

RECEIVED

DEC 16 2010

Department of Water Resources
Eastern 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).: Permit #32-7128 and 32-7136
Adjudication Claim No(s).: NA
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
Northwest Farm Credit Services, FLCA
P O Box 5059
Twin Falls, ID 83303
4. Name of Water Right Owner/Claimant(s)
Sorenson Engineering Ted S. Sorenson
5. Expiration Date of Notification Period August 1, 2015
6. Is this a Renewal of Request for Notification? ☐ YES ☐ NO
7. Signature(s) of Security Interest holder(s)
 (and title if applicable)
Valentin Celaya
Valentin Celaya, Vice President

SUPPORT DATA

IN FILE # 32-7128**For Office Use Only**

Received by <u>JB</u>	Date <u>12/16/2010</u>	Fee <u>\$100.</u> — (<u>\$50 for this application</u>)
Received by <u>JB</u>	Date <u>12/16/2010</u>	Receipt No. <u>EO310320</u>
Processed by <u>AJ</u>	Date <u>12/16/2010</u>	WR <u> </u> Date <u> </u>

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DEC 16 2010

Department of Water Resources
Eastern Region

Return Address:

Northwest FCS-Twin Falls
PO Box 5059
Twin Falls, ID 83303

COPY

Instrument # 384882

RIGBY, JEFFERSON, IDAHO
2010-06-01 11:58:46 AM No. of Pages: 32
Recorded for: ALLIANCE TITLE - REXBURG
CHRISTINE BOULTER Fee: 96.00
Ex-Officio Recorder Deputy LKinghorn
Index To: MORTGAGE & FIXTURE FILING
Electronically Recorded by Simplifile

3061020658KB
ALLIANCE TITLE & ESCROW
P.O. BOX 732
REXBURG, ID 83440

Ted S. and Gayle A. Sorenson
Customer No. 40257
Birch Creek Ranches, L.L.C.
Customer No. 40216

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS
AND FIXTURE FILING
(Closed End)

THIS MORTGAGE IS ALSO INTENDED TO BE A SECURITY AGREEMENT.

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

This Mortgage, Assignment of Rents, Security Agreement and Fixture Filing (this "Mortgage"), dated as of May 14, 2010, is executed by BIRCH CREEK RANCHES, L.L.C., an Idaho limited liability company which acquired title as Birch Creek Ranches LLC, an Idaho Limited Liability Company; TED S. SORENSON D/B/A SORENSON ENGINEERING; TED S. SORENSON AND GAYLE A. SORENSON, husband and wife; BIRCH POWER COMPANY, an Idaho corporation, which appears of record as Birch Creek Power Company, Inc.; Birch Creek Power Company; Birch Power Company, Inc. and Birch Power Co.; and SORENSON LEASING, L.L.C., an Idaho limited liability company ("Mortgagor"), whose address is 5203 S. 11th East, Idaho Falls, ID 83404, in favor of and for the benefit of NORTHWEST FARM CREDIT SERVICES, FLCA, a corporation organized and existing under the laws of the United States ("Mortgagee"), whose address is 1700 South Assembly Street, Spokane, WA 99224-2121, P. O. Box 2515, Spokane, WA 99220-2515. Each capitalized term used and not otherwise defined in this Mortgage shall have the meaning given such term in the Term Note and Loan Agreement (the "Loan Agreement") executed by Borrower (as defined herein) on or around even date.

MORTGAGE (Closed End) - 1

Ted S. and Gayle A. Sorenson; CIF No. 40257
Birch Creek Ranches, L.L.C.; CIF No. 40216

384882

Return Address:

Northwest FCS-Twin Falls
PO Box 5059
Twin Falls, ID 83303

Microfilm No. 053817
01 Day JUNE 20 10
At 1:15 O'Clock P M
LISA BLACK
Clark Co. Recorder
Fes \$ 96.00
W Deputy
Recorded at Request of
ALLIANCE

3061020658KB
ALLIANCE TITLE & ESCROW CORP.

Ted S. and Gayle A. Sorenson
Customer No. 40257
Birch-Creek Ranches, L.L.C. --
Customer No. 40216

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MORTGAGE (Closed End) - 1

**Ted S. and Gayle A. Sorenson; CIF No. 40257
Birch Creek Ranches, L.L.C.; CIF No. 40216**

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

ARTICLE 1 GRANT OF SECURITY

Mortgagor, in consideration of the indebtedness secured by this Mortgage, irrevocably bargains, sells, grants, mortgages, transfers, conveys, assigns and warrants to Mortgagee, for the benefit and security of Mortgagee, all Mortgagor's existing and future rights, titles, interests, estates, powers and privileges in or to the following (collectively the "Collateral"):

1.1 Real Estate.

a. That certain real property located in Clark and Jefferson Counties, State of Idaho, more particularly described on Exhibit A attached hereto and incorporated herein (the "Land").

b. That certain leasehold estate created by that certain Lease dated February 1, 1995, executed by Ted S. Sorenson and Gayle A. Sorenson, as Lessor and Birch Power Company, an Idaho corporation, as to all or a portion of the property described on Exhibit A;

c. That certain Federal Energy Regulatory Commission ("FERC") License No. 7194-001 issued on May 21, 1986, together with all rights associated with the license;

d. That certain Power Purchase Agreement dated August 21, 1984, executed by Birch Power Company, an Idaho corporation, as Seller and PacifiCorp as successor in interest to Utah Power & Light Company;

e. All buildings, hydroelectric generators, transmission lines and appurtenances, wells and other improvements now or hereafter located on the Land and associated with, or used in, The Birch Creek Hydroelectric Project on Birch Creek, including, but not limited to, the Fixtures (as defined below), and all other equipment, machinery, appliances and other articles attached to such buildings and other improvements (collectively the "Improvements");

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

g. All personal property, appliances, turbines, generators, machinery, equipment and goods now or hereafter owned or possessed by Debtor located upon, in, or about or used in

MORTGAGE (Closed End) - 2

Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

connection with said Land or Improvements, including the maintenance thereof, together with all increases, substitutes, replacements, proceeds and products thereof and additions and accessions thereto;

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

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

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

k. All waters, water courses, water rights and riparian rights (including without limitation, shares of stock evidencing the same) in or relating to the Land, including but not limited to Idaho Water Right No. 32-7128, dated October 24, 2001 and Idaho Water Right No. 32-7136, dated December 10, 2001 (hereafter the "Water Licenses");

l. All existing and future leases and subleases relating to the Land and Improvements or any interest in them, including without limitation, all deposits, advance rentals and other similar payments, but not including the Rents, as defined and separately assigned in Article 5, and including but not limited to, the lease(s) specifically described in Paragraph 1.1(b) above;

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

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

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

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

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

Name of Mortgagor, as Debtor:

Birch Creek Ranches, L.L.C.

Attn: Ted S. Sorenson

Address of Mortgagor: 5203 S. 11th East
Idaho Falls, ID 83404

Name of Mortgagee, as Secured Party: Northwest Farm Credit Services, FLCA
Attn: Valentin Celaya

Address of Mortgagee: 815 N. College Road
PO Box 5059
Twin Falls, ID 83303

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties. Mortgagor represents and warrants to Mortgagee as follows:

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

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

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

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

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

f. Mortgagor has taken all actions necessary and has been duly authorized under its governing operating agreement or organizing declaration and articles of incorporation and or

bylaws to execute, acknowledge and deliver this Mortgage and the other Loan Documents and to perform the Secured Obligations;

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

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

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

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

ARTICLE 3 SECURED OBLIGATIONS

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

a. The full and punctual payment of the indebtedness evidenced by that certain Note in favor of Mortgagee (referenced as "Loan No. 40257-441," or "Note" or "Loan") dated on or around even date, the final payment of which is due no later than December 1, 2020, made by Ted S. and Gayle A. Sorenson ("Borrower") to the order of Mortgagee upon the terms and conditions contained in the Note and other Loan Documents, together with any and all renewals, modifications, consolidations and extensions of the indebtedness evidenced by the Note, as well as any prepayment fees or penalties as provided for in the Note or as it may be amended to provide for such prepayment fees or penalties;

b. The full and punctual payment of the indebtedness evidenced by that certain Note in favor of Mortgagee (referenced as "Loan No. 40216-444," or "Note" or "Loan") dated on December 10, 2004, the final payment of which is due no later than January 1, 2015, made by Birch Creek Ranches, L.L.C., ("Borrower") to the order of Mortgagee upon the terms and conditions contained in the Note and other Loan Documents, together with any and all renewals, modifications, consolidations and extensions of the indebtedness evidenced by the Note, as well as any prepayment fees or penalties as provided for in the Note or as it may be amended to provide for such prepayment fees or penalties;

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

d. Payment of such additional sums with interest thereon as may be due to Mortgagee under any provisions of this Mortgage;

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

f. Payment by Mortgagor or Borrower of all amounts advanced by (or on behalf of) Mortgagee to improve, protect or preserve the Collateral or the security of this Mortgage, with interest on such amounts as provided in this Mortgage;

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

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

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

ARTICLE 4 COVENANTS

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

MORTGAGE (Closed End) - 7

Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

4.2 Maintenance, Repair, Alterations.

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

- a. Keep the Collateral in good condition and repair;
- b. Complete promptly and in a good and workmanlike manner, any Improvement that may be constructed on the Land, and promptly restore in like manner any Improvement that may be damaged or destroyed, and pay when due all claims for labor performed and materials furnished for such construction or restoration;
- c. Comply with all statutes, laws, ordinances, regulations, orders, rulings, rules, consents, permits, licenses, conditions of approval and authorizations of any court or governmental or regulatory body having jurisdiction over Mortgagor, the Land or Improvements, including but not limited to the Water Licenses and the FERC License ("Laws and Ordinances");
- d. Comply with any condominium or other plan, declaration of covenants, conditions and restrictions, reciprocal easement agreements to which the Land is subject ("CC&Rs"), any owners' association articles and bylaws affecting the Land, and such exceptions to title acceptable to Mortgagee ("Permitted Liens");
- e. Keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good, neat order and repair;
- f. Comply with the provisions of any leases constituting part of the Collateral;
- g. Obtain and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Collateral; and
- h. Do any and all other acts, except as otherwise prohibited or restricted by the Loan Documents, which may be reasonably necessary to protect or preserve the value of the Collateral and the rights of Mortgagee in it.

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

a. Remove, demolish or materially alter any of the Improvements, other than to make non-structural repairs in the ordinary course of business, which preserve or increase the value of the Land;

b. Commit, suffer or permit any act to be done in, upon or to any part of the Collateral in violation of any Laws and Ordinances, CC&Rs, or Permitted Liens now or hereafter affecting the Collateral;

c. Commit or permit any waste or deterioration of the Collateral;

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

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

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

4.3 Insurance.

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

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

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

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

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

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

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

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

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

a. Provide that it shall not be cancelled or materially changed without at least 30-days prior written notice to Mortgagee;

b. Be primary insurance without right of contribution;

c. (For casualty insurance) include a "Lender's Loss Payable Endorsement" in form and substance satisfactory to Mortgagee, showing Mortgagee as "Lender," or (for liability insurance) shall name Mortgagee as an additional insured;

d. Contain an agreed value clause sufficient to eliminate any risk of coinsurance, if it is insured against damage to the Improvements or Fixtures;

e. Be in form, substance, amount and issued by companies (which must be rated Class A V11 or better by Best's Insurance Reports) reasonably approved by Mortgagee; and

f. Meet such other requirements as Mortgagee requires.

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

prior written approval of the other, which approval shall not be unreasonably withheld or delayed.

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

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

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

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

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

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

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

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

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

4.3.7 Waiver of Subrogation. Mortgagor waives all right to recover against Mortgagee (or any officer, employee, agent or representative of Mortgagee) for any loss incurred by Mortgagor from any cause insured against or required by any Loan Document to be insured against, provided however, that this waiver of subrogation shall not apply to any insurance policy if such policy's coverage would be materially reduced or impaired as a result. Mortgagor shall obtain only policies that permit this waiver of subrogation.

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

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

a. All general and special real property taxes and assessments imposed on the Land; and

b. All other taxes and assessments and charges assessed on the Land (or on the owner and/or operator of the Land) that create or may create a lien on the Land (or on any Improvement or Fixture used in connection with the Land); including, without limitation, non-governmental levies and assessments under applicable CC&Rs; and

c. All business taxes; and

d. All license fees, taxes and assessments imposed on Mortgagee (other than Mortgagee's income or franchise taxes) that are measured by or based upon (in whole or in part) the amount of the Secured Obligations.

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

4.5.1 Reserves on Impositions (Impounds). If Mortgagee requires, following the occurrence of an Event of Default, Mortgagor, shall deposit with Mortgagee such sum as Mortgagee reasonably estimates to be necessary to pay installments of Impositions and insurance policies next becoming due (collectively, the "Impounds") upon any of the Land, Fixtures and Improvements. All such Impounds may be held by Mortgagee and applied in such order as Mortgagee may elect for payment of Impositions or other sums secured by this Mortgage at Mortgagee's election. Such Impounds shall constitute additional collateral for the Secured Obligations. Except as otherwise provided by law, Mortgagee shall have no obligation regarding such Impounds other than to account to Mortgagor for their receipt and application. Upon any transfer by Mortgagee of its rights or interests in the Secured Obligations or of this Mortgage, Mortgagee may turn over to the transferee such of those Impounds as Mortgagee then holds, and Mortgagee's responsibilities with respect to the Impounds shall terminate.

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

4.7 Liens: Non-Permitted Liens. Mortgagor shall not cause, incur or permit to exist any lien, encumbrance or charge ("Non-Permitted Liens") upon all or any part of the Collateral or any interest in the Collateral other than Permitted Liens. Mortgagor shall pay and promptly discharge, at Mortgagor's sole cost and expense, all such Non-Permitted Liens. If Mortgagor fails to do so, Mortgagee may, but shall not be obligated to, discharge them, without notice to or demand on Mortgagor, and without inquiring into the validity of such Non-Permitted Liens or the existence of any defense or offset to them. Mortgagee may discharge Non-Permitted Liens either by (a) paying the amount claimed to be due, or (b) procuring their discharge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or (c) in any

other manner permitted or required by law. Mortgagor shall, immediately upon demand by Mortgagee, pay Mortgagee's reasonable costs and expenses incurred in connection with such discharge, together with interest on such costs from the date of such expenditure until paid at the default rate of interest described in the other Loan Documents ("Default Interest Rate").

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

- a. Involuntary transfers and transfers by operation of law;
- b. Liens, encumbrances and assignments as security for obligations, whether voluntary or involuntary; and
- c. The sale, issuance, disposition, encumbering or other transfer of all or any part of (i) any class of the outstanding capital stock in, or (ii) the beneficial interest of Mortgagor, whether voluntary or involuntary.

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

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

inform Mortgagor or any other party of, any adverse condition affecting the Collateral, including any defects in the design or construction of the Improvements or Fixtures. No inspection by Mortgagee shall constitute a waiver of any Event of Default.

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

4.11 Protection of Security. If Mortgagor fails to make any payment or to do any act required by this Mortgage or any of the other Loan Documents, Mortgagee may do so. Mortgagee may decide to do so, in its own discretion, without obligation to do so, without further notice or demand, and without releasing Mortgagor in such manner and to such extent as it may reasonably deem necessary to protect the security of this Mortgage. In connection with such actions, Mortgagee has the right, without limitation, but not the obligation: (a) to enter upon and take possession of the Collateral; (b) to make additions, alterations, repairs and improvements to the Land, Improvements or Fixtures that in its judgment may be necessary or proper to keep the Collateral in good condition and repair; (c) to appear and participate in any action or proceeding affecting or that may affect the security of this Mortgage or the rights or powers of Mortgagee; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt (excepting Permitted Liens) that in its judgment may affect the lien or charge of this Mortgage or appear to be prior or superior to this Mortgage; and (e) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

4.12 Mortgagee's Powers. If Mortgagor fails to pay any sum, other than principal and interest on the Secured Obligations, or to perform or comply with any other obligation required by any Loan Document, Mortgagee at its election may pay such sum or comply with such obligation. Without affecting the liability of Mortgagor or any other person liable for the payment of any Secured Obligation, and without affecting the lien or charge of this Mortgage, Mortgagee may, from time to time, do any of the following: (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation (provided however, that the consent of Mortgagor shall be required for extension or alteration of any unpaid obligation of Mortgagor to Mortgagee), (c) waive any provision of this Mortgage or grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed, at any time at Mortgagee's option, all or any part of the Collateral, (e) take or release any other or additional security for any

Secured Obligation, or (f) make arrangements with debtors in relation to the Secured Obligations. Waiver by Mortgagee of any right or remedy as to any transaction or occurrence shall not be deemed to be a waiver of any future transaction or occurrence. By accepting full or partial payment or performance of any Secured Obligation after due or after the filing of a notice of default and election to sell, Mortgagee shall not have thereby waived its right to (i) require prompt payment and performance in full, when due, of all other Secured Obligations, (ii) declare a default for failure to so pay or perform, or (iii) proceed with the sale under any notice of default and election to sell previously given by Mortgagee, or as to any unpaid balance of the indebtedness secured by this Mortgage.

4.13 Reimbursement of Costs, Fees and Expenses: Secured by Mortgage. Mortgagor shall pay, on demand, to the maximum allowable under applicable law, all reasonable costs, fees, expenses, advances, charges, losses and liabilities paid or incurred by Mortgagee in administering this Mortgage, the collection of the Secured Obligations, and Mortgagee's exercise of any right, power, privilege or remedy under this Mortgage. Such amounts include, without limitation (a) foreclosure fees and receiver's fees and expenses, (b) costs and fees paid or incurred by Mortgagee and/or any receiver appointed under this Mortgage in connection with the custody, operation, use, maintenance, management, protection, preservation, collection, appraisal, sale or other liquidation of the Collateral; (c) advances made by Mortgagee to complete or partially construct all or part of any Improvements, which may have been commenced on the Land, or otherwise to protect the lien or charge of this Mortgage, (d) costs of evidence of title, costs of surveys and costs of appraisals, and costs resulting from Mortgagor's failure to perform any of the provisions of this Mortgage. Fees, costs and expenses of attorneys shall include the reasonable fees and disbursements of Mortgagee's outside and staff counsel and of any experts and agents (including fees of law clerks, paralegals, investigators and others not admitted to the bar but performing services under the supervision of an attorney), and including such fees incurred in the exercise of any remedy (with or without litigation), in any proceeding for the collection of the Secured Obligations, in any foreclosure on any of the Collateral, in protecting the lien or priority of any Loan Document, or in any litigation or controversy connected with the Secured Obligations, including any bankruptcy, receivership, injunction or other proceeding, or any appeal from or petition for review of any such proceeding. Reasonable counsel fees shall include fees incurred not only in enforcing the Secured Obligations in any bankruptcy or receivership proceeding, but also any fees incurred in participating in the bankruptcy or receivership proceedings generally. Such sums shall be secured by this Mortgage and shall bear interest from the date of expenditure until paid at the Default Interest Rate.

ARTICLE 5 ASSIGNMENT OF RENTS, ISSUES AND PROFITS

5.1 Assignment of Rents, Issues and Profits. Mortgagor absolutely, unconditionally and irrevocably assigns and transfers to Mortgagee all of its right, title and interest in and to all rents, issues, profits, royalties, income and other proceeds and similar benefits derived from the

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

5.2 Collection Upon Default. Upon the occurrence of an Event of Default, Mortgagor's license to collect the Rents shall automatically terminate. Upon such termination, Mortgagee may, at any time, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Secured Obligations, do any of the following: (a) enter upon and take possession of all or any part of the Collateral; (b) with or without taking possession of the Collateral in its own name, sue for or otherwise collect Rents (including those past due and unpaid, and all prepaid Rents and all other security or other deposits paid by tenants to Mortgagor); and (c) apply the Rents (less costs and expenses of operation and collection, including, without limitation, attorneys' fees, whether or not suit is brought or prosecuted to judgment) to any Secured Obligation, and in such order as Mortgagee may determine, even if payment or performance of said Secured Obligation may not then be due. Mortgagor agrees that, upon the occurrence of any Event of Default, Mortgagor shall promptly deliver all Rents and security deposits to Mortgagee. The collection of Rents, or the entering and taking possession of the Land, or the application of Rents as provided above, shall not (i) cure or waive any Event of Default or notice of default under this Mortgage or the other Loan Documents; (ii) invalidate any act performed in response to such Event of Default or pursuant to such notice of default, or (iii) cause Mortgagee to be deemed a mortgage-in-possession of all or any part of the Land.

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

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

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

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

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

ARTICLE 6 REMEDIES UPON DEFAULT

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

6.1.1 Mortgagor fails to pay any amount owing under this Mortgage when due; or

6.1.2 Mortgagor fails to pay any taxes, insurance premiums, assessments or rents required under this Mortgage; or

6.1.3 Mortgagor fails to observe or perform any other obligation contained in this Mortgage; or

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

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

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

6.2 Acceleration Upon Default: Additional Remedies. Subject to the Notice and Opportunity to Cure provided for in paragraph 8.04 in the Loan Agreement, upon the occurrence of an Event of Default, Mortgagee may, at its option, exercise all of the applicable rights and remedies set forth in the other Loan Documents and, in addition, declare all Secured Obligations to be immediately due and payable without any presentment, demand, protest or further notice of any kind; and whether or not Mortgagee exercises any said right or remedy, Mortgagee may:

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 7 MISCELLANEOUS

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

7.2 Waivers. Mortgagor waives, to the extent permitted by law, (a) the benefit of all laws (whenever enacted) providing for any appraisal before sale of any portion of the Collateral, (b) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the Secured Obligations and marshaling in the event of foreclosure of this Mortgage, and (c) all rights and remedies that Mortgagor may have under the laws of the State of Washington regarding the rights and remedies of sureties.

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

7.4 Statements By Mortgagee. For any statement or accounting requested by Mortgagor or any other entitled person pursuant to applicable law, or for any other document or instrument furnished to Mortgagor by Mortgagee, Mortgagee may charge: (a) the maximum amount

permitted by law at the time of the request, (b) if no such maximum, then the greater of Mortgagee's customary charges or the actual cost to Mortgagee.

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

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

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

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

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

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

7.11 Statute of Limitations. Mortgagor hereby waives, to the fullest extent permitted by law, the right to plead, use or assert any statute of limitations as a plea, defense or bar to any Secured

Obligation, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Mortgage or any rights under it.

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

7.13 Further Assurances. Mortgagor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments as Mortgagee may reasonably require to: (a) correct any defect, error or omission in this Mortgage or the execution or acknowledgment of this Mortgage, (b) subject to the lien of this Mortgage any of Mortgagor's properties covered or intended to be covered by this Mortgage, (c) perfect, maintain and keep valid and effective such lien, (d) carry into effect the purposes of this Mortgage, or (e) better assure and confirm to Mortgagee its respective rights, powers and remedies under this Mortgage.

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

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

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

7.17 Limited Liability and Waiver. The following parties join in this instrument to perfect the lien offered as security for the Secured Obligations, but assume no liability for payment of the Secured Obligations in excess of the value of the Collateral: **BIRCH POWER COMPANY** and **SORENSEN LEASING, L.L.C.**, Without affecting the lien of this Mortgage, the undersigned hereby waives any defense for any action affecting the Collateral, the Secured Obligations or the Loan Documents, including but not limited to, the following and or notice thereof: (a) any alteration of any terms of the Loan Documents, including increase of indebtedness; (b) the order of application of payments made; (c) acceleration; (d) release or sale of all or a part of the Collateral; (e) the taking or release of additional security; (f) default or any action or nonaction taken by any party to the Loan Documents; (g) any statute of limitation, anti-deficiency laws, one action rules, election of remedies, jurisdiction, venue, redemption, rights of valuation, stay of execution or marshaling; (h) the order of Mortgagee's proceeding against any party and or the Collateral or portion thereof; (i) any act by Mortgagee or any party which results in discharge of a liable party or release of the Collateral; and (j) all rights and remedies under applicable law or equity regarding rights and remedies of borrowers, mortgagors, mortgagees, grantors, beneficiaries, sureties, guarantors and or nonrecourse guarantors.

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

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

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage as of the date first above written.

MORTGAGOR:
BIRCH CREEK RANCHES, L.L.C.

By: _____

Ted S. Sorenson, Member

By: _____

Gayle A. Sorenson, Member

MORTGAGE (Closed End) - 24

Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

053617

Ted S. Sorenson
Ted S. Sorenson

Gayle A. Sorenson
Gayle A. Sorenson

BIRCH POWER COMPANY

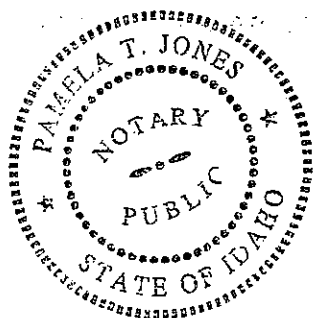
By: Ted S. Sorenson
Ted S. Sorenson, President

SORENSEN LEASING, L.L.C.

By: Ted S. Sorenson
Ted S. Sorenson, Member

STATE OF IDAHO)
County of Bonneville)ss.

On this 14th day of May, 2010, before me personally appeared Ted S. Sorenson, known to me to be a Member in Birch Creek Ranches, L.L.C., an Idaho limited liability company which executed the within instrument, and acknowledged that he executed the same as such member and in the limited liability company's name freely and voluntarily.

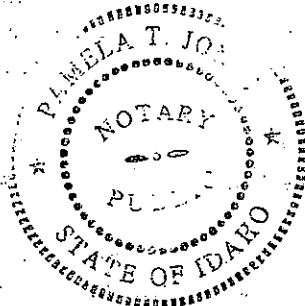


Pamela T. Jones
Notary Public for the State of IDAHO
Residing at Idaho Falls
My commission expires 11/01/12
Printed Name Pamela T. Jones

STATE OF IDAHO)
)ss.
County of Bonneville)

053817

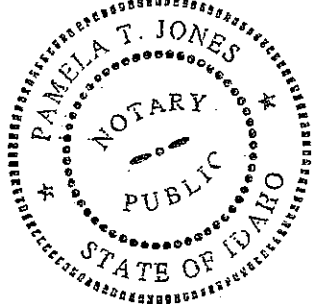
On this 14th day of May, 2010, before me personally appeared Gayle A. Sorenson, known to me to be a Member in Birch Creek Ranches, L.L.C., an Idaho limited liability company which executed the within instrument, and acknowledged that she executed the same as such member and in the limited liability company's name freely and voluntarily.



Pamela T. Jones
Notary Public for the State of IDAHO
Residing at Idaho Falls
My commission expires 11/10/2012
Printed Name Pamela T. Jones

STATE OF IDAHO)
)ss.
County of Bonneville)

On this 14th day of May, 2010, before me personally appeared Ted S. Sorenson and Gayle A. Sorenson, known to me to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.

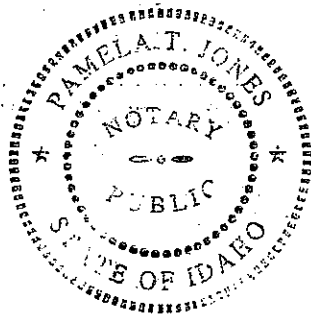


Pamela T. Jones
Notary Public for the State of IDAHO
Residing at Idaho Falls
My commission expires 11/10/2012
Printed Name Pamela T. Jones

STATE OF IDAHO)
)ss.
County of Bonneville)

053617

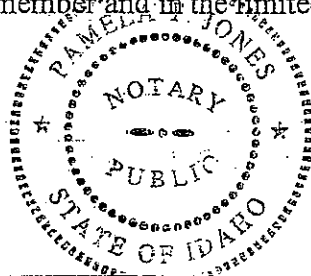
On this 14th day of May, 2010, before me personally appeared Ted S. Sorenson, known to me to be the President of Birch Power Company, the corporation that executed the within instrument, and acknowledged that such corporation executed the same in the corporation name freely and voluntarily, and each on oath stated that he was authorized to execute said instrument.



Pamela T. Jones
Notary Public for the State of IDAHO
Residing at Idaho Falls
My commission expires 11/01/2012
Printed Name Pamela T. Jones

STATE OF IDAHO)
)ss.
County of Bonneville)

On this 14th day of May, 2010, before me personally appeared Ted S. Sorenson, known to me to be a Member in Sorenson Leasing, L.L.C., an Idaho limited liability company which executed the within instrument, and acknowledged that he executed the same as such member and in the limited liability company's name freely and voluntarily.



Pamela T. Jones
Notary Public for the State of IDAHO
Residing at Idaho Falls
My commission expires 11/01/2012
Printed Name Pamela T. Jones

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

L:\MGLI\Birch Creek\Ted and Gayle Sorenson\Mortgage and Fixture Filing FLCA 40216 and 40257 May 2010.doc

MORTGAGE (Closed End) - 27

Ted S. and Gayle A. Sorenson; CIF No. 40257
Birch Creek Ranches, L.L.C.; CIF No. 40216

EXHIBIT A

Tract 1: (Parcel 1)

Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho.

Section 1: Government Lots 3 and 5; South Half Northwest Quarter; Northwest Quarter Southwest Quarter.

Excepting therefrom: Beginning at a point on the South line of the Northwest Quarter of the Southwest Quarter of Section 1, Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho, that is South 00°08'50" West 1322.42 feet along the Section line and South 89°54'41" East 1122.63 feet from the West Quarter corner of said Section 1; running thence South 89°54'43" East 189.99 feet to the Southeast corner of said Northwest Quarter of the Southwest Quarter of Section 1; thence North 00°02'48" East 180.79 feet along the East line of said Northwest Quarter of the Southwest Quarter of Section 1; thence South 46°29'22" West 262.17 feet to the point of beginning.

Tract 1: (Parcel 2)

Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho.

Section 1: Beginning at the Northwest corner of the Northeast Quarter of the Southwest Quarter of Section 1, Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho, that is South 00°22'00" East 2421.69 feet along the Section line to the West Quarter corner of said Section 1 and South 89°54'45" East 1309.82 feet from the Northwest corner of said Section 1; running thence South 89°54'45" East 1310.73 feet along the North line of said Northeast Quarter of the Southwest Quarter to the center of said Section 1; thence South 89°55'08" East 1753.46 feet along the East-West Centerline through the Section; thence South 52°58'46" West 1042.38 feet; thence North 89°55'08" West 1693.11 feet; thence South 46°29'22" West 743.57 feet to the West line of the Northeast Quarter of the Southwest Quarter of said Section 1; thence North 00°01'22" East 1141.65 feet along the West line to the point of beginning.

Tract 1: (Parcel 3)

Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho.

Section 1: Government Lots 1 and 2; South Half Northeast Quarter.

Excepting therefrom: Beginning at a point that is North 89°55'08" West 75.12 feet along the East-West centerline through the Section from the East Quarter corner of Section 1, Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho, said East Quarter corner being South 00°00'33" East 2448.64 feet from the Northeast corner of said Section 1; running thence North 89°55'08" West 802.80 feet along said East-West centerline; thence North 52°58'46" East 364.96 feet; thence South 66°38'25" East 557.07 feet to the point of beginning.

Tract 2: Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho.

Section 2: Government Lots 8 and 9; Northeast Quarter Southeast Quarter.

Excepting therefrom: Beginning at a point on the South 1/16th line of Section 2, Township 8 North, Range 32 East, Boise Meridian, Jefferson County, Idaho, that is South 00°08'50" East 1322.42 feet along the Section line to the Southeast corner of the Northeast Quarter of the Southeast Quarter of

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Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

Section 2 and North 89°57'25" West 245.67 feet from the East Quarter corner of said Section 2 to the point of beginning; thence North 89°57'25" West 2596.05 feet along the South line of said Northeast Quarter of the Southeast Quarter extended to the Easterly right of way line of U.S. Highway No. 22 said Easterly right of way line being 100 feet perpendicular from the centerline of said Highway No. 22; thence North 45°39'49" East 1855.46 feet along said Easterly right of way line; thence South 44°20'11" East 1815.70 feet to the point of beginning.

Tract 3: (Parcel 1)

Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho.

Section 5: Beginning at a point on the North line of the Northeast Quarter of the Southwest Quarter of Section 5, Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho, that is South 00°03'32" East 2459.97 feet along the North-South centerline through the Section and South 89°51'31" West 499.22 feet from the North Quarter corner of said Section 5, said North Quarter corner being North 89°57'46" East 2652.52 feet from the Northwest corner of said Section 5; thence South 89°51'31" West 826.23 feet along said North line to the Northwest corner of the Northeast Quarter of the Southwest Quarter of said Section 5; thence South 00°02'47" East 354.26 feet along the West line of said Northeast Quarter of the Southwest Quarter to a point on a curve created by a spray of a proposed irrigation pivot; thence 329.04 feet along said curve to the left, Curve Data: Delta=13°05'31", Radius=1440.00 feet, Chord bearing=North 89°42'00" East 328.32 feet to a point on a curve created by a spray of an existing irrigation pivot; thence 595.45 feet along said curve to the right. Curve Data: Delta=24°23'11", Radius=1399.00 feet, Chord bearing=North 57°50'18" East 590.96 feet to the point of beginning.

Tract 3: (Parcel 2)

Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho.

Section 5: Government Lots 3 and 4; South Half Northwest Quarter; West Half Southwest Quarter.

Excepting therefrom: Beginning at a point that is South 0°03'32" East 1895.81 feet along the North-South centerline through the Section from the North Quarter corner of Section 5, Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho, said North Quarter corner being North 89°57'46" East 2652.52 feet from the Northwest corner of said Section 5; thence South 00°03'32" East 564.16 feet along the North-South centerline to the Southeast corner of the Southeast Quarter of the Northwest Quarter of said Section 5; thence South 89°51'31" West 499.22 feet along the East-West centerline of said Section 5 to a point on a curve created by the spray of an existing irrigation pivot; thence 160.51 feet along said curve to the right. Curve Data: Delta 6°34'25", Radius=1399.00 feet, Chord bearing=North 73°19'06" East 160.42 feet to a point on a curve created by the spray of a proposed irrigation pivot; thence 628.45 feet along said curve to the left. Curve Data: Delta=25°00'19", Radius=1440.00 feet, Chord bearing=North 33°35'38" East 623.48 feet to the point of beginning.

Tract 4: (Parcel 1)

Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho.

Section 6: Government Lots 1, 2, 3, 4 and 5; South Half Northeast Quarter; Southeast Quarter Northwest Quarter; East Half Southeast Quarter.

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Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

Also: Beginning at a point that is South $89^{\circ}50'58''$ East 2397.56 feet along East-West centerline through the Section from the West Quarter corner of Section 6, Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho, said West Quarter corner being South $00^{\circ}00'33''$ East 2448.64 feet from the Northwest corner of said Section 6; thence South $89^{\circ}50'58''$ East 893.90 feet along said East-West centerline through the Section to the Northeast corner of said Northwest Quarter of the Southeast Quarter of said Section 6; thence South $00^{\circ}00'52''$ East 429.64 feet along the East line of said Northwest Quarter of the Southeast Quarter of Section 6; thence North $64^{\circ}12'35''$ West 992.90 feet to the point of beginning.

Excepting therefrom: Beginning at a point that is South $89^{\circ}50'58''$ East 1537.11 feet along the East-West centerline through the Section from the West Quarter corner of Section 6, Township 8 North, Range 33 East of the Boise Meridian, Jefferson County, Idaho, said West Quarter corner being South $00^{\circ}00'33''$ East 2448.64 feet from the Northwest corner of said Section 6; thence North $59^{\circ}00'46''$ East 445.07 feet; thence South $64^{\circ}12'35''$ East 531.87 feet to the East-West centerline of said Section 6; thence North $89^{\circ}50'58''$ West 860.45 feet along said East-West centerline to the point of beginning.

Also excepting therefrom: Beginning at the Southwest corner of the East Half of the Southeast Quarter of Section 6, Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho, that is South $89^{\circ}52'01''$ East 1322.23 feet along the Section line from the South Quarter corner of said Section 6; running thence North $00^{\circ}00'52''$ West 2213.31 feet along the West line of said East Half of the Southeast Quarter; thence South $64^{\circ}12'35''$ East 8.47 feet to an existing fence line; thence South $01^{\circ}02'49''$ East 2210.11 feet along said existing fence line to the South line of said Section 6; thence North $89^{\circ}52'01''$ West 47.45 feet along said South line to the point of beginning.

Tract 4: (Parcel 2)

Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho.

Section 6: Beginning at the West Quarter corner of Section 6; Township 8 North, Range 33 East, Boise Meridian, Jefferson County, Idaho; that is South $00^{\circ}00'33''$ East 2448.64 feet from the Northwest corner of said Section 6; running thence South $89^{\circ}50'58''$ East 1537.11 feet along the East-West centerline through Section 6; thence South $59^{\circ}00'46''$ West 782.04 feet; thence North $66^{\circ}38'25''$ West 1025.89 feet to the North line of the Northeast Quarter of the Southeast Quarter of Section 1, Township 8 North, Range 32 East, Boise Meridian; thence South $89^{\circ}55'08''$ East 75.12 feet along said North line to the point of beginning.

Tract 5: Intentionally deleted

Tract 6: Intentionally deleted

Tract 7: Intentionally deleted

Tract 8: (Parcel 1)

Township 8 North, Range 31 East, Boise Meridian, Clark County, Idaho.

Section 14: Beginning at the Northwest corner of the East Half of the Northeast Quarter of Section 14, Township 8 North, Range 31 East, Boise Meridian, Clark County, Idaho, said point being South

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Ted S. and Gayle A. Sorenson; CIF No. 40257

Birch Creek Ranches, L.L.C.; CIF No. 40216

85°24'30" West 1335.5 feet, more or less, along the Section line from the Northeast corner of said Section 14, and running thence South 1027.7 feet, more or less, along the West line of said East Half of the Northeast Quarter to a point that is common to the North boundary of the property formerly owned by D & D Enterprises, Inc., and the South boundary of the property owned or formerly owned by Ben Wilding; thence North 86°01' East 250.0 feet along said common boundary; thence North 246.0 feet; thence South 86°01' West 224.94 feet; thence North 781.97 feet, more or less, to the North line of said Section 14; thence South 85°24'30" West 25.08 feet to the point of beginning.

Tract 8: (Parcel 2)

Beginning at a point on the West line of the East Half of the Northeast Quarter of Section 14, Township 8 North, Range 31 East, Boise Meridian, Clark County, Idaho, said point being common to the North boundary of the property owned or formerly owned by D & D Enterprises, Inc., and the South boundary of the property owned by Ben Wilding, said point also being described as South 85°24'30" West 1335.5 feet, more or less, along the Section line, and South 1027.7 feet, more or less, along the West line of said East Half of the Northeast Quarter from the Northeast corner of said Section 14 and running thence South along said West line 200.00 feet; thence North 86°01' East 150.00 feet parallel to said common boundary line; thence North 200.00 feet to said common boundary line; thence South 86°01' West 150.00 feet along said common boundary line to the point of beginning.

**Tract 9: Township 9 North, Range 32 East, Boise Meridian, Clark County, Idaho.
Section 36: All**

Excepting therefrom: That certain property conveyed to the State of Idaho for highway purposes by that certain Warranty Deed recorded in Book 14 at page 462 of Deed records and by that certain Warranty Deed recorded in Book 14 at page 474 of Deed records, records of Clark County, Idaho.

Also excepting therefrom: Beginning at the Southwest corner of the Southwest Quarter of Section 36, Township 9 North, Range 32 East, Boise Meridian, Clark County, Idaho; thence East 330 feet; thence North 660 feet; thence West 330 feet; thence South 660 feet to the point of beginning.

Also excepting therefrom: That portion of the above property deeded to Clark County for road right of way in that certain Quitclaim Deed recorded May 11, 1984 as Instrument No. 38436 and re-recorded May 22, 1984 as Instrument No. 38471 of Official Records.

**Tract 10: Township 9 North, Range 33 East, Boise Meridian, Clark County, Idaho.
Section 31: Government Lots 3 and 4; East Half Southwest Quarter; Southeast Quarter.**

**Tract 11: Township 9 North, Range 33 East, Boise Meridian, Clark County, Idaho.
Section 32: North Half; Southwest Quarter.**

Excepting therefrom: That certain property conveyed to Clark County for roadway purposes by that certain Corporation Quitclaim Deed recorded as Instrument No. 38386 on May 2, 1984, at 1:05 p.m. records of Clark County, Idaho.

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Ted S. and Gayle A. Sorenson; CIF No. 40257
Birch Creek Ranches, L.L.C.; CIF No. 40216

Tract 12: Intentionally deleted

Tract 13:

Township 9 North, Range 33 East, Boise Meridian, Clark County, Idaho.
Section 33: Northwest Quarter

TOGETHER WITH all of Mortgagor's right, title and interest, whether now or hereafter acquired, in, to and under:

Tract 5: (Easement estate)

Township 8 North, Range 31 East, Boise Meridian, Clark County, Idaho.
Section 3: Government Lots 1, 2 and 3.

Tract 6: (Easement estate)

Township 8 North, Range 31 East, Boise Meridian, Clark County, Idaho.
Section 4: Government 7; Southeast Quarter Southwest Quarter.
Section 5: Government Lots 2 and 4; South Half North Half, East Half Southeast Quarter.
Section 6: Government Lot 1.
Section 9: Government, East Half Northwest Quarter; Northeast Quarter Southwest Quarter; North Half Southeast Quarter
Section 10: Government Lot 4; North Half Southwest Quarter; Southeast Quarter Southwest Quarter; West Half Southeast Quarter.

Tract 7: (Easement estate)

Township 9 North, Range 30 East, Boise Meridian, Clark County, Idaho.
Section 25: South Half Southwest Quarter.
Section 26: Southeast Quarter Southeast Quarter.
Section 34: South Half

Section 35: North Half Northeast Quarter; Southwest Quarter Northeast Quarter; Northeast Quarter Northwest Quarter; South Half Northwest Quarter; North Half Southwest Quarter; Southwest Quarter Southwest Quarter.

Section 36: A strip of land that is 50.00 feet in width, being 25.00 feet on each side of the following described centerline that crosses the Northeast Quarter and the North Half of the Northwest Quarter of Section 36, Township 9 North, Range 30 East, Boise Meridian, Clark County, Idaho.

The centerline shall begin approximately 1,900 feet East of the Northwest Section corner of said Section 36, thence shall proceed in a Southeasterly direction to a point on the East Section line of said Section 36, said point being approximately 3,400 feet North of the Southeast Section corner of said Section 36, said point being the terminus of said centerline and easement.

L:\lg\LG\1\Birch Creek\Ted and Gayle Sorenson\Mortgage and Fixture Filing FLCA 40216 and 40257 May 2010.doc

MORTGAGE (Closed End) - 32

Ted S. and Gayle A. Sorenson; CIF No. 40257
Birch Creek Ranches, L.L.C.; CIF No. 40216