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U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

MRO 10-13-98  
Tab settings



100859276

Send original documents or copy thereof.

To the Honorable Commissioner of Patent

1. Name of conveying party(ies):

Trout Lake Farm LLC  
149 Little Mountain Road  
Trout Lake, WA 98650

- Individual(s)
- General Partnership
- Corporation-State
- Other Washington limited liability company
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: October 2, 1998

2. Name and address of receiving party(ies):

Name: Amway Corporation

Internal Address: c/o Nutrilite Division of Amway  
Corporati

Street Address: 5600 Beach Boulevard

City: Buena Park State: CA ZIP: 90622-5940

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State Michigan
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No

(Designations must be a separate document from Assignment)

Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark registration No.(s)

1,809,877  
1,973,322  
2,086,361

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Daniel C. Poliak

Internal Address: Preston Gates & Ellis LLP

Street Address: 701 Fifth Avenue, Suite 5000

City: Seattle State: WA ZIP: 98104

6. Total number of applications and registrations involved: 3

7. Total fee (37 CFR 3.41):..... \$ 90.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

10/22/1998 TFDN11 00000181 1009077

01 FC:481  
02 FC:482

40.00 DP  
50.00 DP

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Lisa M. Miller  
Name of Person Signing

Lisa M. Miller  
Signature

10-6-98  
Date

Total number of pages comprising cover sheet: 18

## COMMERCIAL SECURITY AGREEMENT

**BORROWER:** TROUT LAKE FARM LLC,  
a Washington limited liability company  
149 Little Mountain Road  
Trout Lake, Washington 98650  
Facsimile No.: (509) 395-2645

**LENDER:** AMWAY CORPORATION  
c/o Nutrilite Division of Amway Corporation  
5600 Beach Boulevard  
Buena Park, California 90622-5940  
Attention: Vice President of Operations  
Facsimile No.: (714) 562-7589

THIS COMMERCIAL SECURITY AGREEMENT ("Agreement") is entered into effective as of this 2<sup>nd</sup> day of October, 1998, among TROUT LAKE FARM LLC, a Washington limited liability company (referred to below as "Borrower"), and AMWAY CORPORATION, a Michigan corporation (referred to below as "Lender"). For valuable consideration, Borrower grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral in addition to all other rights that Lender may have by law.

1. **DEFINITIONS.** The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code as adopted in the State of Washington ("UCC"). All references to dollar amounts shall mean amounts in lawful money of the United States of America.

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as amended or modified from time to time, together with all exhibits and schedules attached hereto from time to time.

**Borrower.** The word "Borrower" means TROUT LAKE FARM LLC, a Washington limited liability company, its successors and assigns.

**Collateral.** The word "Collateral" means all of the assets and property (whether tangible, semi-intangible or intangible) of Borrower, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located. In addition, without limiting the generality of the foregoing, the word "Collateral" includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

(a) All attachments, accessions, accessories, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for any property described in this Collateral definition.

(b) All rents, income, receipts, revenues, issues, products and other income of any nature arising from any of the property described in this Collateral definition or any real property owned, leased or farmed by Borrower.

(c) All equipment, fixtures, machinery, motor vehicles, inventory, supplies, goods and other tangible personal property.

(d) All accounts, contracts, contract rights, general intangibles, financial assets, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral definition or appurtenant to any of the lands or operations of Borrower, or held in gross, whether in cash, farm products, or otherwise, and whether from or through any federal or state government agency or program or otherwise, including without limitation, all easements, profits, rights of storage, trailing and grazing, and irrigation and water rights, all entitlements, rights to payment, and payments, in whatever form received, including but not limited to, payments under any governmental agricultural diversion programs, governmental agricultural assistance programs, the Farm Services Agency Wheat Feed Grain Program, and any other such program of the United States Department of Agriculture, warehouse receipts, chemicals and fertilizers, documents, letters of entitlement, and storage payments.

(e) All rights of Borrower with respect to the use of the names "Trout Lake Farm", "Klickitat Botanicals", "Flora Laboratories", "Ball Family Farms", or any name similar thereto, all other trade names or assumed business names used or held by Borrower, all trademarks (including applications for registration), including without limitation those trademarks and applications described in Exhibit A, and all service marks, patents and similar rights held by Borrower, including all rights with respect to the Trout Lake Farm logo.

(f) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral definition.

(g) All records and data relating to any of the property described in this Collateral definition, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Borrower's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

(h) All crops and crop products, whether stored, planted, growing or to be grown by Borrower or to be acquired from third parties, including crops hereafter

grown, owned or acquired, and all supplies, including without limitation all seed, fertilizer, fungicides, and pesticides.

**Event of Default.** The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in Section 5.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Notes, including all principal, interest, default interest, and late fees, together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents. In addition, the word "Indebtedness" includes all other obligations, debts and liabilities, plus interest thereon, of Borrower, or any one or more of them, to Lender, as well as all claims by Lender against Borrower, or any one or more of them, whether existing now or later, whether they are voluntary or involuntary, due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated, whether Borrower may be liable individually or jointly with others, whether Borrower may be obligated as guarantor, surety, accommodation party or otherwise, whether recovery upon such indebtedness may be or hereafter may become barred by any statute of limitations, and whether such indebtedness may be or hereafter may become otherwise unenforceable.

**Lender.** The word "Lender" means AMWAY CORPORATION, a Michigan corporation, its successors and assigns.

**Notes.** The word "Notes" means two separate promissory notes, the first in the principal amount of \$4,400,000 and of even date herewith, made by Borrower in favor of Lender, and the second in the amount of \$1,900,000.00 also of even date herewith and made by Borrower in favor of Lender, together with all renewals, extensions, modifications, refinancings and consolidations of and substitutions for such notes.

**Related Documents.** The words "Related Documents" mean and include without limitation the Notes, the Guaranty and all other promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

2. **OBLIGATIONS OF BORROWER.** Borrower warrants and covenants to Lender as follows:

2.1 **Organization.** Borrower is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Washington.

2.2 **Authorization; No Conflicts.** The execution, delivery, and performance of this Agreement by Borrower have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its certificate of formation or limited liability company agreement or other instrument binding upon Borrower, (b) any contract or agreement governing

Borrower or to which Borrower is a party, or (c) any law, governmental regulation, court decree, or order applicable to Borrower.

2.3 Perfection of Security Interest. Borrower agrees to execute such financing statements and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Borrower will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Borrower will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Borrower hereby appoints Lender as its irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Agreement. Lender may at any time, and without further authorization from Borrower, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Borrower will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral. Borrower will promptly notify Lender before any change in Borrower's name including any change to the trade names or assumed business names of Borrower. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Borrower may not be indebted to Lender.

2.4 Enforceability of Collateral. To the extent the Collateral consists of accounts, contracts, contract rights, chattel paper, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and complies with applicable laws concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral.

2.5 Location of the Collateral. Borrower, upon request of Lender, will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Borrower's operations, including without limitation the following: (a) all real property owned or being purchased by Borrower, (b) all real property being rented or leased by Borrower, (c) all storage facilities owned, rented, leased, or being used by Borrower, and (d) all other properties where Collateral is or may be located. Borrower promptly shall procure the execution, acknowledgment, and delivery by holders of any encumbrances upon or by owners of such lands where Collateral is or will be located and Borrower consents to Lender's rights of access for cultivation of crops upon such terms as Lender may deem satisfactory. Except in the ordinary course of its business, Borrower shall not remove the Collateral from its existing locations without the prior written consent of Lender. Collateral consisting of crops now or hereafter harvested or removed from the real property shall not be stored with a bailee, warehouseman, or similar party without Lender's prior written consent and shall be kept only at locations approved by Lender.

2.6 Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Borrower's business, Borrower shall not sell, offer to

sell, or otherwise transfer or dispose of the Collateral without the prior written consent of Lender. Borrower shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds, provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Borrower shall immediately deliver any such proceeds to Lender.

2.7 Sale of Collateral. The following provisions relate to any sale, consignment or transfer of crops or other farm products included as all or a part of the Collateral:

(a) To induce Lender to extend the credit or other financial accommodations secured by this Agreement, Borrower represents and warrants to Lender that it will sell, consign or transfer the Collateral only to those persons whose names and addresses have been set forth on sales schedules delivered to Lender. Each schedule shall be in such form as Lender may require, including identification of each type of Collateral. Borrower also shall notify Lender of the name and address of each additional person to whom or through whom the Collateral may be sold, consigned or transferred. All such schedules and notifications shall be in writing and shall be delivered to Lender not less than seven (7) days prior to any such sale, consignment or transfer of the Collateral.

(b) Borrower acknowledges that if the Collateral is sold, consigned, or transferred to any person not listed on a schedule delivered to Lender as provided above, and if Lender has not received an accounting (including the proceeds) of such sale, consignment or transfer within ten (10) days of the sale, consignment or transfer, then UNDER FEDERAL LAW, BORROWER SHALL BE SUBJECT TO A FINE WHICH IS THE GREATER OF \$5,000 OR 15% OF THE VALUE OR BENEFIT RECEIVED FROM THE SALE, CONSIGNMENT OR TRANSFER TO AN UNLISTED BUYER, CONSIGNEE OR TRANSFEREE.

(c) All proceeds of any sale, consignment or transfer shall be made immediately available to Lender in a form jointly payable to Borrower and Lender. All chattel paper, contracts, warehouse receipts, documents of title, or other evidences of ownership or obligations, whether issued by a co-op, grain elevator, or other warehouse or marketing entity, and all accounts receivable and other non-cash proceeds shall be endorsed, assigned and delivered immediately to Lender as security for the Indebtedness. All the proceeds of any such disposition of the Collateral, when and if received by the Lender, may at Lender's option be applied to the Indebtedness. In addition, Lender may collect at any time the proceeds of any or all such accounts or other non-cash proceeds of any sale without notice to Borrower.

The foregoing notwithstanding, Borrower may sell inventory in the ordinary course of business and, as long as Borrower is not in default hereunder, may retain the proceeds from inventory sales. If Borrower is in default under this Agreement, Borrower shall immediately surrender such proceeds to Lender.

2.8 Care and Preservation of the Crops. Borrower shall (a) at seasonable and proper times and in accordance with the best practices of good husbandry attend to and care for the crops and the tillage of the land and do, or cause to be done, any and all acts that may at any time be appropriate or necessary to grow, farm, cultivate, irrigate, fertilize, fumigate, prune, harvest, pick, clean, preserve, and protect the crops as long as they are not outside organic guidelines, (b) not commit or suffer to be committed any damage to, destruction of, or waste of the crops, (c) permit Lender and any of its employees and agents to enter upon the premises where the crops are located at any reasonable time and from time to time for the purpose of examining and inspecting the crops and the premises, (d) harvest and prepare the crops for market and promptly notify Lender when any of the crops are ready for market, (e) keep the crops separate and always capable of being identified, and (f) promptly give Lender written notice of any disease to, any destruction of, and depreciation in the value of, or any damage to the crops.

2.9 Title. Borrower represents and warrants to Lender that it holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement and those encumbrances listed on Exhibit B. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented in writing. Borrower shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

2.10 Maintenance and Inspection of Collateral. Borrower shall maintain all tangible Collateral in good condition and repair. Borrower will not commit or permit damage to or destruction of the Collateral or any part of the Collateral. Lender and its designated representatives and agents shall have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located. Borrower shall immediately notify Lender of all cases involving the return, rejection, repossession, loss or damage of or to any Collateral, of any request for credit or adjustment or of any other dispute arising with respect to the Collateral, and generally of all happenings and events affecting the Collateral or the value or the amount of the Collateral.

2.11 Taxes, Assessments and Liens. Borrower will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Borrower may withhold any such payment or may elect to contest any lien if Borrower is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Borrower shall deposit with Lender cash, a sufficient corporate

surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Borrower shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Borrower shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

2.12 Compliance with Governmental Requirements. Borrower shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Borrower may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion.

2.13 Hazardous Substances. Borrower represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used for or in connection with the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any hazardous waste or substance, as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous wastes and substances. Borrower hereby releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws.

2.14 Maintenance of Casualty Insurance. Borrower shall procure and maintain all risks insurance, including without limitation fire, hail, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. In addition, Borrower shall obtain at its expense any federal or state crop insurance required by Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least forty five (45) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Borrower will



provide Lender with such loss payable or other endorsements as Lender may require. If Borrower at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if it so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

2.15 Application of Insurance Proceeds. Borrower shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Borrower fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Borrower from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Borrower. Any proceeds which have not been disbursed within six (6) months after their receipt and which Borrower has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

2.16 Insurance Reserves. Lender may require Borrower to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Borrower of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Borrower shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Borrower as they become due. Lender does not hold the reserve funds in trust for Borrower, and Lender is not the agent of Borrower for payment of the insurance premiums required to be paid by Borrower. The responsibility for the payment of premiums shall remain Borrower's sole responsibility.

2.17 Insurance Reports. Borrower, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (a) the name of the insurer, (b) the risks insured, (c) the amount of the policy, (d) the property insured, (e) the then current value on the basis of which insurance has been obtained and the manner of determining that value, (f) the expiration date of the policy. In addition, Borrower shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

2.18 Indemnity. Borrower shall indemnify and hold Lender harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses (including reasonable attorney fees at trial, on appeal, or in any arbitration proceeding or bankruptcy case arising out of or relating to (a) Borrower's failure to comply with any term or provision of this Agreement, and (b) the breach of any representation or warranty made

by Borrower in this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement

3. **BORROWER'S RIGHT TO POSSESSION.** Until default, Borrower may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Borrower's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Borrower shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Borrower shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

4. **EXPENDITURES BY LENDER.** If not discharged or paid when due, Lender may (but shall not be obligated to) discharge or pay any amounts required to be discharged or paid by Borrower under this Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. Lender also may (but shall not be obligated to) pay all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the highest rate charged under either of the Notes from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses shall become a part of the Indebtedness and, at Lender's option, will (a) be payable on demand, (b) be added to the balance of either Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of such Note, or (c) be treated as a balloon payment which will be due and payable at such Note's maturity. This Agreement also will secure payment of these amounts. The foregoing rights shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of an Event of Default.

5. **EVENTS OF DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

5.1 **Default on Indebtedness.** Failure of Borrower to make any payment when due under either of the Notes.

5.2 **Other Defaults.** Failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or in any other agreement between Lender and Borrower.

5.3 **False Statements.** Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower under this Agreement, the Note or the

Related Documents is false or misleading in any material respect, either now or at the time made or furnished.

5.4 Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

5.5 Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

5.6 Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against the Collateral.

5.7 Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor of any of the Indebtedness or any guarantor thereof dies or becomes incompetent.

5.8 Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

5.9 Insecurity. Lender, in good faith, deems itself insecure.

6. RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the UCC. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

6.1 Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Borrower would be required to pay, immediately due and payable, without notice.

6.2 Assemble Collateral. Lender may require Borrower to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Borrower to assemble the Collateral and make it available to Lender at a place designated by Lender which is reasonably convenient to both parties, and to apply to any court having jurisdiction for an injunction to require Borrower to do so. Lender also shall have full power to enter upon the property of Borrower to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of

repossession, Borrower agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Borrower after repossession.

6.3 Care and Possession of the Crops. Lender may enter upon the premises where any Collateral consisting of crops is located and, using any and all of Borrower's equipment, machinery, tools, farming implements, and supplies, and improvements located on the premises (a) farm, cultivate, irrigate, fertilize, fumigate, prune, and perform any other act or acts appropriate or necessary to grow, care for, maintain, preserve and protect the crops (using any water located in, on or adjacent to the premises), (b) harvest, pick, clean, and remove the crops from the premises, and (c) to the extent then permitted under Washington law, appraise, store, prepare for public or private sale, exhibit, market and sell the crops and any products of the crops, provided that Borrower hereby agrees that if Borrower is the owner of record of the premises upon which the crops and any products of the crops are located, Lender shall not be responsible or liable for returning the premises to their condition immediately preceding the use of the premises as provided herein or for doing such acts as may be necessary to permit future crops to be maintained on the premises.

6.4 Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Borrower. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Borrower reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at highest rate under either of the Notes from date of expenditure until repaid.

6.5 Appoint a Receiver. To the extent permitted by applicable law, Lender shall have the following rights and remedies regarding the appointment of a receiver: (a) Lender may have a receiver appointed as a matter of right; (b) the receiver may be an employee of Lender and may serve without bond; and (c) all fees of the receiver and his or her attorney shall become part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

6.6 Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in its discretion transfer any Collateral into its own name or that of its nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in

action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Borrower, receive, open and dispose of mail addressed to Borrower, change any address to which mail and payments are to be sent, and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

6.7 Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Borrower for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of rights provided in this Agreement. Borrower shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

6.8 Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the UCC, as amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

6.9 Cumulative Remedies. All of Lender's rights and remedies, whether evidenced by this Agreement or the Related Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower under this Agreement, after Borrower's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies.

7. MISCELLANEOUS PROVISION. The following miscellaneous provisions are a part of this Agreement.

7.1 Arbitration. Any and all disputes, actions or claims arising out of or in connection with this Agreement shall be resolved by binding arbitration. The parties agree that any dispute arising under or in connection with or in any way relating to this Agreement or the parties' obligations hereunder will be settled by binding mandatory arbitration in accordance with the rules and procedures of the American Arbitration Association and, to the extent not inconsistent therewith, the provisions of R.C.W. 7.04. A single neutral arbitrator shall be appointed to resolve the dispute if the amount in controversy is \$50,000 or less; three neutral arbitrators shall be appointed if the amount in controversy exceeds \$50,000. All arbitrator(s) shall be active Washington State Bar members in good standing. The parties shall be entitled to conduct discovery in accordance with the Federal Rules of Civil Procedure, subject to limitation by the arbitrator(s) to secure just and efficient resolution of the dispute. The decision of the arbitrator(s) shall include a statement specifying in reasonable detail the basis for and computation of the award, if any. Judgment upon the arbitration award may be entered

in any court having jurisdiction, but nothing herein shall prevent a party from resorting to a court of competent jurisdiction to compel compliance with these arbitration provisions or to enforce an arbitration award.

7.2 Entire Agreement; Amendments. This Agreement (including the documents attached hereto as exhibits or schedules), together with the Related Documents, constitutes the entire agreement between the parties and supersedes any prior understandings, agreements, or representations by or between the parties, written or oral, to the extent they relate in any way to the subject matter hereof. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

7.3 Applicable Law. This Agreement has been delivered to Lender and accepted by Lender in the State of Washington. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

7.4 Attorneys' Fees, Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for arbitration proceedings, bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

7.5 Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

7.6 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Lender: Amway Corporation  
c/o Nutrilite Division of Amway Corporation  
5600 Beach Boulevard  
Buena Park, California 90622-5940  
Attention: Vice President of Operations

Facsimile No.: (714) 562-7589

With copy to: Amway Corporation  
7575 E. Fulton Road  
Ada, MI 49355  
Attention: General Counsel  
Facsimile No.: (616) 787-5623

If to Borrower: Mr. Lon H. Johnson  
Trout Lake Farm LLC  
149 Little Mountain Road  
Trout Lake, Washington 98650  
Facsimile No.: (509) 395-2645

With copy to: Mark A. von Bergen, Esq.  
Weiss Jensen Ellis & Howard  
2300 U. S. Bancorp Tower  
111 S.W. Fifth Avenue  
Portland, OR 97204  
Facsimile No.: (503) 241-8014

And to: Trout Lake Farm LLC  
c/o AmNu Farms LLC  
c/o Nutrilite Division of Amway Corporation  
5600 Beach Boulevard  
Buena Park, California 90622-5940  
Attention: Vice President of Operations  
Facsimile No.: (714) 562-7589

With copy to: Amway Corporation  
7575 E. Fulton Road  
Ada, MI 49355  
Attention: General Counsel  
Facsimile No.: (616) 787-5623

Any party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party(ies) notice in the manner herein set forth.

7.7 Power of Attorney. Borrower hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Borrower, to execute and deliver its release and settlement for the claim; and (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Borrower, or otherwise, which in the discretion of Lender may seem to be necessary or advisable. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by the Lender.

7.8 Preference Payments. Any monies Lender pays because of an asserted preference claim in Borrower's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Borrower as provided above in Section 4.

7.9 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

7.10 Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

7.11 Waiver. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, shall constitute a waiver of any of Lender's rights or of any of Borrower's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

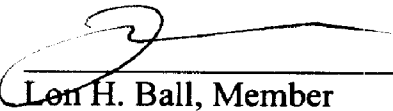
7.12 Waiver of Co-Obligor's Rights. If more than one person is obligated for the Indebtedness, Borrower irrevocably waives, disclaims and relinquishes all claims against such other person which Borrower has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.



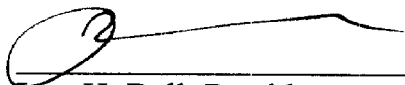
BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ALL OF ITS TERMS, CONDITIONS AND COVENANTS.

BORROWER:

TROUT LAKE FARM LLC

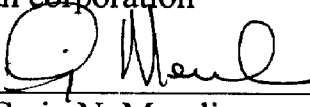
By:   
Lon H. Ball, Member

By: LB HOLDING CO., a Washington corporation, Member

By:   
Lon H. Ball, President

By: AmNu FARMS, LLC, a Delaware limited liability company, Member

By: AMWAY CORPORATION, a Michigan corporation

By:   
Craig N. Meurlin  
Senior Vice President  
and General Counsel

LENDER:

AMWAY CORPORATION, a Michigan corporation

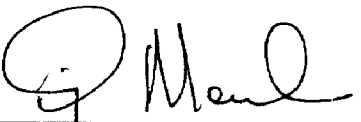
By:   
Craig N. Meurlin, Senior Vice President and General Counsel

EXHIBIT A

Registered Trademarks

1. "Florased" Registration No. 1,809,877
2. "1<sup>st</sup> Sneeze!" Registration No. 1,973,322
3. "Rest Easy" Registration No. 2,086,361

Applications for Registration of Trademarks

1. "Flora Laboratories, Inc." Application No. \_\_\_\_\_ filed September 16, 1998.
2. "Trout Lake Farm & Design" (registration to be applied for)
3. "Camas Prairie Tea" (registration to be applied for)

Exhibit A

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RECORDED: 10/13/1998

TRADEMARK  
REEL: 1803 FRAME: 0156