

RECEIVED

JUL 25 2007

WATER RESOURCES
WESTERN REGION

HOLLAND & HART



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SUITE 1400
101 SOUTH CAPITOL BOULEVARD
BOISE IDAHO 83702-7714
MAILING ADDRESS
P.O. BOX 2527
BOISE IDAHO 83701-2527

TELEPHONE (208) 342-5000
FACSIMILE (208) 343-8869
DIRECT FAX (800) 565-7694

LINDA B. JONES
ljones@hollandhart.com

July 25, 2007

Via Hand Delivery

Idaho Department of Water Resources
Western Regional Office
2735 Airport Way
Boise, ID 83705-5082

2/10244

Re: Notice of Security Interest in Water Rights

Ladies and Gentlemen:

Enclosed for filing on behalf of our client AgriCap Financial Corporation is a Notice of Security Interest in Water Rights, together with a copy of the recorded Mortgage encumbering the property, and a check in the amount of \$300.00 for the filing fee.

Any notices regarding the listed water rights should be sent to me, as well as to Monica Cheng at the following address:

AgriCap Financial Corporation
350 S. Figueroa Street, Suite 501
Los Angeles, CA 90071
(213) 542-5220

Thank you in advance for processing this Notice. If you have any questions about this filing, please contact me.

Sincerely,

HOLLAND & HART LLP

Linda B. Jones
Linda B. Jones

LBJ:lka

Enclosures

cc: Monica Cheng (Notice only)

3741935_1 DOC

ORIGINAL

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES**Notice of Security Interest in a Water Right****And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right**

RECEIVED

Please print or type Attach pages with additional information. Instructions are on the back of this page
Incomplete forms will be returned.

JUL 25 2007

WATER RESOURCES
WESTERN REGION

1 Water Right No(s): See Attached "Water Rights"

Adjudication Claim No(s):

(2-10244)

2. The following **REQUIRED** information must be submitted with this form:A) Evidence of the security interest This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION**B) A **FEE** of **\$25.00 per water right** or adjudication claim.

3. Name and Mailing Address of Person or Company holding Security Interest

AgriCap Financial Corporation

350 South Figueroa St., Suite 501

Los Angeles, California 90071

4. Name of Water Right Owner/Claimant(s)

W. Duane Lemon and Margaret Lemon

5. Expiration Date of Notification Period

January 18, 2009

6. Is this a Renewal of Request for Notification?

☐ YES☒ NO

7. Signature(s) (and title if applicable)

W. Duane Lemon

Margaret Lemon

For Office Use Only

Received by

SR

Date

7-25-07

Fee

\$300-

Receipted by

SR

Date

Receipt No.

W 035675

Processed by

AP

AJ

Date

11-20-07

WR

Date

RECEIVED

JUL 25 2007

WATER RESOURCES
WESTERN REGIONSTATE OF IDAHO
DEPARTMENT OF WATER RESOURCES**Notice of Security Interest in a Water Right****And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right**Please print or type. Attach pages with additional information. Instructions are on the back of this page.
Incomplete forms will be returned

1. Water Right No(s): See Attached "Water Rights"
Adjudication Claim No(s): _____
2. The following **REQUIRED** information must be submitted with this form:
 - A) Evidence of the security interest. This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION.**
 - B) A **FEE of \$25.00 per water right** or adjudication claim.
3. Name and Mailing Address of Person or Company holding Security Interest
AgriCap Financial Corporation
350 South Figueroa St., Suite 501
Los Angeles, California 90071
4. Name of Water Right Owner/Claimant(s) W. Duane Lemon and Margaret Lemon
January 18, 2009
5. Expiration Date of Notification Period _____
6. Is this a Renewal of Request for Notification? ☐ YES ☒ NO
7. Signature(s) (and title if applicable) *Paul A. North* CEO
Jim PRESIDENT

For Office Use Only

Received by <u><i>SR</i></u>	Date <u>7.25.07</u>	Fee <u>\$300</u>
Receipted by <u><i>SR</i></u>	Date <u>"</u>	Receipt No. <u>W035675</u>
Processed by _____	AJ Date _____	WR _____ Date _____

WATER RIGHTS

Water Rights for Irrigation

CONFIRMED WITH IDAHO WATER RESOURCES:					Appraisal assumes
<u>ID #</u>	<u>Priority</u>	<u>CFS</u>	<u>Acres</u>	<u>Owner of Record</u>	<u>/All to Subject or Split</u>
<u>CASTLE CREEK SOURCE:</u>					
/ 57-00235	1907	1 1	63 0	HFM Castle View, LLC	/All
57-11665	1970	33.14	1,716 0	HFM Castle View, LLC	/Needs split
57-11666	1970	0.38	19 0	HFM Castle Dairy, LLC	/All
57-11667	1970	5 84	292 0	Yanke, Ronald & Linda	/All
<u>SNAKE RIVER SOURCE:</u>					
A02-02173	1962	6 0	279 0	HFM Castle View, LLC	/All
A02-02357A	1964	2 0	100 0	HFM Castle View, LLC	/All
A02-07046C	1969	9.39	444 0	HFM Castle View, LLC	/Needs split
02-10244	1969	5 19	298 0	Lemon, Duane & Margaret	/Already owns
02-10235	1969	0 8	40 0	HFM Castle Dairy, LLC	/All
02-10332	1969	23.99	1,199 5	HFM Castle View, LLC	/Needs split
02-10333	1969	23.99	1,199.5	HFM Castle View, LLC	/Needs split

Water Rights for Dairy / Stock Water

57-7604	1994	1.0	3000 Cows	Mark A. Comstock / All
---------	------	-----	-----------	------------------------

2
200702157

COPY
Recording Requested by and
Return Original to:

Linda B. Jones
Holland & Hart, LLP
P.O. Box 2527
Boise, ID 83701-2527

Instrument # 261758

MURPHY, OWYHEE, IDAHO

2007-07-18

04:37:27 No. of Pages: 22

Recorded for : PIONEER TITLE CO

CHARLOTTE SHERBURN

Fee: 666.00

Ex-Officio Recorder Deputy *mpeterson*

Index to: MORTGAGE

Space above this line for recorder

This instrument is intended also to be a fixtures, timber and as-extracted collateral filing and is to be indexed as such in the real estate record of Owyhee County, Idaho.

MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING (this "Mortgage"), is made and entered into as of the 18th day of July, 2007, is from and given by W. DUANE LEMON (aka Duane Lemon) AND MARGARET LEMON, husband and wife (collectively, the "Mortgagors"), to and in favor of AGRICAP FINANCIAL CORPORATION, a Delaware corporation (the "Mortgagee").

RECITALS

A The Mortgagors and the Mortgagee have entered into a Loan Agreement of even date herewith (such agreement, as it may be amended, modified, or supplemented from time to time, is hereinafter called the "Loan Agreement"). Pursuant to the Loan Agreement, and subject to all of the terms and conditions thereof, the Mortgagee has agreed to make a loan to the Mortgagors in the aggregate principal amount of \$2,500,000.00, such loan being evidenced by the Mortgagors' Promissory Note (the "Note") dated the date hereof payable to the order of the Mortgagee with a maturity date of January 18, 2009. The Note is fully incorporated herein by reference.

B The Mortgagors own good and merchantable fee simple title to the real property located in Owyhee County, Idaho, more particularly described in the attached Exhibit A, and including any and all buildings, improvements, barns, milking parlors, sheds, corrals, pens, fences, milking equipment, irrigation equipment, pumps and pump houses, and all other fixtures now or hereafter located thereon (collectively the "Premises")

C The Premises are free and clear of all liens, mortgages, security interests, claims, charges, defects of title or encumbrances whatsoever, except for the following (the "Permitted Encumbrances"):

(a) All easements and rights of way shown by the public record on the date hereof;

(b) All applicable building, use, zoning, health, sanitation, environmental and similar laws, restrictions, ordinances, rules and regulations;

(c) All reservations and exceptions in patents from the United States or the State of Idaho;

(d) All special and general taxes and assessments for 2007 and subsequent years; and

(e) Other Permitted Liens as defined in the Loan Agreement.

D. The amount of future advances or total indebtedness that may be outstanding at any given time and subject to the protection of this Mortgage is \$2,500,000.00 together with interest as provided in the Note.

E. Unless expressly defined herein, each capitalized term used herein shall have the meaning therefor set forth in the Loan Agreement

GRANT OF MORTGAGE

In consideration of the Recitals, which are incorporated herein by this reference, and for good and valuable consideration, in money or money's worth, the receipt and sufficiency of which are hereby acknowledged, and the covenants and agreements herein contained, the Mortgagors hereby grant, bargain, sell, convey, mortgage, assign, and warrant unto the Mortgagee, and unto its successors and assigns, with right of entry and power of sale, all right, title and interest, whether now owned or hereafter acquired, in and to (1) the Premises, together with all tenements, hereditaments, appurtenances, easements, privileges and rights belonging or in any way appertaining thereto, including, without limitation, all water rights (and all claims, permits, licenses, including but not limited to water rights listed on Exhibit B hereto), ditch, canal and irrigation company stock, minerals and mineral rights and interests, and timber growing or to be grown thereon, (2) all leases, dairy permits, milk permits, land use permits, and other permits, licenses, governmental approvals, and other agreements relating to the Premises and the dairy and farm business located and operated thereon, including, without limitation, those described in the attached Exhibit C, (3) all leases and subleases of the Premises, or any part thereof, now or hereafter existing or entered into, (4) all rents, issues and profits arising from the Premises and all leases and subleases, (5) all farm products of all kinds, and all crops growing and to be grown on the Premises and as harvested therefrom wherever located; (6) all dairy and other cattle and calves, replacement cattle, and all other kinds of livestock (including sheep, lambs, horses, and pigs), and all feed, supplies, veterinary supplies, husbandry and insemination equipment and supplies, and all other personal property relating to the dairy cattle and dairy business operated on the Premises; (7) all milk and cream produced on the Premises and proceeds and rights to proceeds from the sale thereof, (8) all milking equipment and systems, stockwater equipment and systems, irrigation equipment and systems, and all farm and other equipment, vehicles, rolling stock and property located on or used in connection with the Premises and the dairy and farm operations; (9) all present and future accessions, additions, attachments, replacements and substitutions of or to any of the foregoing, and all cash and noncash proceeds and products of any or all of the foregoing, and all awards or payments made

for the taking of all or any portion of said Premises by eminent domain or any proceeding or purchase in lieu thereof, or any damage to any portion thereof, and (10) all after-acquired rights and interests in the foregoing properties, rights and interests (collectively the "Mortgaged Property");

and the Mortgagors do hereby grant to the Mortgagee a security interest in the equipment and fixtures, as-extracted collateral, timber, and farm products, as such terms are defined in or subject to the applicable provisions of the Uniform Commercial Code in effect in the State of Idaho ("UCC"), and all items of Mortgaged Property in which security interests may be granted under the UCC, including, without limitation, all dairy equipment, irrigation equipment, and other equipment described in the attached Exhibit D, and all piping, and ancillary equipment and parts therefor, and the proceeds and products thereof (collectively, the "Personal Property"), whether now owned or hereafter acquired.

TO HAVE AND TO HOLD THE MORTGAGED PROPERTY AND PERSONAL PROPERTY UNTO THE MORTGAGEE, AND UNTO ITS SUCCESSORS AND ASSIGNS, FOREVER, TO SECURE THE FOLLOWING (COLLECTIVELY, THE "SECURED OBLIGATIONS"):

(a) the prompt payment when due of the principal, interest and other amounts due under the Note, (b) the prompt performance and observance of all of the terms, covenants, obligations, agreements and conditions to be performed or observed by the Mortgagors under this Mortgage and under the Loan Agreement, the Note and the other Loan Documents, (c) any sums advanced for expenses or costs incurred by the Mortgagee (or any receiver appointed under this Mortgage) which are made or incurred pursuant to, or permitted by, the terms of this Mortgage or the other Loan Documents, from the date of the Advances or the incurring of such expenses or costs until reimbursed by the Mortgagors, and (d) any extensions, renewals or modifications of all such indebtedness described in subparagraphs (a) through (c) above, whether or not the Mortgagors execute any agreement, instrument or documents relative to such extensions, renewals or modifications, provided, however, that the obligations of the Guarantor under the Guaranty are not secured by this Mortgage.

Notwithstanding the foregoing or other language in this Mortgage, and consistent with Section 8(f) hereof, Mortgagors may continue to receive directly and use in the Dairy Business payments for milk and payments under governmental farm programs so long as no default exists hereunder or under any other Loan Document.

AGREEMENT

1. Representations and Warranties The Mortgagors hereby represent and warrant to, and covenant with, the Mortgagee that:

- (a) the Recitals contained in this Mortgage are true and correct in all respects;
- (b) the representations and warranties made by the Mortgagors in the Loan Agreement are true and correct;

(c) the Mortgagors have good and lawful right, power and authority to execute this Mortgage and to mortgage unto the Mortgagee and to grant a lien and security interest to the Mortgagee, in and to the Mortgaged Property and Personal Property, all as provided in this Mortgage; and

(d) the execution and delivery of this Mortgage requires no authorization from any person or governmental entity, and upon execution and delivery by the Mortgagors will be binding upon the Mortgagors according to its terms and conditions

2. Mortgagors' Affirmative Covenants From and after execution of this Mortgage and until all of the Secured Obligations have been fully performed, observed, paid and satisfied, the Mortgagors shall, at the Mortgagors' expense:

(a) pay when due and to promptly perform and observe all of the Secured Obligations;

(b) keep and maintain the Mortgaged Property in good condition and repair and not commit or permit any waste thereon;

(c) cause the Mortgaged Property to be occupied and operated in a good and workmanlike manner, in accordance with generally accepted agricultural practices and not in violation of any applicable federal, state or local laws, statutes, rules or regulations;

(d) cause to be paid, promptly and as and when due and payable, all expenses incurred in or arising from the operation, maintenance, occupation, inspection, protection, repair, replacement, or change of or to the Mortgaged Property;

(e) cause to be paid, promptly and as and when due and payable, all taxes, assessments and governmental charges legally imposed (collectively, "Impositions") upon the Mortgaged Property, before delinquency;

(f) cause the Mortgaged Property to be kept free and clear of all liens, charges and encumbrances of every character, kind and nature whatsoever, other than taxes constituting liens but not yet due and payable and other Permitted Encumbrances (as defined in Recital B);

(g) carry with reputable insurance companies in the amounts described in Exhibit E to this Mortgage (i) comprehensive casualty insurance on the Mortgaged Property against loss or damage by fire, lightning, hail, explosion or other similar risks and casualties, and, in the event of a casualty loss covered by such insurance, Mortgagee shall allow any proceeds received therefrom to be used to restore the Mortgaged Property, subject to Mortgagee's reasonable disbursement procedures; (ii) comprehensive general liability insurance regarding the Mortgaged Property, the policies for which shall be acceptable to the Mortgagee, shall name the Mortgagee as an insured mortgagee regarding the casualty insurance and an additional insured regarding the liability insurance, shall contain an agreement by the insurer that the same shall not be canceled, terminated or amended, whether by lapse of time or otherwise, without at least thirty (30)

days prior notice in writing to the Mortgagee, and shall be delivered to the Mortgagee; and (iii) Workers' Compensation insurance as required by the laws of the State of Idaho;

(h) not mortgage, pledge or otherwise encumber the Mortgaged Property or any portion thereof, nor sell or convey the Mortgaged Property or any portion thereof except for sales of items of Mortgaged Property in the ordinary course of business of the Dairy Business as allowed under the Loan Agreement;

(i) permit the Mortgagee or its agents to enter upon the Mortgaged Property, and all parts thereof, for the purpose of investigating and inspecting the condition and operation of the Mortgaged Property and the Personal Property; and

(j) indemnify and hold Mortgagee harmless for any liability whatsoever with respect to any covenant or obligation of the Mortgagors with respect to the Mortgaged Property

3. Assignment of Leases and Rents. As additional security for the Secured Obligations and without limiting the grant contained in this Mortgage, Mortgagors do hereby bargain, sell, assign and set over unto Mortgagee, all leases, rents and any other rents, profits and other income of any kind which, whether before or after foreclosure or during the full period of redemption, shall accrue and be owing for the use or occupation of the Mortgaged Property or any part thereof. Prior to the occurrence of an Event of Default hereunder, Mortgagors may collect all rents under all leases. Mortgagors shall, at their own cost and expense, with respect to each lease:

(a) faithfully abide by, perform and discharge each and every obligation, covenant and agreement to be performed by the landlord thereunder;

(b) enforce or secure the performance of each and every material obligation, covenant, condition and agreement by the tenants thereunder to be performed;

(c) not borrow against, pledge or further assign any rents due thereunder;

(d) not permit the prepayment of any rent due for more than thirty (30) days in advance nor for more than the next accruing installment of rents, nor anticipate, discount, compromise, forgive or waive any such rents;

(e) not waive, excuse, condone or in any manner release or discharge any tenants of or from the obligations, covenants, conditions and agreements with respect to the payment of rent or the maintenance of the leased property by said tenants to be performed;

(f) not permit any tenant to assign or sublet its interest therein unless required to do so by the terms thereof and then only if such assignment does not work to relieve the tenant of any liability for payment of and performance of its obligations thereunder;

(g) not terminate or accept a surrender thereof or a discharge of the tenant unless required to do so by the terms thereof or unless Mortgagors and tenant shall have

executed a new lease effective upon such termination for the same term of years at a rental not less than as provided in the terminated lease and on terms no less favorable to the landlord than as in the terminated lease;

(h) not consent to a subordination of the interest of any tenant to any party other than Mortgagee and then only if specifically consented to by Mortgagee; and

(i) not amend, modify or alter the obligations of the parties thereunder, excepting in the ordinary and prudent course of business with due regard for the security afforded Mortgagee thereby and which does not in any way reduce the rent or diminish the term thereof or the obligations of the tenant thereunder or increase the term of the tenancy or impose additional obligations or burdens on the landlord.

If Mortgagors fail to perform, comply with or discharge any obligations of Mortgagors under any lease or if Mortgagee becomes aware of or is notified by any tenant under any lease of a failure on the part of Mortgagors to so perform, comply with or discharge its obligations thereunder, Mortgagee may, but shall not be obligated to provide written notice to Mortgagors of the failure of the Mortgagors to perform, comply with or discharge any obligations of Mortgagors under any lease. If Mortgagors do not cure such failure to Mortgagee's satisfaction within 30 days of receipt of any written notice, then, without waiving or releasing Mortgagors from any obligation in this Mortgage contained, Mortgagee may, but shall not be obligated to, remedy such failure, and Mortgagors agree to repay upon demand all sums incurred by Mortgagee in remedying any such failure together with interest as provided in the Note. All such sums, together with interest as aforesaid shall be part of the Secured Obligations and secured hereby, but no such advance shall be deemed to relieve Mortgagors from any Default hereunder.

4 Sale, Transfer, Encumbrance If Mortgagors, voluntarily or involuntarily, either individually, or separately, agree to, cause, suffer or permit any assignment, sale, conveyance, transfer, encumbrance, mortgage, option, lease in excess of one year, lien or other disposition of all or any of Mortgagors' interest, legal or equitable, in the Mortgaged Property, except as created by the Loan Documents, and except the Permitted Encumbrances, without, in each instance, the prior written consent of Lender, Mortgagee shall have the option to declare the Secured Obligations immediately due and payable without notice.

5. Condemnation and Other Awards. Upon learning of any condemnation or other taking for public or quasi-public use of, or of the institution or the threatened institution of any proceeding for the condemnation or other taking for public or quasi-public use of, all or any part of the Premises, Mortgagors shall immediately notify Mortgagee of such fact. Mortgagors shall take all actions reasonably required by Mortgagee in connection therewith to defend and protect the interests of Mortgagors and/or Mortgagee in the Premises. At Mortgagee's option, Mortgagee or Mortgagors may be the nominal party in such proceeding but in any event Mortgagee shall be entitled, without regard to the adequacy of its security, to participate in and to control the same and to be represented therein by counsel of its choice. Mortgagors hereby grant to Mortgagee, as security for the Secured Obligations, a security interest in and to all compensation, awards, damages and other amounts payable to Mortgagors in connection with any condemnation or other taking of all or any part of the Premises for public or quasi-public use (including but not limited to, the proceeds of any settlement, regardless of whether or not

condemnation or other taking proceedings are instituted in connection therewith), and agree that Mortgagee shall have all of the rights and remedies of a secured party under the Idaho Uniform Commercial Code with respect to the foregoing collateral and such security interest. Any condemnation proceeds shall first be used to restore the Mortgaged Property, subject to Mortgagee's reasonable disbursement procedures. Any remaining proceeds may then be applied to reimburse Mortgagee for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such proceeds shall be applied by Mortgagee against the Secured Obligations in such order as Mortgagee may determine. Application or release of such proceeds as provided herein shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6. Tax and Insurance Deposits. In the Event of Default or upon Mortgagee's written notice, Mortgagors shall deposit monthly with Mortgagee 1/12th of the annual Impositions and premiums for insurance required under this Mortgage. If the amount of any Imposition or premium is not ascertainable, the deposit shall be made on the basis of Mortgagee's estimate thereof, and, when such amount is fixed for the then-current year, Mortgagors shall promptly deposit any deficiency with Mortgagee. All funds so deposited shall constitute part of the Mortgaged Property and secure the Secured Obligations. Such deposit shall be held by the Mortgagee, or its nominee, in an interest bearing account and may be commingled by the Mortgagee with its other funds. Such deposits shall be used by the Mortgagors to pay such Impositions and insurance premiums when due. Upon the occurrence of an Event of Default, Mortgagee may apply any funds in said account as a receiver appointed as hereinafter provided or the court in an action to foreclose this Mortgage may direct.

7. Events of Default. The occurrence of any Event of Default under the terms of the Loan Agreement or breach of any of the Secured Obligations shall constitute an "Event of Default" under this Mortgage.

8. Remedies. Upon the occurrence of one or more Events of Default, the Secured Obligations, at the option of the Mortgagee, shall become immediately due and payable without notice or declaration to the Mortgagors. In any event, the Secured Obligations shall be due and payable without presentment, demand or notice of any kind. In addition, the Mortgagee shall be entitled to exercise all rights and remedies of a mortgagee or secured party under all applicable laws and all rights and remedies available to it under this Mortgage or the Loan Documents, including, without limitation, the following rights and remedies:

(a) to enter upon and take possession of the Mortgaged Property through any lawful means, including through the appointment of a receiver;

(b) to foreclose this Mortgage by judicial procedure as provided by Idaho law for the foreclosure of mortgages on real property;

(c) to exercise all rights and remedies granted by law, and particularly by the Idaho Uniform Commercial Code, including, but not limited to, the right to take possession of the Personal Property, and for this purpose the Mortgagee may enter upon any premises on which any of such Personal Property (or any portion thereof) or remove it therefrom, and the Mortgagors shall upon demand by the Mortgagee, assemble such

Personal Property and make it available to the Mortgagee at a place to be designated by the Mortgagee which is reasonably convenient to all parties, and the Mortgagee shall only be obligated to give the Mortgagors reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of such Personal Property is to be made, and any requirement of sending reasonable notice shall be met if the notice is mailed by registered or certified mail, postage prepaid, to the Mortgagors at the address shown in the first paragraph of this Mortgage at least ten (10) days before the time of the sale or disposition;

(d) at the Mortgagee's election, to treat any fixtures as either real property collateral or personal property collateral and proceed to exercise such rights and remedies as apply to such type of collateral;

(e) to petition for appointment of a receiver as provided in Idaho Code Ann § 8-601, *et seq.*;

(f) upon written notice of default from Mortgagee, Mortgagors shall execute and deliver or cause Guarantor to execute and deliver such assignments, instruments, and other documents as necessary to effectuate the assignment to and direct payment to Mortgagee of all milk payments and all payments owing to Mortgagors or Guarantor under any government farm programs and shall provide written notice of such assignment to the Milk Purchaser and other applicable governmental agencies. From and after Mortgagee's notice, all milk payments and other governmental payments owing to Mortgagors and/or Guarantor shall be made directly to Mortgagee, and any receipt by Mortgagors or Guarantor of such payments shall be in trust for and shall be forwarded immediately to Mortgagee; and

(g) to exercise and enforce any and all other rights, powers or remedies now or hereafter at any time existing at law or in equity, or by statute, agreement or otherwise

The Mortgagors shall pay and reimburse the Mortgagee upon demand for all costs and expenses incurred by the Mortgagee in protecting and enforcing the Mortgagee's rights and remedies under this Mortgage, including court costs and attorney's fees, plus interest thereon at the rate specified in the Note from the date so paid or incurred until reimbursed by the Mortgagors.

9. Application of Proceeds. All amounts received by the Mortgagee under this Mortgage shall be applied by the Mortgagee as follows:

(a) first, to payment of the costs and expenses incurred by the Mortgagee in connection with any taking of possession, or in any foreclosure, advertisement or sale of the Mortgaged Property or Personal Property, and of any conveyances of the Mortgaged Property, and court costs, compensation of agents and employees and attorneys' fees, including, without limitation, any expenses incurred in bankruptcy or insolvency proceedings;

(b) second, to payment or repayment of all amounts owed on the Secured Obligations, in such order as the Mortgagee shall determine; and

(c) third, the balance (if any) of such proceeds shall be paid to the Mortgagors, or their heirs, successors and assigns, or as a court of competent jurisdiction may direct.

10. Mortgagee's Right to Perform. If the Mortgagors shall fail to perform any act required to be performed by them under this Mortgage, the Mortgagee, without notice to or demand upon the Mortgagors, and without waiving or releasing any obligation or breach or default, may (but shall not be under any obligation to) at any time thereafter perform such act for the account and at the expense of the Mortgagors, as in the opinion of the Mortgagee, may be necessary or appropriate. All such sums so paid by the Mortgagee and all costs and expenses (including, without limitation, attorneys' fees and court costs so incurred), together with interest thereon at the rate specified in the Note from the date so paid or incurred until reimbursed by the Mortgagors, shall be secured by this Mortgage and shall be paid by the Mortgagors to the Mortgagee on demand.

11. Cumulative Remedies and Waivers. Each right, power and remedy of the Mortgagee provided for in this Mortgage or now or hereafter at any time existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy provided for in this Mortgage or now or hereafter at any time existing at law or in equity or by statute or otherwise, and the exercise by the Mortgagee of any one or more such rights, powers or remedies, or the partial release thereof, shall not preclude the simultaneous or later exercise by the Mortgagee of any or all of such other rights, powers or remedies. No failure or delay by the Mortgagee to insist upon the strict performance of any term or condition, covenant or agreement of this Mortgage or to exercise any right, power or remedy under this Mortgage or consequent upon a breach hereof, shall constitute a waiver of any such term, condition, covenant, agreement, right, power or remedy or of any such breach, or preclude the Mortgagee from exercising any such right, power or remedy at any later time or times.

12. Termination and Release. This Mortgage and rights and interest of the Mortgagee hereunder shall terminate when all the Secured Obligations have been fully performed, observed, paid and satisfied. Upon termination as herein provided, the Mortgagee shall release its rights and interest hereunder, all without recourse upon, or warranty by, the Mortgagee and at the costs and expenses of the Mortgagors.

13. Special Filing as Financing Statement. This Mortgage constitutes a security agreement and a fixture financing statement as those terms are used in the Uniform Commercial Code, covering fixtures, timber to be cut, and as-extracted collateral. From the date of its recording, this Mortgage shall be effective as a financing statement filed as such with respect to the personal property, improvements and other fixtures located on or about the Mortgaged Property, which are or are to become fixtures located thereon, and with respect to timber and as-extracted collateral (including minerals, oil and gas). For this purpose, the following information is set forth:

- (a) Name and address of Debtor:

W Duane Lemon and Margaret Lemon
21874 Wees Road
Oreana, ID 83650

- (b) Name and address of Secured Party:

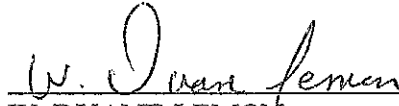
AgriCap Financial Corporation
350 Figueroa Street, Suite 501
Los Angeles, CA 90071

(c) This document covers goods which are or are to become fixtures, timber to be cut, and as-extracted collateral (as defined in the Uniform Commercial Code).

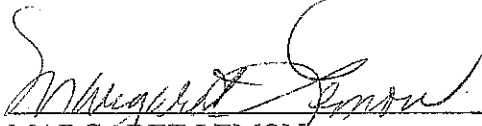
- (d) The Debtor's county of residence and principal place of business in Idaho is Owyhee County

14. Miscellaneous. This Mortgage shall be governed by the laws of the State of Idaho and shall be binding upon, inure to the benefit of and be enforceable by the Mortgagors and the Mortgagee and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, the Mortgagors have caused this Mortgage to be duly executed as of the day and year first above written



W DUANE LEMON

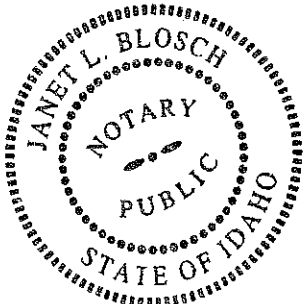


MARGARET LEMON

STATE OF IDAHO)
 : SS
County of Owyhee)

On this 18th day of July, 2007, before me, Janet L Bloesch, a notary public in and for said State, personally appeared W Duane Lemon, known or identified to me to be the person who executed the instrument and acknowledged to me that he executed the same

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

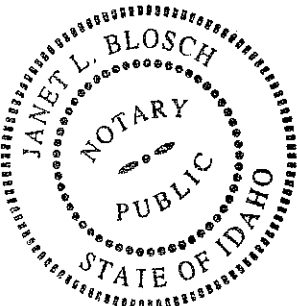


Janet L Bloesch
Notary Public
Residing at: Boise, Idaho
My Commission Expires: 3-17-2011

STATE OF IDAHO)
 : SS
County of Owyhee)

On this 18th day of July, 2007, before me, Janet L Bloesch, a notary public in and for said State, personally appeared Margaret Lemon, known or identified to me to be the person who executed the instrument and acknowledged to me that she executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written



Janet L Bloesch
Notary Public
Residing at: Boise, Idaho
My Commission Expires: 3-17-2011

EXHIBIT A

PARCEL I:

In Township 4 South, Range 1 East, Boise Meridian, Owyhee County, Idaho

SECTION 1:

Lots 3 and 4, the South Half of the Northwest Quarter, the Southwest Quarter, and the West Half of the West Half of the Southeast Quarter EXCEPTING THEREFROM a portion of the West Half of the Northwest Quarter, and the Southwest Quarter that lies Westerly of a line and Northerly of said irrigation ditch, said line and ditch being more particularly described as follows:

COMMENCING at the Northwest corner of said Section 1; thence
South 89°47'40" East along the North boundary of said Northwest Quarter of the Northwest Quarter,
Section 1, a distance of 434.91 feet to the true POINT OF BEGINNING; thence South 50°18'33" East a
distance of 205.14 feet;

thence

South 46°15'23" East a distance of 108.41 feet;

thence

South 33°02'08" East a distance of 72.67 feet;

thence

South 20°46'08" East a distance of 95.00 feet;

thence

South 0°14'15" West a distance of 377.58 feet;

thence

South 25°11'43" West a distance of 88.00 feet;

thence

South 9°52'00" West a distance of 54.43 feet;

thence

South 21°16'02" East a distance of 77.07 feet;

thence

South 39°18'21" East a distance of 281.33 feet;

thence

South 18°37'25" East a distance of 96.39 feet;

thence

South 9°29'26" West a distance of 41.48 feet;

thence

South 31°37'45" West a distance of 113.25 feet;

thence

South 19°16'38" West a distance of 142.14 feet;

thence
South 36°22'41" West a distance of 74.77 feet;
thence
South 44°45'57" West a distance of 112.82 feet;
thence
South 30°19'46" West a distance of 52.82 feet;
thence
South 15°33'05" West a distance of 153.08 feet;
thence
South 8°29'25" East a distance of 88.15 feet;
thence
South 27°55'28" East a distance of 64.90 feet;
thence
South 53°16'26" East a distance of 116.21 feet;
thence
South 20°00'03" East a distance of 66.60 feet;
thence
South 14°56'58" West a distance of 143.75 feet;
thence
South 8°26'21" West a distance of 189.05 feet;
thence
South 26°25'53" West a distance of 133.97 feet;
thence
South 11°44'55" West a distance of 71.65 feet;
thence
South 7°28'01" East a distance of 74.74 feet;
thence
South 27°46'00" East a distance of 152.71 feet;
thence
South 44°58'50" East a distance of 95.27 feet;
thence
South 30°06'37" East a distance of 167.45 feet;
thence
South 42°30'55" East a distance of 138.78 feet;
thence
South 59°32'09" East a distance of 93.42 feet;
thence
South 32°29'34" East a distance of 53.36 feet;
thence
South 14°28'42" East a distance of 275.44 feet;
thence
South 22°46'37" East a distance of 162.18 feet;
thence
South 44°29'47" East a distance of 100.85 feet;

thence
South 31°02'08" East a distance of 151.32 feet;
thence
South 17°40'53" East a distance of 126.46 feet;
thence
South 9°14'17" West a distance of 177.88 feet;
thence
South 26°29'36" West a distance of 115.23 feet;
thence
South 16°05'10" West a distance of 105.81 feet;
thence
South 64°18'04" West a distance of 111.56 feet;
thence
North 68°53'24" West a distance of 46.89 feet;
thence
North 46°55'15" West a distance of 58.00 feet;
thence
North 40°27'42" West a distance of 102.14 feet;
thence
North 74°03'10" West a distance of 80.46 feet;
thence
South 19°25'50" West a distance of 23.75 feet to the
centerline of an irrigation easement;
thence
South 64°16'59" West along said centerline a
distance of 1,568.15 feet;
thence
South 86°13'09" West along said centerline a
distance of 925.84 feet;
thence
North 85°01'46" West along said centerline a
distance of 70.00 feet, more or less, to a point on the West
boundary of the Southeast Quarter of the Southeast Quarter

SECTION 2:

Lots 2 and 3, the Southwest Quarter of the Northeast Quarter, the South Half of the Northwest Quarter, the Southwest Quarter, the West Half of the Southeast Quarter, and the Southeast Quarter of the Southeast Quarter, lying South of irrigation ditch.

SECTION 11:

The Northeast Quarter, the Northeast Quarter of the Northwest Quarter, and the West Half of the Southeast Quarter

SECTION 12:

The West Half of the West Half of the East Half, the Northwest Quarter, the North Half of the Southwest Quarter, and the North Half of the Southwest Quarter of the Southwest Quarter

SECTION 13:

The West Half of the Northwest Quarter of the Northeast Quarter and the Northeast Quarter of the Northwest Quarter.

PARCEL II:

In Township 4 South, Range 1 East, Boise Meridian, Owyhee County, Idaho.

Section 13: Southwest Quarter of the Northwest Quarter, West Half of the Southwest Quarter

Section 14: Southeast Quarter of the Southeast Quarter.

Northeast Quarter of the Southeast Quarter lying East of Wees Road.

A portion of the South Half of the Southeast Quarter of the Northeast Quarter lying East of Wees Road described as follows:

BEGINNING at the Southwest corner of the Southeast Quarter of the Northeast Quarter; thence North along the West boundary of the Southeast Quarter of the Northeast Quarter a distance of 469 feet to a point; thence

Easterly along a line that lies parallel to the South boundary line of the Southeast Quarter of the Northeast Quarter to a point on the section line between Sections 13 and 14; thence

South along section line a distance of approximately 469 feet to the Southeast corner of the Southeast Quarter of the Northeast Quarter;

thence

West along the South boundary line to the POINT OF BEGINNING.

Section 23: Northeast Quarter of the Northeast Quarter.

Section 24: Northwest Quarter of the Northwest Quarter

PARCEL III:

Tract 1:

In Township 4 South, Range 1 East, Boise Meridian, Owyhee County, Idaho:

Section 11: East One-Half of the Southeast Quarter

Section 12: South One-Half of the Southwest Quarter

Section 13: Northwest Quarter of the Northwest Quarter

Section 14: North One-Half of the Northeast Quarter of the Northeast Quarter

Tract II:

In Township 4 South, Range 1 East, Boise Meridian, Owyhee County, Idaho:
Section 14: South One-Half of the Northeast Quarter of the Northeast Quarter

Northeast Quarter of the Southeast Quarter lying West of Wees Road
Southeast Quarter of the Northeast Quarter

Less a portion of the South One-Half of the Southeast Quarter of the Northeast Quarter lying East of Wees Road described as follows:

BEGINNING at the Southwest corner of the Southeast Quarter of the Northeast Quarter; thence North along the West boundary a distance of 469 feet to a point; thence Easterly along a line that lies parallel to the South boundary line to a point on the section line between Sections 13 and 14; thence South along section line a distance of approximately 469 feet to the Southeast Corner of the Southeast Quarter of the Northeast Quarter; thence West along the South boundary line to the TRUE POINT OF BEGINNING.

EXHIBIT B

WATER RIGHTS

Water Rights for Irrigation

CONFIRMED WITH IDAHO WATER RESOURCES:					Appraisal assumes
ID #	Priority	CFS	Acres	Owner of Record	<u>/All to Subject or Split</u>
CASTLE CREEK SOURCE:					
57-00235	1907	1 1	63 0	HFM Castle View, LLC	/All
57-11665	1970	33 14	1,716 0	HFM Castle View, LLC	/Needs split
57-11666	1970	0 38	19 0	HFM Castle Dairy, LLC	/All
57-11667	1970	5 84	292 0	Yanke, Ronald & Linda	/All
SNAKE RIVER SOURCE:					
A02-02173	1962	6 0	279 0	HFM Castle View, LLC	/All
A02-02357A	1964	2 0*	100 0	HFM Castle View, LLC	/All
A02-07046C	1969	9 39	444 0	HFM Castle View, LLC	/Needs split
02-10244	1969	5 19	298 0	Lemon, Duane & Margaret	/Already owns
02-10235	1969	0 8	40 0	HFM Castle Dairy, LLC	/All
02-10332	1969	23 99	1,199 5	HFM Castle View, LLC	/Needs split
02-10333	1969	23 99	1,199 5	HFM Castle View, LLC	/Needs split

Water Rights for Dairy / Stock Water

57-7604	1994	1 0	3000 Cows	Mark A. Comstock	/ All
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EXHIBIT C
LEASES, PERMITS AND AGREEMENTS

Nutrient Management Plan for L&L Dairy, as approved by the Idaho Department of Agriculture by letter dated December 21, 2006

Grade A Raw Milk Permit #280251, issued to L&L Dairy, issued on November 2, 2001

Fixed Price Contract between Dairy Farmers of America, Inc and L&L Dairy, dated April 13, 2007, Confirmation of Transaction under the Master Agreement dated as of April 11, 2007.

All other permits, licenses and governmental approvals required for the ownership and operation of the Dairy Business and the Land

EXHIBIT D

PERSONAL PROPERTY

Ace triple K
Belarus Tractor
Brillion Ground Worker
Gehl 1000 Chopper
Gehl Corn Head
Gehl Hay Head
Heston Straw Spreader
Heston 8400 Swather
International 510 Grain Drill
International 315 Ground worker
International 400 Corn Planter
John Deere 13 foot Disk
John Deere 4440 Tractor
John Deere Grain Drills
John Deere 8450 Plow
John Deere 700 Rakes
John Deere Ripper
New Holland L785 Skid Steer
New Holland manure Spreader
New Idea Manure Spreader
Oswalt 465 Mixer Box

Pumps Serial #'s

Motor serial #'s

Johnston	JX14055	25 hp		
Richmond	serial # unknown			
Johnston	JX14057			
Johnston	JX14054			
Peerless	223990		4743850G58	100hp
Goules	212B573 1		474B850G59	100hp
Goules	212B573 2		3721126	40hp
			unknown	200hp
			3718286	60hp
			6289101171Jc1006283	
Peerless	223980		BJJ214137	100hp
G.E.		100hp		
Johnston	unknown		CJJ314479	60hp - hollow shaft high thrust - U.S.
Peerless	F			
Johnston	unknown		GGJ707113	100hp
G.E.			CFJ325136	150hp ✓
G.E.				
Peerless	F18145			
Peerless	unknown		7505	200hp ✓
Westinghouse				
Peerless	F18144			
Peerless	unknown		C1006554	200hp hollow shaft
Peerless			383288	25hp U.S.
	unknown		unknown	200hp
G.E.	unknown	200hp	unknown	200hp
G.E.	unknown	200hp	unknown	200hp

NOTE: Each motor has its own panel

Pivots

Gifford Hill	36770-022875
Gifford Hill	12-049-041377
Gifford Hill	unknown
Gifford Hill	44170-090475
Valley	C360256

DAIRY - MILKING EQUIPMENT AND TANKS

	Estimated Cost New	Physical Depreciation	Depr. Value
7000 Gallon bulk tank capacity (2 tanks):	\$ 90,500	5% \$ 4,525	\$ 85,975
Double 10 Herringbone stanchions: 20 @ \$7,500	\$150,000	15% \$22,500	\$127,500
Milking equipment: Base \$8,900 + 20 @ \$600	\$20,900	15% \$ 3,135	\$ 17,765
ESTIMATED DEPRECIATED VALUE OF MILKING EQUIPMENT AND TANKS			\$231,240

EXHIBIT E
STANDARD INSURANCE REQUIREMENTS

I. PROPERTY INSURANCE:

An ORIGINAL (or certified copy) All-Risk Hazard Insurance Policy or ORIGINAL Acord 27 Certificate of Insurance naming the borrowing entity as an insured, reflecting coverage of 100% of the replacement cost, and written by a carrier approved by Lender with a current Best's Insurance Guide Rating of at least A- IX (which is authorized to do business in the state in which the property is located) that includes:

1. Lender's Loss Payable Endorsement with a Severability of Interest Clause with a 30-day notice to Lender in the event of cancellation, non-renewal or material change
2. Replacement Cost Endorsement
3. No Coinsurance Clause
4. Special Perils Coverage
5. Vandalism and Malicious Mischief Coverage
6. "Non-Contributory Mortgage" Endorsement
7. Eighteen months' business interruption insurance in an amount acceptable to Lender
8. Waiver of Subrogation Endorsement as to Lender
9. Extra Expense Coverage

II. LIABILITY INSURANCE

An ORIGINAL Acord 25 Certificate of General Comprehensive Liability Insurance naming the borrowing entity as an insured, and written by a carrier approved by Lender with a current Best's Insurance Guide Rating of at least A- IX (which is authorized to do business in the state in which the property is located) that includes:

1. \$2,000,000 per occurrence
2. \$4,000,000 annual aggregate limit
3. \$2,000,000 excess or umbrella liability coverage

Additional Insured Endorsement naming AgriCap Financial Corporation as an additional insured with a 30-day notice to Lender in the event of cancellation, non-renewable or material change

III. WORKER'S COMPENSATION

An ORIGINAL Certificate of Worker's Compensation coverage in the statutory amount, naming the Borrowers and written by a carrier approved by Lender if Borrower now or in the future has employees

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