

RICE: Donald W.
HAGER: Terry L. & Dessa L.
Rt. 1 Box 251
Bonanza, Oregon 97623

SOUTH VALLEY STATE BANK
5215 SOUTH SIXTH STREET
KLAMATH FALLS OR 97603

Loan Number 201393-1
Date January 31 1985
Maturity Date March 1 1986
Loan Amount \$ 175,000.00
Renewal Of

LENDER'S NAME AND ADDRESS
"You" means the lender, its successors and assigns.

1787

I promise to pay to you, or your order, at your address listed above the
PRINCIPAL sum of One Hundred Seventy-Five Thousand and No/100 Dollars \$ 175,000.00

Single Advance: I have received all of this principal sum. No additional advances are contemplated under this note. As of today I have received the maximum amount of principal I can borrow under this note. As of today I have received the amount of \$ _____ and future principal advances are contemplated.

Multiple Advance: The principal sum shown above is _____ the amount of \$ _____

Conditions: The conditions for future advances are _____

Open End Credit: You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires no later than _____ 19 _____

Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

PURPOSE: The purpose of this loan is operating capital

INTEREST: I agree to pay interest on the principal balance(s) owing from time to time as stated in this section.
 Fixed Rate: I agree to pay interest at the fixed, simple rate of _____ % per year. This rate may change as stated below.
 Variable Rate: I agree to pay interest at the initial simple rate of 14.00 % per year. South Valley State Bank
 Index Rate: The future rate will be 3.5% above the following index rate: Prime Rate as set periodically by the Board of Directors

No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.

Frequency and Timing: The rate on this note may increase as often as daily
An increase in the index will take effect on date of change

Limitations: The rate on this note will not at any time (and no matter what happens to any index rate used) go above or below these limits:
 Maximum Rate: The rate will not go above _____
 Minimum Rate: The rate will not go below _____

Post Maturity Rate: I agree to pay interest on the principal owing after maturity, and until paid in full, as stated below:
 on the same fixed or variable rate basis in effect before maturity (as indicated above).
 at a rate equal to 24.0% APR

ADDITIONAL CHARGES: In addition to interest, I have paid agree to pay the following additional charges Loan Fee: \$1,483.00;
Late Charge: 3% of balance due or \$10.00, whichever is greater, not to exceed \$500.00; Filing Fees: \$42.50 approximately

PAYMENTS: I agree to pay this note as follows:
 Installment: I agree to pay accrued interest monthly beginning March 1, 1985
 Principal: I agree to pay the principal at maturity of March 1, 1986

Installments: I agree to pay this note in _____ payments. The first payment will be in the amount of \$ _____ and will be due _____ 19 _____. A payment of \$ _____ will be due on the _____ day of _____ each thereafter. The final payment of the entire unpaid balance of principal and interest will be due _____ 19 _____.
 Effect of Variable Rate: An increase in the interest rate will have the following effect on the payments:
 The amount of each scheduled payment will be increased.
 The amount of the final payment will be increased.

ADDITIONAL TERMS:

SECURITY: This note is secured by Security Agreement dated January 31, 1985 covering Inventory, Accounts Receivable, Crops and Equipment; Second Mortgage on farm
 If checked, no agreement was signed today securing this note.
(This section is for your internal use. It may not include every agreement system of collateral securing this note. You will not lose any security by removing it from this section.)

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON THE OTHER SIDE). I have received a copy on today's date.

Donald W. Rice
Terry L. Hager
Dessa L. Hager

Legal Description: Located in Klamath County, Oregon:

Parcel 1, the E 1/2 E 1/2 S21 T36S R12E WM

Parcel 2, Lots 1, 8, 9, 16, 17, 24, 25 and 32 S16 T36S R12E WM

Parcel 3:

Government Lots 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 30 and 21 in Section 16, Township 36 South, Range 12 East of the Willamette Meridian, in the County of Klamath, State of Oregon, EXCEPTING THEREFROM any portion lying within the right of way of Great Northern Railway and ALSO EXCEPTING the following tract of land:

Commencing at a point which is the Southwest corner of the SE 1/4 of Section 16; thence North 208 feet; thence West 208 feet; thence South 208 feet; thence East 208 feet to the point of beginning.

TOGETHER WITH a perpetual exclusive easement for roadway purposes along the West 15 feet of the E1/2 E1/2 Section 21, Township 36 South, Range 12 East of the Willamette Meridian, which lies North of Highway 140,

AND ALSO TOGETHER WITH a perpetual exclusive easement for roadway purposes more particularly described as follows:

Beginning at a point at the most Southwesterly corner of Government Lot 32, Section 16, Township 36 South, Range 12 East of the Willamette Meridian, in the County of Klamath, State of Oregon; thence Southerly along the East boundary line of the Northwest 1/4 of the Northeast 1/4 of Section 21, Township 36 South, Range 12 East of the Willamette Meridian, a distance of 15 feet; thence Westerly along the existing roadbed a distance of 15 feet; thence Northerly a distance of 15 feet to the Southerly boundary line of Section 16 aforesaid; thence Easterly a distance of 15 feet to the point of beginning.

Security Agreement and UCC-1 signed by Donald W. Rice, Terry L. Hager and Dessa L. Hager dated January 31, 1985

STATE OF OREGON,)

County of Klamath)

Filed for record at request of

on this 5th day of February A.D. 19 85

at 9:18 o'clock A M. and day

recorded in Vol. M85 of Mortgages

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EVELYN BIEHN, County Clerk

By [Signature] Deputy

Fee 13.00