

RECEIVED

JUN 10 2013

DEPT. OF WATER RESOURCES  
SOUTHERN REGION

Form 42-248(6) 3/07

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

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 Exhibit A  
Adjudication Claim No(s): See Attached Exhibit A
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  
Metropolitan Life Insurance Company  
10801 Mastin Blvd., Suite 900  
Overland Park, KS 66210
4. Name of Water Right Owner/Claimant(s)  
Antoinette H. Hafliger
5. Expiration Date of Notification Period 7/10/2028
6. Is this a Renewal of Request for Notification? ☐ YES ☒ NO
7. Signature(s) of Security Interest holder(s)   
 (and title if applicable)  
Director

**For Office Use Only**

|                       |            |                     |
|-----------------------|------------|---------------------|
| Received by _____     | Date _____ | Fee _____           |
| Receipted by _____    | Date _____ | Receipt No. _____   |
| Processed by _____ AJ | Date _____ | WR _____ Date _____ |

**SUPPORT DATA**

**IN FILE #** 47-2225

## EXHIBIT A

### Water Rights

| Water Right<br>(License/Decree/<br>Claim Number) | Priority<br>Date | Diversion<br>Rate (cfs) | Water Use             |
|--------------------------------------------------|------------------|-------------------------|-----------------------|
| 47-2225                                          | 02/23/1939       | 2.08                    | Irrigation            |
| 47-7431A                                         | 08/25/1977       | 1.59                    | Irrigation            |
| 47-7519A (License)                               | 04/16/1979       | 1.46                    | Irrigation            |
| 47-4030 (Statutory<br>Claim)                     | 03/29/1966       | 1.20                    | Irrigation            |
| 47-16796                                         | 11/06/1961       | 0.34                    | Irrigation            |
| 47-16798                                         | 08/08/1954       | 0.15                    | Irrigation            |
| 47-16800                                         | 04/03/1961       | 0.02                    | Irrigation            |
| 47-2231 (License)                                | 01/31/1946       | 0.70                    | Irrigation            |
| 47-7431B                                         | 08/25/1977       | 0.39                    | Stockwater/Commercial |
| 47-7519B (License)                               | 04/16/1979       | 0.37                    | Stockwater/Commercial |
| 47-16797                                         | 11/09/1961       | 0.11                    | Stockwater/Commercial |
| 47-16799                                         | 08/08/1954       | 0.05                    | Stockwater/Commercial |
| 47-8369 (License)                                | 06/24/1994       | 0.04                    | Stockwater            |
| 47-12144                                         | 12/31/1960       | 0.02                    | Stockwater            |
| 47-16801                                         | 04/03/1961       | 0.01                    | Stockwater/Commercial |

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Metropolitan Life Insurance Company

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Overland Park, KS 66210

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Antoinette H. Haflinger

5. Expiration Date of Notification Period 7/10/2028

6. Is this a Renewal of Request for Notification? ☐ YES ☒ NO

7. Signature(s) of Security Interest holder(s) [Signature]  
(and title if applicable)

Director

**For Office Use Only**

|                        |                      |             |                      |
|------------------------|----------------------|-------------|----------------------|
| Received by            | Date                 | Fee         | <u>\$375 - total</u> |
| Received by <u>DM</u>  | Date <u>6.4.2013</u> | Receipt No. | <u>5033297</u>       |
| Processed by <u>AJ</u> | Date                 | WR          | Date                 |

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| 47-12144                                         | 12/31/1960       | 0.02                    | Stockwater            |
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WHEN RECORDED RETURN TO:

Metropolitan Life Insurance Company  
10801 Mastin Blvd., Suite 930  
Overland Park, KS 66210  
Attn: Director

**TWIN FALLS COUNTY**  
RECORDED FOR:  
LAND TITLE AND ESCROW - TWIN  
03:25:19 PM 05-31-2013  
**2013011924**  
NO. PAGES 34 FEE: \$109.00  
KRISTINA GLASCOCK  
COUNTY CLERK  
DEPUTY: JWD  
Electronically Recorded by Simplifile

4200

(space above reserved for recorder's use)

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

DATED: May 30, 2013

FROM: BLUE SAGE PROPERTIES, LLC, MORTGAGOR  
an Idaho limited liability company, and  
ANTOINETTE H. HAFLIGER (also known  
as Toni H. Hafliger), an unmarried woman  
3765 North 2300 East  
Filer, ID 83328

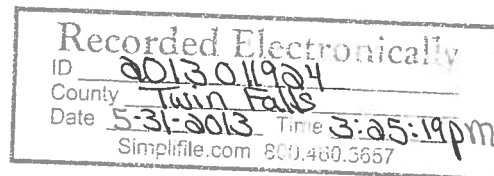
TO: METROPOLITAN LIFE INSURANCE COMPANY MORTGAGEE  
a New York corporation  
10801 Mastin Blvd., Suite 930  
Overland Park, Kansas 66210

Mortgagor is the owner of the real and personal property in Twin Falls County, Idaho described on the attached Exhibit A and Exhibit B.

Mortgagee has loaned or agreed to loan to Mortgagor, the original principal amount of ~~ONE MILLION EIGHT HUNDRED THIRTY TWO THOUSAND AND NO/100 DOLLARS (\$1,832,000.00)~~ on certain terms and conditions. Such amount will be repayable with interest according to the terms

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10801 Mastin Blvd., Suite 930  
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Attn: Director



4000

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Mortgagee has loaned or agreed to loan to Mortgagor, the original principal amount of ~~\$10,000,000~~ on certain terms and conditions. Such amount will be repayable with interest according to the terms

of a promissory note in the amount of ~~Eight hundred thousand~~ <sup>Eight hundred thousand</sup> and ~~no more~~ <sup>no more</sup> dated of even date herewith (the "Note"). The final payment of principal and interest pursuant to the Note will be due on July 10, 2028. The Note and any documents or instruments given in renewal, modification, substitution or addition to the Note as originally issued, are collectively referred to herein as "the Note." The Note provides that the interest rate and payment terms may be adjusted. The loan is subject to those terms and conditions contained in a Loan Agreement of even date herewith between Mortgagor, as borrower, and Mortgagee, as lender (the "Loan Agreement").

The term "Indebtedness" as used in this Mortgage shall mean (a) the principal, interest and other amounts payable under the Note, including without limitation, prepayment premiums (b) any future amounts that Mortgagee may in its discretion loan to Mortgagor, with interest thereon, (c) any amounts expended or advanced by Mortgagee to discharge obligations of Mortgagor or expenses incurred by Mortgagee to enforce obligations of Mortgagor, as permitted under this Mortgage, with interest thereon as provided below, and (d) any amount, with interest thereon as provided in Section 13.4 below, payable by Mortgagor to Mortgagee under the provisions of the Loan Agreement, to the extent Mortgagee specifically elects by written notice to Mortgagor to include such amounts in the Indebtedness.

To secure payment of the Indebtedness and performance of all obligations of Mortgagor under this Mortgage and the Loan Agreement, Mortgagor hereby mortgages, conveys and assigns to Mortgagee the following:

- A. The real property in Twin Falls County, Idaho described on the attached Exhibit A, with all appurtenances and existing or future improvements (the "Real Property");
- B. All buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Real Property, including, without limitation, (i) houses, barns, sheds, warehouses, pump houses, bunkhouses, mobile homes, modular homes, hothouses and all other buildings, (ii) grain bins, grain storage facilities and attachments used to move grain within storage facilities or maintain or modify grain quality, storage bins, metal sheds and buildings, water towers, and windmills, (iii) all towers, fences, gates and posts, (iv) all electric, water and gas lines, wiring, pipe and equipment together with meters, transformers, switch boxes, fuse panels, circuit breakers, timing devices, thermostats and control valves, (v) air conditioning and heating equipment including coils, compressors, ducts and heaters, (vi) all wall-to-wall carpet, refrigerators, stoves and other built-in equipment, and (vii) all additions, substitutions and replacements thereof now or hereafter owned by Mortgagor and located in, on or about, or used or intended to be used with or in connection with the use, operation or enjoyment of the Real Property, all of which are hereby declared and shall be deemed to be fixtures and accessions to the Real Property as between the parties hereto and all persons

claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein described and to be secured by this Mortgage;

- C. All easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, shrubs, trees and timber now or hereafter located on the Real Property or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, minerals, royalties, easements, privileges, liberties, tenements, hereditaments and appurtenances, reversion and reversions, remainder and remainders whatsoever, in any way belonging, relating or appertaining to the Real Property or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Mortgagor;
- D. All improvements, furnishings, fixtures (including trade fixtures), supplies, equipment, construction materials, inventory and other articles of personal property now owned or hereafter acquired by the Mortgagor that now or hereafter are located on, affixed or attached to, or incorporated in the Real Property or the improvements thereon, including (i) all irrigation equipment, including pumps, motors, pipes, pivots, drip systems, (ii) all milk handling, milk storage, milk processing, and milking equipment now or hereafter located on the Real Property, (iii) all livestock handling fixtures and other non-rolling stock necessary to run the dairy business located on the Real Property, (iv) all sewage handling and disposal equipment, including without limitation all motors, pumps, couplings, brackets, grates, tanks and piping, and (v) all substitutions for, or replacements of, the foregoing; and including, without limitation, the items listed on attached Exhibit B (the "Equipment and Improvements"), excluding rolling stock;
- E. All present and future income, rents, issues, profits and revenues of the Real Property from time to time accruing (including, without limitation, all payments under leases or tenancies, including the Dairy Lease (as hereinafter defined), unearned premiums on any insurance policy carried by Mortgagor for the benefit of Mortgagee and/or the Real Property, tenant security deposits, escrow funds and all awards or payments, including interest thereon and the right to receive same, growing out of or as a result of any exercise of the right of eminent domain, including the taking of any part or all of the Real Property or payment for alteration of the grade of any road upon which said Real Property abuts, or any other injury to, taking of or decrease in the value of said Real Property to the extent of all amounts which may be owing on the Indebtedness secured by this Mortgage at the date of receipt of any such award or payment by Mortgagor, and the reasonable attorneys' fees, costs and disbursements incurred by Mortgagee in connection with the collection of such award or payment), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law or in

equity, of Mortgagor of, in and to the same (the "Income"); reserving only the right of Mortgagor to collect the same as long as no default or event of default as defined in Section 11 below shall have occurred other than as provided in Section 9 below regarding the direct assignment of rent from the Dairy Lease;

- F. All water, water rights, ditches and ditch rights, and any permits, licenses, certificates or shares of stock evidencing any such water or ditch rights, and all water delivery contracts, water rights purchase agreements or options to purchase water rights and any such rights acquired in the future, which entitle Mortgagor to use water for any purpose upon the Real Property, including, but not limited to the water rights listed on attached Exhibit C (the rights and interests described in this paragraph are referred to herein as the "Water Rights");
- G. All milk, cream, and other dairy products (the "Dairy Products"), and all receivables thereof (the "Receivables");
- H. All of Mortgagor's right, title and interest in all leases of or pertaining to the Real Property;
- I. All rights and/or interest arising under the Dairy Lease (as defined below) and all other contracts, leases, permits, licenses, plans or intangible property now or hereafter related to or affecting the Real Property, including, without limitation, all rights to collection and payment and enforcement rights granted therein (the "Intangibles");
- J. All accessions, parts, or additions to and all replacements of and substitution for any of the property described in the preceding clauses; and
- K. All products of any of the property described on the preceding subparagraphs and all proceeds (including insurance proceeds) from the sale or other disposition of any of the property described in the preceding clauses (including the Dairy Products and Receivables); provided, that by accepting a security interest in proceeds Mortgagee does not consent to sale or other disposition of any of the foregoing.

The real and personal property described above is referred to as the "Property."

Mortgagor hereby grants to Mortgagee a security interest in the Income, the Water Rights, the Dairy Products, the Receivables, the Equipment and Improvements, the Intangibles and all Property constituting personal property (collectively, the "Personal Property").

This Mortgage is given and accepted on the following terms and conditions which Mortgagor will promptly and faithfully observe and perform:

1. PAYMENT AND PERFORMANCE

Mortgagor shall pay to Mortgagee promptly when due all amounts payment of which is secured by this Mortgage and shall strictly perform all obligations imposed upon Mortgagor by this Mortgage, the Loan Agreement, and the Note.

2. POSSESSION AND MAINTENANCE OF THE PROPERTY

2.1 Possession. Until in default, Mortgagor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.

2.2 Duty to Maintain. Mortgagor shall maintain the Property in good condition at all times and promptly perform all repairs and maintenance necessary to preserve its value. The Real Property shall be cultivated in accordance with good husbandry practices, operated in accordance with good dairy operation custom and practice, and all farming and dairy operations shall be conducted in such manner as to prevent deterioration of the Property, except for reasonable wear and tear from proper use. Without limiting the foregoing, Mortgagor shall operate and maintain the crops and dairy operations on the Property in accordance with good farming and dairy practices prevailing in Idaho.

2.3 Nuisance, Waste. Mortgagor shall not conduct or permit any nuisance and shall not commit or suffer any strip mining or waste on the Property.

2.4 Removal of Improvements. Mortgagor shall maintain and not demolish or remove any improvements from the Property without the prior written consent of Mortgagee. Mortgagee shall consent if Mortgagor makes arrangements satisfactory to Mortgagee to replace any improvement which Mortgagor proposes to remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures and other fixtures and equipment now or hereafter installed in, attached to or used in connection with the Property, including but not limited to mobile homes, fences, corrals, dairy parlors, confinement facilities, silos, elevators, storage facilities and irrigation facilities. Notwithstanding the foregoing, Mortgagor may sell or otherwise dispose of Equipment and Improvements subject to the lien hereof, which may become worn out, undesirable, obsolete, disused or unnecessary for use in the operation of the Property not exceeding in value at the time of disposition thereof \$10,000 for any single transaction or a total of \$25,000 in any fiscal year, upon replacing or substituting the same with a replacement of at least

equal capacity and functionality and not less than the amount realized from the property sold or otherwise disposed of, which shall forthwith become, without further action, subject to the lien and security interest of this Mortgage and which shall remain free and clear of any lien, including, without limitation, vendors' liens.

- 2.5 Mortgagee's Right to Enter. Mortgagee and its agents and representatives may enter upon the Property at all reasonable times to attend to Mortgagee's interest and to inspect the Property and to inspect any and all financial and other records related to Mortgagee's operations on the Property.
- 2.6 Compliance with Governmental Requirements. Mortgagor shall promptly comply with all laws, ordinances, permits and regulations of all governmental authorities applicable to the use or occupancy of the Property. Mortgagor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Mortgagee's interest in the Property is not jeopardized.
- 2.7 Duty to Protect. Mortgagor shall do all other acts, in addition to those set forth in this Mortgage, that are reasonably necessary to protect and preserve the security based upon the existing character and use of the Property.
- 2.8 Water Rights. All existing Water Rights benefiting the Property and options to purchase water rights shall be maintained by Mortgagor and applied to beneficial use so as to maintain the validity and priority of such rights. Mortgagor shall fully comply with, and not permit a default to occur under, any water delivery contracts used to provide water to the Real Property, and shall timely exercise all renewal or extension rights in such contracts.
- 2.9 Validity and Compliance with Permits. Mortgagor shall maintain in full force and effect, without breach, all licenses, permits, approvals and agreements as may be necessary to operate the Property in the manner currently operated including, without limitation, livestock confinement permits, nutrient management permits, wastewater discharge permits, spreading agreements and water licenses and permits. None of such permits or agreements shall be cancelled or materially altered absent Mortgagee's prior written consent.

### 3. TAXES, ASSESSMENTS AND LIENS

- 3.1 Payment. Mortgagor shall pay when due all taxes and assessments levied against or on account of the Property, and all dues and assessments upon water or ditch rights or shares of stock evidencing any such right, and shall pay when due all claims for work done on or for services rendered or materials furnished to the Property. Mortgagor shall maintain the Property free of any liens having priority over or equal to the interest of Mortgagee under this Mortgage, except for the Permitted Encumbrances (defined below) and the lien of taxes and assessments not due, except as otherwise provided in Section 3.2.
- 3.2 Right to Contest. Mortgagor may withhold payment of any tax, assessment or claim in connection with a good faith dispute over obligation to pay, so long as Mortgagee's interest in the Property is not jeopardized as determined by Mortgagee. If the Property is subjected to a lien which is not discharged within fifteen (15) days, Mortgagor shall upon demand by Mortgagee deposit with Mortgagee cash, a sufficient corporate surety bond or other security satisfactory to Mortgagee in an amount sufficient to discharge the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale under the lien. In any contest proceedings, Mortgagor will defend itself and Mortgagee and will name Mortgagee as an additional obligee under any surety bond, and Mortgagor shall satisfy any final adverse judgment before enforcement against the Property.
- 3.3 Evidence of Payment. Mortgagor shall promptly furnish evidence of payment of taxes and assessments to Mortgagee upon demand. Mortgagor shall authorize the appropriate county or district official to deliver to Mortgagee at any time a written statement of the taxes and assessments against the Property, and shall pay the expense of a tax reporting service for the Property, if required by Mortgagee.
- 3.4 Notice of Construction. Mortgagor shall notify Mortgagee at least fifteen (15) days before any work is commenced on, any services are furnished or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services or materials and the cost of such work, services or materials exceeds Twenty Five Thousand Dollars (\$25,000); provided that the preceding sentence shall not be interpreted as any waiver of the requirements of Sections 3.1 and 3.2 hereof. On Mortgagee's request, Mortgagor will promptly furnish advance assurances satisfactory to Mortgagee that Mortgagor can and will pay the cost of such improvements.

- 3.5 Farm Classification. Mortgagor agrees to maintain the agricultural use classification of the Property on the tax roll, and not to allow any act or omission which would disqualify the Property for assessment as agricultural use.

#### 4. PROPERTY DAMAGE INSURANCE

- 4.1 Maintenance of Insurance. Mortgagor shall carry such insurance as the Mortgagee may reasonably require. This shall include policies of fire and tornado insurance covering all improvements on the Property for at least their insurable value, in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Mortgagee, liability insurance and insurance against such other risks as may be specified by the Mortgagee. Policies shall be written in amounts, in form, on terms and with companies reasonably acceptable to Mortgagee. Mortgagor shall deliver to Mortgagee certificates of coverage from each insurer containing a stipulation that coverage will not be canceled or diminished without a minimum of ten (10) days' written notice to Mortgagee.
- 4.2 Application of Proceeds. Mortgagor shall promptly notify Mortgagee of any loss or damage to the Property. Mortgagee may make proof of loss if Mortgagor fails to do so within fifteen (15) days of the casualty. In the event of any damage to or destruction of the Property, and provided (1) an event of default does not currently exist, and (2) Mortgagee has determined that (i) its lien and security interest in the Property has not been impaired, and (ii) the repair, restoration and rebuilding of any portion of the Property that has been partially damaged or destroyed can be accomplished in full compliance with all requirements relating to land and building construction, use and maintenance, including, without limitation, planning, zoning, subdivision, environmental, air quality, waste disposal, water runoff, odor, flood hazard, fire safety, handicapped facilities and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with any of the foregoing, and other applicable statutes, rules, orders, regulations, laws, ordinances and covenants, conditions and restrictions, which now or hereafter pertain to and/or affect the design, construction, existence, operation or use and occupancy of the Property, or any part thereof, or any business conducted thereon to a condition, character and general utility as nearly as possible to that existing prior to such damage or destruction and at least equal value as that existing prior to such damage or destruction (the "Restoration"), then Mortgagor shall commence and diligently pursue to completion the Restoration. With respect to casualty losses in excess of \$10,000, such

insurance proceeds less the reasonable cost, if any, to Mortgagee of recovering such proceeds including, without limitation, attorneys' fees and expenses, adjusters' fees, and fees incurred in Mortgagee's performance of its obligations hereunder (the "Net Insurance Proceeds") shall be held and disbursed by Mortgagee, at its option and according to Mortgagee's customary practice, to the Restoration. In the event that the above conditions for Restoration have not been met, Mortgagee may, at its option, apply the Net Insurance Proceeds to the reduction of the Indebtedness in such order as Mortgagee may determine. In the event that all or any portion of the Net Insurance Proceeds are applied to repay Mortgagor's Indebtedness as provided herein, after payment in full of the Secured Indebtedness, any remaining Net Insurance Proceeds shall be paid to Mortgagor.

- 4.3 Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Mortgage at any foreclosure sale of the Property.

## 5. WARRANTIES OF MORTGAGOR

- 5.1 Title. Mortgagor warrants that it holds merchantable title to the Property in fee simple free of all encumbrances other than those special exceptions approved by Mortgagee set forth in the title insurance policy issued to Mortgagee at closing (the "Permitted Encumbrances").
- 5.2 Defense of Title. Subject to the exceptions in the paragraph above, Mortgagor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Mortgagor's title or the interest of Mortgagee under this Mortgage, Mortgagor shall defend the action at its expense. If any Permitted Encumbrance is a lien, Mortgagor shall pay any sums and do any other acts necessary to prevent a default or prevent any action or condition which, with the lapse of time, the giving of notice or any other action of a creditor, would be a default or enable any creditor to declare a default or foreclose any Permitted Encumbrance which is a lien.
- 5.3 Other Agreements. Mortgagor represents and warrants that the borrowing evidenced by the Note and the execution and delivery of the Note, the Loan Agreement and this Mortgage will not contravene any provision of law or of the articles of organization or operating agreement of the Mortgagor or any other agreement binding upon Mortgagor.

- 5.4 No Litigation. Mortgagor represents and warrants that there is no litigation pending or, to the best of knowledge of its officers, members, or managers, threatened against Mortgagor which will substantially adversely affect the ability of Mortgagor to perform its obligations hereunder, nor will the execution or performance of this Mortgage and the Note violate the terms of any order of any court. If such litigation is filed, Mortgagor agrees to notify Mortgagee promptly by providing Mortgagee with a copy of the summons and complaint.

## 6. CONDEMNATION

- 6.1 Application of Net Proceeds. If all or any part of the Property is condemned, Mortgagee may elect to require that all or any portion of the net proceeds of the condemnation be applied on the Indebtedness. The "net proceeds" shall mean the total amount available after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Mortgagor and Mortgagee in connection with the taking by condemnation. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this section shall apply.
- 6.2 Proceedings. If any proceedings in condemnation are filed, Mortgagor shall promptly take such steps as may be necessary to defend the action and obtain the award. Mortgagee shall be entitled, at its option, to commence, appear in and prosecute in its own name, any action or proceeding, or to make any compromise or settlement, in connection with such taking or damage, and to obtain all compensation, awards or other relief therefore to which Mortgagor may be entitled.

## 7. IMPOSITION OF TAX BY STATE

- 7.1 State Taxes Covered. The following shall constitute state taxes to which this section applies:
- (a) A specific tax upon mortgage deeds or upon all or any part of the indebtedness secured by a mortgage.
  - (b) A specific tax on Mortgagor which the taxpayer is authorized or required to deduct from payments on the indebtedness secured by a mortgage.

- (c) A tax on a mortgage chargeable against the Mortgagee or the holder of the note secured.
- (d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Mortgagor.

7.2 Remedies. If any state tax to which this section applies is enacted subsequent to the date of this Mortgage, this shall have the same effect as a default, and Mortgagee may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

- (a) Mortgagor pays the tax or charge imposed by the state tax, and
- (b) Mortgagor pays the tax or charge within thirty (30) days after notice from Mortgagee that the tax law has been enacted or fifteen (15) days prior to the date the tax is payable, whichever is later.

## 8. TRANSFER BY MORTGAGOR

8.1 Prohibition of Transfer Without Consent. Except pursuant to the Dairy Lease, Mortgagor shall not sell, lease, agree to sell or lease, assign, convey, subcontract, encumber or otherwise transfer any part or all of the Property or any interest in the Property or any interest of more than ten percent (10%) of any entity constituting Mortgagor, without the prior written consent of Mortgagee, which consent may be withheld in Mortgagee's sole discretion. If Mortgagor or a prospective transferee applies to Mortgagee for consent to a transfer, Mortgagee may require such information as may be reasonably necessary for Mortgagee to assess the prospective transferee's prior business experience, reputation and financial ability to perform Mortgagor's obligations under this Mortgage. For the purpose of this Section 8.1, and without limiting the generality of the foregoing, the occurrence at any time of any of the following events, without Mortgagee's prior written consent, shall be deemed to be a transfer of title to the Property:

- (a) Any sale, conveyance, assignment or other transfer of, or the grant of a security interest in all or any part of the legal or equitable title to the Property except for the grant of a security interest in the crops and other farm products now or hereafter growing or grown on the Real Property made for operating financing that is made in compliance with the Loan Agreement;

- (b) Any lease of the Property, or portion thereof, including any wind leases or agreements involving the creation of a wind farm, with a term greater than one (1) year; or
- (c) Any conveyance, grant or other transfer of the legal or equitable title to the Property which occurs by operation of law, by trustees in bankruptcy, receivers or estate administrators or executors, or by or through a bankruptcy court.

- 8.2 Condition to Consent. As a condition of its consent to any transfer, Mortgagee may in its discretion impose a service charge and may increase the interest rate of the Indebtedness to such rate as Mortgagee may then determine to be its current rate on comparable new agricultural loans in the State of Idaho. Mortgagee may increase the amount of each remaining installment so that the Indebtedness will be fully paid by the original maturity date. In no event, however, shall the interest rate be increased beyond the maximum rate permitted under applicable law.
- 8.3 Effect of Consent. Consent by Mortgagee to one transfer shall not constitute consent to other transfers or a waiver of this section. No transfer by Mortgagor shall relieve Mortgagor of liability for payment of the Indebtedness. Following a transfer, Mortgagee may agree to any extension of time for payment or modification of the terms of this Mortgage or the Note or waive any right or remedy under this Mortgage or the Note without relieving Mortgagor from liability. Mortgagor waives notice, presentment and protest with respect to the Indebtedness.
- 8.4 Milk Assignment. Mortgagor covenants and agrees that it will make no further or future assignments of the proceeds of the agreements under which any Mortgagor or Tenant (as defined below) sells Dairy Products produced at the Real Property, or otherwise alter, or permit any Tenant to alter, the operations or assets located on the Property or otherwise alter the first priority position of the assignment of the Dairy Products proceeds to Mortgagee in a manner which would alter or eliminate Mortgagee's right, under Section 9.5 below and this Mortgage, to receive from Mortgagor's or any Tenant's proceeds of the sale of Dairy Products sums sufficient to satisfy the monthly payments due under the Note. A breach of this covenant shall constitute an event of default hereunder at the option of the Mortgagee.

9. SECURITY AGREEMENT; SECURITY INTEREST; ASSIGNMENT OF LEASES

- 9.1 Security Agreement. This instrument shall constitute a security agreement with respect to the fixtures, Income, Water Rights, Dairy Products, Receivables, Equipment and Improvements and other Personal Property included in the description of the Property.
- 9.2 Security Interest. Upon request by Mortgagee, Mortgagor shall execute financing statements and take whatever other action is requested by Mortgagee to perfect and continue Mortgagee's security interest in the Personal Property. Mortgagor hereby appoints Mortgagee as Mortgagor's attorney in fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein, and authorizes Mortgagee to file such financing statements as Mortgagee deems appropriate to perfect its security interest in the Personal Property. Mortgagee may file copies or reproductions of this Mortgage as a financing statement at any time without further authorization from Mortgagor. Mortgagor will reimburse Mortgagee for all expenses incurred in perfecting or continuing this security interest. Upon default, Mortgagor shall assemble the personal property and make it available to Mortgagee within three days after receipt of written demand from Mortgagee.
- 9.3 Fixture Filing. This instrument constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the Real Property is located with respect to any and all fixtures included in the term Property as used herein and with respect to any goods or other personal property that may now be or hereafter become fixtures. Mortgagor is the record owner of the Property.

Name and address of Mortgagee (Secured Party) from whom information may be obtained:

Metropolitan Life Insurance Company  
Agricultural Investments  
10801 Mastin Blvd., Suite 930  
Overland Park, KS 66210  
Attention: Director

Mailing address of Mortgagor (Debtor):

Blue Sage Properties, LLC  
Antoinette H. Hafliger  
3765 North 2300 East  
Filer, ID 83328

9.4 Assignment of Leases.

9.4.1 As additional collateral and to further secure the Indebtedness and other obligations of Mortgagor, Mortgagor does hereby absolutely, presently and irrevocably assign, grant, transfer, and convey to Mortgagee, its successors and assigns, the Income, and all of Mortgagor's right, title, and interest in, to, and under all leases, subleases, tenant contracts, rental agreements, whether written or oral, now or hereafter affecting or benefitting all or any part of the Property or the use thereof, and any agreement for the use or occupancy of all or any part of said Property or any adjoining property used for the benefit of the Property which may have been made heretofore or which may be made hereafter, including any and all extensions, renewals, and modifications of the foregoing and all extensions, renewals, and modifications of the foregoing and guaranties of the performance or obligations of any tenants thereunder, and all other arrangements of any sort resulting in the payment of money to Mortgagor or in Mortgagor becoming entitled to the payment of money for the use of the Property or any other property or assets benefitting the Property or any part thereof whether such user or occupier is a tenant, invitee, or licensee including, without limitation, that certain Lease Agreement dated as of May 17, 2013 between Mortgagor, as landlord, and Cedar Ridge Dairy, LLC, an Idaho limited liability company, as tenant, as amended pursuant to that certain First Amendment to Lease Agreement dated as of May \_\_\_, 2013 (as replaced, extended, renewed or amended from time to time, the "Dairy Lease") (all of the foregoing hereafter referred to collectively as the "Leases" and individually as a "Lease", and said tenants, invitees, and licensees are hereafter referred to collectively as "Tenants" and individually as "Tenant" as the context requires), which Leases cover all or portions of the Property or adjoining property used for the benefit of the Property; together with all of Mortgagor's right, title, and interest in and to all income, rents issues, royalties, receivables, profits, rights and benefits and all Tenants' security and other similar deposits derived with respect to the Leases and with respect to the Property, including, without limitation, all base and minimum rents, percentage rents, additional rents, payments in lieu of rent, expense contributions, and other similar such payments and the right to collect the same as they become due, it being the intention of the parties hereto to establish an absolute transfer and assignment of all of the Leases and the Income to Mortgagee, and not just to create a security interest.

9.4.2 Mortgagor hereby represents, warrants, and agrees as follows:

- (a) Mortgagor is the sole holder of the landlord's interest under the Leases, is entitled to receive the Income under the Leases and from the Property, and has the full right to sell, assign, transfer, and set over the same and to grant to and confer upon Mortgagee the rights, interests, powers and authorities herein granted and conferred; and
- (b) Mortgagor has made no pledge or assignment of the Leases or Income, other than to Mortgagee, and Mortgagor shall not, after the date hereof, make or permit any such pledge or assignment.

9.4.3 Mortgagor shall authorize and direct, and does hereby authorize and direct, each and every present and future Tenant of the whole or any part of the Property to pay all rental to Mortgagee from and after the date of receipt of written demand from Mortgagee to do so. Although this Mortgage constitutes as an absolute, present and current assignment of all Income, as long as no event of default as described in Section 11 on the part of the Mortgagor shall have occurred, Mortgagee shall not demand that such Income be paid directly to Mortgagee, and Mortgagor shall have a revocable license to collect, but not more than one (1) month prior to the due date thereof all such Income from the Property (including, without limitation, all rental payments under the Leases). Notwithstanding the foregoing, all Income payable under the Dairy Lease in amounts sufficient to make all payments due under the Note is hereby presently and absolutely assigned to Mortgagee, regardless of the occurrence of default and Mortgagor shall direct and cause all such Income to be paid to Mortgagee. In no event shall the termination of any of the Leases waive or excuse the obligations to make all payments under the Note, as and when due.

9.4.4 As additional collateral and to further secure the Indebtedness and other obligations of Mortgagor, Mortgagor does hereby absolutely, presently and irrevocably assign, grant, transfer, and convey to Mortgagee, its successors and assigns, all of Mortgagee's right, title, and interest in, to, and under all franchise agreements, spreading agreements, management contracts, construction contracts, water production contracts, wastewater discharge permits and contracts, well site agreements, well sharing and use agreements, including, without limitation, equipment leases, insurance policies, general intangibles and other contracts, licenses and permits map approvals and conditional use permits, whether written or oral, now or hereafter affecting or benefitting all or any part of the Property or the use thereof or adjoining property used for the benefit of the Property, which may have been made heretofore or which may be made hereafter, including any and all extensions, renewals, and modifications of the foregoing and guaranties of the performance or obligations of any obligors thereunder (all of the foregoing hereafter referred to collectively as the "Contracts" and individually as a

“Contract” as the context requires); together with all of Mortgagee’s right, title, and interest in and to all income, issues, royalties, profits, rights and benefits derived with respect to the Contracts and with respect to the Property, and the right to collect the same as they become due. The foregoing collateral assignment encompasses the right, after the occurrence and during the continuation of an event of default, to (a) terminate any of the Contracts, (b) perform or compel performance and otherwise exercise all remedies under the Contracts, and (c) collect and receive all sums which may become due Mortgagee or which Mortgagee may now or shall hereafter become entitled to demand or claim, under the Contracts.

9.5 Assignment of Milk Proceeds. As additional collateral and to further secure the Indebtedness and other obligations of Mortgagor, Mortgagor does hereby absolutely, presently and irrevocably assign the proceeds of the sale of Mortgagor’s Dairy Products and all of Mortgagor’s right, title and interest to the proceeds of the sale of any Tenant’s Dairy Products, in an amount and with priority sufficient to cover the monthly Note payments as adjusted under the provisions of the Note, which assignment shall commence as of the date of this Mortgage. The provisions of this section shall apply to any replacement milk contracts. Mortgagor shall deliver and maintain in effect assignments of Dairy Products proceeds in form and substance acceptable to Mortgagee and accepted by the purchaser of such Dairy Products. Such assignments shall not be terminated or altered absent Mortgagee’s prior written consent.

#### 10. RELEASE ON FULL PERFORMANCE

If all of the Indebtedness is paid when due and Mortgagor otherwise performs all the obligations imposed upon Mortgagor under this Mortgage, Mortgagee shall, if requested, execute and deliver to Mortgagor a suitable satisfaction of this Mortgage and suitable statements of termination of any financing statement on file. The reconveyance and filing fees shall be paid by Mortgagor.

#### 11. DEFAULT

Any of the following shall constitute an event of default:

- (a) Failure of Mortgagor to pay, or cause to be paid, any portion of the Indebtedness when it is due.
- (b) Failure of Mortgagor within the time required by this Mortgage to make any payment for taxes, assessments, insurance, or any other payment necessary to prevent filing or discharge of any lien.

- (c) Transfer (either voluntarily or by operation of law) as defined in Section 8 above, of any part or interest in the Property without the prior written consent of Mortgagee, except as expressly permitted herein.
- (d) Dissolution, termination of existence, insolvency on a balance sheet basis or business failure of Mortgagor; the commencement by Mortgagor of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Mortgagor in an involuntary case under federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Mortgagor to the appointment of a receiver, trustee or custodian of Mortgagor or of any of Mortgagor's property; an assignment for the benefit of creditors by Mortgagor; the making or suffering by Mortgagor of a fraudulent transfer under applicable federal or state law; concealment by Mortgagor of any of its property in fraud of creditors; the making or suffering by Mortgagor of a preference within the meaning of the federal bankruptcy law; the imposition of a lien through legal proceedings or distraint upon any of the property of Mortgagor which is not discharged or bonded in the manner permitted by Section 3.2 above; or Mortgagor's failure generally to pay its debts as such debts become due. The events of default in this paragraph shall apply and refer to Mortgagor and to each of the individuals or entities which are collectively referred to as "Mortgagor."
- (e) Failure of Mortgagor to perform any other obligation under this Mortgage or the Loan Agreement within ten (10) days after receipt of written notice from Mortgagee specifying the nature of the default or, if the default cannot be cured within ten (10) days, failure within such time to commence and pursue curative action with reasonable diligence, but in no event shall the period for cure exceed ninety (90) days. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months Mortgagee has already sent a notice to Mortgagor concerning default in performance of the same obligation.
- (f) Any representation or warranty of Mortgagor contained herein or in the Agreement proving to be untrue or misleading in any material respect.
- (g) The occurrence of a default or event of default under any mortgage, security agreement, encumbrance, tax lien or assessment or other security instrument encumbering all or any portion of the Property.

## 12. RIGHTS AND REMEDIES ON DEFAULT

12.1 Remedies. Upon the occurrence of any event of default and at any time thereafter, Mortgagee may exercise any one or more of the following rights and remedies:

- (a) Mortgagee may declare the entire Indebtedness immediately due and payable.
- (b) Mortgagee may obtain a decree foreclosing Mortgagor's interest in all or any part of the Property. If permitted by applicable law, Mortgagee may foreclose Mortgagor's interest in all or any part of the Property by nonjudicial sale.
- (c) If permitted by applicable law, Mortgagee may obtain a judgment against Mortgagor for any deficiency remaining in the Indebtedness due to Mortgagee after application of all amounts received from the exercise of the rights provided in this section.
- (d) With respect to all or any part of the Property that constitutes personalty, Mortgagee may exercise the rights and remedies of a secured party under the Uniform Commercial Code. Mortgagee shall have the option of proceeding as to the Real Property and all or some of the Personal Property, separately or together, in accordance with the unified sale procedures of the Uniform Commercial Code.
- (e) Mortgagee shall have the right, without notice to Mortgagor, to take possession of the Property and collect the Income, including amounts past due and unpaid, and apply the net proceeds, over and above Mortgagee's costs, against the Indebtedness. In furtherance of this right, Mortgagee may require any tenant or other user to make payments of rent or use fees directly to Mortgagee. If the Income is collected by Mortgagee, then Mortgagor irrevocably designates Mortgagee as Mortgagor's attorney in fact to endorse instruments received in payment thereof in the name of Mortgagor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Mortgagee in response to Mortgagee's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Mortgagee may exercise its rights under this paragraph either in person, by agent or through a receiver.

- (f) Mortgagee shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, to collect the Income from the Property and to apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Mortgagee's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Mortgagee shall not disqualify a person from serving as a receiver.
- (g) In the event Mortgagor remains in possession of the Property after the Property is sold as provided above or Mortgagee otherwise becomes entitled to possession of the Property upon default of Mortgagor, Mortgagor shall become a tenant at will of Mortgagee or the purchaser of the Property and shall pay a reasonable rental for use of the Property while in Mortgagor's possession.
- (h) Mortgagee shall have any other right or remedy provided in this Mortgage, the Note, the Loan Agreement, or any other instrument delivered by Mortgagor in connection therewith, or available at law, in equity or otherwise, whether or not specified herein.

12.2 Rights of Receiver or Mortgagee-in-Possession. Upon taking possession of all or any part of the Property, the receiver or Mortgagee may:

- (a) Use, operate, manage, control and conduct business on the Property, including harvesting and selling crops, and make expenditures for all maintenance and improvements as in its judgment are proper;
- (b) Collect the Income from the Property and apply such sums to the expenses of use, operation and management;
- (c) At Mortgagee's option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Mortgagee deems appropriate; and
- (d) Cancel or terminate any Lease or agreement for any cause for which Mortgagor would be entitled to cancel the same, elect to disaffirm any lease or agreement subordinate to the lien of this

Mortgage and extend or modify any lease and make any new leases on any portion of the Property.

If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Mortgagee (if Mortgagee, in its sole discretion, agrees to lend) or otherwise, or Mortgagee may borrow or advance such sums as the receiver or Mortgagee may deem necessary for the purposes stated in this paragraph. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 13.4 below. Such sums shall become a part of the Indebtedness secured by this Mortgage and shall be payable by Mortgagor on demand.

12.3 Sale of the Property. In exercising its rights and remedies, Mortgagee may cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Mortgagee may bid at any public sale on all or any portion of the property.

12.4 Notice of Sale. Mortgagee shall give Mortgagor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other disposition of the personal property is to be made. Reasonable notice shall mean notice given at least ten (10) days prior to the time of the sale or disposition.

12.5 Waiver; Election of Remedies. A waiver by either party of a breach of a provision of this Mortgage shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Mortgagee to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Mortgagee under this Mortgage are cumulative and not exclusive. An election to make expenditures or to take action to perform an obligation of Mortgagor shall not affect Mortgagee's right to declare a default and exercise its remedies under this Mortgage.

12.6 Attorneys' Fees; Expenses. In the event suit or action is instituted to enforce any of the terms of this Mortgage, the prevailing party shall be entitled to recover its reasonable attorneys' fees in exercising any of its remedies hereunder, including nonjudicial foreclosure or requested relief from the automatic stay in bankruptcy proceedings, otherwise at trial, on any appeal and on any petition for review, in addition to all other sums provided by law. Whether or not any court action is involved, all reasonable expenses incurred by Mortgagee that are necessary at any time in Mortgagee's opinion for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 13.4 below. Expenses covered by this paragraph include (without limitation) the cost of searching records and obtaining title reports, surveyors' reports, attorneys' fees and title insurance. Any expenses covered by this section shall be a lien on the Property prior to any

right, title or interest in or claim upon the Property attaching or accruing subsequent to the lien of this Mortgage, and shall be added to the principal amount intended to be secured hereby.

### 13. MISCELLANEOUS

13.1 Time of Essence. Time is of the essence of this Mortgage.

13.2 Binding upon Successors and Assigns. Subject to the limitations stated in this Mortgage on transfer of Mortgagor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns.

13.3 Security Agreement. In construing this Mortgage, the term "Mortgage" shall encompass the term "security agreement" when the instrument is being construed with respect to any personal property.

13.4 Expenditure by Mortgagee. If Mortgagor fails to comply with any provision of this Mortgage, Mortgagee may elect to take the required action on Mortgagor's behalf, and any amount that Mortgagee expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest from the date of expenditure at the Default Interest Rate (as specified in the Note), but not in any event at a rate higher than the maximum rate permitted at law. Such action by Mortgagee shall not constitute a cure or waiver of the default or any other right or remedy which Mortgagee may have on account of Mortgagor's default.

13.5 Notices. Any notice under this Mortgage shall be in writing and shall be effective when either delivered in person or, if mailed, shall be deemed effective when deposited as registered or certified mail, postage prepaid, addressed to the party at the address stated in this Mortgage. Any party may change its address for notices by written notice to the other.

13.6 Modification or Extension of Indebtedness; Release of Obligors. The taking by Mortgagor of any additional security, the release of any person now or hereafter liable for the repayment of the Indebtedness, or any extension of the time of payment of the Indebtedness or the renewal thereof, shall not diminish the effectiveness of this Mortgage or the lien of this Mortgage and shall not affect or impair the liability of any maker, surety or endorser for the payment of the Indebtedness.

13.7 Release of Security. Mortgagee shall have the right to release, with or without consideration or credit on the Indebtedness secured, any part of the Property. Without regard to the existence of any junior encumbrance and without the consent of such junior encumbrance, and such release shall have no further effect upon the rank, lien or estate conveyed of this Mortgage.

13.8 Waiver of Marshalling. Mortgagor expressly waives, to the full extent permitted by law, and relinquishes any right to claim a marshalling of assets in respect to the Property, or any part thereof, in the event of the foreclosure or other enforcement of this Mortgage.

13.9 Invalid Provisions to Affect No Others. If any of the provisions contained in the Note or this Mortgage shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions in this Mortgage and the Note shall not be affected thereby.

13.10 Changes in Writing. This Mortgage and any of its terms may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Mortgagor or Mortgagee relating to this Mortgage shall be superior to the rights of the holder of any intervening lien or encumbrance.

13.11 Applicable Law. This Mortgage has been executed and delivered to Mortgagee in the State of Idaho. The law of the State of Idaho shall be applicable for the purpose of construing and determining the validity of this Mortgage and, to the fullest extent permitted by the law of any state in which any of the Property is located, determining the rights and remedies of Mortgagee on default.

13.12 Joint and Several Liability. If Mortgagor consists of more than one person or entity, the obligations imposed upon Mortgagor under this Mortgage shall be joint and several.

13.13 Assignment of Oil, Gas and Mineral Income. Mortgagor hereby presently assigns and transfers to Mortgagee the Income and all sums payable to them under any and all oil, gas and mineral leases relating to the Real Property now negotiated or to be negotiated. However, these assigned payments shall continue to be paid to Mortgagor unless and until the Mortgagee gives written notice of a default by the Mortgagor under the terms of this Mortgage or the Note of even date herewith. Once this written notice has been given by the Mortgagee, the Mortgagor is entitled to receive any such payments. If any such default is timely cured, all assigned payments shall continue to be paid to the Mortgagor.

13.14 Exhibits. The following exhibits are attached hereto and made a part hereof as fully as if set forth herein:

|           |                   |
|-----------|-------------------|
| Exhibit A | Legal Description |
| Exhibit B | Equipment         |
| Exhibit C | Water Rights      |

13.15 Counterparts. This Mortgage may be executed in any number of counterparts, each of which, when so executed and delivered shall be deemed to be an original and all of which together shall constitute on and the same instrument.

13.16. Waiver of Homestead Exemption. Mortgagor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Idaho as to all Indebtedness secured by this Mortgage.

13.17. Effect of Modification. The interest rate, payment terms and/or balance due on the loan may be, *inter alia*, indexed, adjusted, renewed or renegotiated and the lien of this Mortgage herein granted shall not be affected as provided in Idaho Code Section 45-116.

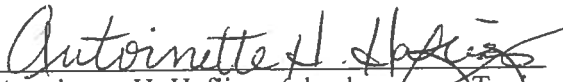
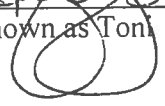
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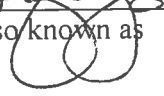
IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be duly executed as of the day and year first written above.

MORTGAGOR:

BLUE SAGE PROPERTIES, LLC, an Idaho  
limited liability company

By:

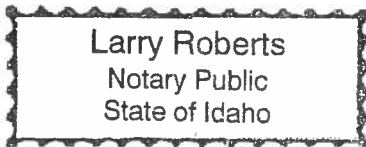
  
Antoinette H. Hafliger (also known as Toni  
H. Hafliger), its Sole Member 

  
ANTOINETTE H. HAFLIGER (also known as  
Toni H. Hafliger) 

ACKNOWLEDGMENTS

STATE OF IDAHO )  
COUNTY OF Twin Falls )ss.

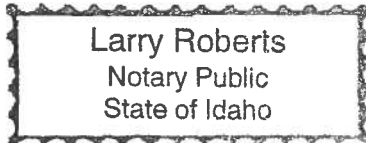
On May 31, 2013, before me, Larry Roberts, a Notary Public, personally appeared ANTOINETTE H. HAFLIGER (also known as Toni H. Hafliger), known or identified to me, to be the sole member of BLUE SAGE PROPERTIES, LLC, the Idaho limited liability company that executed the above instrument or the person who executed the instrument on behalf of said limited liability company and acknowledged to me that such limited liability company executed the same.



[Signature]  
Notary Public for Idaho  
Printed Name: LARRY ROBERTS  
Commission Expires: 6-30-2015

STATE OF IDAHO )  
COUNTY OF Twin Falls )ss.

On May 31, 2013, before me, Larry Roberts, a Notary Public, personally appeared ANTOINETTE H. HAFLIGER (also known as Toni H. Hafliger), known or identified to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that she executed the same.



[Signature]  
Notary Public for Idaho  
Printed Name: LARRY ROBERTS  
Commission Expires: 6-30-2015

**EXHIBIT A  
TO  
MORTGAGE**

**Legal Description**

PARCEL NO. 1:

TOWNSHIP 11 SOUTH, RANGE 16 EAST OF THE BOISE MERIDIAN  
TWIN FALLS COUNTY, IDAHO

Section 9:        **NE¼ SAVE AND EXCEPT** the following described:

Beginning at the Northeast corner of Section 9, said corner marked by a 5/8 inch rebar; Thence North 89°57'40" West along the North line of Section 9 for a distance of 39.87 feet to the extended West right-of-way of State Highway 93, which shall be the Point of Beginning; Thence South 00°15'06" East along the West right-of-way of State Highway 93 for a distance of 25.28 feet to a concrete highway right-of-way marker; Thence South 00°15'06" East along said highway right-of-way for a distance of 723.89 feet to a ½ inch rebar; Thence North 48°56'17" West for a distance of 1087.39 feet to a ½ inch rebar; Thence North 48°56'17" West for a distance of 53.98 feet to the North line of Section 9; Thence South 89°57'40" East along the North line of Section 9 for a distance of 857.31 feet to the Point of Beginning.

PARCEL NO. 2:

TOWNSHIP 11 SOUTH, RANGE 16 EAST OF THE BOISE MERIDIAN  
TWIN FALLS COUNTY, IDAHO

Section 3:        Lot 4; SW¼NW¼

**SAVE AND EXCEPT** that portion deeded to State of Idaho for a public highway, dated February 8, 1950 and recorded February 10, 1950 as Instrument No. 396688, records of Twin Falls County, Idaho.

PARCEL NO. 3:

TOWNSHIP 10 SOUTH, RANGE 16 EAST OF THE BOISE MERIDIAN,  
TWIN FALLS COUNTY, IDAHO

Section 34:       **S½SW¼ SAVE AND EXCEPT** the following described tracts:

Tract No. 1:

All that part lying South and East of the Highline Canal of the Twin Falls Canal Company.

Tract No. 2:

That portion deeded to the State of Idaho by Deed recorded February 28, 1950, in Book 166 of Deeds, Page 147, records of Twin Falls County, Idaho.

PARCEL NO. 4:

TOWNSHIP 11 SOUTH, RANGE 16 EAST OF THE BOISE MERIDIAN,  
TWIN FALLS COUNTY, IDAHO

Section 4: SW¼; SE¼; Lots 3 and 4; S½NW¼ **SAVE AND EXCEPT** the following described tracts:

Tract No. 1:

Beginning at the North ¼ corner of Section 4, said corner marked by a 5/8 inch rebar, which shall be the Point of Beginning;  
Thence South 00°02'53" East along the East line of the NW¼ for a distance of 520.47 feet to a ½ inch rebar;  
Thence South 89°18'27" West for a distance of 285.42 feet to a ½ inch rebar;  
Thence North 31°53'46" West for a distance of 586.15 feet to a ½ inch rebar;  
Thence North 00°03'00" East for a distance of 26.80 feet to a ½ inch rebar on the North line of Section 4;  
Thence South 89°57'00" East along the North line of Section 4 for a distance of 504.65 feet to the Point of Beginning.

Tract No. 2:

Commencing at the Northwest corner of said Section 4 being the Point of Beginning;  
Thence South 89°54'55" East along the North boundary for a distance of 275.00 feet;  
Thence South 00°00'00" West parallel with the West boundary for a distance of 316.80 feet;  
Thence North 89°54'55" West parallel with the North boundary for a distance of 275.00 feet to a point on the West boundary of the NW¼ of said Section 4;  
Thence North 00°00'00" West along the West boundary for a distance of 316.80 feet to the Point of Beginning.

PARCEL NO. 5:

TOWNSHIP 11 SOUTH, RANGE 16 EAST OF THE BOISE MERIDIAN,  
TWIN FALLS COUNTY, IDAHO

Section 5: Lots 1, 2 and 3; S½NE¼; N½SE¼; SE¼NW¼; NE¼SW¼; and a parcel of land located in the NW¼SW¼, more particularly described as follows:

Beginning on the South line of the NW¼SW¼ at a point 362 feet West from the Southeast corner of said NW¼SW¼;  
Thence North 56°36' West for 202.5 feet;  
Thence South 37°44' West for 139.5 feet to the South line of the NW¼SW¼;  
Thence East along the South line of the NW¼SW¼ for 254 feet to the Point of Beginning;

**SAVE AND EXCEPT** a portion of Lot 3 more particularly described as follows:

Beginning at the Northwest corner of Lot 3;  
Thence South on the West boundary line of Lot 3 for a distance of 347 feet;  
Thence East for 60 feet;  
Thence North along a line parallel with the West boundary line of Lot 3 for a distance of 347 feet to the North line of Lot 3;  
Thence West along the North line of said Lot 3 to the Point of Beginning.

Section 9: N½NW¼

PARCEL NO. 6:

TOWNSHIP 10 SOUTH, RANGE 15 EAST OF THE BOISE MERIDIAN,  
TWIN FALLS COUNTY, IDAHO

Section 35: Being all that certain tract or parcel of land situated in the SE¼ being more particularly described by metes and bounds as follows:

Beginning at the Southeast corner of the aforementioned Section 35, from which the East quarter corner of Section 35 bears North for 2640.49 feet;  
Thence South 89°36'04" West for 1968.80 feet, along and with the south line of the aforementioned Section 35;  
Thence North 26°27'24" East for 268.82 feet;  
Thence North 46°22'00" West for 384.40 feet;  
Thence North 36°53'35" West for 226.42 feet;  
Thence North 25°04'45" West for 216.86 feet;  
Thence North 16°27'58" West for 276.80 feet;  
Thence North 12°16'49" East for 874.27 feet;  
Thence South 80°22'43" East for 43.26 feet;  
Thence North 22°53'37" East for 154.88 feet;  
Thence North 46°38'25" East for 279.70 feet;  
Thence North 59°07'44" East for 302.38 feet;  
Thence North 74°52'21" East for 249.37 feet;  
Thence North 86°53'21" East for 186.61 feet;  
Thence North 00°36'28" West for 87.00 feet to a point on the north line of the SE¼ of Section 35;  
Thence North 89°42'56" East for 1255.62 feet, along and with the north line of the SE¼ of Section 35, to the northeast corner of same, and also the Northeast corner of the herein described tract;  
Thence South for 1823.05 feet along and with the east line of Section 35;  
Thence South 41°55'30" West for 816.92 feet;  
Thence South 82°59'02" East for 549.95 feet to a point on the east line of Section 35;  
Thence South for 142.46 feet along and with the section line, to the Point of Beginning.

# EXHIBIT B TO MORTGAGE

## Equipment

| Station No. | Type    | Motor                              | Pump                    |
|-------------|---------|------------------------------------|-------------------------|
| PS 2        | Booster | GE 40hp PNJ227025                  | Goulds LP08020          |
| PS 4        | Booster | GE 10hp DAJ407359                  | Layne-Bowler SN Unknown |
| PS 5        | Well 1  | GE 150hp DNJ413126                 | Unknown Brand or SN     |
| PS 6        | Booster | US Electric P-03-7350762-3002-M    | Goulds LP08155          |
| PS 7        | Booster | US Electric 30hp C11-01047538-001R | Cornell 115868-10.75    |
| PS 8        | Booster | 2 Submersible Pumps (Make Unknown) | Unknown                 |
| PS 9        | Booster | 2 Submersible Pumps (Make Unknown) | Unknown                 |
| PS 10       | Booster | Baldor 20hp JPM2512TRK95B00684     | PACO 10-20707-04000118  |
| PS 10       | Well 2  | Submersible-Unknown Brand or SN    | Unknown Brand or SN     |
| PS 11       | Booster | Hollowshaft 40hp 4VPIHS40060003    | Goulds LP07026          |
| PS 11       | Booster | Hollowshaft 30hp 4VPIHS300610153   | Goulds LP07039          |
| PS 11       | Booster | Hollowshaft 40hp 4TH40PE16.5060002 | Goulds SN Unknown       |
| PS 11       | Booster | Hollowshaft 25hp 4TH25PE120676008  | Goulds LP0702           |

All wells (including domestic), underground pipelines, filter stations, emitters, drip, overhead and micro-sprinkler systems and equipment, any and all well permits.

| Field/Pivot | Make     | Serial Number      | Size    | Column1           |
|-------------|----------|--------------------|---------|-------------------|
| 6           | Zimmatic | L94794             | 3 Tower | 1/2 Interest Only |
| 7           | Zimmatic | L96243             | 6 Tower |                   |
| 13          | Zimmatic | Z88472-G2          | 7 Tower |                   |
| 14          | Zimmatic | Panel P-63828      | 7 Tower |                   |
| 15          | Zimmatic | L69647             | 7 Tower |                   |
| 16          | Zimmatic | L94817             | 7 Tower |                   |
| 17          | Zimmatic | L70248             | 7 Tower |                   |
| 18          | Zimmatic | L94831             | 3 Tower |                   |
| 19          | Zimmatic | L94830             | 3 Tower |                   |
| 20          | Zimmatic | L94805             | 3 Tower |                   |
| 21          | Zimmatic | L94832             | 3 Tower |                   |
| 22          | Zimmatic | None Panel P-61818 | 6 Tower |                   |
| 29          | Reinke   | 07/2006 0705-34105 | 3 Tower |                   |
| 30          | Pierce   | None               | 7 Tower |                   |

Together with all main and hand lines, valve openers, end plugs, risers, stems, sprinkler birds, wiring switch panels, shafting, hoses, tubing, bowls, suction pipe, cones, reducers, above and below ground pipe, etc. pertaining to the above listed irrigation equipment.

**#196470 - ROCK CREEK DAIRY 1 - MILKING BARN**

| Item / Make                                           | Model                 | Serial Number   |
|-------------------------------------------------------|-----------------------|-----------------|
| Generator KatoLight - 400 kw<br>Engine Model (Diesel) | D400FRV4<br>TWD1630GP | LM238774 72414  |
| Chiller Condenser Unit                                |                       |                 |
| Russell                                               | VID15H22-G            | WO6F34446901002 |
| Russell                                               | VID15H22-G            | WO6F34446901001 |
| Russell                                               | VID15H22-G            | WO6F34446901003 |
| Bulk Tank Small - 1000 gal (Unused)                   | Unknown               | Unknown         |
| Bulk Tank DEC- 8000 gal                               | DKF                   | 35809G          |
| Bulk Tank DEC- 8000 gal                               | DKF                   | 35805G          |
| Bulk Tank Milk Pump                                   | No Data               | No Data         |
| Plate Cooler - Mueller                                | A 12008 - 101         | 6783A           |
| Pipeline Wash Pump Motor Baldor 2hp                   | CM3555T               | F1001221496     |
| Surge Westfalia Milking Equipment Double-36 with ATO  |                       |                 |
| Receiver Pump - Baldor 2hp                            | CM3555T               | Unknown         |
| Receiver Pump - Baldor 2hp                            | CM3555T               | Unknown         |
| Water Pumps                                           |                       |                 |
| Motor / Baldor 5hp                                    | JMM3212T              | F0801312769     |
| Pump - Berkley                                        | LTH-5                 | Unknown         |
| Motor / Baldor 20 hp                                  | JMM2514T              | 20503080062     |
| Pump Make Unknown                                     | Unknown               | Unknown         |
| Steel Water Storage Tank 10,000 gal                   |                       |                 |
| Mueller Chiller                                       | LS60-15               | 347197-1        |

|                                       |                  |             |
|---------------------------------------|------------------|-------------|
| AO Smith LPG Water Heater             | BTR 197 119      | 1029M000442 |
| AO Smith LPG Water Heater             | BTR 197 119      | 1029M000518 |
| Compressor for Bulk Tanks - HeatCraft | WS1500H24        | A00800189   |
| Condenser for Bulk Tanks - HeatCraft  | DVT014           | Unknown     |
| Therma Store Heat Recovery Unit       | TS-II-120-2-A    |             |
| Therma Store Heat Recovery Unit       | TS-II-120-2-A    | H4009391    |
| Therma Store Heat Recovery Unit       | TS-II-120-2-A    |             |
| Ingersoll Rand Air Compressor         | T 30             |             |
| Motor 1 - WEG 10/15                   | Part No 32036139 | Unknown     |
| Compressor - 1                        | 7100             | 5027154     |
| Motor 2 - WEG 10/15                   | Part No 32036139 | Unknown     |
| Compressor - 2                        | 7100             | 2037700     |
| Vacuum Pumps                          |                  |             |
| Pump 1 Motor - Toshiba 25 hp VFD      | C0254FLF3UMWQ    | 11001292    |
| Vacuum Pump 1- Boumatic               | GAFMDPA0040      | 118284      |
| Pump 2 Motor - Toshiba 25 hp VFD      | B0254FLF3UM102   | 611691      |
| Vacuum Pump 2 EZ Milking Equipment    | MDF00197         | 5364552     |

#### #196470 - ROCK CREEK DAIRY 1 - MANURE HANDLING

| Item / Make                  | Model            | Serial Number |
|------------------------------|------------------|---------------|
| Pump Station 1               |                  |               |
| Pump Motor Siemens 60hp      | 2-5106-LR84539-1 | 65BC03JPP3    |
| Pump US Farms                | Unknown          | Unknown       |
| Pump Station 2               |                  |               |
| Pump 1 Motor / Baldor - 20hp | M2334T           | F0607176142   |
| Pump 1 Houle                 | Unkown           | Unknown       |
| Pump 2 Motor / Baldor        |                  |               |
| Pump 2 Houle                 | Unknown          | Unknown       |
| Pump 3 Motor Baldor - 30 hp  | M4104T           | C0911300122   |
| Pump 3 Houle                 | Unknown          | Unknown       |

|                                         |         |                  |
|-----------------------------------------|---------|------------------|
| Separator Houle - Slope Screen w Roller | 1913    | 060055-96        |
| Separator Roller Motor / Baldor 1.5hp   | M3554T  | Unknown          |
| Pump Station 3                          |         |                  |
| Pump Motor / Baldor 7.5hp               | M3710T  | F0606293035      |
| Pump Houle                              |         | 1901 060295-87.5 |
| Lagoon Pump                             |         |                  |
| Floating Lagoon Pump - no access        | Unknown | Unknown          |
| Estimate 30-40hp                        |         |                  |

#### #196470 - ROCK CREEK DAIRY 2 MILKING BARN

| Item / Make                            | Model             | Serial Number |
|----------------------------------------|-------------------|---------------|
| Backup Power Generator - 100kw         | 440FDR7108JJ W    | RE-3208700-03 |
| Chiller Compressors                    |                   |               |
| Copeland                               | CRN5-0500-PFV-970 | 08B04407B     |
| Copeland                               | CRN5-0500-TF5-970 | 09GD7540H     |
| Copeland                               | CRN5-0500-TF5-970 | 04D25175B     |
| Bulk Tank Compressors                  |                   |               |
| Copeland                               | ZB56KA-TWC-551    | 98K907308     |
| Copeland                               | ZR90K3-THC-568    | 99H954997     |
| Milk Silo - 10,000 gal                 | A3                | 000-D-5303-B  |
| Bulk Tank - 2,500 Gal, Surge Westfalia |                   |               |
| Hot Water Heaters                      |                   |               |
| AO Smith - LPG 100 gal                 | BTR-197-119       | 0815M001394   |
| American Standard - LPG 100 gal        | D100T-199AS       | G08-3553      |
| Plate Cooler - BouMatic Dari Kool      |                   |               |
| Chiller - BouMatic DariKool            | DKC-140           | G1964018      |
| Pump / Baldor 5hp                      | JMM3212T          | F0609222336   |
| Vacuum Pumps                           |                   |               |
| Pump 1 Motor / Baldor -20hp            | M2344T            | Unknown       |
| Pump 1                                 | Unknown           | Unknown       |
| Pump 2 Motor / Brook Compton 10HP      | 1DN               | 5A71029       |
| Pump 2 Kaeser                          | Unknown           | Unknown       |
| Water Pump                             |                   |               |
| Water Pump Motor 7.5hp                 | JMM3219T          | F0612017018   |
| Pump                                   | Unknown           | Unknown       |

Together with all milking equipment located in the dairy facilities, including, but not limited to, motors, hoppers, augers, pipelines, couplers, compressors, feed drops, tubes, tanks and washers located on or used in connection with the operation of the dairy facilities, situated on the Real Property described on Exhibit A, whether now owned or hereafter acquired, and whether now existing or hereafter arising, and all accessions, parts, additions, replacements and substitutions for any such property.

**EXHIBIT C  
TO  
MORTGAGE**

**Water Rights**

| <b>Water Right<br/>(License/Decree/<br/>Claim Number)</b> | <b>Priority<br/>Date</b> | <b>Diversion<br/>Rate (cfs)</b> | <b>Water Use</b>      |
|-----------------------------------------------------------|--------------------------|---------------------------------|-----------------------|
| 47-2225                                                   | 02/23/1939               | 2.08                            | Irrigation            |
| 47-7431A                                                  | 08/25/1977               | 1.59                            | Irrigation            |
| 47-7519A (License)                                        | 04/16/1979               | 1.46                            | Irrigation            |
| 47-4030 (Statutory<br>Claim)                              | 03/29/1966               | 1.20                            | Irrigation            |
| 47-16796                                                  | 11/06/1961               | 0.34                            | Irrigation            |
| 47-16798                                                  | 08/08/1954               | 0.15                            | Irrigation            |
| 47-16800                                                  | 04/03/1961               | 0.02                            | Irrigation            |
| 47-2231 (License)                                         | 01/31/1946               | 0.70                            | Irrigation            |
| 47-7431B                                                  | 08/25/1977               | 0.39                            | Stockwater/Commercial |
| 47-7519B (License)                                        | 04/16/1979               | 0.37                            | Stockwater/Commercial |
| 47-16797                                                  | 11/09/1961               | 0.11                            | Stockwater/Commercial |
| 47-16799                                                  | 08/08/1954               | 0.05                            | Stockwater/Commercial |
| 47-8369 (License)                                         | 06/24/1994               | 0.04                            | Stockwater            |
| 47-12144                                                  | 12/31/1960               | 0.02                            | Stockwater            |
| 47-16801                                                  | 04/03/1961               | 0.01                            | Stockwater/Commercial |

| <b>CERTIFICATE NUMBER</b>   | <b>NUMBER OF SHARES</b> |
|-----------------------------|-------------------------|
|                             |                         |
| Salmon River Canal Company: |                         |
| 4876                        | 736.95                  |
| 4882                        | 404.00                  |
| 4883                        | 488.20                  |
| 4884                        | 200.00                  |
|                             |                         |
| Twin Falls Canal Company:   |                         |
| 39373                       | 122.00                  |
| 38884                       | 69.40                   |
| 38885                       | 60.00                   |
| 39764                       | 14.00                   |
|                             |                         |
| <b>TOTAL SHARES:</b>        | <b>2,094.55</b>         |

Hafliger  
Loan No. 196470  
73909187.2 0053564-00121

Exhibit C - 1