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Klamath County, Oregon  
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**RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:**

Thomas L. Palotas  
Pepple Cantu Schmidt PLLC  
1000 Second Avenue, Suite 2950  
Seattle, Washington 98104

[SPACE ABOVE THIS LINE FOR RECORDER'S USE]

Tax account Nos. R76358, R76429, R76438, R76447, R76367, R76875 & R76857

Prudential Loan Nos. 717610377, 717610461,  
717610757, 717610952 & 717611203

**TRUST DEED, SECURITY AGREEMENT,  
AND FIXTURE FILING  
WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS  
(2016 Trust Deed, Klamath County, Oregon)**

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

**The maturity date of the obligations secured by this Trust Deed  
is on or before April 1, 2031.**

This TRUST DEED, SECURITY AGREEMENT, AND FIXTURE FILING WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS (this *"Trust Deed"*) dated May 3, 2016, is made by FORT KLAMATH LAND COMPANY, LLC, a Delaware limited liability company, (*"Grantor"*) as grantor, having a street address at 4291 LaGrande Road, Williams, California 95987, and a mailing address at P.O. Box 1030, Williams, California 95987, to AMERITITLE (*"Trustee"*) as trustee, having offices at 300 Klamath Avenue, Klamath Falls, Oregon 97601, for the benefit of THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation, (*"Lender"*) as beneficiary, having offices at 2998 Douglas Blvd, Suite 225, Roseville, California 95661, referencing Loan No. 717611203.

**WITNESSETH:**

Grantor HEREBY IRREVOCABLY GRANTS, CONVEYS, TRANSFERS AND ASSIGNS to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit of Lender, all of Grantor's right, title and interest now owned or hereafter acquired in and to the following property, together with the Personalty (as hereinafter defined), all of which is hereinafter collectively defined as the *"Property"*:

That certain real property (the *"Land"*) located in Klamath County, 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

All Leases 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 of the Obligations (as hereinafter defined).

## ARTICLE 1 DEFINITIONS

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

***“2016 Loan Modification”:*** The Loan Modification Agreement (2016) dated the same as this Trust Deed and entered into among Borrowers and Lender with regard to Loan Nos. 717610377, 717610461, 717610757, 717610952 & 717611203. This Trust Deed is sometimes referred to as the “2016 Deed of Trust” in the 2016 Loan Modification.

***“Agreements”:*** 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 or newly entered into from time to time.

***“Application”:*** As defined in the 2016 Loan Modification.

***“Borrower” and “Borrowers”:*** Michael & Kristine, Kenneth & Julie, and Grantor, each individually and together.

***“Closing Agreement”:*** As defined in the 2016 Loan Modification.

***“Collateral”:*** As defined in Section 7.1 hereof.

***“Costs”:*** As defined in Section 9.20 hereof.

***“Default”:*** An event or condition which with the passage of time or notice or both would constitute an Event of Default.

***“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, Personalty, and/or any items set forth in the Inventory which become so related or attached to the Land.

***“Hazardous Materials Agreement”:*** The Hazardous Materials Remediation and Indemnification Agreement executed by Grantor and Michael & Kristine in favor of Lender and dated the same as this

Trust Deed and each other Hazardous Materials Remediation and Indemnification Agreement executed in favor of Lender in connection with any of the property encumbered by the Other Deeds of Trust.

***“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, sheds, warehouses, storage facilities and other buildings, (ii) stockwater equipment located on or used in connection with the Land, including, without limitation, wells, well casings, pumps, booster pumps, motors, engines, gearheads, sand filters and pressure systems pumps, drainage pipe, and culverts, (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 Notes (including, without limitation, any Prepayment Premium due under the Notes) and all other amounts due from Grantor or Borrower to Lender evidenced or secured by the Loan Documents, plus interest on all such amounts as provided in the Loan Documents.

***“Kenneth & Julie”***: KENNETH M. LaGRANDE and JULIE LaGRANDE, husband and wife, individually and as Co-Trustees of The LaGrande Family Trust dated August 29, 2011.

***“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 Grantor.

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

***“Loan” and “Loans”***: The loans from Lender to Borrowers evidenced by the Notes.

***“Loan Documents”***: As defined in the 2016 Loan Modification, and includes each of the Notes, this Trust Deed, each of the Other Deeds of Trust, the 2016 Loan Modification, each Closing Agreement, and all other documents (excluding each Hazardous Materials Agreement) evidencing, securing or relating to the Loans, 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 any Principal Party, or (ii) the condition or operation of the Property.

***“Maturity Date”***: As defined in the Notes.

***“Michael & Kristine”***: MICHAEL V. LaGRANDE and KRISTINE A. LaGRANDE, husband and wife, individually and as Co-Trustees of The LaGrande Family Trust dated December 28, 2011.

***“Note” and “Notes”***: is defined in the 2016 Loan Modification.

***“Obligations”***: Any and all of the covenants, promises and other obligations (including payment of the Indebtedness) made or owing by Grantor to or due to Lender as provided in the Loan Documents, and all of the material covenants and other obligations made or owing by Grantor to any other Person related to the Property, including without limitation the Permitted Exceptions. Notwithstanding the foregoing, or any other term contained herein or in the Loan Documents, none of the obligations under or pursuant to the Hazardous Materials Agreement are secured by this Trust Deed.

***“Other Deeds of Trust”:*** A collective reference to the following deeds of trust:

- (a) ***“2005 Ranch Deed of Trust”:*** Both (i) the Trust Deed, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated February 17, 2005, executed by Michael & Kristine individually in favor of Lender and recorded March 4, 2005, in Volume M05 at page 14624, Microfilm Records of Klamath County, Oregon, and (ii) the Deed of Trust, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated February 17, 2005, executed by Grantor in favor of Lender and recorded March 4, 2005, under Recorder’s Serial No. 2005-0001375, records of Colusa County, California, both as amended to date.
- (b) ***“2007 Farm Deed of Trust”:*** The Deed of Trust, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated August 31, 2007, executed by Michael & Kristine individually and Kenneth & Julie individually in favor of Lender and recorded August 31, 2007, under Recorder’s Serial No. 2007-4716, records of Colusa County, California, as amended to date.
- (c) ***“2008 Ranch Deed of Trust”:*** The Trust Deed, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated July 2, 2008, executed by Michael & Kristine individually in favor of Lender and recorded in Klamath County, Oregon, on July 10, 2008, under no. 2008-009967, and re-recorded on July 23, 2008, under no. 2008-010504, as amended to date.
- (d) ***“2012 Ranch Deed of Trust”:*** The Deed of Trust, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated March 29, 2012, executed by Michael & Kristine individually in favor of Lender and recorded in Tehama County, California, on April 5, 2012, under no. 2012003653, and recorded on April 5, 2012, under Glenn County no. 2012-1428, as amended to date.
- (e) ***“2015 Deed of Trust”:*** The Deed of Trust, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated January 6, 2015, executed by Michael & Kristine as Co-Trustees in favor of Lender, and recorded on January 30, 2015, under Colusa County, California, no. 2015-0000292 and recorded on January 30, 2015, under Glenn County, California, no. 2015-0576, as amended to date.

***“Permitted Exceptions”:*** All of those title exceptions set forth in the title insurance policy issued in favor of Lender that insures the priority of this Trust Deed and each Lease.

***“Person”:*** Any natural person, corporation, limited liability company, firm, partnership association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

***“Personalty”:*** Grantor’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 Land, 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:

- (i) all irrigation, drainage and frost protection equipment;
- (ii) the Easement Agreements;
- (iii) the Agreements;
- (iv) all Leases and contracts related to or pertaining to the Land 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;
- (v) all other tangible and intangible property and rights relating to the Land or its operation, or to be used in connection with the Land, including, but not limited to all agreements, licenses, governmental authorizations or permits pertaining to the Land or the development, ownership,



management or operation thereof; all trademarks, service marks, designs, logos, names or similar identifications pertaining to the Land or under which the Property may be known or operated or which are otherwise owned by Grantor, 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;

- (vi) all income, Accounts (as defined in Article 9 of the Uniform Commercial Code), 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;
- (vii) all construction materials and supplies, leasehold interests in personal property,
- (viii) all water stock relating to, and all Water Rights appurtenant to the Land (to the extent such rights are not deemed to be interests in real property);
- (ix) all contractual rights for the use of water, drainage rights, and rights to receive or transport water to, the Land, 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 California Water Resources Control Board or the Bureau of Reclamation; and
- (x) All products and proceeds of all of the foregoing.

***“Prepayment Premium”***: As defined in the Note.

***“Principal Party”***: Grantor; each other Borrower; any Person directly or indirectly owning 50% or more of a Grantor or Borrower; any trustee or beneficiary with a direct or indirect beneficial interest of 50% or more in any Grantor, Borrower or the Property; any owner of the Property; and any guarantor of a 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 Land or interest therein) and other income from the Property.

***“Secondary Interest Rate”***: As defined in the Notes.

***“Transfer”***: Any one or more of the following occurs: (i) There is any sale, conveyance, assignment, transfer, alienation, mortgage, conveyance of security title, encumbrance, easement or other disposition of the Property or any interest in the Property, of any kind, or there is any other transaction the result of which would be, directly or indirectly, to divest any Grantor of any portion of its title to the Property, voluntarily or involuntarily. (ii) There is any merger, consolidation or dissolution involving, or the sale or transfer of all or substantially all of the assets of a Principal Party. (iii) There is any transfer (at one time or over any period of time) of ten percent (10%) or more of the shares or other ownership interest of, or the beneficial interest in or of, a Principal Party, regardless whether for consideration or for estate-planning purposes. (iv) There is any transfer of any general partnership interest in any Grantor or in any partnership which is a direct or indirect general partner of any Grantor. (v) A trustee of any Grantor which is a trust is either removed or resigns. (vi) Any general partnership interest in any Grantor is converted to a limited partnership interest. (vii) There is any Water Transfer.

***“Water Rights”***: Grantor’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, that serve the Land, including, without limitation, (i) the groundwater on, under, pumped from or otherwise available to the Land, 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 Land 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 Land by virtue of the Land 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 Land; (vi) all rights, including contractual rights, to transport, carry, allocate or otherwise deliver water or any of the foregoing rights from or to the Land by any means, wherever located; and (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 Grantor or the Land may receive any of the rights referred to in clauses (i) through (vi) above. Without limitation of the foregoing, "Water Rights" includes: Primary Water Rights under Certificate 958 from Wood River for 208.9 acres with a priority date of April 8, 1910, Certificate 10899 from Seven Mile Creek for 180.4 acres with a priority date of 1898, Certificate 10930 from Wood River for approx. 837.6 acres with a priority date of May, 1914, Certificate 64188 from Seven Mile Creek for 80 acres with a priority date of 1890, Certificate 64639 from Blue Springs for 78.6 acres with a priority date of 1890, Certificate 27532 from Wood River for 37.25 acres with a priority date of March 13, 1952, and Certificate 76152 from Wood River and the Wood River District Improvement Company for approx. 34.5 acres with a priority date of October 29, 1924; Supplemental Surface Water Rights under Certificate 7757 from Blue Spring for 180.4 acres with a priority date of July 21, 1928, Certificate 32112 from Blue Spring for 73.8 acres with a priority date of March 13, 1952, and Certificate 76152 from Wood River and the Wood River District Improvement Company for approx. 12.5 acres with a priority date of October 29, 1924; and Supplemental Groundwater Rights under Permit G-16886 and Wood River District Improvement Company for two existing wells and two more wells that have not been drilled, and for approx. 73 acres.

**"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) Grantor'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 non-governmental entity, or (v) any shares (or rights under such shares) of any private water company, mutual water company, or other non-governmental entity pursuant to which Grantor or the Land may receive any of the rights referred to in clauses (i) through (iv) above.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

Grantor hereby represents and warrants to Lender and Trustee 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.** (a) Grantor is duly qualified to do business in the State of California. (b) Grantor 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. (c) Grantor 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. (d) Grantor is in compliance with all Laws and Restrictions. (e) Grantor has authorized by all requisite action the execution, delivery and performance by Grantor 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 any of the Property and Grantor 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 Grantor or the Property, nor to the best of Grantor'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 or ranching purposes. (ii) All costs for labor and materials for the construction of the Improvements have been paid in full. (iii) Grantor 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 would be a Default or Event of Default. (v) No Grantor is 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 Grantor'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 Personalty and the Fixtures are owned by Grantor 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) Grantor has received no notices of violations of any Laws and Restrictions. (x) Grantor has paid for and is the owner of all Fixtures and Personalty, free and clear of any security interests or liens other than Permitted Exceptions. (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 Grantor 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.** Grantor declares and certifies, under penalty of perjury, that: (i) Each Grantor's Taxpayer Identification Number is as disclosed to Lender in connection with the Loan application and closing; (ii) the business mailing address of Grantor is as set forth on page 1 hereof; (iii) No Grantor is a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended (the "**Code**"); and (iv) Grantor 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. Grantor 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.

(a) The Land 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 Land. Grantor 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 Land. All water rights certificates and permits for the appropriation and use of surface water and ground water for the Land have been duly issued, are owned solely by Grantor, and are in full force and effect and in good standing.

(b) With respect to all portions of the Land that lie within Water Project or Irrigation Districts, Grantor represents and warrants that (i) Grantor has a contract with each District providing for sufficient water supplies to irrigate the Land and provide stockwater, (ii) such contractual right has not been transferred by grant, contract, condemnation or otherwise, and (iii) Grantor is not in default of District assessments or charges. Grantor shall timely take or cause to be taken such actions as shall be necessary to maintain said contracts and shall not materially decrease the entitlement under the contracts without Lender's prior written consent.

(c) Grantor represents and warrants to Lender that: (i) water used to irrigate and provide water to livestock on the Land is derived from wells located upon the Land; (ii) Grantor has filed with the Oregon Water Resources Department all notices and other documents required under Water Law and is the sole owner of a water right certificate issued by the Oregon Water Resources Department in connection with such wells authorizing the existing use of the well water, and such Certificate and all such use is appurtenant to the Land; (iii) Grantor's use of well water has been continuous since appropriation of such water rights and is in compliance with its water right certificate; and (iv) to the best of Grantor's knowledge, all water drawn from such wells is derived from a ground water basin lying wholly beneath the Land upon which such well is located.

(d) Grantor represents and warrants to Lender that: The rights of Grantor to share in the reasonable beneficial use of the natural flow of water passing any portion of the Land, Wood River, and Seven Mile Creek (together with all other rights to water located upon or supplied to such portion of the Property, the "*Riparian Rights*") have not been transferred by grant, contract, condemnation or otherwise. Grantor has filed with the Oregon Water Resources Department all notices and other documents required under Water Law and is the sole owner of a water right certificate issued by the Oregon Water Resources Department in connection with Riparian Rights authorizing the existing use of such water, and such certificate and all such use is appurtenant to the Land. Grantor's use of its Riparian Rights has been continuous since appropriation of such water rights and is in compliance with its water right certificate. The Riparian Rights are derived from water originating in the watershed supplying such Riparian Rights and no other watershed.

(e) None of the Land is subject to The Reclamation Act of 1902, the Omnibus Adjustment Act of 1926, the Reclamation Reform Act of 1982 and any act or law supplementary thereto, or any rule or regulation promulgated thereunder.

2.6 Crop Patents and Trademarks. Grantor represents and warrants that except for any liens on crops, it has full and unrestricted ownership rights in all crops grown and to be grown on the Land, and in each specimen of crops, and in the names of all crops on the Land, or it has made a written disclosure to Lender of all of the licenses or other enforceable rights it has to grow and harvest existing crops and to use their names, and as to crops to be planted in the future, Grantor shall make such written disclosure. No claim has been made or threatened by any person for patent, trademark or any other intellectual property right infringement with respect to any of the crops or their names on any of the Land.



2.7 **Executive Order 13224.** Grantor and all persons or entities holding any legal or beneficial interest whatsoever in Grantor 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.

2.8 **Illegal Activity.** No portion of the Property has been or will be purchased, improved, fixtured, equipped or furnished with proceeds of any illegal activity and, to the best of each Grantor's knowledge, there are no illegal activities at or on any portion of the Property.

### **ARTICLE 3 AFFIRMATIVE COVENANTS**

Grantor hereby covenants and agrees as follows:

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

3.2 **Insurance.** Grantor, at its sole cost and expense, will keep and maintain for the mutual benefit of Grantor and Lender such liability and casualty insurance and any other coverage from such insurers, in such amounts, and with such endorsements as Lender may require in its sole business discretion. Grantor shall deliver such evidence of insurance as Lender may require.

#### **Notice under ORS 746.201. WARNING**

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

Grantor 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 Interest Rate will apply to the added amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage.

The coverage purchased by Lender may be considerably more expensive than insurance Grantor 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.

3.3 **Maintenance, Waste and Repair.**

(a) At its sole cost and expense, Grantor 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 and raise livestock on the Property employing the usual and normal standards and practices of husbandry customarily employed to produce similar crops and livestock 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.

(b) Without limiting the foregoing in Section 3.3(a), Grantor shall not (i) permit any portion of the Property to be used as a borrow pit, land fill or dump, (ii) change the existing agricultural use of the Land in any material way, or request or permit a change in zoning or land use classification from agricultural use, or (iii) in any way diminish any of Grantor's Water Rights (whether riparian, appropriative or otherwise and whether or not appurtenant).

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

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

3.6 **Books and Records and Other Information.** Grantor, without expense to Lender, will furnish or cause to be furnished to Lender the financial statements and reports:

- (a) annual financial reports prepared by certified public accountants containing a balance sheet listing all assets and liabilities of each Borrower in form and substance satisfactory to Lender within one hundred twenty (120) days after each year end;
- (b) annual federal income tax returns, complete with all schedules, for each Borrower within one hundred twenty (120) days after each year end; and
- (c) such other data and information concerning the condition of each Borrower and the Property as Lender shall reasonably request as from time to time.

Each Borrower shall maintain full and complete books of account and records reflecting the results of the operations of the Property in accordance with generally accepted accounting principles consistently applied.

3.7 **Further Assurances/Additional Information.** Grantor, at any time upon the reasonable request of Lender, will at Grantor'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, Grantor 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 Grantor of the Obligations, and (ii) immediately upon receipt, copies of all (a) notices of violation relating to the Property that Grantor receives from any governmental agency or authority, and (b) notices of default that Grantor shall give or receive under any agreement that Grantor covenants to perform hereunder.

3.8 **Litigation.** Grantor 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.** Grantor 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 Materials Agreement. Grantor 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, Grantor 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) Grantor shall have posted a bond or furnished such other security as may be reasonably required from time to time by Lender.

3.11 **Prepayment.** Grantor may prepay the Loan only on the terms and conditions set forth in the Note and Grantor 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 Grantor'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 Grantor's sole expense, Grantor 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 are 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.** No Grantor or any person holding any legal or beneficial interest whatsoever in Grantor 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 the Office of Foreign Assets Control of the United States Department of the Treasury (OFAC) or any other department or agency of the United States of America. Notwithstanding the foregoing, Grantor hereby confirms that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an "***OFAC Violation***"), Grantor will immediately (i) give notice to Lender of such OFAC Violation, and (ii) comply with all Laws and Restrictions 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 Grantor 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 and Restrictions applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Section 3.14, Grantor 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 Grantor timely complies with all requirements imposed by the foregoing sentence and all requirements of the Anti-Terrorism Regulations and all other applicable Laws and Restrictions relating to such OFAC Violation.

#### ARTICLE 4 NEGATIVE COVENANTS

Grantor hereby covenants to and agrees as follows:

4.1 **Restrictive Uses.** Grantor will not initiate, join in, or consent to any change in the current use of the Land 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 Land or any part thereof or in any way change the boundaries of the Land (including without limitation, any agreed boundary line changes or lot line adjustments) without the prior written consent of Lender.

4.2 **Prohibited Transfers.** Grantor shall give Lender prior written notice of any proposed Transfer, whether of an interest in the Property or in a Principal Party. Grantor 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, as a condition of the effectiveness of any consent or waiver by Lender hereunder, shall assume all of Grantor's obligations under the Loan Documents and the Hazardous Materials Agreement and shall agree to be bound thereby. Such assumption shall not, however, release Grantor 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.

## **ARTICLE 5 CASUALTIES AND CONDEMNATION**

### **5.1 Insurance and Condemnation Proceeds.**

(a) Grantor 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 Grantor 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 Grantor 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 or condemnation received by Lender, after deduction of Lender's reasonable costs and expenses, if any, to collect such proceeds, are referred to as the "***Net Proceeds***". Lender shall make the Net Proceeds available to Grantor if (i) there is then no Default or Event of Default, and (ii) in Lender's sole business judgment, the security for the Loan has not been materially impaired as a result of such casualty or condemnation. If the foregoing conditions are not satisfied, then at Lender's election, the Net Proceeds shall either be applied to the prepayment of the Indebtedness (including any applicable Prepayment Premium) or to the satisfaction of any other Obligation.

(c) The Net Proceeds deposited by Grantor with Lender shall constitute additional security for the Loan. Grantor 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.

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 shall either be applied to the prepayment of the Indebtedness or satisfaction of any Obligation or be paid over to Grantor for restoration of the Improvements in accordance with the provisions of Section 5.1. Grantor hereby unconditionally and irrevocably waives all rights of a property owner under Section 1265.225(a) of the California Code of Civil Procedure or any successor statute providing for the allocation of condemnation proceeds between a property owner and a lien holder.



**ARTICLE 6**  
**EVENTS OF DEFAULT AND REMEDIES OF LENDER**

**6.1 Events of Default.**

(a) It is an ***“Event of Default”*** if any of the following events occurs and Lender, by written notice delivered to Grantor, declares an Event of Default:

(i) Grantor fails to pay within five (5) days of the date when due any part of the Indebtedness;

(ii) Grantor fails to timely observe, perform or discharge any Obligation, other than as described in Section 6.1(a)(i) above or in Sections 6.1(a)(iii) through (ix) below, 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 Grantor 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) Grantor shall immediately commence and diligently pursue the cure of such Default.

(iii) Grantor, as lessor or sublessor, as the case may be, assigns all or any part of the Rents and Proceeds or any interest therein without first obtaining the written consent of Lender.

(iv) There is a default by Grantor after the expiration of all applicable grace or cure periods under any agreement to which Grantor is a party, other than the Loan Documents, which agreement relates to the borrowing of money by Grantor 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 Grantor 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 ceases to be in full force and effect, or is declared null and void, or ceases to constitute valid and subsisting lien and/or valid and perfected security interest in and to the Property, or Grantor contests or denies in writing that it has any further liability or obligation under any of the Loan Documents.

(vii) There is a default under the Hazardous Materials Agreement.

(viii) Grantor 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 any existing water permit or certificate or other water right is revoked or suspended, and Lender reasonably determines that such loss or interruption of the right to receive irrigation water materially and adversely affects the value of the Property and/or the security for the Loan.

(ix) There is a Material Adverse Change.

(b) It is an Event of Default without the requirement of any notice if any of the following events occurs:

(i) Any Principal Party generally fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors.

(ii) Any Principal Party commences 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 seeks to have an order for relief entered against it as debtor, or seeks 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 takes any action to authorize any of the actions set forth above in clauses (i) or (ii).

(iv) Any Proceeding is 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.

(v) Grantor fails to timely observe, perform or discharge any provision of Article 4 hereof or there is any Transfer without Lender’s prior written consent.

(vi) There is any “Event of Default” as defined in any other Loan Document.

## 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 Grantor or the condition of the Property, without obligation so to do and without notice to or demand upon Grantor, 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 Grantor or anyone claiming under Grantor, 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 without bond to enter upon and take possession of the Property, and Grantor hereby waives notice of any application therefor, provided a hearing to confirm such appointment with notice to Grantor 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 Personalty, 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 Personalty 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 Grantor shall at any time fail to perform or comply with any of the terms, covenants and conditions required on Grantor’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, Grantor is required to perform, then Lender may, in its sole discretion: (i) make any payments hereunder or thereunder payable by Grantor 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 Grantor's rights to contest certain obligations specifically granted hereby, perform any such other acts thereunder on the part of Grantor 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 Grantor such notice of default and notice of sale as then required by law and by this Trust Deed. Trustee shall, without demand on Grantor, 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, Grantor or Lender, may purchase at such sale and Grantor hereby covenants to warrant and defend the title of such purchaser or purchasers. After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title in connection with sale, Trustee shall apply the proceeds of sale in the following priority, to payment of: (i) first, all sums expended under the terms hereof, not then repaid, with accrued interest at the Secondary Interest Rate; (ii) second, all other sums then secured hereby; and (iii) the remainder, if any, to the Person or Persons legally entitled thereto. Lender may, in its sole discretion, designate the order in which the Property shall be offered for sale or sold through a single sale or through two or more successive sales, or in any other manner Lender deems to be in its best interest. If Lender elects more than one sale or other disposition of the Property, Lender may at its option cause the same to be conducted simultaneously or successively, on the same day or at such 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 Indebtedness secured hereby has been fully paid. If Lender elects to dispose of the Property through more than one sale, Grantor shall pay the costs and expenses of each such sale of its interest in the Property and of any proceedings where the same may be made. 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, Grantor 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, Grantor shall pay the costs and expenses of each such sale and proceeding.

(e) In the event of a sale of the Property, or any part thereof, and the execution of a deed therefor, the recital therein of default, and of recording notice of default and notice of sale, and of the elapse of the required time (if any) between the recording and the notice, and of the giving of notice of sale, and of a demand by Lender, or its successors or assigns, that such sale should be made, shall be conclusive proof of such default, recording, election, elapse of time, and giving of such notice, and that the sale was regularly and validly made on due and proper demand by Lender, its successors or assigns. Any such deed or deeds with such recitals therein shall be effective and conclusive against Grantor, its successors and assigns, and all other Persons. The receipt for the purchase money recited or contained in any deed executed to the purchaser as aforesaid shall be sufficient discharge to such purchaser from all obligations to see to the proper application of the purchase money.

(f) 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.

(g) 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.

(h) 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 other 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(h) shall apply whether or not the sum was expended or the cost or expense incurred upon the occurrence of an Event of Default.

(i) 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.** Grantor hereby grants to Lender a security interest in and to all Grantor's right, title and interest now owned or hereafter acquired in and to the Improvements, Personalty 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. Grantor



hereby agrees to execute and deliver on demand and irrevocably constitutes and appoints Lender the attorney-in-fact of Grantor to execute, deliver and, if appropriate, 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, all at Grantor's expense. 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 Grantor and Lender, shall be eligible to purchase any part or all of such Personalty 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 Grantor and shall include Lender's and Trustee's reasonable attorney fees and legal expenses. Grantor, 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 Grantor. Lender shall give Grantor 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 Grantor in the manner provided for the mailing of notices herein is hereby deemed to be reasonable notice to Grantor.

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 Grantor 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, Grantor assigns and transfers to Lender and grants Lender a security interest in (a) the Leases and (b) 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 Grantor 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. Grantor 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 Grantor 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 Grantor 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, Grantor hereby sells, assigns, transfers, sets over and delivers to Lender and grants Lender a security interest in all of Grantor's right, title and interest in and to any and all Agreements. The foregoing assignment encompasses the right of Grantor to (a) terminate any of the Agreements, (b) perform or compel performance and otherwise exercise all remedies under the Agreements, and (c) collect and receive all sums which may become due Grantor or which Grantor 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, Grantor shall have a license to collect all Rents and Proceeds and all other sums which may become payable to Grantor 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 Grantor, to terminate and revoke the license herein granted to Grantor 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 Grantor.

8.5 **Affirmative Covenants re Leases and Agreements.** Grantor shall (a) observe, perform and discharge all the obligations, terms, covenants, conditions and warranties of the Leases and Agreements, on the part of Grantor to be kept, and shall promptly notify Lender of any default thereunder, (b) upon written request of Lender, direct the obligors under the Agreements and the lessees under the Leases to deliver all Rents and Proceeds and other payments due thereunder to Lender, (c) 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, and (d) 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 Grantor, 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 Grantor, and to pay all costs and expenses of Lender, including, attorney fees.

8.6 **Negative Covenants re Leases and Agreements.** Grantor shall not, without the prior written consent of Lender: (a) lease any part of the Property or renew or extend any Leases; (b) 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 under the Leases from any obligations, covenants, conditions and agreements by such lessees to be kept, or accept or consent to any surrender of the Leases; (c) receive or collect any Rents and Proceeds for a period of more than one month in advance (whether in cash or by promissory note); (d) further assign the Leases or pledge, transfer, mortgage or otherwise encumber or assign future payments of Rents and Proceeds; (e) commence an action of ejectment or summary proceedings for dispossession of the lessees under any Leases; or (f) 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.

8.7 **Representations & Warranties Regarding Leases.** Each Grantor represents and warrants to Lender that there is no lease affecting all or any portion of the Property.

## ARTICLE 9 GENERAL TERMS

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 (a) payment when due of any portion of the Indebtedness or (b) 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 (a) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged, (b) one business day after having been deposited for overnight delivery with Federal Express or another comparable overnight courier service, or (c) 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 as follows, or addressed as such party may from time to time hereafter designate by written notice to the other parties.

If to Grantor:	Fort Klamath Land Company, LLC 4291 LaGrande Road P.O. Box 1030 Williams, California 95987
If to Trustee:	to the address indicated on page 1.
If to Lender:	The Prudential Insurance Company of America 2998 Douglas Blvd., Suite 225 Roseville, California 95661 Attn: Asset Management Ref. Loan No. 717611203
With a copy to:	Prudential Asset Resources 2200 Ross Avenue, Suite 4900E Dallas, Texas 75201 Attention: Legal Department Ref. Loan No. 717611203

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 of Oregon without regard to its conflict of laws

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 Rights to Trial by Jury.** To the fullest extent permitted by law, Grantor agrees to, and does, waive its rights to a jury trial of any claim or cause of action based upon or arising out of this Trust Deed or any of the other Loan Documents or any dealings between the parties relating to the subject matter of this Trust Deed or the other Loan Documents. The scope of this waiver is intended to be all-encompassing of any and all disputes of any kind whatsoever that may be filed in any court and that relate to the subject matter of this Trust Deed or any dealings between the parties relating to the subject matter of this Trust Deed, including, without limitation, contract claims, tort claims, antitrust claims, breach of duty claims, and all other common-law or statutory claims. Grantor acknowledges that this waiver is a

material inducement for Lender to accept this Trust Deed and the other Loan Documents and make the Loan evidenced by the 2016 Note, and that each will continue to be bound by and rely on this waiver in their related future dealings. Grantor further warrants and represents that it has reviewed this waiver with legal counsel of its own choosing, or has had an opportunity to do so, and that it knowingly and voluntarily waives its jury trial rights having had the opportunity to consult with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and this waiver shall apply to any subsequent amendments, renewals, supplements, or modifications to this Agreement or any of the other Loan Documents or document entered into between the parties in connection with this Trust Deed. In the event of litigation, this Trust Deed may be filed as a written consent to a trial by the court without a jury.

9.9 **Entire Agreement.** The Loan Documents set forth the entire understanding between Grantor and Lender relative to the Loan and the same shall not be amended except by a written instrument duly executed by each of Grantor and Lender. The foregoing notwithstanding, the terms and the conditions of the Application shall survive the funding of the Loan but in the event of any conflict between the provisions of the Application and any of the other Loan Documents or the Hazardous Materials Agreement, except as otherwise specifically provided herein, the terms of such other Loan Documents and Hazardous Materials Agreement shall control.

9.10 **Charges for Statements.** Grantor agrees to pay Lender's charge, up to the maximum amount permitted by law, for any statement regarding the Obligations requested by Grantor 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 Grantor 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 Grantor. To the extent permitted by law, Lender shall have no responsibility to perform such services; provided however, that upon demand Grantor shall pay such fee to Lender as Lender may reasonably and lawfully request. Lender shall, where requested by Grantor, promptly supply Grantor with all information pertaining to Lender reasonably required by Grantor to prepare and file any such return or certification.

9.13 **ERISA.**

(a) Lender represents and warrants to Grantor 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) Grantor represents and warrants to Lender that, as of the date of this Trust Deed and covenants that, throughout the term of the Loan, (i) no Grantor is and neither will 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 Grantor 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) Grantor represents and warrants to Lender that, as of the date of this Trust Deed (i) no Grantor is a "governmental plan" within the meaning of Section 3(32) of ERISA and (ii) transactions by



or with Grantor are not subject to state statutes regulating investment of and fiduciary obligations with respect to governmental plans.

(d) Grantor 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) no Grantor is an "employee benefit plan" or a "governmental plan," and (ii) no Grantor is 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 Grantor 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 Grantor are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); (C) Grantor 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 Grantor 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 Grantor under this Section 9.13 to be true and correct in all respects; (ii) the failure of Grantor to provide Lender with the written certifications and evidence referred to above; or (iii) the consummation by Grantor of a transaction which would cause this 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) Grantor 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 this 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, Grantor 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) Grantor will indemnify, defend, protect 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 Grantor or the failure of Grantor to perform any of the Obligations 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) Grantor shall appear in and defend (with counsel acceptable to Lender) any action or proceeding purporting to affect the security of this Trust Deed, or of any additional or other security for the Obligations, or the interest of Lender or the rights, powers and duties of Trustee hereunder.

(c) Whenever, under any Loan Document, Grantor is obligated to indemnify and/or defend Lender, or Grantor 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 attorney fees) shall be reimbursed by Grantor to Lender. In addition, Lender shall have the right to approve any counsel retained by Grantor in connection with the prosecution or defense of any such action or proceeding by Grantor. Grantor shall give notice to Lender of the initiation of all proceedings prosecuted or required to be defended by Grantor, or which are subject to Grantor's indemnity obligations, under this Trust Deed, promptly after the receipt by Grantor 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 Grantor to Lender hereunder, the amount thereof with interest thereon at the Secondary Interest Rate shall constitute part of the Indebtedness, shall be payable by Grantor upon demand and shall be secured by this Trust Deed.

**9.15 Destruction of Note.** Grantor 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 Grantor 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 Trustee or Lender may do and of acts Grantor 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 and the Hazardous Materials Agreement 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 have reviewed and revised the Loan Documents and the Hazardous Materials Agreement 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 documents. The use in the Loan Documents and the Hazardous Materials Agreement 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 "Grantor" shall be deemed to refer to each and every Grantor, both individually and collectively, when more than one Grantor exists, and to the original Grantor, 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 Grantor hereby permits and consents to Lender's submission to its assignees of all financial data and all other information furnished by Grantor to Lender. Grantor shall furnish in a timely manner any and all financial information concerning the Property and Leases, and concerning Grantor'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 Grantor 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 **Lender's Costs and Fees.** 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 Grantor 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 **Waiver of Order of Sale and Marshaling.** Lender shall have the right to determine the order in which any or all portions of the Obligations are satisfied from the proceeds realized upon the exercise of any remedies provided herein. To the fullest extent permitted by law, Grantor, any party who consents to this Trust Deed, and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Trust Deed.

9.22 **Publicity.** Grantor agrees that Lender, at its expense, may publicize the financing of the Property. However, none of Grantor shall publicize the origination or closing of the Loan or the sources of funds for the Loan without first obtaining Lender's written consent.

9.23 **ORS Warning.** BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, and SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES 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 THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO

VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

**9.23 Other Deeds of Trust.**

(a) Foreclosure with Other Deeds of Trust; Venue. This Trust Deed and the Other Deeds of Trust together encumber properties located in Klamath County, Oregon, Colusa County, California, Tehama County, California, and Glenn County, California. At Lender's option, in its sole and absolute discretion, may cause a foreclosure sale or file an action to enforce any right or remedy under this Trust Deed and the Other Deeds of Trust, or any of them, in any County in which property is located that is encumbered by this Trust Deed or the Other Deeds of Trust, as to all of such properties or any of them, whether located in one or more of Klamath County, Colusa County, Tehama County, or Glenn County. Grantor consents to venue and jurisdiction in any County, at Lender's sole and absolute discretion, in which any property is located that is encumbered by this Trust Deed or the Other Deeds of Trust.

(b) Lender Can Sell as Whole or Separate Lots. In connection with any foreclosure (non-judicial or judicial) of this Trust Deed, Grantor agrees that Lender may, in its sole and absolute discretion, designate the order in which the Property or any other property encumbered by the Other Deeds of Trust shall be offered for sale or sold through a single sale or through two or more successive sales, or in any other manner Lender deems to be in its best interests. Grantor hereby waives any right or interest it may have to (i) have the Property or any other property encumbered by the Other Deeds of Trust sold as a whole or in separate lots and/or (ii) dictate the order or priority of sale of any Property or any other property encumbered by the Other Deeds of Trust.

(c) Waiver of Order of Sale and Marshaling. Lender, in its sole and absolute discretion, has the right to determine the order in which any or all portions of the Obligations are satisfied from the proceeds realized upon the exercise of any remedies provided herein. To the fullest extent permitted by law, Grantor, any party who consents to this Trust Deed, and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property, or any other property encumbered by the Other Deeds of Trust, will be sold in the event of any sale under this Trust Deed.

**9.24 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***"): (a) any obligation evidenced by or arising under the Hazardous Materials Agreement; or (b) any other obligation in this Trust Deed or in any of the other Loan Documents to the extent that such other obligation relates specifically to the presence on the Property of Hazardous Materials (as defined in the Hazardous Materials Agreement) and is the same or has the same effect as any of the obligations evidenced by or arising under the Hazardous Materials Agreement. Any breach or default with respect to the Unsecured Obligations is an Event of Default under this Trust Deed, notwithstanding the fact that the Unsecured Obligations are not secured by this Trust Deed. 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.



UNDER OREGON LAW, MOST 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.

*The rest of this page is left blank intentionally.*

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

FORT KLAMATH LAND COMPANY, LLC, a  
Delaware limited liability company

By: Michael V. LaGrande  
Michael V. LaGrande, its Member

By: Kenneth M. LaGrande  
Kenneth M. LaGrande, its Member

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF Colusa )

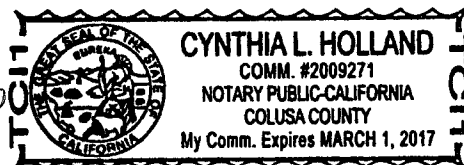
On MAY 3, 2016, before me, Cynthia L. Holland, a  
Notary Public, personally appeared Michael V. LaGrande, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

(notary stamp or seal)

WITNESS my hand and official seal.

Cynthia L. Holland  
Notary Public



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF Colusa )

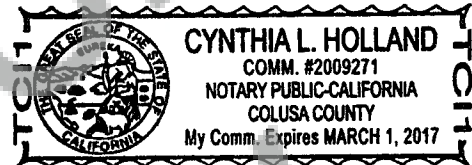
On MAY 3, 2016, before me, Cynthia L. Holland, a Notary Public, personally appeared **Kenneth M. LaGrande**, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

(notary stamp or seal)

WITNESS my hand and official seal.

Cynthia L. Holland  
(Notary Public)



**EXHIBIT A**  
**(PROPERTY DESCRIPTION)**

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

**Parcel 1:**

The SW1/4 of Section 31, Township 33 South, Range 7 1/2 East of the Willamette Meridian, Klamath County, Oregon.

The SE1/4 of Section 31, Township 33 South, Range 7 1/2 East of the Willamette Meridian, Klamath County, Oregon, and a tract of land being a portion of the SW1/4 of Section 32, described as follows:

Beginning at a point 360 feet East of the Northwest corner of the SW1/4 of Section 32; thence South 2640 feet to the Township line; thence West 360 feet to the section line between Sections 31 and 32; thence North along said section line 2640 feet to the Northwest corner of the SW1/4 of Section 32; thence East to the point of beginning.

EXCEPTING therefrom the West 60 feet of the SE1/4 of Section 31, for road purposes, conveyed by Volume 149 at page 484, Deed Records of Klamath County, Oregon.

ALSO EXCEPTING therefrom that portion conveyed to Klamath County for road purposes in Deed Volume 295 at page 148, Deed Records of Klamath County, Oregon.

**Parcel 2:**

Parcel 2 of Land Partition 02-16

Situated in the E1/2 NE1/4, E1/2 SE1/4, SW1/4 SE1/4, SE1/4 SW1/4 of Section 29, and the NE1/4 NW1/4, N1/2, NE1/4, S1/2 N1/2 lying South of Seven Mile Road, and the SE1/4, SW1/4 EXCEPTING the West 360', of Section 32, and all of Section 33, in Township 33 South, Range 7 1/2 East, W.M., Klamath County, Oregon.

And that portion of Government Lots 1, 2, 3, and 4, of Section 4 and Government Lot 1 of Section 5, in Township 34 South, Range 7-1/2 East, W.M., Klamath County, Oregon, more particularly described as follows:

Beginning at the quarter section corner on the North line of Section 4; thence South along the East line of Government Lots 1 and 4, 1989.5 feet; thence North 62°37' West, 4328.3 feet to the North line of Section 5; thence East along the North line of Section 5 and 4, 3862 feet, more or less to the point of beginning.

Tax account Nos. R76358, R76429, R76438, R76447, R76367, R76875 & R76857

**Parcel 3:**

An easement for water conveyance as granted in the "Water Conveyance Easement" dated June 1, 2016, and recorded on June 8, 2016, under Klamath County 2016, page 006023.

~~RECORDED  
CONCURRENTLY HERewith~~

Unofficial  
Copy