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Farm Credit Services  
P.O. Box 148  
Klamath Falls, OR. 97601

K-39201

M O R T G A G E

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KNOW ALL MEN BY THESE PRESENTS, That on April 1, 1987, Alan J. Prescott, hereinafter called Mortgagor, hereby grants, bargains, sells, conveys and mortgages to THE FEDERAL LAND BANK OF SPOKANE, a corporation in Spokane, Washington, hereinafter called the Mortgagee, the following described real estate in the County of Klamath, State of Oregon:

Township 34 South, Range 7 East of the Willamette Meridian:

Section 19: S1/2S1/2SE1/4

Section 20: S1/2SW1/4SW1/4, S1/2N1/2SW1/4SW1/4

including all leases, permits, licenses or privileges, written or otherwise, appurtenant or nonappurtenant to said mortgaged premises, now held by mortgagor 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 roads, 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 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 mortgagor to the order of the mortgagee, of even date herewith, for the principal sum of Eighteen Thousand Dollars (\$18,000.00), with interest as provided for in said note, being payable in installments, the last of which being due and payable on the first day of July, 1991.

#### MORTGAGOR COVENANTS AND AGREES:

That he is lawfully seized of said premises in fee simple, has good right and lawful authority to convey and mortgage the same, and that said premises are free from encumbrance; and mortgagor 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 money secured hereby when due.

To keep the buildings and other improvements now or hereafter existing on said premises in good repair; to complete without delay the construction on said premises of any building, structure or improvement in progress, any improvements to existing structures in progress, and any improvements or remodeling for which the loan hereby secured was granted in whole or in part; not to remove or demolish or permit the removal or demolition of any building thereon; to restore promptly in a good and workmanlike manner any building,

structure or improvement thereon which may be damaged or destroyed; to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property and its use; not to use or permit the use of said premises for any unlawful or objectionable purpose; to maintain and cultivate the premises in good and husband-like manner, using approved methods of preserving the fertility thereof; to keep the orchards on said lands properly irrigated, cultivated, sprayed, pruned and cared for; not to commit or suffer waste of any kind upon said premises; and to do all acts or things necessary to preserve all water rights now or hereafter appurtenant to or used in connection with said premises.

To pay before delinquency all taxes, assessments and other charges upon said premises, all assessments upon water company stock, and all rents, assessments and charges for water appurtenant to or used in connection with said property; and to suffer no other encumbrance, charge or lien against said premises which is superior to this mortgage.

To keep all buildings now existing or hereafter erected continuously insured against loss or damage by fire and such other risks in manner and form and in such company or companies and in such amounts 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 premises, with receipts showing payment of all premiums and charges affecting said policies; and that all insurance whatsoever affecting the premises shall be made payable, in case of loss, to the mortgagee, with a loss payable 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 may be applied by the mortgagee upon the indebtedness hereby secured in such manner as it may 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 mortgagor 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, together with interest and costs, shall be immediately repayable by mortgagor without demand, shall be secured by this mortgage, and shall draw interest until paid at the default rates provided for in the note hereby secured.

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 mortgagee 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, mortgagor agrees to pay a reasonable sum as attorney's fees and all costs and legal expenses in connection with

said suit, and further agrees 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.

Provisions of Timber Land Rider dated April 1, 1987 attached hereto, hereby incorporated by reference as if set forth in full at this place.

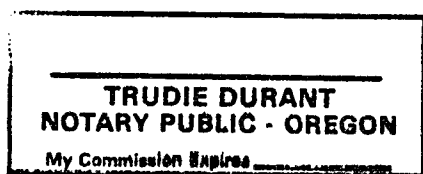
The covenants and agreements herein contained shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

In witness whereof, mortgagor has hereunto set his hands the day and year first above written.

Alan J. Prescott  
Alan J. Prescott

STATE OF OREGON )  
County of Klamath ) ss.

On April 15<sup>th</sup> 1987, before me personally appeared Alan J. Prescott, to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.



Trudie Durant  
Notary Public  
My commission expires 9/30/89

# TIMBER LAND RIDER

5462

The Mortgagor covenants and agrees:

FIRST. Definitions: That the term "Timber Lands" as hereinafter used refers to that part of the mortgaged property now maintained and operated primarily for the production of timber.

SECOND. Management, General: That the Timber Lands shall be operated for their highest and best use as timberlands, having due regard to soil conditions, stand arrangements and other factors relevant to the conduct of sound silvicultural and harvesting practices. The Mortgagor further agrees that any intermediate harvesting of timber shall be carried out in a manner calculated to produce the maximum growth on the maximum number of stems, consistent with the production of the greatest quantity of timber.

A. Harvesting Operations: That all cutting operations shall be conducted in such a manner as to realize the greatest return from the individual tree and from the timber stand, to effect suitable utilization of the Timber Lands, to assure the early and complete regeneration of stands of desirable timber, and to bring about their optimum development as to growth; that trees shall be cut as close to the ground as practicable; that all desirable trees which are not at the time being harvested, including young trees, shall be protected against unnecessary injury from felling, skidding and hauling; and that all measures reasonably practicable be used to prevent soil erosion including the proper location of skidways and roads.

B. Salvage: That to the extent economically feasible, all trees which are dead, diseased, fallen or otherwise damaged by casualty, shall be salvaged in accordance with sound silvicultural practices; that any timber salvaged shall be applied against the release provision in Paragraph THIRD hereof; and that any salvage in excess of the volumes permitted under Paragraph THIRD hereof shall be subject to the prior written approval of the Mortgagee.

C. Fire Protection: That all measures shall be taken which are reasonably necessary to protect the Timber Lands from loss by fire, which measures shall be at least equal to fire-control practices generally followed on timber-producing property in the same general area, including the adoption of suitable prevention and control measures, the maintenance of adequate fire-fighting equipment, proper disposal of slash, and full cooperation with state and federal agencies on matters of fire prevention and control.

D. Maintenance of Roads: That an adequate system of roads and roadways shall be maintained in such manner as to permit access of mobile fire-fighting equipment to all parts of the Timber Lands.

E. Control of Disease: That there shall be maintained at all times in a manner satisfactory to the Mortgagee and in accordance with sound silvicultural practices all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the mortgaged property.

F. Trespass: That the mortgaged property shall be marked to indicate the boundaries thereof in a conspicuous manner satisfactory to the Mortgagee; that such markings shall be renewed from time to time as may be necessary clearly to maintain public notice of boundaries; and that the Mortgagor shall cause the Timber Lands to be inspected for the purpose of preventing trespass of any type or nature, including unauthorized cutting of timber.

G. Contracts: That no contract for the sale of timber wherein the buyer is granted the privilege of entry upon the mortgaged property for cutting and removal shall be made without prior written approval of the Mortgagee.

H. Inspection: That the Mortgagee shall have the right to inspect the mortgaged property, to examine the scaling sheets and books of account of the Mortgagor relating to the mortgaged property, and to discuss the business, finances and accounts of the Mortgagor with the Mortgagor and its agents, all at such reasonable times and intervals as the Mortgagee may desire.

THIRD. Cutting and Removal of Timber: The Mortgagor agrees neither to cut or remove, nor to permit the cutting or removal of timber from the Timber Lands, without the prior written consent of the Mortgagee, except as hereinafter provided. The Mortgagor shall have the right to cut timber for non-commercial use on the mortgaged premises (and not for resale), for the purposes of repair, replacement, and construction of improvements, including bridges and fences, and for fuel; provided, however, that there shall be no default in accordance with the terms of the Note or of this Mortgage, that only trees not then of merchantable quality and without reasonable prospect of becoming such quality shall be used for fuel, and that no timber shall be cut for the purposes described in this sentence until timber cut or removed in salvage or thinning operations shall have been used for such purposes to the fullest extent practicable.

As used herein, any reference to mortgage, Mortgagor, Mortgagee, or mortgaged shall also be construed to mean deed of trust, Grantor, Beneficiary, or conveyed, respectively.

This rider is attached to and made a part of this mortgage, dated April 1, 19 87, executed by the undersigned.

  
Alan J. Prescott

FLB 603 (Rev. 1-80)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Company the 2nd day  
of April A.D., 19 87 at 11:22 o'clock A M., and duly recorded in Vol. M87  
of Mortgages on Page 5459.

FEE \$17.00

Evelyn Biehn, County Clerk  
By 