements now or hereafter located on the Land, including, but not limited to, the Fixtures (as defined below), and all other equipment, machinery, appliances and other articles attached to such buildings and other improvements (collectively the "Improvements");

d. All fixtures (including without limitation, goods that are or become so related to the Land that an interest in them arises under the real estate law) and any additions or replacements (collectively the "Fixtures") now or hereafter located on, attached to, installed in or used in connection with the Land;

e. All personal property, appliances, equipment and goods now or hereafter owned or possessed by Debtor located upon, in, or about or used in connection with said Land or Improvements, including the maintenance thereof, together with all increases, substitutes, replacements, proceeds and products thereof and additions and accessions thereto;

f. All rights, rights-of-way, easements, licenses, profits, claims, demands, privileges, grazing privileges, tenements, hereditaments and appurtenances now owned or hereafter acquired by Trustor and used in connection with the Land and the Improvements or as a means of access to either or both, including without limitation, all rights over the property of third persons which are related thereto and all unaccrued trespass and surface damage claims appurtenant thereto, and all written operations plans and all permits and approvals related to the Land and Improvements;

g. All of Trustor's right, title and interest in and to any land within any right-of-way of any open or proposed street adjoining the Land, and any and all sidewalks, alleys, strips and gores of land adjacent to or used in connection with the Land and Improvements;

h. All of Trustor's existing and future rights in (including without limitation, royalty and leasehold rights) oil, gas and other mineral rights in or relating to the Land;

i. All waters, water courses, water rights and riparian rights (including without limitation, shares of stock evidencing the same) in or relating to the Land;

j. All existing and future leases and subleases relating to the Land and Improvements or any interest in them, including without limitation, all deposits, advance rentals and other similar payments, but not including the Rents, as defined and separately assigned in Article 5,

k. All options to purchase, exchange or lease the Land, Fixtures or Improvements or any interest in them (and any greater estate in the Land, Fixtures or Improvements and acquired by exercise of such options);

l. All Trustor's other existing or future estates, homestead or other claims or demands, both in law and in equity in the Land and Improvements, including without limitation, (i) all awards made for the partial or complete taking by eminent domain, or by any proceeding or purchase in lieu of eminent domain, of the Land or Improvements, and (ii) all proceeds, including general intangibles and payment intangibles, of any insurance covering the Land or Improvements; and

m. All cash or non-cash proceeds of the sale, lease, license, exchange or other disposition of the Land or Improvements or general intangibles, including payment intangibles, arising therefrom. Proceeds include all subsidy payments, in cash or in kind, which may be made to Trustor by any person, entity or governmental agency, including but not limited to, payments and entitlements from state and federal farm programs, as well as any type of Property insurance; and any rights arising out of Land or Improvements, collections and distributions on Land or Improvements.

1.2 Personal Property. As further security for the payment, performance and observance of the Secured Obligations, Trustor, as debtor, hereby grants to Beneficiary, as secured party, a security interest in all of Trustor's existing and future right, title and interest in, to and under the

following: all (a) furniture, furnishings, equipment, machinery, materials and other personal property now or hereafter situated in or upon the Land and Improvements and used in the operation thereof; (b) contracts and policies of insurance and proceeds thereof, which may insure all or any portion of the Collateral against casualties and theft; (c) condemnation proceeds for all or any portion of the Collateral; and (d) cash or non-cash proceeds of the Collateral (including but not limited to, general intangibles, including payment intangibles, and all proceeds, which constitute property of the types described in clauses (a) through (d) of this Paragraph) and all right of Trustor to receive proceeds of any insurance, indemnity, warranty or guaranty payable by reason of loss of or damage to any of the Collateral. This Deed of Trust constitutes a security agreement for all purposes under the Uniform Commercial Code in effect in the State where the Trustor resides. In addition to all other rights and remedies provided for in this Deed of Trust, Beneficiary shall have all of the rights and remedies of a secured party under the Uniform Commercial Code. Trustor agrees that at least 10-days' notice to Trustor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification with respect to the personal property Collateral. If Beneficiary shall so require, Trustor upon the occurrence of an Event of Default, will make the personal property Collateral available to Beneficiary at a place designated by Beneficiary, which is reasonably convenient to Beneficiary. In addition, Trustor shall execute such instruments and documents as Beneficiary reasonably may require from time to time to further evidence, implement or perfect any of Beneficiary's rights, remedies and security interests.

1.3 Fixture Filing. This Deed of Trust is intended to serve as a Fixture filing pursuant to the terms of the applicable Uniform Commercial Code. This Deed of Trust is to be recorded in the real estate records of the Counties in which the Land is located. In that regard, the following information is provided:

Name of Trustor, as Debtor:	Royale Columbia Farms, Inc.
Address of Trustor:	Attn: Richard E. Betz P.O. Box 93 Hermiston, OR 97838
Name of Trustor, as Debtor:	WRMS, LLC
Address of Trustor:	Attn: Richard E. Betz 2154 Sheridan Place Richland, WA 99352
Name of Trustor, as Debtor:	G-2 Farming, L.L.C.
Address of Trustor:	Attn: Greg Juul P.O. Box 130 Hermiston, WA 97838

Name of Beneficiary, as Secured Party: Northwest Farm Credit Services, PCA
Attn: Candy Boswell
Address of Beneficiary: 9530 Bedford Street
P.O. Box 2585
Pasco, WA 99302

**ARTICLE 2
REPRESENTATIONS AND WARRANTIES**

2.1 Representations and Warranties. Trustor represents and warrants to Beneficiary as follows:

a. Trustor hereby authorizes Beneficiary to file, at anytime, one or more financing statements and any amendments and continuations thereof, describing any personal property or fixtures described herein, without further signature of Trustor. Trustor hereby represents and warrants that Trustor's State of formation is the State of Oregon; and Trustor's exact legal name is as set forth herein.

b. Trustor is the sole legal and equitable owner of the Collateral;

c. Without thereby limiting the generality of the foregoing, and except as otherwise previously disclosed to Beneficiary, Trustor has not assigned or granted any harvest or access rights or interests, or sold or leased any part of the Land or the Improvements, if any, to any other person (individual, organization or governmental unit);

d. There are no claims, liens, encumbrances (including judgments, levies and the like), or security interest ("Liens") covering the Collateral or any part or item thereof except easements and reservations of record, which are listed on the title policy delivered by Trustor;

e. To the best of Trustor's knowledge, and other than have been disclosed to Beneficiary, there are no federal, state or local laws, regulations, rules or standards ("Laws"), or permits, orders, injunctions, citations, notices of civil penalty, restraining orders, judgments or the like issued by any governmental unit ("orders") that are now in effect and which would restrict any material use of the Collateral;

f. Trustor has taken all actions necessary and has been duly authorized under its governing operating agreement organizing declaration and articles of incorporation and or bylaws to execute, acknowledge and deliver this Deed of Trust and the other Loan Documents and to perform the Secured Obligations;

g. This Deed of Trust has been executed, acknowledged and delivered on behalf of Trustor by partners, members, representatives or officers, as applicable, of Trustor duly authorized to perform such acts;

h. This Deed of Trust is the legally valid and binding contract of Trustor, and is enforceable against Trustor in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the rights and remedies of creditors generally and by general principles of equity, whether applied by a court of law or equity; and

i. To the best of Trustor's knowledge, neither the execution of this Deed of Trust nor the payment and performance of the Secured Obligations will materially violate any Laws or Orders affecting Trustor or the Collateral or constitute a breach or Event of Default by Trustor under any agreement, contract, loan indenture, lease, instrument or like document ("Contract") to which Trustor is a party or the Collateral is bound.

The foregoing representations and warranties will survive and not be merged or otherwise eliminated by any conveyance, voluntarily or through foreclosure, of the Collateral to Beneficiary or its nominee. Trustor hereby agrees to indemnify, defend and hold harmless Beneficiary from and against any and all claims, loss, liability, damages, liens, penalties, costs and expenses of any nature or kind whatsoever arising from or related to any misstatement of any material fact in the foregoing representations and warranties or the omission therein to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE 3 SECURED OBLIGATIONS

3.1 Secured Obligations. This Deed of Trust, and the lien it creates, is made for the purpose of securing the following obligations (collectively the "Secured Obligations"):

a. The full and punctual payment of the indebtedness evidenced by that certain Note in favor of Beneficiary (referenced as "Loan No. 67004-241," the "Note" or "Loan") dated on or around even date, the final payment of which is due no later than January 1, 2013, made by Royale Columbia Farms, Inc.; WRMS, LLC; Richard E. Betz; Walter V. McDevitt, Jr.; Michael D. Thornton and Colleen M. Thornton; Stanley E. Welch and Earla J. Welch ("Borrower") to the order of Beneficiary in the principal face amount of Four Million and Five Hundred Thousand and No/100's Dollars (\$4,500,000.00), with interest thereon at the rates therein provided which interest rate and payment terms may be adjusted as provided in the Note and Loan Documents, together with any and all renewals, modifications, consolidations and extensions of the indebtedness evidenced by the Note, as well as any prepayment fees or penalties provided for in the Note or as it may be amended to provide for such prepayment fees or penalties;

c. It is contemplated that this Deed of Trust shall secure additional loans made to Trustor or Borrower from time to time but not after February 1, 2020, and not having a maturity date exceeding February 1, 2040.

d. Payment and performance of Borrower's obligations under the Note and Loan Agreement and under any and all other present and future agreements executed by Borrower and relating to the Note;

e. Payment of such additional sums with interest thereon as may be due to Trustee or Beneficiary under any provisions of this Deed of Trust;

f. Payment of all indebtedness and performance of all other obligations which the then record owner of the Collateral may agree to pay and perform for the benefit of Beneficiary (including future advances to Borrower), and which are contained in a document which recites that it is secured by this Deed of Trust;

g. Payment by Borrower of all amounts advanced by (or on behalf of) Beneficiary or Trustee to improve, protect or preserve the Collateral or the security of this Deed of Trust, with interest on such amounts as provided in this Deed of Trust;

h. Payment and performance of all amendments, modifications, extensions, renewals and replacements of any of the foregoing, including without limitation, (i) amendments or modifications of the required principal or interest payment dates accelerating or deferring any such payment dates, or (ii) amendments, modifications, extensions or renewals at a different rate of interest, whether or not evidenced by a new or additional notes or other document; and

i. Payment of charges as allowed by law, when such charges are made for any Beneficiary statement or other statement regarding the Secured Obligations.

3.2 Notice. Notice is hereby given that the interest rate, payment terms or balance due on the Notes(s) may be indexed, adjusted, renewed or renegotiated.

3.3 Open End Instrument and Commitments. This Deed of Trust secures the sum of the Secured Obligations owed by Trustor to Beneficiary as of the date hereof and shall secure additional extensions of credit and advances made by Beneficiary to Trustor. The continuing validity and priority of this Deed of Trust for future extensions of credit and advances shall not be impaired by the fact that at certain times no outstanding indebtedness to Beneficiary or commitments from Beneficiary to make future extensions of credit or advances exists.

ARTICLE 4 COVENANTS

4.1 Payment of Secured Obligations. Trustor and Borrower shall pay the Secured Obligations when due.

4.2 Maintenance, Repair, Alterations.

4.2.1 Maintenance, Repair, and Alterations: Affirmative Covenants. Trustor shall:

- a. Keep the Collateral in good condition and repair;
- b. Complete promptly and in a good and workmanlike manner, any Improvement that may be constructed on the Land, and promptly restore in like manner any Improvement that may be damaged or destroyed, and pay when due all claims for labor performed and materials furnished for such construction or restoration;
- c. Comply with all statutes, laws, ordinances, regulations, orders, rulings, rules, consents, permits, licenses, conditions of approval and authorizations of any court or governmental or regulatory body having jurisdiction over Trustor, the Land or Improvements ("Laws and Ordinances");
- d. Comply with any condominium or other plan, declaration of covenants, conditions and restrictions, reciprocal easement agreements to which the Land is subject ("CC&Rs"), any owners' association articles and bylaws affecting the Land, and such exceptions to title acceptable to Beneficiary ("Permitted Exceptions");
- e. Keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good, neat order and repair;
- f. Comply with the provisions of any leases constituting part of the Collateral;
- g. Obtain and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Collateral; and
- h. Do any and all other acts, except as otherwise prohibited or restricted by the Loan Documents, which may be reasonably necessary to protect or preserve the value of the Collateral and the rights of Trustee and Beneficiary in it.

4.2.2 Maintenance, Repair and Alterations: Negative Covenants. Trustor shall not, except upon the prior written consent of Beneficiary, which shall not be unreasonably withheld or delayed:

- a. Remove, demolish or materially alter any of the Improvements, other than to make non-structural repairs in the ordinary course of business, which preserve or increase the value of the Land;
- b. Commit, suffer or permit any act to be done in, upon or to any part of the Collateral in violation of any Laws and ordinances, CC&Rs, or Permitted Exceptions now or hereafter affecting the Collateral;
- c. Commit or permit any waste or deterioration of the Collateral;

d. Take (or fail to take) any action, which would increase the risk of fire or other hazard occurring to or affecting the Collateral or which otherwise would impair the security of Beneficiary in the Collateral;

e. Abandon all or any part of the Collateral or leave the Collateral unprotected, unguarded, vacant or deserted; or

f. Initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses that may be made of the Land or Improvements by Trustor without the prior written consent of Beneficiary.

4.3 Insurance.

4.3.1 Policies Required. Trustor shall at all times maintain in full force and effect, at Trustor's sole cost and expense, with insurers reasonably satisfactory to Beneficiary, the following policies if required by Beneficiary in its reasonable discretion, policies of insurance in form, substance and amounts reasonably satisfactory to Beneficiary:

a. Public liability insurance in amounts reasonably required by Beneficiary from time to time;

b. Course of construction, fire and hazard "all risk" insurance covering 100 percent of the replacement cost of the Improvements and the Fixtures located on the Land in the event of (i) fire, lightning, windstorm, earthquake, vandalism or malicious mischief, (ii) all other risks normally covered by "all risk" coverage policies in the area where the Land is located, and (iii) loss by flood if the Land is in an area designated as subject to the danger of flood;

c. Worker's compensation insurance and any other insurance required by law in connection with the Collateral;

d. Property damage insurance in amounts reasonably required by Beneficiary from time to time;

e. All rental loss insurance and business interruption insurance that Beneficiary reasonably requires (including insurance against income loss during a period of restoration); and

f. All other insurance reasonably required by Beneficiary from time to time.

No less than 30 days prior to the expiration of each policy, Trustor shall deliver to Beneficiary evidence reasonably satisfactory to Beneficiary of renewal or replacement of such policy.

4.3.2 Required Policy Provisions. Each policy of insurance required under this Deed of Trust shall:

- a. Provide that it shall not be cancelled or materially changed without at least 30-days' prior written notice to Beneficiary;
- b. Be primary insurance without right of contribution;
- c. (For casualty insurance) include a "Lender's Loss Payable Endorsement" in form and substance satisfactory to Beneficiary, showing Beneficiary as "Lender," or (for liability insurance) shall name Beneficiary as an additional insured;
- d. Include only deductible amounts to which Beneficiary has previously consented in writing;
- e. Contain an agreed value clause sufficient to eliminate any risk of coinsurance, if it is insured against damage to the Improvements or Fixtures;
- f. Be in form, substance, amount and issued by companies (which must be rated Class A V11 or better by Best's Insurance Reports) reasonably approved by Beneficiary; and
- g. Meet such other requirements as Beneficiary requires.

4.3.3 Claims. Trustor shall give Beneficiary immediate notice of any casualty to any portion of the Collateral in excess of \$25,000.00, whether or not covered by insurance. If covered, Trustor authorizes Beneficiary, if Beneficiary so elects, to make proof of loss, and to commence, to appear in, defend and prosecute any claim or action arising from any applicable policy and to settle, adjust or compromise any claim under any such policy. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact for all such purposes. Neither Beneficiary nor Trustor shall settle, adjust or compromise any such claim without the prior written approval of the other, which approval shall not be unreasonably withheld or delayed.

4.3.4 Delivery of Proceeds to Beneficiary. If, regardless of any "Lender's Loss Payable Endorsement" requirement set forth above, the proceeds of any casualty insurance policy described above are paid to Trustor, Trustor shall deliver such proceeds to Beneficiary immediately upon receipt.

4.3.5 Application of Casualty Insurance Proceeds. Any proceeds collected (the "Proceeds") under any casualty insurance policy described in this Deed of Trust shall be applied as provided below:

Trustor shall deliver the Proceeds to Beneficiary, and Beneficiary shall hold the Proceeds in an account to be used for repair or reconstruction of the Improvements or Fixtures, subject to the conditions set forth below and Beneficiary's customary disbursement procedures. However, if (a) Beneficiary's Collateral has been impaired, or (b) if there is an uncured Event of Default, regardless of whether Beneficiary's Collateral has been impaired, then Beneficiary, in its sole discretion, can apply the Proceeds against the Secured Obligations. If Beneficiary elects to have the funds used for repair or reconstruction, Beneficiary will not be obligated to make any disbursements of such proceeds until all of the following conditions are satisfied, as determined by Beneficiary in its sole reasonable discretion:

a. Within 60 days of such damage, destruction or taking, Trustor presents to Beneficiary a restoration plan satisfactory to Beneficiary in its reasonable discretion, which includes cost estimates and schedules; and

b. Within 3 months of such damage, destruction or taking, Trustor and a contractor satisfactory to Beneficiary enter into a fixed price or guaranteed maximum price contract satisfactory to Beneficiary in its reasonable discretion, providing for complete restoration in accordance with such restoration plan; and

c. To the extent the proceeds are insufficient to accomplish the restoration, Trustor shall deliver to Beneficiary funds in the amount of such shortfall, which funds shall be assigned to Beneficiary as security for the Secured Obligations and held and disbursed in the same manner as the proceeds; and

d. The (i) Proceeds (exclusive of rental loss insurance proceeds) for such damage or destruction, that are received by Beneficiary, plus (ii) additional funds provided to Beneficiary by Trustor for restoration purposes, are at least equal to such fixed price or guaranteed maximum price.

If Trustor complies with this Paragraph, Beneficiary shall disburse to such contractor(s), on Trustor's request, in accordance with the restoration contract and Beneficiary's customary disbursement procedures. Nothing herein shall be deemed to excuse in any manner Trustor's obligation to make any payments with respect to the Secured Obligations when due under any Loan Document.

4.3.6 Assignment of Policies. If this Deed of Trust is foreclosed or other transfer of title or assignment of the Collateral is made in satisfaction of all or part of the Secured Obligations, then all right, title and interest of Trustor in and to all policies of insurance required by Section 4.3.1 above and all unearned premiums paid on them shall, without further act, pass to the purchaser or grantee of the Collateral.

4.3.7 Waiver of Subrogation. Trustor waives all right to recover against Beneficiary (or any officer, employee, agent or representative of Beneficiary) for any loss incurred by Trustor from any cause insured against or required by any Loan Document to be insured against,

provided however, that this waiver of subrogation shall not apply to any insurance policy if such policy's coverage would be materially reduced or impaired as a result. Trustor shall obtain only policies that permit this waiver of subrogation.

4.4 Condemnation and Other Awards. Upon learning of the actual or threatened condemnation or other taking for public or quasi-public use of all or any part of the Land, Trustor shall immediately notify Beneficiary and Trustee. Trustor shall take all actions reasonably required by Beneficiary or Trustee in connection with such condemnation or other taking to defend and protect the interests of Trustor, Beneficiary and/or Trustee in the Land. At Beneficiary's option, Beneficiary or Trustor may be the named party in such proceeding. Regardless of the adequacy of its security, Beneficiary shall be entitled to participate in, control and be represented by counsel of its choice in such proceeding. All condemnation proceeds shall first be applied to reimburse Beneficiary and Trustee for all their reasonable costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied by Beneficiary against the Secured Obligations in such order as Beneficiary may determine.

4.5 Taxes and Impositions (Impounds). Trustor shall pay, prior to delinquency, all of the following (collectively the "Impositions"):

- a. All general and special real property taxes and assessments imposed on the Land; and
- b. All other taxes and assessments and charges assessed on the Land (or on the owner and/or operator of the Land) that create or may create a lien on the Land (or on any Improvement or Fixture used in connection with the Land); including, without limitation, non-governmental levies and assessments under applicable CC&Rs; and
- c. All business taxes; and
- d. All license fees, taxes and assessments imposed on Beneficiary (other than Beneficiary's income or franchise taxes) that are measured by or based upon (in whole or in part) the amount of the Secured Obligations.

If permitted by law, Trustor may pay the Imposition in installments (together with any accrued interest). Upon demand by Beneficiary from time to time, Trustor shall deliver to Beneficiary, within 30 days following the due date of any Imposition, evidence of payment reasonably satisfactory to Beneficiary. In addition, upon demand by Beneficiary, at Trustor's expense, from time to time, Trustor shall furnish to Beneficiary a tax reporting service for the Land of a type and duration, and with a company reasonably satisfactory to Beneficiary.

4.5.1 Reserves on Impositions (Impounds). If Beneficiary requires, following the occurrence of an Event of Default, Trustor, shall deposit with Beneficiary such sum as Beneficiary reasonably estimates to be necessary to pay installments of Impositions and

insurance policies next becoming due (collectively, the "Impounds") upon any of the Land, Fixtures and Improvements. All such Impounds may be held by Beneficiary and applied in such order as Beneficiary may elect for payment of Impositions or other sums secured by this Deed of Trust at Beneficiary's election. Such Impounds shall constitute additional collateral for the Secured Obligations. Except as otherwise provided by law, Beneficiary shall have no obligation regarding such Impounds other than to account to Trustor for their receipt and application. Upon any transfer by Beneficiary of its rights or interests in the Secured Obligations or of this Deed of Trust, Beneficiary may turn over to the transferee such of those Impounds as Beneficiary then holds, and Beneficiary's responsibilities with respect to the Impounds shall terminate.

4.6 Utilities. Trustor shall promptly pay all gas, irrigation, electricity, water, sewer and other utility charges incurred for the benefit of the Collateral or that may become a lien against the Collateral; and all other similar public or private assessments and charges relating to the Collateral, regardless of whether or not any such charge is or may become a lien on the Collateral.

4.7 Liens: Non-Permitted Exceptions. Trustor shall not cause, incur or permit to exist any lien, encumbrance or charge ("Non-Permitted Exceptions") upon all or any part of the Collateral or any interest in the Collateral other than Permitted Exceptions. Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all such Non-Permitted Exceptions. If Trustor fails to do so, Beneficiary may, but shall not be obligated to, discharge them, without notice to or demand on Trustor, and without inquiring into the validity of such Non-Permitted Exceptions or the existence of any defense or offset to them. Beneficiary may discharge Non-Permitted Exceptions either by (a) paying the amount claimed to be due, or (b) procuring their discharge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or (c) in any other manner permitted or required by law. Trustor shall, immediately upon demand by Beneficiary, pay Beneficiary's reasonable costs and expenses incurred in connection with such discharge, together with interest on such costs from the date of such expenditure until paid at the default rate of interest described in the other Loan Documents ("Default Interest Rate").

4.8 Sale or Lease of Collateral: Due on Sale Clause. Trustor shall not sell, lease, sublease or otherwise transfer all or any part of the Collateral or any interest in it, without the prior written consent of Beneficiary, which consent may be granted or withheld in Beneficiary's sole and absolute discretion. All leases of any part of the Collateral must be submitted to Beneficiary for approval prior to execution, which consent may be granted or withheld in Beneficiary's sole and absolute discretion. Transfers requiring Beneficiary's prior written consent shall include, without limitation, the following:

- a. Involuntary transfers and transfers by operation of law;
- b. Liens, encumbrances and assignments as security for obligations, whether voluntary or involuntary; and

c. The sale, issuance, disposition, encumbering or other transfer of all or any part of (i) any class of the outstanding capital stock in, or (ii) the beneficial interest of Trustor, whether voluntary or involuntary.

No sale, lease or other transfer shall relieve Trustor from primary liability for its obligations under the Loan Documents or relieve any guarantor from any liability under any guaranty. Upon any such transfer to which Beneficiary does not consent, Beneficiary at its option may, without prior notice, declare all Secured Obligations immediately due and payable without presentment, demand, protest or further notice of any kind, and may exercise all rights and remedies provided in this Deed of Trust or under applicable law.

4.9 Inspections. Trustor authorizes Beneficiary and its agents, representatives and employees, upon reasonable notice to Trustor, to enter at any time upon any part of the Collateral for the purpose of performing a Subsequent Valuation, inspecting the Collateral, taking soil or groundwater samples and conducting tests to investigate for the presence of hazardous materials, provided such entry shall cause as little disruption to the occupants of the Collateral as possible, and provided Beneficiary restores the Collateral to its pre-inspection condition if Beneficiary's inspection activities cause damage to the Collateral. Trustor agrees to pay the costs and expenses of Beneficiary incurred in such inspections and examinations, including without limitation, Beneficiary's attorneys' fees, if such inspection was made necessary because of an Event of Default, whether the services are provided by Beneficiary's employees, agents or independent contractors. Any inspection or review by Beneficiary is solely for Beneficiary's benefit to protect Beneficiary's security and preserve Beneficiary's rights under this Deed of Trust. Beneficiary owes no duty of care to protect Trustor or any other party against, or to inform Trustor or any other party of, any adverse condition affecting the Collateral, including any defects in the design or construction of the Improvements or Fixtures. No inspection by Beneficiary shall constitute a waiver of any Event of Default.

4.10 Defense of Actions. Trustor shall notify Beneficiary of any action or proceeding purporting to affect (a) the security of this Deed of Trust, (b) any of the other Loan Documents, (c) all or any part of the Collateral or any interest in it, (d) any additional or other security for the Secured Obligations, or (e) the interests, rights, powers or duties of Beneficiary or Trustee under this Deed of Trust. Trustor, at no cost or expense to Beneficiary or Trustee, shall appear in and defend the same. If Beneficiary or Trustee elects to become or is made a party to such action or proceeding, Trustor shall indemnify, defend and hold Trustee and Beneficiary harmless from all related liability, damage, cost and expense reasonably incurred by either Trustee or Beneficiary (including, without limitation, reasonable attorneys' fees and expenses consistent with Section 4.13 of this Deed of Trust), whether or not such action or proceeding is prosecuted to judgment or decision.

4.11 Protection of Security. If Trustor fails to make any payment or to do any act required by this Deed of Trust or any of the other Loan Documents, Beneficiary and/or Trustee may do so. Beneficiary or Trustee may decide to do so, each in its own discretion, without obligation to do so, without further notice or demand, and without releasing Trustor in such manner and to

such extent as either may reasonably deem necessary to protect the security of this Deed of Trust. In connection with such actions, Beneficiary and Trustee each have the right, without limitation, but not the obligation: (a) to enter upon and take possession of the Collateral; (b) to make additions, alterations, repairs and improvements to the Land, Improvements or Fixtures that in the judgment of either may be necessary or proper to keep the Collateral in good condition and repair; (c) to appear and participate in any action or proceeding affecting or that may affect the security of this Deed of Trust or the rights or powers of Beneficiary or Trustee; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt (excepting Permitted Exceptions) that in the judgment of either may affect the lien or charge of this Deed of Trust or appear to be prior or superior to this Deed of Trust; and (e) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

4.12 Beneficiary's Powers. If Trustor fails to pay any sum, other than principal and interest on the Secured Obligations, or to perform or comply with any other obligation required by any Loan Document, Beneficiary at its election may pay such sum or comply with such obligation. Without affecting the liability of Trustor or any other person liable for the payment of any Secured Obligation, and without affecting the lien or charge of this Deed of Trust, Beneficiary may, from time to time, do any of the following: (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation (provided however, that the consent of Trustor shall be required for extension or alteration of any unpaid obligation of Trustor to Beneficiary), (c) waive any provision of this Deed of Trust or grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed, at any time at Beneficiary's option, all or any part of the Collateral, (e) take or release any other or additional security for any Secured Obligation, or (f) make arrangements with debtors in relation to the Secured Obligations. Waiver by Beneficiary of any right or remedy as to any transaction or occurrence shall not be deemed to be a waiver of any future transaction or occurrence. By accepting full or partial payment or performance of any Secured Obligation after due or after the filing of a notice of default and election to sell, Beneficiary shall not have thereby waived its right to (i) require prompt payment and performance in full, when due, of all other Secured Obligations, (ii) declare a default for failure to so pay or perform, or (iii) proceed with the sale under any notice of default and election to sell previously given by Beneficiary, or as to any unpaid balance of the indebtedness secured by this Deed of Trust.

4.13 Reimbursement of Costs, Fees and Expenses: Secured by Deed of Trust. Trustor shall pay, on demand, to the maximum allowable under applicable law, all reasonable costs, fees, expenses, advances, charges, losses and liabilities paid or incurred by Beneficiary and/or Trustee in administering this Deed of Trust, the collection of the Secured Obligations, and Beneficiary's or Trustee's exercise of any right, power, privilege or remedy under this Deed of Trust. Such amounts include, without limitation (a) foreclosure fees, Trustee's fees and expenses, receiver's fees and expenses and Trustee's sale guaranty premiums, (b) costs and fees paid or incurred by Beneficiary and/or Trustee and/or any receiver appointed under this Deed of Trust in connection with the custody, operation, use, maintenance, management, protection, preservation, collection, appraisal, sale or other liquidation of the Collateral, (c) advances made by Beneficiary and/or

Trustee to complete or partially construct all or part of any Improvements, which may have been commenced on the Land, or otherwise to protect the lien or charge of this Deed of Trust, (d) costs of evidence of title, costs of surveys and costs of appraisals, and costs resulting from Trustor's failure to perform any of the provisions of this Deed of Trust. Fees, costs and expenses of attorneys shall include the reasonable fees and disbursements of Beneficiary's outside and staff counsel and of any experts and agents (including fees of law clerks, paralegals, investigators and others not admitted to the bar but performing services under the supervision of an attorney), and including such fees incurred in the exercise of any remedy (with or without litigation), in any proceeding for the collection of the Secured Obligations, in any foreclosure on any of the Collateral, in protecting the lien or priority of any Loan Document, or in any litigation or controversy connected with the Secured Obligations, including any bankruptcy, receivership, injunction or other proceeding, or any appeal from or petition for review of any such proceeding. Reasonable counsel fees shall include fees incurred not only in enforcing the Secured Obligations in any bankruptcy or receivership proceeding, but also any fees incurred in participating in the bankruptcy or receivership proceedings generally. Such sums shall be secured by this Deed of Trust and shall bear interest from the date of expenditure until paid at the Default Interest Rate.

ARTICLE 5 ASSIGNMENT OF RENTS, ISSUES AND PROFITS

5.1 Assignment of Rents, Issues and Profits. Trustor absolutely, unconditionally and irrevocably assigns and transfers to Beneficiary all of its right, title and interest in and to all rents, issues, profits, royalties, income and other proceeds and similar benefits derived from the Collateral (collectively the "Rents"), and gives to Beneficiary the right, power and authority to collect such Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and or sue, in its name or in Trustor's name, for all Rents, and to apply them to the Secured Obligations. Beneficiary hereby grants to Trustor a license to collect and retain Rents (but not more than one month in advance unless the written approval of Beneficiary has first been obtained) so long as an Event of Default shall not have occurred and be continuing. The assignment of the Rents in this Article 5 is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

5.2 Collection Upon Default. Upon the occurrence of an Event of Default, Trustor's license to collect the Rents shall automatically terminate. Upon such termination, Beneficiary may, at any time, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Secured Obligations, do any of the following: (a) enter upon and take possession of all or any part of the Collateral; (b) with or without taking possession of the Collateral in its own name, sue for or otherwise collect Rents (including those past due and unpaid, and all prepaid Rents and all other security or other deposits paid by tenants to Trustor); and (c) apply the Rents (less costs and expenses of operation and collection, including, without limitation, attorneys' fees, whether or not suit is brought or prosecuted to judgment) to any

Secured Obligation, and in such order as Beneficiary may determine, even if payment or performance of said Secured Obligation may not then be due. Trustor agrees that, upon the occurrence of any Event of Default, Trustor shall promptly deliver all Rents and security deposits to Beneficiary. The collection of Rents, or the entering and taking possession of the Land, or the application of Rents as provided above, shall not (i) cure or waive any Event of Default or notice of default under this Deed of Trust or the other Loan Documents, (ii) invalidate any act performed in response to such Event of Default or pursuant to such notice of default, or (iii) cause Beneficiary to be deemed a deed of trust-in-possession of all or any part of the Land.

5.3 Assigned Leases. Trustor agrees, with respect to each lease and sublease (collectively the "Assigned Leases") any portion of which has been assigned to Beneficiary under this Deed of Trust, as follows:

5.3.1 Trustor shall promptly perform all of Trustor's obligations as landlord under each Assigned Lease and shall immediately notify Beneficiary in writing of any notice of default received by Trustor from the tenant. At Beneficiary's request, Trustor will have tenant execute estoppel certificates and subordination agreements acceptable to Beneficiary.

5.3.2 Trustor shall diligently enforce the performance of all of the obligations of the tenant under each Assigned Lease; shall not waive any default or waive, release or discharge any such tenant of or from any such obligation; and shall not cancel, terminate or modify any Assigned Lease without Beneficiary's prior written consent.

5.3.3 Trustor hereby represents and warrants to Beneficiary, with respect to each Assigned Lease that is presently in effect (collectively the "Current Assigned Leases"), (a) that Trustor has delivered to Beneficiary a true and complete copy of each Current Assigned Lease, together with all amendments, modifications and supplements thereto; (b) that Trustor has not accepted any payment of Rent (or other charge) under any Current Assigned Lease more than one month in advance; and (c) that, to the best of each Trustor's knowledge, no material default by Trustor or any other person under any Current Assigned Lease remains uncured.

5.4 Further Assignments. Upon Beneficiary's demand from time to time, Trustor shall execute and deliver to Beneficiary recordable assignments of Trustor's interest in any and all leases, subleases, contracts, rights, licenses and permits now or hereafter affecting all or any part of the Land. Such assignments shall be made by instruments in form and substance satisfactory to Beneficiary; provided however, that no such assignment shall be construed as imposing upon Beneficiary any obligation with respect thereto. Beneficiary may, at its option, exercise its rights under this Deed of Trust or any such specific assignment and such exercise shall not constitute a waiver of any right under this Deed of Trust or any such specific assignment.

ARTICLE 6
REMEDIES UPON DEFAULT

6.1 Events of Default. The occurrence of any of the following events or conditions shall constitute an event of default ("Event of Default") under this Deed of Trust:

6.1.1 Trustor fails to pay any amount owing under this Deed of Trust when due; or

6.1.2 Trustor fails to pay any taxes, insurance premiums, assessments or rents required under this Deed of Trust; or

6.1.3 Trustor fails to observe or perform any other obligation contained in this Deed of Trust; or

6.1.4 The occurrence of an Event of Default under any other Loan Document; or

6.1.5 All or any portion of the Improvements or Fixtures are destroyed by fire or other casualty and Trustor fails to satisfy all of the restoration conditions within the time periods specified in Section 4.3 of this Deed of Trust; or

6.1.6 All or any material part of the Land or other Collateral is condemned, taken in eminent domain, seized or appropriated by any governmental or quasi-governmental agency or entity.

6.2 Acceleration Upon Default: Additional Remedies. Upon the occurrence of an Event of Default, Beneficiary may, at its option, exercise all of the applicable rights and remedies set forth in the other Loan Documents and, in addition, declare all Secured Obligations to be immediately due and payable without any presentment, demand, protest or further notice of any kind; and whether or not Beneficiary exercises any said right or remedy, Beneficiary may:

6.2.1 Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its Collateral;

a. Enter upon and take possession of all or part of the Collateral, in its own name or in the name of Trustee;

b. Conduct environmental assessments and surveys and do any other acts that it deems necessary or desirable to preserve the value, marketability or rentability of all or part of the Collateral or interest in the Collateral or increase the Collateral's income, or protect the lien or charge of this Deed of Trust;

c. With or without taking possession of the Collateral, sue for or otherwise collect the Rents, including those past due and unpaid; and

d. Apply the Rents (less costs and expenses of operation and collection including attorneys' fees) to any Secured Obligations, all in such order as Beneficiary may determine;

The entering and taking possession of the Collateral, the collection of such Rents and their application shall not cure or waive any Event of Default or notice of default or invalidate any act done in response to them. Regardless of whether possession of the Collateral or the collection, receipt and application of any of the Rents is by Trustee, Beneficiary or a receiver, Trustee or Beneficiary shall be entitled to exercise every right provided for in the Loan Agreement and other Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

6.2.2 Commence an action to foreclose this Deed of Trust, appoint a receiver, or specifically enforce any of the covenants contained in this Deed of Trust;

6.2.3 Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to sell the Collateral, which notice Trustee or Beneficiary shall cause to be recorded in the official records of the Counties in which the Land is located;

6.2.4 Exercise all of the rights and remedies available to a secured party under the applicable Uniform Commercial Code in such order and in such manner as Beneficiary, in its sole discretion, may determine, including without limitation, requiring Trustor to assemble the Collateral and make the Collateral available to Beneficiary at a reasonably convenient location. The expenses of retaking, holding, preparing for sale or the like shall include reasonable attorneys' fees and other expenses of Beneficiary and Trustee and shall be secured by this Deed of Trust; and/or

6.2.5 Exercise all other rights and remedies provided in this Deed of Trust, in any other Loan Document or other document or agreement now or hereafter securing all or any portion of the Secured Obligations, or as provided by law or in equity.

6.3 Foreclosure By Power of Sale.

6.3.1 Upon receipt of notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as is then required by law. After such lapse of time, recordation of notice of default, and giving of notice of sale as are required by law, Trustee shall, without demand on Trustor, sell the Land, Fixtures and Improvements at the time and place of sale fixed by it in said notice of sale, or as lawfully postponed. Trustee may sell the Land, Fixtures and Improvements either as a whole, or in separate lots or parcels or items and in such order as Beneficiary may direct Trustee to so do, 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 its good and sufficient deed conveying the Land, Fixture or Improvement so sold, but without any covenant or warrant, express or implied. The recitals of any matter or fact in such deed shall be conclusive proof of

their truthfulness. Any person, including without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

6.3.2 After deducting all fees, costs and expenses incurred by Beneficiary or Trustee in connection with such sale, including costs of evidence of title up to the maximum allowed by applicable law, Beneficiary shall apply the proceeds of sale to payment of (a) first, all amounts expended under the terms of this Deed of Trust which are not then repaid, with accrued interest at the Default Interest Rate; (b) second, all other Secured Obligations; and (c) the remainder, if any, to the person or persons legally entitled.

6.3.3 Subject to applicable law, Trustee may postpone the sale.

6.3.4 A sale of less than the whole of the Land, Fixtures or Improvements or any defective or irregular sale made under this Deed of Trust shall not exhaust the power of sale provided for in this Deed of Trust; and subsequent sales may be made until all the Secured Obligations have been satisfied, or the entire Land, Fixtures or Improvements sold, without defect or irregularity.

6.4 Appointment of Receiver. Upon the occurrence of an Event of Default under this Deed of Trust, Beneficiary, without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Collateral or the interest of Trustor in it, shall have the right to enter the Land in person or to apply to any court having jurisdiction to appoint a receiver or receivers of the Land, Fixtures or Improvements. Trustor irrevocably consents to such appointment and waives notice of any such application. The actions that Beneficiary or such receiver may take in connection with such entry may include, but are not limited to (a) modifying, compromising obligations under, terminating and implementing remedies with respect to the Assigned Leases, and (b) entering into, modifying or terminating any contractual arrangements, subject to Beneficiary's right at any time to discontinue any of the same without liability. Beneficiary is further authorized by this provision to request the court to appoint a general receiver and to empower the receiver to (i) sell or lease all or any portion of the Land, Fixtures or Improvements, (ii) collect and apply to the outstanding balances of the Secured Obligations all sales or lease proceeds, or hold the proceeds pending a court order approving the receiver's final report and account, and (iii) hold the collections as cash collateral pending such court order or foreclosure sale. Any such receiver(s) shall also have all the usual powers and duties of receivers in similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust, and shall continue to exercise all such powers until the date of confirmation of sale of the Land, Fixtures or Improvements, unless such receivership is sooner terminated. If Beneficiary elects to enter or take possession of the Land, Fixtures or Improvements, it will not assume any liability to Trustor or any other person for operation or maintenance of the Land, Fixtures or Improvements, and Trustor expressly waives any such Beneficiary liability.

6.5 Application of Funds After Default. Except as otherwise provided in this Deed of Trust, upon the occurrence of an Event of Default, Beneficiary may at any time, with notice to

Trustor if providing such notice will not adversely delay the exercise of Beneficiary's rights or remedies, apply to any Secured Obligation, in such manner and order as Beneficiary may elect, even if such Secured Obligation may not yet be due, any amounts received and held by Beneficiary to pay insurance premium or impositions or as Rents, or as insurance or condemnation proceeds, and all other amounts received by Beneficiary from or on account of Trustor or the Collateral, or otherwise. The receipt, use or application of any such amounts shall not affect the maturity of any Secured Obligation, any of the rights or powers of Beneficiary or Trustee under the terms of any Loan Document, or any of the obligations of Trustor or any guarantor under the Loan Agreement or any other Loan Document; or cure or waive any Event of Default or notice of default under the Loan Documents; or invalidate any act of Trustee or Beneficiary.

6.6 Remedies Not Exclusive. Trustee and Beneficiary shall each be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Deed of Trust or any other Loan Document or other agreement or any law, even if some or all of the Secured Obligations may be otherwise secured, whether by guaranty, deed of trust, mortgage, pledge, lien, assignment or otherwise. Neither the acceptance nor enforcement (whether by court action or pursuant to the power of sale or other powers herein contained) of this Deed of Trust shall impair Trustee's or Beneficiary's right to realize upon or enforce any other security held by Trustee or Beneficiary. Trustee and Beneficiary shall each be entitled to enforce this Deed of Trust and any other security for the Secured Obligations held by Beneficiary or Trustee in such order and manner as they may in their absolute discretion determine. No remedy conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy in this Deed of Trust, and other agreement, or at law, but each shall be cumulative and in addition to every other remedy available to Beneficiary. Every power or remedy given by any of the Loan Documents to Trustee or Beneficiary or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary, and either of them may pursue inconsistent remedies. Trustor may be joined in any action brought by Beneficiary to foreclose under or otherwise enforce this Deed of Trust.

6.7 Request for Notice. Trustor requests that a copy of any notice of default and that a copy of any notice of sale under this Deed of Trust be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE 7 MISCELLANEOUS

7.1 Amendments. This instrument cannot be waived, modified, discharged or terminated except in writing signed by the party against whom enforcement of such changes is sought.

7.2 Waivers. Trustor waives, to the extent permitted by law, (a) the benefit of all laws (whenever enacted) providing for any appraisal before sale of any portion of the Collateral, (b) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the

whole of the Secured Obligations and marshaling in the event of foreclosure of this Deed of Trust, and (c) all rights and remedies that Trustor may have under the laws of the State of Washington regarding the rights and remedies of sureties.

7.3 Statements By Trustor. Trustor shall, within 10 days after notice from Beneficiary, deliver to Beneficiary a written statement setting forth whether Trustor has any knowledge that any offset or defense exists against the Secured Obligations.

7.4 Statements By Beneficiary. For any statement or accounting requested by Trustor or any other entitled person pursuant to applicable law, or for any other document or instrument furnished to Trustor by Beneficiary, Beneficiary may charge: (a) the maximum amount permitted by law at the time of the request, (b) if no such maximum, then the greater of Beneficiary's customary charges or the actual cost to Beneficiary.

7.5 Reconveyance By Trustee. Trustee shall reconvey the Land, Fixtures or Improvements, without warrant, to the person or persons legally entitled to it upon (a) written request of Beneficiary stating that all Secured Obligations have been paid and fully performed, (b) surrender by Beneficiary of this Deed of Trust, and (c) payment by Trustor of Trustee's fees and the costs and expenses of executing and recording any requested reconveyance. The recitals in any such reconveyance of any matter or fact shall be conclusive proof of their truthfulness. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto."

7.6 Notices. All notices, demands, approvals and other communications shall be made in writing to the appropriate party at the address set forth in the first paragraph of this Deed of Trust. All such notices shall be made in accordance with the Loan Agreement.

7.7 Acceptance By Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

7.8 Headings. Article and section headings are included in this Deed of Trust for convenience of reference only and shall not be used in construing this Deed of Trust.

7.9 Severability. Every provision of this Deed of Trust is intended to be severable. The illegality, invalidity or unenforceability of any provision of this Deed of Trust shall not in any way affect or impair the remaining provisions of this Deed of Trust, which provisions shall remain binding and enforceable.

7.10 Subrogation. To the extent that proceeds of the Secured Obligations are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Collateral, Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, regardless of whether such liens, charges or encumbrances are released.

7.11 No Merger of Lease. Foreclosure of the lien created by this Deed of Trust on the Land, Fixtures or Improvements shall not destroy or terminate the Lease, any Assigned Lease or other lease or sublease then existing and affecting all or any portion of the Land, Fixture or Improvement, unless Beneficiary or any purchaser at such foreclosure sale shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall terminate any Assigned Lease or other lease or sublease unless a Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant. If both the lessor's and lessee's estate under any lease that constitutes a part of the Land, Fixture or Improvement shall become vested in one owner, this Deed of Trust and its lien shall not be destroyed or terminated by application of the doctrine of merger unless Beneficiary so elects, as evidenced by recording a written declaration so stating. Until Beneficiary so elects, Beneficiary shall continue to have and enjoy all of the rights, powers and privileges of Beneficiary under this Deed of Trust as to the separate estates.

7.12 Governing Law. This Deed of Trust shall be governed by, and construed in accordance with, the substantive laws of the State of Washington, except where the location of the Land may require the application of the laws of another state or where federal laws, including the Farm Credit Act of 1971, as amended, may be applicable.

7.13 Statute of Limitations. Trustor hereby waives, to the fullest extent permitted by law, the right to plead, use or assert any statute of limitations as a plea, defense or bar to any Secured Obligation, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Deed of Trust or any rights under it.

7.14 Interpretation. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and the neuter and vice versa, if the context so requires; and the word "person" shall include corporation, partnership or other form of association. Any reference in this Deed of Trust to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such document, instrument or agreement both as originally executed and as it may from time to time be modified.

7.15 Trust Irrevocable. The trust created by this Deed of Trust is irrevocable by Trustor. All Secured Obligations shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction. Trustor waives all rights conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any Secured Obligation.

7.16 Further Assurances. Trustor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments as Beneficiary or Trustee may reasonably require to: (a) correct any defect, error or omission in this Deed of Trust or the execution or acknowledgment of this Deed of Trust, (b) subject to the lien of this Deed of Trust any of Trustor's properties covered or intended to be covered by this Deed of Trust, (c) perfect, maintain and keep valid and effective such lien, (d) carry into effect the purposes of this Deed of Trust, or

(e) better assure and confirm to Beneficiary or Trustee their respective rights, powers and remedies under this Deed of Trust.

7.17 Trustee's Powers. Upon written request of Beneficiary and presentation of this Deed of Trust, Trustee may (a) reconvey all or any part of the Land, Fixtures or Improvements, (b) consent in writing to the making of any map or plat thereof, (c) join in granting any easement thereon, or (d) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or instrument relating hereto or to all or any part of the Collateral. Trustee may take such action at any time, and from time to time, without liability and without notice, and without affecting the personal liability of any person for payment of the indebtedness or the performance of any other Secured Obligation or the effect of this Deed of Trust upon the remainder of the Collateral.

7.18 Substitution of Trustee. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Land is located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee under this Deed of Trust.

7.19 Successors and Assigns. Subject to Section 4.8 above, this Deed of Trust applies to, inures to the benefit of and binds all parties to this Deed of Trust, their heirs, legatees, devisees, administrators, executors, successors and assigns.

7.20 Appraisal and Property Valuation Costs. Trustor acknowledges that Beneficiary has a legitimate business need to remain apprised of the current value of the Collateral, and Beneficiary from time to time after recordation of this Deed of Trust may order a valuation ("Subsequent Valuation") of the Collateral. Trustor shall cooperate in allowing Beneficiary or its agents reasonable access to the Collateral for the purpose of performing any such Subsequent Valuation, whether it is in the form of an appraisal or any other method of valuing the Collateral. Trustor shall pay promptly to Beneficiary, on demand, the costs of any such Subsequent Valuation, whether performed by employees, agents, or independent contractors of Beneficiary.

7.21 Waiver of Marshalling Rights. Trustor for itself and for all parties claiming through or under Trustor, and for all parties who may acquire a lien on or interest in the Land, hereby waives all rights to have the Collateral and/or any other property that is now or later may be security for any Secured Obligation ("Other Collateral") marshaled upon any foreclosure of this Deed of Trust or on a foreclosure of any other security for any of the Secured Obligations. Beneficiary shall have the right to sell, and any court in which foreclosure proceedings may be brought shall have the right to order a sale of the Collateral and any or all of the Other Collateral, as a whole or in separate parcels, in any order Beneficiary may designate.

7.22 Disclosures Regarding Insurance Coverage. The following disclosure is made by Beneficiary and Trustee to Trustor pursuant to Or. Rev Stat. ¶ 746.201:

WARNING

7.22.1 Unless you provide us with evidence of the insurance coverage as required by this Deed of Trust and the other Loan Documents, Beneficiary or Trustee may purchase insurance at your expense to protect its interest. This insurance may, but may not also protect your interest. If the Collateral becomes damaged, the coverage Beneficiary or Trustee purchases may not pay any claim you make or any claim made against you. You may later request that Beneficiary cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

7.22.2 You are responsible for the cost of any insurance purchased by Beneficiary or Trustee. The cost of this insurance may be added to the Secured Obligation. If the cost is added to the Secured Obligation, the Default Interest Rate will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

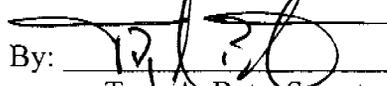
7.22.3 The coverage Beneficiary or Trustee purchases may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

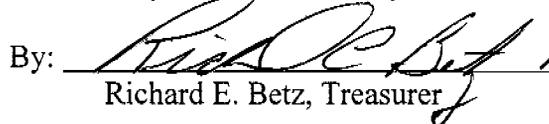
7.23 WAIVER OF JURY TRIAL. TRUSTOR HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LOAN DOCUMENT OR ANY OTHER LOAN DOCUMENTS AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS LOAN DOCUMENT AND ANY OTHER LOAN DOCUMENTS. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, Trustor has duly executed this Deed of Trust as of the date first above written.

TRUSTOR:
ROYALE COLUMBIA FARMS, INC.

By: 
Troy A. Betz, Secretary

By:  1-22-10
Richard E. Betz, Treasurer

WRMS, LLC

By: Michael D. Thornton
Michael D. Thornton, Managing Member

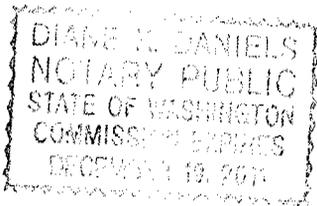
G-2 FARMING, L.L.C.

By: Troy A. Betz
Troy A. Betz, Member

By: Gregory W. Juul
Gregory W. Juul, Member

STATE OF Washington)
County of Franklin)ss.

On this 22nd day of January, 2010, before me personally appeared Troy A. Betz, known to me to be the Secretary of Royale Columbia Farms, Inc., the corporation which executed the within instrument, and acknowledged that he executed the same as the Secretary and in the corporation name freely and voluntarily.



Diane K. Daniels
Notary Public for the State of Washington
Residing at Richland
My commission expires 12-19-2011
Printed Name Diane K Daniels

STATE OF Washington)
County of Franklin)ss.

On this 22nd day of January, 2010, before me personally appeared Richard E. Betz, known to me to be the Treasurer of Royale Columbia Farms, Inc., the corporation which executed the within instrument, and acknowledged that he executed the same as the Treasurer and in the corporation name freely and voluntarily.



Diane K. Daniels
Notary Public for the State of Washington
Residing at Richland
My commission expires 12-19-2011
Printed Name Diane K Daniels

STATE OF Washington)
)ss.
County of Franklin)

On this 22nd day of January, 2010, before me personally appeared Michael D. Thornton, known to me to be the Managing Member of Royale Columbia Farms, Inc., the corporation which executed the within instrument, and acknowledged that he executed the same as the Managing member and in the corporation name freely and voluntarily.



Diane K Daniels
Notary Public for the State of Washington
Residing at Richland
My commission expires 12-19-2011
Printed Name Diane K Daniels

STATE OF Washington)
)ss.
County of Franklin)

On this 22nd day of January, 2010, before me personally appeared Troy A. Betz, known to me to be a member of G-2 Farming, L.L.C., the limited liability company which executed the within instrument, and acknowledged that he executed the same as such member and in the limited liability company's name freely and voluntarily.



Diane K Daniels
Notary Public for the State of Washington
Residing at Richland
My commission expires 12-19-2011
Printed Name Diane K Daniels

STATE OF Washington)
)ss.
County of Franklin)

On this 22nd day of January, 2010, before me personally appeared Gregory W. Juul, known to me to be a member of G-2 Farming, L.L.C., the limited liability company which executed the within instrument, and acknowledged that he executed the same as such member and in the limited liability company's name freely and voluntarily.



Diane K Daniels
Notary Public for the State of Washington
Residing at Richland
My commission expires 12-19-2011
Printed Name Diane K Daniels

Beneficiary acknowledges that this Deed of Trust is subject to a security interest in favor of CoBank, ACB (Bank) and by its acceptance hereto and pursuant to and in confirmation of certain agreements and assignments by and between Beneficiary and Bank, does assign, transfer, and set over the same unto Bank, its successors and assigns, to secure all obligations of Beneficiary to Bank, provided that pursuant to such agreements and assignments Beneficiary has authority to perform all loan servicing and collection actions and activities hereunder, including without limitation thereto, releasing in whole or in part and foreclosing judicially or otherwise this Deed of Trust until the Bank, by instrument recorded in the office in which this Deed of Trust is recorded, revokes such authority.

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**EXHIBIT A
PROPERTY DESCRIPTION**

KLAMATH COUNTY

Lots 12, 13 and 14 of TRACT 1293, being a portion of Tracts 9 through 11 of "ALTAMONT RANCH TRACTS", according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

UMATILLA COUNTY

Tract I

Township 4 North, Range 29, E.W.M.

Section 1: Northeast Quarter of the Northeast Quarter.

South Half of the Northeast Quarter.

Southeast Quarter of the Northwest Quarter.

North Half of the Southeast Quarter.

Southeast Quarter of the Southeast Quarter.

Excepting therefrom any portion lying within that tract of land conveyed to United States of America, for the Cold Springs Reservoir Site, as described in Deed, recorded May 17, 1907 in Book 54, Page 218, Deed Records.

Township 4 North, Range 30, E.W.M.

Section 6: All.

Township 5 North, Range 29, E.W.M.

Section 25: Beginning at the Southeast corner of said Section 25; thence North along the East line thereof to the Northeast corner of said Section 25; thence Southwesterly to the Southwest corner of said Section 25; thence East along the South line thereof to the point of beginning.

Excepting therefrom that tract of land being described as beginning at the Northeast corner of said Section 25; thence South 01°07'44" East, along the East line of said Section 25, a distance of 182.34 feet; thence South 43°23'10" West, a distance of 7,174.57 feet;

thence South 88°46'03" West, a distance of 249.90 feet to the West line of said Section 25; thence North 43°46'09" East, a distance of 7,480.28 feet to the point of beginning.

Section 36: North Half of the North Half.
Southeast Quarter of the Northeast Quarter.

Township 5 North, Range 30, E.W.M.

Section 18: That portion of the Southeast Quarter being described as beginning at the Northeast corner of said Section 18; thence South along the East line of said Section 18 to the Southeast corner of said Section 18; thence West along the South line of said Section 18 to the Southwest corner of said Section 18; thence Northeasterly in a straight line to the point of beginning.

Excepting therefrom any portion lying Northerly and Easterly of Highway 395 as described in Deed to Mel Goodwin, recorded in Book 337, Page 538, Deed Records.

Township 5 North, Range 30, E.W.M.

Also excepting therefrom that portion of the South Half of said Section 18 lying Northerly and Westerly of a line being described as commencing at the Southwest corner of said Section 18; thence North 89°08'02" East along the South line of said Section 18, a distance of 2,540.61 feet to the True Point of Beginning for this line description; thence North 41°33'40" East to the South right-of-way line of U.S. Highway No. 395 (now known as Oregon State Highway No. 37) and the point of terminus for this line description.

Section 29: All.

Section 30: All.

Section 31: North Half.
Southeast Quarter.
South Half of the Southwest Quarter.

Section 32: South Half of the Northwest Quarter.
North Half of the Southwest Quarter.
Southwest Quarter of the Southwest Quarter.

Excepting from all of the described lands any portion lying within County Road or Highway right-of-ways.

All being East of the Willamette Meridian, Umatilla County, Oregon.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Associates, described as:

A strip of land 16 feet wide, being the extreme easterly 16 feet of that portion of Section 19, Township 5 North, Range 30, E.W.M., lying south of the northerly right of way line of U.S. Highway No. 395 right of way.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Farms, Inc., described as:

A strip of land 16 feet in width being the extreme Westerly 16 feet of Section 17 and the extreme Westerly 16 feet of Section 17 and the extreme Westerly 16 feet of that portion of Section 20 lying North of the Northerly right of way of U.S. Highway No. 395, Township 5 North, Range 30, E.W.M., in the County of Umatilla and State of Oregon

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Farms, Inc, described as:

A strip of land situated in Section 17, Township 5 North, Range 30 East, W.M., Umatilla County, Oregon, being more particularly described as follows:

Beginning at the Northwest corner of said Section 17; Thence S01°55'47"E along the West line of said Section 17 a distance of 231.04 feet to a point on the Southerly margin of a Bonneville Power Administration right-of-way and True Point of Beginning; Thence N43°38'34"E along said Southerly margin a distance of 50.00 feet; Thence S46°21'26"E a distance of 20.42 feet; Thence S27°13'48"W a distance of 102.62 feet to the West line of said Section 17; Thence N01°52'57"W along said West line a distance of 69.19 feet to the True Point of Beginning.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Associates, described as:

Parcel 1 – Pump Plant Site

A parcel of land situated in Sections 7 and 8, Township 5 North, Range 30 East, W.M., Umatilla County, Oregon, and being more particularly described as follows:

Beginning at the Southwest corner of said Section 8; Thence North 01°01'06" East along the West line of said Section 8 a distance of 2671.17 feet to a point on the Northerly margin of U.S. Highways No. 395 and 730 right-of-way; Thence North 57°31'45" East along said Northerly margin a distance of 78.61 feet to the TRUE POINT OF BEGINNING; Thence North 32°28'15" West a distance of 36.00 feet; Thence North 77°29'03" West a distance of 11.31 feet; Thence North 32°28'15" West a distance of 76.00 feet; Thence South 57°31'45" West a distance of 35.00 feet; Thence South 32°28'15" East a distance of 12.00 feet; Thence North 57°31'45" East a distance of 43.00 feet to the TRUE POINT OF BEGINNING.

This Parcel contains 0.10 acres, more or less.

Parcel 2 – Pipeline Right-of-Way

A strip of land of varying width situated in the West half of the West half of Section 8, Township 5 North, Range 30 East, W.M., Umatilla County, Oregon, and being more particularly described as follows:

Beginning at the Southwest corner of said Section 8; Thence North 01°01'06" East along the West line of said Section 8 a distance of 2671.17 feet to a point on the Northerly margin of U.S. Highways No. 395 and 730 right-of-way; Thence North 57°31'45" East along said Northerly margin a distance of 78.61 feet to the TRUE POINT OF BEGINNING; Thence South 32°28'15" East a distance of 163.53 feet; Thence South 17°13'47" West a distance of 506.74 feet; Thence South 01°14'34" West a distance of 1768.64 feet; Thence South 15°27'17" East a distance of 336.39 feet to a point on the South line of said Section 8, said point lying South 89°11'04" East a distance of 102.78 feet from the Southwest corner of said Section 8; Thence North 89°11'04" West a distance of 7.68 feet; Thence North 15°27'17" West a distance of 335.36 feet to a point on the West line of said Section 8, said point lying North 01°01'06" East a distance of 321.93 feet from the Southwest corner of said Section 8; Thence North 01°01'06" East along the West line of said Section 8 a distance of 1792.04 feet; Thence North 17°13'47" East a distance of 479.96 feet; Thence North 32°28'15" West a distance of 154.27 feet to a point on the Northerly margin of U.S. Highways No. 395 and 730 right-of-way; Thence North 57°31'45" East along said Northerly margin a distance of 20.00 feet to the TRUE POINT OF BEGINNING.

EXCEPTING therefrom all that portion lying within the rights-of-way of U.S. Highways No. 395 and 730, and the Union Pacific Railroad Company.

This Parcel contains 0.66 acres, more or less.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Associates, described as:

Underground irrigation pipeline between structures 53/1 and 53/2 of the Lower Monumenta-John Day No. 1 transmission line, in the NW1/4NW1/4 of Section 17, Township 5 North, Range 30 East, Willamette Meridian, Umatilla County, Oregon.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Hawman Properties LLC, described as:

A strip of land 20.00 feet, in width situated in Section 19, Township 5 North, Range 30 East, W.M., Umatilla County, Oregon, and having 10.00 feet of said width on either side of the following described centerline:

Beginning at the Northeast corner of said Section 19; Thence S 01° 13' 02" E along the East line of said Section 19 distance of 556.88 feet to the True Point of Beginning; Thence N 16° 28' 55" W a distance of 93.00 feet; Thence N 14° 08' 46" E a distance of 44.00 feet, more or less, to a point on the Southerly margin of Oregon State Highway No. 36, PENDLETON-COLD SPRINGS (Highway Ref. No. 4B-7-4), said point being opposite Engineer's Station 147+67.4 and Terminus of this Centerline;

TOGETHER WITH the East 16 feet of said Section 19, as measured at right angles to the East line of said Section 19, lying South of the following described line:

Beginning at the Northeast corner of said Section 19; Thence S 01° 13' 02" E along the East line of said Section 19 distance of 556.88 feet to the True Point of Beginning; Thence N 16° 28' 55" W a distance of 60.77 feet to the Terminus of this line.

TOGETHER WITH all irrigation equipment, now owned and used, in whole or in part to irrigate the mortgaged property and located on property owned by Royale Columbia Farms, Inc., described as:

Pipeline #1: One pipeline leaves Grantee's lands in the S 1/2 SW 1/4, Section 31, Township 5 North, Range 30 East, W.M., crosses Grantors lands in the NW 1/4 NW 1/4 of said Section 6, and re-enters Grantee's land in the E 1/2 NE 1/4 Section 1, Township 4 North, Range 29 East, W.M.

Pipeline #2: A second pipeline also leaves Grantee's lands in the S 1/2 SW 1/4 of said Section 31, crosses Grantors' lands in the E 1/2 NW 1/4 of said Section 6, and re-enters Grantee's lands in the W 1/2 NE 1/4 of said Section 6.

Tax Map Nos.

Klamath County –

<u>Account Nos.</u>	<u>Key No.</u>	<u>Code:</u>
3909-010CB-02500-000	875580	041
3909-010CB-02600-000	875581	041
3909-010CB-02700-000	875582	041
P-009750	P886037	041

Umatilla County –

<u>Map No.</u>	<u>Tax Lot</u>	<u>Serial No.</u>	<u>Code</u>
4N-29A	100	130850	8-3
4N-30	600	133360	61-13
4N-30	700	133361	61-13
4N-30	701	133363	61-13
5N-29D	2900	130861	8-3
5N-30	903	127809	8-4
5N-30	1100	130871	8-3

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