

THIS MORTGAGE, Made this 7th day of January, 1986
 by BASIN FRESH FARMS, INC. an Oregon Corporation
 an estate in fee simple
 to South Valley State Bank

hereinafter called Mortgagor,

hereinafter called Mortgagee,

WITNESSETH, That said mortgagor, in consideration of Twenty-seven thousand and no/100----- Dollars, to him paid by said mortgagee, does hereby grant, bargain, sell and convey unto said mortgagee, his heirs, executors, administrators and assigns, that certain real property situated in Klamath County, State of Oregon, bounded and described as follows, to-wit:

That portion of the S½ SE¼ of Section 18, Township 40 South, Range 10 East of the Willamette Meridian, lying Southerly and Westerly of the Southern Pacific Railroad right of way and Northerly and Easterly of the Klamath Irrigation District No. 5 Drain.

(IF SPACE INSUFFICIENT, CONTINUE DESCRIPTION ON REVERSE SIDE)

Together with all and singular the tenements hereditaments and appurtenances thereunto belonging or in anywise appertaining, and which may hereafter thereto belong or appertain, and the rents, issues and profits therefrom, and any and all fixtures upon said premises at the time of the execution of this mortgage or at any time during the term of this mortgage.

To Have and to Hold the said premises with the appurtenances unto the said mortgagee, his heirs, executors, administrators and assigns forever.

This mortgage is intended to secure the payment of a certain promissory note, described as follows:

A promissory note dated January 7, 1986 in the amount of \$27,000.00 payable at maturity plus interest at Prime plus 3.5% interest, executed by BASIN FRESH FARMS, INC., an Oregon Corporation.

The date of maturity of the debt secured by this mortgage is the date on which the last scheduled principal payment becomes due to-wit: March 31, 1986.

The mortgagee warrants that the proceeds of the loan represented by the above described note and this mortgage are to be used primarily for mortgagor's personal, family, household or agricultural purposes (see Important Notice below). And said mortgagee covenants to and with the mortgagee, his heirs, executors, administrators and assigns that he is lawfully seized in fee simple of said premises and has a valid unencumbered title thereto.

and will warrant and forever defend the same against all persons; that he will pay said note principal and interest according to the terms thereof that while any part of said note remains unpaid he will pay all taxes, assessments and other charges of every nature which may be levied or assessed against said property within mortgage or the note above described, when due and payable and before the same may become delinquent; that he will promptly pay and satisfy any and all taxes or encumbrances that are or may become liens on the premises or any part thereof superior to the lien of this mortgage; that he will keep the buildings now on or which may be hereafter erected on the premises insured in favor of the mortgagee against loss or damage by fire with extended coverage in the sum of \$27,000.00.

in a company or companies acceptable to the mortgagee, and will have all policies of insurance on said property made payable to the mortgagee as his interest may appear and will deliver all policies of insurance on said premises to the mortgagee as soon as issued; that he will keep the building and improvements on said premises in good repair and will not consent or suffer any waste of said premises. Now therefore, if said mortgagee shall keep and perform the covenants herein contained and shall pay said note according to its terms, this conveyance shall be void, but otherwise shall remain in full force as a mortgage to secure the performance of all of said covenants and the payment of said note. It is hereby agreed that a failure to perform any covenant herein or in proceedings of any kind be taken to foreclose on any lien or said premises or any part thereof, the mortgagee shall have the option to declare the whole amount unpaid on said note and on this mortgage at once due and payable and the mortgagee may be foreclosed at any time thereafter. And if the mortgagee shall fail to pay any taxes or charges of any lien encumbrances or matured and premium as above provided for the mortgagee may at his option do so and any payment so made shall be added to and become a part of the debt secured by this mortgage and shall bear interest at the same rate as said note without waiver, however, of any right arising to the mortgagee for breach of covenant. And this mortgage may be foreclosed for principal interest and all sums paid by the mortgagee at any time while the mortgagee neglects to repay any sums so paid by the mortgagee.

In the event of any suit or action being instituted to foreclose this mortgage, the losing party in such suit or action agrees to pay all reasonable costs incurred by the prevailing party thereon for title reports and title search, all statutory costs and disbursements and such further sum as the trial court may adjudge reasonable as the prevailing party's attorney's fees in such suit or action, and if an appeal is taken from any judgment or decree entered therein the losing party further promises to pay such sum as the appellate court shall adjudge reasonable as the prevailing party's attorney's fees on such appeal, all such sums to be included in the court's decree. Each and all of the covenants and agreements herein contained shall apply to and bind the heirs, executors, administrators and assigns of said mortgagee and of said mortgagee respectively. In case suit or action is commenced to foreclose this mortgage, the court may upon motion of the mortgagee appoint a receiver to collect the rents and profits arising out of said premises during the pendency of such foreclosure and apply the same, first deducting all proper charges and expenses attending the execution of said trust, as the court may, direct in its judgment or decree.

In construing this mortgage it is understood that the mortgagor or mortgagee may be more than one person; that if the context requires the singular pronoun shall be taken to mean and include the plural; the masculine the feminine and the neuter; and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, said mortgagor has hereunto set his hand the day and year first above written.

*IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) is applicable, the mortgagee MUST comply with the Truth-in-Lending Act and Regulation Z by making required disclosures, for this purpose, if this instrument is to be a FIRST lien in preference the purchase of a dwelling, use S-N Form No. 1305 or equivalent; if this instrument is NOT to be a First Lien, use S-N Form No. 1306, or equivalent.

BASIN FRESH FARMS, INC.

By: *Keith E. McClung Pres.*

Jan. 7, 1986

STATE OF OREGON, County of Klamath

Personally appeared the above named Keith E. McClung as President of Basin Fresh Farms, Inc., an Oregon Corporation and acknowledged the foregoing instrument to be his voluntary act and deed.

Before me

Jana M. Fortis
 My commission expires 7-17-89 Notary Public for Oregon

(NOTARIAL SEAL)

MORTGAGE

TO

(DON'T USE THIS SPACE RESERVED FOR RECORDING LABEL IN COUNTIES WHERE USED)

AFTER RECORDING RETURN TO

STATE OF OREGON.

County of

SS.

I certify that the within instrument was received for record on the day of 19

at o'clock M. and recorded in book reel volume No on page of as document fee file, instrument/microfilm No Record of Mortgages of said County.

Witness my hand and seal of County affixed

NAME

By

Deputy