The description of the real property covered by this mortgage consists of one page marked Exhibit "A" which is attached hereto and is by reference made a part herof.

EXHIBIT A

The following described real accounty in Elemeth County, Orego a

PAPERT 1

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Township 36 South, Rampe 14 East of the Willsmette Merilian;

Section 36 - SW 1/4 NE 1/4, SW 1/4 NM 1/4, S 1/2

PARCEL 2:

Towarship 36 South, Range 15 East of the Willamette Meridian:

Section 31 - S 1/2 S 1/2, FXCEPT that part of the above described property conveyed to Weyerhaeuser Timber Company by deed recorded July 20, 1959, in Deed Volume 314 at page 296, Records of Klamath County, Oregon.

PARCEL 3:

Township 37 South, Range 14 East of the Willamette Meridian: <u>Section 1</u> - Covernment Lot 1, those portions of Government Lots 2 and 3 lying Northerly of Weyerhaeuser Timber Company Road. The N 1/2 SW 1/4 NE 1/4, SE 1/4 NE 1/4. That part of the S 1/2 NE 1/4 SW 1/4, W 1/2 SE 1/4, and SE 1/4 SE 1/4 lying Northerly of U. S. Highway #66, also the N 1/2 NE 1/4 SE 1/4, but EXCEPTING THEREFROM a 100-foot strip reserved to Weyerhaeuser Timber Company by deed recorded in Deed Volume 316 at page 565, Records of Klamath County, Oregon. ALSO EXCEPTING the Bly Logging Co. Railroad right of way as shown in instrument recorded July 31, 1929, in Deed Volume 87 at page 514, Records of Klamath County, Oregon.

PARCEL 4:

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in its

Township 37 South, Range 15 East of the Willamette Meridian:

Section 5- NE 1/4, NW 1/4, W 1/2 SW 1/4, SE 1/4 SW 1/4, S 1/2 NE 1/4 SW 1/4, W 1/2 SE 1/4, SE 1/4 SE 1/4.

PARCEL 5:

Township 37 South, Range 15 East of the Willamette Meridian:

Section 6- ALL, EXCEPT that part of the above described property conveyed to Weyerhaeuser Timber Company by deed recorded July 20, 1959, in Deed Volume 314 at page 296, Records of Klamath County, Oregon. ALSO EXCEPTING the Bly Logging Co. Railroad right of way as shown in instrument recorded July 31, 1929, in Deed Book 87 at page 514, Records of Klamath County, Oregon.

PARCEL 6:

Township 37 South, Range 15 East of the Willamette Meridian:

Section 7- That part of the NE 1/4 NW 1/4, NE 1/4 lying Northerly of U. S. Highway #66, EXCEPTING the Bly Logging Co. Railroad right of way as shown in instrument recorded July 31, 1929, in Deed Book 87, Page 513, Records of Klamath County, Oregon.

PARCEL 7:

Township 37 South, Range 15 East of the Willamette Meridian:

Section 8- NE 1/4, N 1/2 NW 1/4.

Together with a 100 HP General Electric Motor, Serial No. BDJ 221140 with a Johnston Turbine pump, Serial No.GA 2293, or any replacements thereof which are hereby declared appurtement thereto.

Initials A. V. 1).

including all leases, permits, licenses or privileges, written or otherwise, appurtenant or nonappurtenant to said mortgaged premises, now held by mortgagors or hereafter issued, extended or renewed to them by the United States or the State or any department, bureau, or agency thereof, which have been or will be assigned or waived to mortgagee.

Together with the tenements, hereditaments, rights, privileges and appurtenances, including private toads, now or hereafter belonging to or used in connection with the above described premises; and all plumbing, lighting, heating, cooling, ventilating, elevating, watering and irrigating apparatus, stationary scales and other fixtures, now or hereafter belonging to or used in connection with the above described premises, all of which are hereby declared to be appurtenant to said land, and together with all waters and water rights of every kind and description and however evidenced, and all ditches or other conduits, rights therein and rights of way therefor, which now are or hereafter may be appurtenant to said premises or any part thereof, or used in connection therewith.

This conveyance is intended as a mortgage securing the performance of the covenants and agreements hereinafter contained, and the payment of the debt represented by one promissory note made by the mortgagors to the order of the mortgagee, of even date herewith, for the principal sum of \$ 180,000,00, ..., with interest as provided for in said note, being payable in instalments, the last of which being due and payable on the first day of **January**, 2008 All payments not made when due shall bear interest thereafter until paid at 10 per cent per annum. MORTGAGORS COVENANT AND AGREE:

That they are lawfully seized of said premises in fee simple, have good right and lawful authority to convey and mortgage the same, and that said premises are free from encumbrance; and each of the mortgagors will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever, and this covenant shall not be extinguished by any foreclosure hereof, but shall run with the land;

To pay all debts and moneys secured hereby when due;

To keep the buildings and other improvements now or hereafter existing on said premises in good repair and not to remove or demolish or permit the removal or demolishment of any thereof; not to cut or permit the cutting of timber from said premises except for domestic use; to maintain and cultivate the premises in a good and husbandlike manner, using approved methods of preserving the fertility thereof; to keep the orchards on said land properly irrigated, cultivated, sprayed, pruned and cared for; not to commit or suffer waste of any kind upon said premises; not to use or permit the use of said premises for any unlawful or objectionable purpose; and to do all acts and things necessary to preserve all water rights now or hereafter appurtenant to or used in connection with said premises;

To pay when due all taxes, assessments and other charges upon said premises and to deliver to the mortgagee proper receipts therefor; and to suffer no other lien or encumbrance prior to the lien of this mortgage to exist at any time against said premises;

To keep all buildings insured against loss or damage by fire and such other risks in manner and form and in such company or companies and in such amount as shall be satisfactory to the mortgagee; to pay all premiums and charges on all such insurance when due; to deposit with the mortgagee upon request all insurance policies affecting the mortgaged premises, with receipts showing payment of all premiums and charges affecting said policies; and that all insurance whatsoever affecting the mortgaged premises shall be made payable, in case of loss, to the mortgagee, with a mortgagee clause in favor of and satisfactory to the mortgagee. The mortgagee shall be entitled to receive the proceeds of any loss under any such policy, which, if not used in accordance with the regulations of the Farm Credit Administration for reconstruction of the buildings damaged or destroyed, may be applied by the mortgagee upon the indebtedness hereby secured in such manner as it shall elect.

If any of the mortgaged property shall be taken under right of eminent domain, the mortgagee shall be entitled at its option to receive all compensation for the portion taken and damages to the remaining portion, to be applied by the mortgagee upon the indebtedness hereby secured in such manner as it shall elect.

Should the mortgagors be or become in default in any of the covenants or agreements herein contained, then the mortgagee (whether electing to declare the whole indebtedness hereby secured due and payable or not) may, at its option, perform the same in whole or in part, and all expenditures made by the mortgagee in so doing shall draw interest at the rate of 10 per cent per annum, and shall be immediately repayable by the mortgagors without demand, and, together with interest and costs accruing thereon, shall be secured by this mortgage.

Time is material and of the essence hereof; and in case of breach of any of the covenants or agreements hereof, or if default be made in the payment of any of the sums hereby secured, or if the whole or any portion of said loan shall be expended for purposes other than those specified in the original application therefor except, by the written permission of said mortgagee, or if said land or any portion thereof shall be hereafter included in any special assessment district, then, in any such case, all indebtedness hereby secured, shall, at the election of the mortgagee, become immediately due without notice, and this mortgage may be foreclosed; but the failure of the mortgage to exercise such option in any one or more instances shall not be considered as a waiver or relinquishment of the right to exercise such option upon or during the continuance of the same or any other default.

In case of any suit to foreclose this mortgage or to collect any charge growing out of the debt hereby secured, or any suit which the mortgagee may deem it necessary to prosecute or defend to effect or protect the lien hereof, the mortgagors agree to pay a reasonable sum as attorney's fees and all costs and legal expenses in connection with said suit, and further agree to pay the reasonable costs of searching records and abstracting or insuring the title, and such sums shall be secured hereby and included in the decree of foreclosure.

Upon or during the continuance of any default hereunder, the mortgagee shall have the right forthwith to enter into and upon the mortgaged premises and take possession thereof, and collect the rents, issues and profits thereof, and apply the same, less reasonable costs of collection, upon the indebtedness hereby secured, and the mortgagee shall have the right to the appointment of a receiver to collect the rents, issues and profits of the mortgaged premises. The rents, issues and profits of said premises after default are hereby assigned and mortgaged to the mortgagee as additional security for the indebtedness herein described. This mortgage and the note secored hereby are executed and delivered under and in accordance with the ot 1971 and any acts amendatory for supplementary thereto and the regulations of the Farm Credit Administration to all the terms, conditions and provisions thereof, which are made a part hereof the same as if set out if full herein

The covenants and agreements herein contained shall extend to and be binding upon the heirs, executor successors and assigns of the respective parties hereto.

It is agreed that this mortgage, without affecting the validity as a real eat mortgage, is also executed and shall be construed as a "Security Agreement" the Oregon Uniform Commercial Code granting to Mortgagee a security interest in all personal property collateral described herein and in addition to the and remedies provided herein, Mortgagee shall have all the rights and remedie by such Code; and reasonable notice, when notice is requested, shall be five

Donald V. Nonella and Barbara J. Nonella, husband and wife, who are principal upon the note hereby secured execute this mortgage for the purposes of bindin as principal obligors to the fulfillment of all the covenants of the mortgage contained; but do not thereby assert any ownership of or interest in the land mortgaged, which is vested in the 7-C Ranch, Inc. a corporation.

WHEREAS, mortgagors have assigned or waived, or will assign or waive to the mortgan additional security for the indebtedness described herein, certain grazing leases, perr licenses and/or privileges, to-wit:

Grazing privileges on Fremont National Forest for 89 cattle from June 1 Public Domain Lease No. 36016910 covering 727.57 acres.

mortgagors covenant and agree that they are the lawful owners and holders thereof an they are free from encumbrance and have not been assigned; and mortgagors further a and agree to procure renewals thereof upon or prior to their expiration date, to execu instrument deemed by the mortgagee necessary to effect an assignment or waiver of su renewals to the mortgagee, and to pay all fees and charges, and to perform all acts a necessary to preserve and keep in good standing all of said leases, permits, licenses, privileges, and all renewals thereof; and they will take no action which would adve affect any of such rights or their preference status thereunder and that in the event of closure of this mortgage they will waive all claims for preference in any of such right demand from the purchaser of the mortgaged property at foreclosure sale, or any succ such purchaser; and further agree that the lands covered by said leases, permits, lice and/or privileges and renewals thereof, shall at all times be operated in conjunction lands hereby mortgaged, and that neither shall be transferred to any other person sepa from the other. Any leases, permits, licenses and/or privileges which the mortgagor, the consent of the mortgagee, shall substitute for those hereinabove mentioned, shall subject to the provision hereof. For any breach by mortgagors of any covenant or ag in this paragraph contained, the mortgagee shall have the same rights and/or remedie are available to it for the breach of any other covenant or agreement of the mortgage this mortgage contained, including but not limited to the right to declare the entire debt due and payable.

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Grazing Rider No. 1

My Commission Expires 4/1/1974

Form FLB 559

This rider is attached to and made a part of mortgage to the Federal Land Bank of Sp a corporation, executed by the undersigned, dated <u>August 21</u>

C RANCH

Notary Public for the State of Or Residing at Klamath Falls, Oregon

9472

e, appurtenant or nonappurtenant to said mortgaged newed to them by the United States or the State or any assigned or waived to mortgagee.

d appurtenances, including private roads, now or herenises; and all plumbing, lighting, heating, cooling, ventiand other fixtures, now or hereafter belonging to or used by declared to be appurtenant to said land; and together wever evidenced, and all ditches or other conduits, rights be appurtenant to said premises or any part thereof, or

ance of the covenants and agreements hereinafter conte made by the mortgagors to the order of the mortgagee, , with interest as provided for in said note, on the first day of <u>January</u>, 2008 paid at 10 per cent per annum.

have good right and lawful authority to convey and ince; and each of the mortgagors will warrant and of all persons whomsoever, and this covenant shall the land;

ter existing on said premises in good repair and not to ercof; not to cut or permit the cutting of timber from ne premises in a good and husbandlike manner, using orchards on said land properly irrigated, cultivated, any kind upon said premises; not to use or permit the to do all acts and things necessary to preserve all water d premises;

said premises and to deliver to the mortgagee proper the lien of this mortgage to exist at any time against

such other risks in manner and form and in such commortgagee; to pay all premiums and charges on all such ll insurance policies affecting the mortgaged premises, g said policies; and that all insurance whatsoever affectthe mortgagee, with a mortgagee clause in favor of and ceive the proceeds of any loss under any such policy, edit Administration for reconstruction of the buildings bebtedness hereby secured in such manner as it shall elect.

eminent domain, the mortgagee shall be entitled at mages to the remaining portion, to be applied by the as it shall elect.

e covenants or agreements herein contained, then the by secured due and payable or not) may, at its option, by the mortgagee in so doing shall draw interest at the by the mortgagors without demand, and, together with

each of any of the covenants or agreements hereof, or or if the whole or any portion of said loan shall be plication therefor except, by the written permission of fter included in any special assessment district, then, in of the mortgagee, become immediately due without nortgagee to exercise such option in any one or more the right to exercise such option upon or during the

charge growing out of the debt hereby secured, or any end to effect or protect the lien hereof, the mortgagors expenses in connection with said suit, and further agree nsuring the title, and such sums shall be secured hereby

the mortgagee shall have the right forthwith to enter ind collect the rents, issues and profits thereof, and apply hereby secured, and the mortgagee shall have the right its of the mortgaged premises. The rents, issues and gaged to the mortgagee as additional security for the 9473

This mortgage and the note secured hereby are executed and delivered under and in accordance with the Farm Gredit Act , of 1973 and any acts amendatory or supplementary thereto and the regulations of the Farm Gredit Administration, and are subject to all the terms, conditions and provisions thereof, which are made a part hereof the same as if set out if full herein

The covenants and agreements herein contained shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

It is agreed that this mortgage, without affecting the validity as a real estate mortgage, is also executed and shall be construed as a "Security Agreement" under the Oregon Uniform Commercial Code granting to Mortgagee a security interest in all personal property collateral described herein and in addition to the rights and remedies provided herein, Mortgagee shall have all the rights and remedies granted by such Code; and reasonable notice, when notice is requested, shall be five (5) days.

Donald V. Nonella and Barbara J. Nonella, husband and wife, who are principal obligors upon the note hereby secured execute this mortgage for the purposes of binding themselves as principal obligors to the fulfillment of all the covenants of the mortgage herein contained; but do not thereby assert any ownership of or interest in the land hereby mortgaged, which is vested in the 7-C Ranch, Inc. a corporation.

WHEREAS, mortgagors have assigned or waived, or will assign or waive to the mortgagee, as additional security for the indebtedness described herein, certain grazing leases, permits, licenses and/or privileges, to-wit:

Grazing privileges on Fremont National Forest for 89 cattle from June 1 to July 1. Public Domain Lease No. 36016910 covering 727.57 acres.

mortgagors covenant and agree that they are the lawful owners and holders thereof and that they are free from encumbrance and have not been assigned; and mortgagors further covenant and agree to procure renewals thereof upon or prior to their expiration date, to execute any instrument deemed by the mortgagee necessary to effect an assignment or waiver of such renewals to the mortgagee, and to pay all fees and charges, and to perform all acts and things necessary to preserve and keep in good standing all of said leases, permits, licenses, and/or privileges, and all renewals thereof; and they will take no action which would adversely affect any of such rights or their preference status thereunder and that in the event of foreclosure of this mortgage they will waive all claims for preference in any of such rights upon demand from the purchaser of the mortgaged property at foreclosure sale, or any successor to such purchaser; and further agree that the lands covered by said leases, permits, licenses and/or privileges and renewals thereof, shall at all times be operated in conjunction with the lands hereby mortgaged, and that neither shall be transferred to any other person separately from the other. Any leases, permits, licenses and/or privileges which the mortgagor, with the consent of the mortgagee, shall substitute for those hereinabove mentioned, shall be subject to the provision hereof ... For any breach by mortgagors of any covenant or agreement in this paragraph contained, the mortgagee shall have the same rights and/or remedies as are available to it for the breach of any other covenant or agreement of the mortgagors in this mortgage contained, including but not limited to the right to declare the entire mortgage, TYES debt due and payable. 17

This rider is attached to and made a part of mortgage to the Federal Land Bank of Spokane a corporation, executed by the undersigned, dated <u>August 21</u>

- AVV 7 C RANCH

Grazing Rider No. 1 Form FLB 559

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My Commission Expires 4/1/1974

Notary Public for the State of Oregon Residing at Klamath Falls, Oregon

this 23rd day of AUCUST A. D., 19.72 at 3:45 o'clock P.M., and duly recorded in M. M. 72 MORTGAGES 9470



the performance of the covenants and agreements hereinafter conromissory note made by the mortgagors to the order of the mortgager, 80,000.00 ____, with interest as provided for in said note, and payable on the first day of _____ January, 2005 eafter until paid at 10 per cent per annum.

fee simple, have good right and lawful authority to convey and m encumbrance; and each of the mortgagors will warrant and id demands of all persons whomsoever, and this covenant shall run with the land;

due:

pow or hereafter existing on said premises in good repair and not to nt of any thereof; not to cut or permit the cutting of timber from cultivate the premises in a good and husbandlike manner, using o keep the orchards on said land properly irrigated, cultivated, waste of any kind upon said premises; not to use or permit the purpose; and to do all acts and things necessary to preserve all water on with said premises:

charges upon said premises and to deliver to the mortgagee proper ince prior to the lien of this mortgage to exist at any time against

by fire and such other risks in manner and form and in such comactory to the mortgagee; to pay all premiums and charges on all such n request all insurance policies affecting the mortgaged premises, rges affecting said policies; and that all insurance whatsoever affecte of loss, to the mortgagee, with a mortgagee clause in favor of and titled to receive the proceeds of any loss under any such policy, he Farm Credit Administration for reconstruction of the buildings upon the indebtedness hereby secured in such manner as it shall elect.

nder right of eminent domain, the mortgagee shall be entitled at ken and damages to the remaining portion, to be applied by the ich manner as it shall elect.

any of the covenants or agreements herein contained, then the tedness hereby secured due and payable or not) may, at its option, ures made by the mortgagee in so doing shall draw interest at the repayable by the mortgagors without demand, and, together with his mortgage.

case of breach of any of the covenants or agreements hereof, or eby secured, or if the whole or any portion of said loan shall be original application therefor except, by the written permission of all be hereafter included in any special assessment district, then, in the election of the mortgagee, become immediately due without are of the mortgagee to exercise such option in any one or more ishment of the right to exercise such option upon or during the

collect any charge growing out of the debt hereby secured, or any ecute or defend to effect or protect the lien hereof, the mortgagors sts and legal expenses in connection with said suit, and further agree tracting or insuring the title, and such sums shall be secured hereby

hereunder, the mortgagee shall have the right forthwith to enter n thereof, and collect the rents, issues and profits thereof, and apply debtedness hereby secured, and the mortgagee shall have the right es and profits of the mortgaged premises. The rents, issues and and mortgaged to the mortgagee as additional security for the

00 U. onald V. Nonella 10 President Barbara J. Nonella anril Secretary 1.51 On 8/23/1972, before me personally appeared Donald V. Nonella and Barbara J. Nonella

to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged that (he) (she) (they) executed the same as (his) (her) (their) free act and deed. \bigcirc 48101 COUNTY OF. Klamath Koberlson 99.

NOTARY PUBLIC STATE OF Oregon 4/1/1974 My Commission Expires _ On this 23rdday of August .A. D. 19.72, before me, a Notary Public in and for the above named County and State, personally appeared Donald V. Nonella

Barbara J. Nonella and to me known to be the.President/and Secretary respectively of the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and each on oath stated that he was authorized to execute said instru-ment and that the seal affixed is the corporate seal of said corporation. IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year

first above written. Juth E. ·Johertson

Notary Public for the State of ... Oregon My Commission Expires 4/1/1974 Residing at Klamath Falls, Oregon رارمہ STATE OF OREGON; COUNTY OF KLAMATH; ss. TRANSAM FRICA TITLE INS. CO Filed for record at request of this 23rd day of AUGUST A. D., 19.72 at 3:45 o'clock P.M., and duly recorded in Vol. M 72 of MORTGAGES 9470 WM. D. MILNE, County Clerk FEE \$10.00 Hazel Maril The second Standard and State

9474

IN WITNESS WHEREOF, The mortgagors have hereunto set their hands the day and year first above written.

7 C RANCH. INC

Oregon

Klamath

STATE OF____

19,2014

No TEX de Trade

POLYMATIC LATER STREET

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County of.