

MORTGAGE

The MORTGAGOR, HENZEL PROPERTIES, LTD., an Oregon limited partnership consisting of SAMUEL ALLEN HENZEL and THURSTON KRETLOW HENZEL, as General Partners and the TRUST UNDER THE WILL OF BENJAMIN T. HENZEL and the TRUST FOR THE BENEFIT OF EDITH J. HENZEL DATED DECEMBER 30, 1954, each Trust as a Special General Partner, hereby mortgages, grants, bargains, sells and conveys to THE TRAVELERS LIFE AND ANNUITY COMPANY, a corporation organized and existing under the laws of the State of Connecticut and having its principal office at One Tower Square, Hartford, Connecticut 06115 (hereinafter called the "Mortgagee"), the following described real estate, premises and property situate in the County of Klamath in the State of Oregon, to-wit:

AS SHOWN ON EXHIBIT A WHICH IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE AS IF FULLY SET FORTH HEREIN.

together with all and singular the rights therein, fixtures thereon and appurtenances thereunto belonging or in anywise appertaining, whether now or hereafter acquired, which shall include, without limiting the generality of the foregoing, the following:

All of the rents, issues and profits, including but not limited to all rents, royalties, bonuses and benefits under any existing or future oil, gas or mineral or other leases; all easements and rights of way; all rights of dower and homestead, and all contingent rights in and to said premises;

All water, water rights, whether riparian, appropriative or otherwise and whether or not appurtenant, all ditch rights, and any permits, licenses, certificates or shares of stock evidencing any such water or ditch rights;

All leases, permits, allotments, licenses and privileges, whether or not appurtenant, from the United States or the State of Oregon, or any Department or other agency of either for the purpose of grazing, pasturing or feeding livestock on any of the public lands of the United States or the State of Oregon, and provided that Mortgagee acknowledges that the leases, permits, allotments, licenses and privileges from the United States are not transferable without the consent of the United States;

All buildings, mobile homes and structures located on said premises, and the plumbing, heating, ventilating and lighting systems and equipment therein; and all pumps, pen-stocks, pumping stations, motors, switch boxes and transformers, engines, machinery, reservoirs, pipes, flumes, and other equipment used for the production of water on said premises or for the irrigation or drainage thereof;

All awards, compensation and settlements in lieu thereof made as a result of the taking by power of eminent domain of the whole or any part of the secured property, including any awards for damages sustained to said property, for a temporary taking, change of grade of streets or taking of access;

All insurance policies covering all or any portion of the secured property; and

All proceeds of the conversion, voluntary and involuntary, of any of the foregoing into cash or liquidated claims.

All of the foregoing shall constitute the "Property".

This Mortgage secures the payment of a Promissory Note of even date herewith (hereinafter the "Note"), payable to Mortgagee in the principal sum of Three Million and no/100 Dollars (\$3,000,000.00), together with interest thereon, with final payment due January 1, 2001, which is the maturity date of this Mortgage and the Note it secures, and executed and delivered by Mortgagor for money loaned in the principal sum above stated, including any renewals, extensions or modifications of said Note.

The Mortgagor hereby covenants and agrees with the Mortgagee as follows:

1. Payment and Performance. Mortgagor shall pay all of the said sums of money, both principal and interest, specified in the Note at the times therein designated. The Mortgagor shall promptly comply with all laws, ordinances, regulations and requirements of any governmental body affecting the Property and the use thereof. The Mortgagor shall strictly perform all obligations of this Mortgage and of any instrument executed in connection with the indebtedness secured by this Mortgage.

2. Warranty of Title. At the delivery hereof the Mortgagor is the lawful owner of the Property in fee simple absolute and is entitled to the possession thereof, that it has the right to mortgage same, that the Property is free and clear of all encumbrances and charges whatsoever, except for such encumbrances or charges as may be accepted in writing by Mortgagee; and that the Mortgagor, and its vendees, successors and assigns, shall forever warrant and defend the title to the Property against all

claims whatsoever, and the Mortgagor hereby further covenants that the lien created by this instrument shall be a first mortgage lien on the Property.

3. Taxes and Other Charges: (a) Mortgagor shall pay (i) before the same become delinquent, all taxes, assessments, water and other charges upon or against the Property, or upon or against this Mortgage or the Note, levied or assessed in Oregon, and all dues and assessments upon water or ditch rights or shares of stock evidencing any such right; and (ii) any other charges, lien or other encumbrance which shall appear to be a lien prior to the lien of this Mortgage upon the Property, or the buildings or other fixtures thereon. In default thereof, Mortgagee may, without demand or notice, either (y) pay and discharge the same, or (z) may appear in any action for the enforcement thereof and defend or settle the same and its determination as to the validity, priority and amount thereof shall be binding upon the Mortgagor. The assessor or tax collector of each county in which a portion of the Property is located is authorized to deliver to Mortgagee a written statement of the property taxes assessed or owing at any time against the Property.

(b) Mortgagor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over obligation to pay, so long as Mortgagee's interest in the Property is not jeopardized. If the Property is subjected to a lien which is not discharged within 15 days, Mortgagor shall deposit with Mortgagee cash, a sufficient corporate surety bond or other security satisfactory to Mortgagee in an amount sufficient to discharge the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale under the lien. In any contest proceedings, Mortgagor will defend itself and Mortgagee and will name Mortgagee as an additional obligee under any surety bond, and Mortgagor shall satisfy any final adverse judgment before enforcement against the Property.

4. Insurance. (a) Mortgagor shall keep the buildings, improvements and fixtures upon the Property insured against such hazards and in such amounts as may be required by Mortgagee, provided that the amount of coverage shall not be less than \$1,249,000.00 for fire insurance and extended coverage and \$1,000,000.00 for general liability, and provided further, that such insurance is obtainable by Mortgagor at reasonable premiums. In the event such insurance shall not be obtainable at reasonable premiums, Mortgagor shall so notify Mortgagee and Mortgagor shall obtain such insurance coverage as Mortgagee determines to be reasonable under the circumstances. All policies of insurance and the renewals thereof shall be written upon forms and with insurance companies having a rating of B+ XII or higher according to the most recent edition of Best's Insurance Reports, and shall be made payable, in case of loss, to Mortgagee. Upon Mortgagee's request, Mortgagor shall provide Mortgagee with evidence of Mortgagor's compliance with the obligations of this paragraph.

In default thereof, Mortgagee may procure such insurance and pay the premiums thereon.

(b) Mortgagor shall promptly notify Mortgagee of any loss or damage to the Property. Mortgagee may make proof of loss if Mortgagor fails to do so within 15 days of the casualty. All proceeds of any insurance on the Property shall be held by Mortgagee as part of the Property. If Mortgagor elects to restore the Property, Mortgagor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Mortgagee. Upon satisfactory proof of expenditure, Mortgagee shall pay or reimburse Mortgagor from the proceeds for the reasonable cost of repair or restoration. If Mortgagor elects not to restore the Property, Mortgagee shall retain a sufficient amount of the proceeds to pay all amounts due under this Mortgage, and shall pay the balance to Mortgagor. Any proceeds which have not been paid out within 180 days after their receipt and which Mortgagor has not committed to the repair or restoration of the Property shall be used at Mortgagee's option, to prepay accrued interest or the principal of Mortgagor's Note or both. If Mortgagee holds any proceeds after payment in full of the Note and any other sums secured by this Mortgage, such proceeds shall be paid to Mortgagor.

5. Payment of Rents and Charges. (a) Mortgagor shall pay all rents, fees or charges now due or to become due under the terms of each lease, permit, allotment, license and privilege from the United States or the State of Oregon, or any department or other agency of either, hereinabove transferred; and, to perform and observe every act, covenant, condition and other agreement necessary to keep each of the same in good standing as required by the terms thereof and by the rules and regulations applicable thereto; and, on the expiration of the term of each of the same, to apply for, and to take every necessary step to secure the reissue, renewal or extension of the same; and, to assign, waive, to the extent permitted under federal law, pledge or endorse to the Mortgagee each of the same hereafter issued, extended or renewed. In default thereof, Mortgagee may pay such rents, fees or charges.

(b) Mortgagor may withhold payment of any rents, fees or charges under the terms of each lease, permit, license, allotment and privilege from the United States or from the State of Oregon in connection with a good faith dispute over obligation to pay or may contest its obligation to perform and observe every act, covenant, condition and other agreement pertaining to such agreements or rules and regulations applicable thereto, so long as Mortgagee's interest in the Property is not jeopardized.

6. Maintenance of Improvements; Good Farming Practices. Mortgagor shall keep all buildings and improvements which now are or hereafter shall be erected upon the Property in good condition and repair; shall neither remove or demolish any building, nor alter or impair the design or structural character of any

building or improvement now existing or which may be erected hereafter upon the Property unless Mortgagee shall first consent thereto in writing. Mortgagor shall observe at all times reasonable husbandry practices as to seed selection, crop rotation, weed control, fertilizing the soil, drainage, prevention of erosion, pasture maintenance, and participation in government farm programs. Mortgagor shall not permit any waste on the Property. Should Mortgagor fail to perform any act required of Mortgagor hereunder, Mortgagee may, at its option, make advisable or necessary repairs or remedy any waste, or do any other act which from the character or use of the Property may be reasonably necessary; and Mortgagee, acting through its employees, agents or attorneys, is hereby authorized to enter upon and take possession of the Property for such purposes.

7. Reimbursement of Mortgagee. Mortgagor shall pay Mortgagee, immediately upon demand, all sums which Mortgagee shall pay or expend pursuant to the provisions of this Mortgage, including the cost of any title evidence and reasonable attorney's fees, together with interest thereon from date of expenditure until paid at the rate of eighteen (18%) percent per annum, and if not so paid by Mortgagor, all sums may, at Mortgagee's option, be added to the debt and secured hereby.

8. Inspection. Mortgagee, by any authorized agent or employee, may enter upon and inspect the Property at any reasonable time.

9. Condemnation. The proceeds of any judgment, award or settlement in any condemnation or other proceeding for any damage to the Property, buildings or other fixtures thereon shall be paid to the Mortgagee and shall, at its option, either be applied as a credit on any portion of the unpaid balance of said note, whether then matured or to mature in the future, or be released to Mortgagor.

10. Partial Release. The Mortgagee may at any time, without notice, release portions of the Property from the lien of this Mortgage without affecting the liability of Mortgagor for the payment of the Note or the lien of this Mortgage upon the remainder of the Property for the full amount of the Note then remaining unpaid.

11. Subrogation. Mortgagee shall be subrogated to the lien, notwithstanding its release of record, of any prior mortgage or other encumbrance on the Property or of any vendor's lien paid or discharged from the proceeds of the Note.

12. Assignment of Rents and Profits. Except for rents and profits from growing crops and cattle, Mortgagor absolutely and irrevocably assigns to Mortgagee the rents, and profits of the Property, and all of the right, title and interest of the Mortgagor in and under all leases and rental agreements now or

hereafter affecting said Property are hereby assigned and transferred to the Mortgagee. So long as no default exists in the payment of the Note or in the keeping and performance of Mortgageor's covenants hereunder, Mortgageor may collect and retain the currently accruing rents and profits as they accrue, but in no event in advance of their normal accrual date. In the event, however, of any such default, Mortgageor hereby expressly and irrevocably authorizes and empowers the Mortgagee, its agents or attorneys, at its election and without notice to Mortgageor, and as the appointed agent of Mortgageors, to:

- (a) Take immediate possession of and maintain full control and management over the Property;
- (b) Oust tenants for nonpayment of rent;
- (c) Lease all or any part of the property on such terms as Mortgagee may deem advisable;
- (d) Make alterations or repairs which Mortgagee may deem advisable;
- (e) Receive all rents and other income from the Property and issue receipts therefor. Out of the amount or amounts so received, Mortgagee shall pay the necessary operating expenses, including a reasonable charge for managing the property, and shall then apply the net balance remaining in such manner as it, in its sole discretion, deems advisable upon any sums, advances or any other portion of the indebtedness secured hereby, and then render any overplus to Mortgageor. Mortgagee shall be accountable only to the extent that such rents and income are actually collected.

The exercise of the above rights shall in no manner affect, impair, restrict, delay or retard the Mortgagee's right to foreclose this Mortgage in case of default.

13. Default. Time is of the essence hereof. The Mortgageor shall be in default under this Mortgage upon the happening of any of the following events or conditions:

- (a) Mortgageor's failure to pay, within ten (10) days of its due date, the principal of, the interest on, or any other sum due under the Note;
- (b) Mortgageor's failure to keep, observe or perform, or violation of, any other provision of the Note, any provision or covenant of this Mortgage or any other agreement securing the Note; provided that any nonmonetary default shall have continued uncured or without commencing the cure thereof to the satisfaction of Mortgagee for a period of twenty (20) days after written notice of such nonmonetary default from Mortgagee; or

(c) The discovery of any misrepresentation, breach of warranty, or material falsity of any certificate, schedule or statement made or furnished by Mortgagor to the Mortgagee in connection with this Mortgage or the loan transaction to which it relates.

14. Remedies in Case of Default. If an event of default shall occur, Mortgagee may exercise any of the following rights and remedies, in addition to any other remedies which may be available at law, in equity, or otherwise:

- (a) Acceleration. Mortgagee may declare all sums secured by this Mortgage, including all interest and prepayment charges, to be immediately due and payable.
- (b) Books and Records. Mortgagee may examine all books, records and contracts of Mortgagor pertaining to the Property and of any guarantors and make such memoranda thereof as may be desired.
- (c) Receiver. Mortgagee may have a receiver of the Property appointed. Mortgagee shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Property exceeds the amount of the indebtedness secured by this Mortgage. Employment by Mortgagee shall not disqualify a person from serving as receiver. Mortgagor waives all defenses and consents to the appointment of a receiver at Mortgagee's option.
- (d) Possession. Mortgagee may, either through a receiver or as a lender-in-possession, take possession of all or any part of the Property, and Mortgagor shall peaceably surrender the same.
- (e) Rents and Revenues. Mortgagee (or the receiver) may collect the rents and revenues from the Property. To facilitate collection, Mortgagee may notify Mortgagor's tenants to pay rents directly to it. Mortgagee shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this Paragraph. If rents are collected by Mortgagee under this Paragraph, Mortgagor hereby irrevocably designates Mortgagee as Mortgagor's attorney-in-fact to endorse instruments received in payment of rent, in respect of any part of the Property, in the name of Mortgagor and to negotiate such instruments and collect the proceeds thereof.
- (f) Foreclosure. Mortgagee may obtain a decree foreclosing Mortgagor's interest in all or any part of the Property.

- (g) Fixtures and Personal Property. With respect to any fixtures or personal property subject to a security interest in favor of Mortgagee, Mortgagee may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.
 - (h) Abandon Security. Mortgagee may abandon any security afforded by this Mortgage or any other security instrument by notifying Mortgagor of Mortgagee's election to do so.
 - (i) Sale of Collateral. In exercising its rights and remedies, Mortgagee shall be free to sell all or any part of the collateral together or separately, or to sell certain portions of its collateral and refrain from selling other portions. Mortgagee shall be entitled to bid at any public sale of all or any portion of its collateral.
 - (j) Cumulative Remedies. Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Mortgage are cumulative and not exclusive. No delay or omission in exercising any right or remedy shall impair that or any other right to remedy or shall be construed to be a waiver of the default.
15. Governing Law. The law of the State of Oregon shall govern the validity, interpretation, construction and performance of this Mortgage.
16. Rules of Construction; Severability. The word "Mortgagor" shall, where there is more than one mortgagor, be construed as plural, and be binding equally on all mortgagors; the word "Mortgagee" shall be construed as including any lawful holder hereof; and the words "Mortgagor", or "Mortgagors" and "Mortgagee" shall be construed as including the heirs, executors, administrators, successors and assigns of each. The invalidity of any provision of this Mortgage or the obligations it secures shall not invalidate any other provision of this Mortgage or other obligations of Mortgagor to Mortgagee.
17. Perfection of Water Rights. (a) In the event of any default on the part of Mortgagor to perfect any existing or future water right or permit, appurtenant to the Property, into a complete appropriation, Mortgagee is authorized to take such action as Mortgagee may determine to be necessary under the circumstances to perfect such right or permit so that the same may ripen into a complete appropriation.
- (b) In the event Mortgagee fails or is unable to perfect such right or permit into a complete appropriation after taking such action as Mortgagee determined to be necessary, and

Mortgagee, in its reasonable discretion, determines that such failure or inability will have a significant adverse effect on the value of its security, the indebtedness secured hereby shall, at Mortgagee's option, become immediately due and payable and this Mortgage may be foreclosed.

18. Federal Reclamation Law. In the event the lands mortgaged are receiving irrigation water under the provisions of the Federal Reclamation Laws, the Mortgagor covenants that none of the lands herein mortgaged are "excess lands" or "formerly excess lands" under Federal Reclamation Law and/or rules and regulations promulgated by the Secretary of Interior. The Mortgagors further covenant, on behalf of themselves, their heirs, assigns and successors, to comply with all Federal Reclamation laws and such rules and regulations and requirements adopted by the Secretary of Interior so as to enable the Mortgagors, their heirs, assigns and successors to be eligible for the continued delivery of irrigation water to the lands herein mortgaged.

19. Transfer of Property.

(a) This loan is personal to Mortgagor and not assignable. In making it, the Mortgagee has relied on Mortgagor's credit, Mortgagor's interest in the Property, and the financial market conditions at the time this loan is made. Except as provided in subparagraph (f) of this paragraph, if the Mortgagor, or any successor in interest of Mortgagor, transfers or contracts to transfer title to or possession of all or part of the Property, by deed, contract of sale, lease or similar agreement, without the prior written consent of the Mortgagee, the Mortgagee may declare the entire balance of the loan immediately due and payable. The consent of the Mortgagee shall not be unreasonably withheld.

(b) The Mortgagee will waive its rights under subparagraph (a) above and consent to the proposed transfer if the following conditions are met; (1) The credit of the proposed transferee is satisfactory to the Mortgagee; (2) the proposed transferee shall assume full personal liability for payment and performance of the Note, the Mortgage and the other security instruments; (3) a charge for administrative costs is paid to the Mortgagee; (4) at the Mortgagee's option, the Note Rate (as defined in the Note) may be increased to a rate not in excess of Mortgagee's then current market rates for comparable loans under comparable circumstances (the amount of the increase shall be determined solely by the Mortgagee); and (5) if a water right, permit or contract is appurtenant to or related to the secured Property, such water rights are assigned to the proposed transferee, and such assignment does not adversely affect any such water rights, permit or contract or any of the Property. Without limiting the generality or effect of the foregoing, waiver by the Mortgagee of its right to accelerate the loan upon any transfer or contract to

transfer, or to require satisfaction of the conditions set forth in this subparagraph (b) shall not be deemed a waiver by the Mortgagee of its right to accelerate the loan upon any other transfer or contract to transfer or of its right upon such transfer or contract to transfer to require satisfaction of the conditions set forth above in this subparagraph.

(c) In the event of an increase in the Note Rate pursuant to the terms of subparagraph (b) of this paragraph, the Mortgagee may, at its option, increase the periodic interest payments required hereunder.

(d) Assumption does not release Mortgagor, or any successor in interest, from personal liability from payment and performance of the terms and conditions of this Mortgage or the Note secured hereby.

(e) For the purpose of, and without limiting the generality of the foregoing, the occurrence at any time of any of the following events, without the Mortgagee's prior written consent (such consent shall not be unreasonably withheld or delayed), shall be deemed to be a transfer of title to the secured property:

(1) Any sale, conveyance, lease, assignment or other transfer of, or the grant of a security interest in all or any part of the legal and/or equitable title to the Property;

(2) Any sale, conveyance, assignment, or other transfer of any share of stock in Mortgagor;

(3) Any sale, conveyance, assignment, or other transfer of any general partnership interest in Mortgagor, except as between existing partners; or

(4) Any sale, conveyance, assignment or other transfer of twenty-five percent (25%) or more of any limited partnership interest in Mortgagor; or

(5) Any conveyance, grant or other transfer of the legal and/or equitable title to the Property which occurs by operation of law, by trustees in bankruptcy, receivers or estate administrators or executors, or by or through a bankruptcy court.

(f) Any consent by the Mortgagee, or any waiver of an event of default, under this paragraph shall not constitute a consent to, or waiver of any right, remedy or power of the Mortgagee upon a subsequent event of default under this paragraph.

20. Taxation of Mortgage. Upon the enactment after this date of any state or federal law imposing upon Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Mortgagor, or changing in any way the laws relating to the taxation of mort-

gages or debts secured by mortgages or the interest in the Property, or the manner of collection of taxes, so as to affect this Mortgage or the debt secured hereby or the Mortgagee then, and in such event, the entire unpaid balance of the Note shall, at the option of Mortgagee, be immediately due and payable, and this Mortgage may be foreclosed, provided that if any such law should be enacted and if permitted by such law, Mortgagor shall pay to Mortgagee forthwith upon demand the full amount of any costs, expenses or taxes incurred by or imposed upon Mortgagee as a result of such law, it being the intent of the parties that the full financial impact of such law be borne by the Mortgagor in lieu of acceleration of the entire indebtedness evidenced by the Note.

21. Waiver by Non-Obligated Persons. Notwithstanding any other provision of this Mortgage, any person who executes this Mortgage, but not the Note secured hereby, or who executes the Note with a disclaimer of personal liability, shall have no personal liability on the Note or for any deficiency judgment which may be obtained upon foreclosure. Such persons jointly and severally waive presentment, demand, protest and all notices and agree that Mortgagee, without notice to them or their consent, and upon such terms as Mortgagee may deem advisable, and without affecting in any way Mortgagee's rights hereunder, may:

a. Extend, release, surrender, exchange, compromise, discharge or modify any right or obligation secured by or provided by this Mortgage or any other instrument securing this loan, or

b. Take any other action which Mortgagee may deem reasonably appropriate to protect its security interest in the Property.

22. Payment of Costs and Fees. In any suit to foreclose this Mortgage, or in any suit or proceeding in which Mortgagee is obliged to defend or protect the lien hereof, or in which Mortgagee is a party and the Property or any part thereof is the subject matter thereof, including but not limited to suits to quiet title or for condemnation or partition of the whole or part of said Property, or any interest therein, Mortgagor shall pay to Mortgagee all costs and a reasonable sum as attorneys' fees, including all such costs and reasonable attorneys' fees incurred in any appeal to any appellate court, and shall pay such reasonable costs of searching records and abstracting the same as may necessarily be incurred in foreclosing this Mortgage or defending the same, or participating in any suit or proceeding above referred to, which sum shall be secured hereby and included in any decree of foreclosure. In the absence of any such suit or proceeding and in case of default, Mortgagor shall pay such necessary expenses, including reasonable attorneys' fees, incurred by Mortgagee in making collection of delinquent payments or curing any other default.

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23. Deficiency Judgment. Mortgagor hereby expressly consents to a deficiency judgment for any part of the debt hereby secured which shall not be paid by the sale of the Property.

24. Lease and Contract Vendee Provisions. Mortgagor shall perform all the terms and conditions on Mortgagor's part to be performed in any existing or future lease or contract for purchase covering all or a portion of the Property with respect to which lease or contract Mortgagor is, respectively, lessor, lessee or contract vendee. Mortgagor shall not, without prior written consent of the Mortgagee, which consent shall not be unreasonably withheld or delayed, terminate, cancel, or accept the surrender of or suffer or permit the termination, cancellation, or surrender of such contract or lease, except upon the expiration of the lease term thereof or payment in full of the contract price thereof, or materially modify or alter, or suffer or permit the material modification of such lease or contract. Mortgagor shall not enter into any lease as lessor for a term in excess of one year of all or any portion of the Property without prior written consent of the Mortgagee.

25. Full Payment. Upon full payment of all indebtedness secured hereby and performance of all the covenants herein contained, this Mortgage shall be void and a good and sufficient release be executed and delivered by Mortgagee.

26. Business Purpose. The loan evidenced by the Note and secured by this Mortgage is a business loan transacted solely for the purpose of carrying on Mortgagor's business.

27. Notices: Except as otherwise provided in this Mortgage, all notices and consents required or permitted under this Mortgage shall be in writing and may be telexed, cabled, delivered by hand, or mailed by first class registered or certified mail, return receipt requested, postage prepaid, or addressed as follows:

If to Mortgagor:

Henzel Bros.
P. O. Box 84
Midland, Oregon 97634

If to Mortgagee:

The Travelers Life and Annuity Company
Suite 200A
4 Orinda Way
Orinda, California 94563

Changes in the respective addresses to which such notices may be directed may be made from time to time by either party by notice to the other party. Notices and consents given by mail in accordance with this paragraph shall be deemed to have been given

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48 hours following the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

DATED this 24th day of July, 1986.

HENZEL PROPERTIES, LTD., an Oregon limited partnership,

Samuel Allen Henzel
Samuel Allen Henzel, General Partner

Thurston Kretlow Henzel
Thurston Kretlow Henzel, General Partner

TRUST UNDER THE WILL OF
BENJAMIN T. HENZEL,
Special General Partner

By Samuel Allen Henzel
Samuel Allen Henzel, Trustee

By Thurston Kretlow Henzel
Thurston Kretlow Henzel, Trustee

TRUST FOR THE BENEFIT OF EDITH J.
HENZEL DATED DECEMBER 30, 1954,
Special General Partner

By Samuel Allen Henzel
Samuel Allen Henzel, Trustee

By Thurston Kretlow Henzel
Thurston Kretlow Henzel, Trustee

STATE OF OREGON)
County of Klamath) ss.:

The foregoing instrument was acknowledged before me this 23 day of July, 1986, by SAMUEL ALLEN HENZEL, general partner on behalf of HENZEL PROPERTIES, LTD., an Oregon limited partnership.

Harold Kinnels
NOTARY PUBLIC FOR OREGON
My Commission Expires: 9/23/87

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STATE OF OREGON)
 County of Klamath) ss.:

The foregoing instrument was acknowledged before me
 this 23 day of July, 1986, by THURSTON KRETLOW HENZEL, general
 partner on behalf of HENZEL PROPERTIES, LTD., an Oregon limited
 partnership.

Harle Runnels
 NOTARY PUBLIC FOR OREGON
 My Commission Expires: 9/23/89

STATE OF OREGON)
 County of Klamath) ss.:

The foregoing instrument was acknowledged before me
 this 23 day of July, 1986, by SAMUEL ALLEN HENZEL, as Trustee
 of the Trust Under the Will of Benjamin T. Henzel, Special
 General Partner on behalf of HENZEL PROPERTIES, LTD., an Oregon
 limited partnership.

Harle Runnels
 NOTARY PUBLIC FOR OREGON
 My Commission Expires: 9/23/89

STATE OF OREGON)
 County of Klamath) ss.:

The foregoing instrument was acknowledged before me
 this 23 day of July, 1986, by THURSTON KRETLOW HENZEL, as
 Trustee of the Trust Under the Will of Benjamin T. Henzel,
 Special General Partner on behalf of HENZEL PROPERTIES, LTD., an
 Oregon limited partnership.

Harle Runnels
 NOTARY PUBLIC FOR OREGON
 My Commission Expires: 9/23/89

STATE OF OREGON)
 County of Klamath) ss.:

The foregoing instrument was acknowledged before me
 this 23 day of July, 1986, by SAMUEL ALLEN HENZEL, as Trustee
 of the Trust for the Benefit of Edith J. Henzel dated
 December 30, 1954, Special General Partner on behalf of HENZEL
 PROPERTIES, LTD., an Oregon limited partnership.

Harle Runnels
 NOTARY PUBLIC FOR OREGON
 My Commission Expires: 9/23/89

STATE OF OREGON)
County of Klamath) ss.:

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this 23 day of July, 1986, by THURSTON KRETLOW HENZEL,
as Trustee of the Trust for the Benefit of Edith J. Henzel dated
December 30, 1954, Special General Partner on behalf of HENZEL
PROPERTIES, LTD., an Oregon limited partnership.

Shirley R. Sumner
NOTARY PUBLIC FOR OREGON
My Commission Expires: 9/23/89

EXHIBIT A

DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon:

PARCEL 1:

TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN

SECTION 1:

The S½SE¼NE¼

Beginning at the Northwestern corner of the S½SE¼NE¼ of the said Section 1, Township 40 South, Range 8 East of the Willamette Meridian, and running thence North 89°49' West 704.4 feet, more or less, to a point in the line marking the Northeasterly boundary of the right of way of the Midland-Mack Store Road, which is a line parallel with and 30.0 feet distant at right angles Northeastly from the center line of the said Midland-Mack Store Road, as the same is now located and constructed; thence South 38°25½' East, along said Northeasterly right of way boundary 1134.2 feet, more or less, to its intersection with the line marking the Easterly boundary of Lot 2, of Section 1, Township 40 South, Range 8 East of the Willamette Meridian; thence North 0°02' West, along said line marking the Easterly boundary of the said Lot 2 of Section 1, Township 40 South, Range 8 East of the Willamette Meridian, 886.3 feet, more or less, to the said point of beginning.

All that portion of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, SW¼SW¼, E¼SW¼ and SW¼SE¼, lying South and Southwesterly of Lower Klamath Lake State Highway No. 423 and East of The Dalles-California Highway U.S. Highway No. 97.

SAVING AND EXCEPTING THEREFROM Beginning at the intersection of the north boundary of the North Canal of the Klamath Drainage District with the section line at a point which is 370 feet, more or less, north of the corner common to Secs. 1 and 12, Twp. 40 S.R. 8 E.W.M., and Secs. 6 and 7, Twp. 40 S.R. 9 E.W.M; thence North along said section line, 457 feet, more or less, to the southwesterly boundary of the right of way of the Lower Klamath Lake Secondary State Highway; thence northwesterly along said right of way line, North 23°04' West 166.4 feet, and North 28°42' West 158.1 feet, to a second point on said right of way boundary; thence South 46°29' West, 320 feet, more or less, to the northeasterly boundary of said north canal of the Klamath Drainage District; thence Southeasterly, along said canal boundary, to the point of beginning.

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SECTION 11:

That portion of the E½SE¼ lying Easterly of the Central Pacific Railroad right of way.

SECTION 12:

All that portion of Section 12 lying Easterly of the Central Pacific Railroad right of way.

SECTION 13: ALL

SECTION 14:

That portion of the E½ lying Easterly of the Central Pacific Railroad right of way.

SECTION 34:

That part of the SW¼ of Section 34 described as follows: Beginning at a point that is distant South 89°29' East 351.66 feet from the Section corner common to Sections 3 and 4, Township 41 S.R. 8 E.W.M., and Sections 33 and 34 Township 40 S.R. 8 E.W.M., said point being distant 50 feet Southeasterly measured at right angles from the center line of the Central Pacific Company's originally located main track at Engineer's Station 2640+59.67; thence North 32°17'30" East, parallel to said center line of main track, 1740.33 feet to a point distant 50 feet Southeasterly at right angles from said centerline of the Central Pacific Railway Company's originally located main track at Engineer's Station 2658+00; thence South 57°42'30" East 100.0 feet to the Northwestern right of way line of the Klamath Falls-Dorris Highway; thence South 32°17'30" West along said right of way line 1678.39 feet to the South line of said Section 34; thence North 89°29' West along said South line of Section 34 a distance of 117.63 feet to the point of beginning.

ALSO that portion of the SW¼SW¼ lying Southeasterly of the Klamath Falls-Dorris Highway; and the West 400 feet of Lot 5 in said Section 34.

TOWNSHIP 40 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN

SECTION 6:

That portion of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ lying Southwesterly of the New North Canal of the Klamath Drainage District.

SECTION 7:

Lots 1, 8, 9, 10 and 13; and the S $\frac{1}{4}$ NW $\frac{1}{4}$; the SW $\frac{1}{4}$; the W $\frac{1}{4}$ SE $\frac{1}{4}$; and SE $\frac{1}{4}$ SE $\frac{1}{4}$; and that portion of the NE $\frac{1}{4}$ and Lot 7 lying Southerly and Westerly of the center line of the said New North Canal.

SECTION 18: ALL

ALSO All those portions of Section 23 and 24, Township 40 S.R. 8 E.W.M., and of Section 19, Township 40 S.R. 9 E.W.M., lying Easterly of Highway #97 and Northerly and Easterly of the center line of Klamath Straits, as presently located and constructed. EXCEPTING THEREFROM the following described parcel: All that portion of the N $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23, Twp. 40 S.R. 8 E.W.M., lying South of the Klamath Straits (Old Channel), East of Highway #97, and Northerly of the following described line: Beginning at a point on the easterly right-of-way line of said Highway #97 which bears S. 69°53' E. 2942.6 feet and N. 18°17' E. 150.0 feet from the Northwest corner of said Section 23, Twp. 40 S.R. 8 E.W.M.; thence leaving said highway right of way line S. 72°06' E. 900.1 feet; thence S. 36°56' E. 162.1 feet; thence S. 68°03' E. 330.0 feet to a point designated Point "D" on the South line of said N $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23; said point being S. 71°02' E. 4303.9 feet from the Northwest corner of said Section 23, Twp. 40 S.R. 8 E.W.M.

TOWNSHIP 41 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MDERIDIAN

SECTION 6: The S $\frac{1}{4}$ SW $\frac{1}{4}$

SECTION 7: ALL

PARCEL 2:

TOWNSHIP 41 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN

SECTION 6: NE $\frac{1}{4}$ SW $\frac{1}{4}$

Ret:
Klamath County Title

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____
of _____ July _____ A.D. 19 86 at 3:03 o'clock P M, and duly recorded in Vol. 1136
of _____ Mortgages _____ on Page 13094

FEE \$73.00

Evelyn Biehn, County Clerk
By _____