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K-39794  
NONMERGER WARRANTY DEED IN LIEU OF FORECLOSURE

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THIS DEED made this 27 day of April, 1987, between PAUL H. FAIRCLO, the Grantor, and THE FEDERAL LAND BANK OF SPOKANE, a corporation whose mailing address is West 601 First Avenue, TAF-C4, Spokane, Washington 99220 the Grantee,

WITNESSETH, that the Grantor, for and in consideration of the covenants hereinafter contained and other good and valuable consideration, does by these presents grant, convey and warrant, unto the Grantee, and to its successors and assigns, forever, all the property described on Exhibit A attached hereto and incorporated herein.

TO HAVE AND TO HOLD, all and singular, the said property, together with the appurtenances, unto the said Grantee, and to its successors and assigns forever. Grantor covenants with Grantee that the former is now seized in fee simple of the property granted; that the latter shall enjoy the same without any lawful disturbance; that the same is free from all encumbrances; that Grantor and all persons acquiring any interest in the same through or for him will, on demand, execute and deliver to Grantee at the expense of the latter, any further assurance of the same that may be reasonably required; and that Grantor will warrant to Grantee all of the said property against every person lawfully claiming the same.

This deed is absolute in effect and conveys fee simple title of the property above described to the Grantee and does not operate as a mortgage, trust conveyance, or security of any kind.

The acceptance of this conveyance by Grantee is conditioned upon there being no liens against the property, except for real property taxes owing, the easements and rights of way above referred to, and the mortgage described herein.

This deed does not effect a merger of the fee ownership and the lien of the mortgage described herein. The fee and lien shall hereafter remain separate and distinct. It is not the intent of the parties to affect the subrogation rights of any third parties.

By acceptance of this deed, Grantee covenants and agrees with Grantor that Grantee shall not enforce any judgment against Grantor on the indebtedness evidenced by the promissory note secured by that certain mortgage executed by Paul H. Fairclo, to The Federal Land Bank of Spokane, a corporation, dated August 29, 1983 and recorded September 7, 1983 in Volume 83, page 15156, Mortgage Records of Klamath County, Oregon, except by action to enforce the mortgage lien by judicial foreclosure and sale. This deed shall not operate to preclude Grantee from proceeding in any action to enforce the mortgage lien described in this deed, but shall be construed to preclude Grantee from obtaining any deficiency judgment against Grantor.

The true and actual consideration paid for this transfer is Grantee's covenant to forbear from obtaining any deficiency judgment against Grantor on the above referenced promissory note.

Grantor does hereby waive, surrender, convey, and relinquish any equity of redemption and statutory rights of redemption concerning the property and mortgage described herein.

Possession of the property is surrendered and delivered to Grantee.

Grantor declares this conveyance is freely and fairly made, and that there are no agreements, oral or written, other than this deed between Grantors and Grantee with respect to said property.

Grantor is not acting under any misapprehension as to the legal effect of this deed, nor under any duress, undue influence, or misrepresentation of Grantee, its agent, or attorney, or any other person.

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In construing the deed, pronouns shall be construed in accordance with appropriate gender, as either singular or plural, as the context requires.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

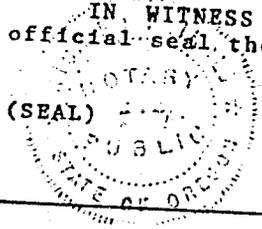
IN WITNESS WHEREOF, Grantor has hereunto set Grantor's hand the day and year first above written.

Paul H. Fairclo  
Paul H. Fairclo (Grantor)

STATE OF OREGON )  
County of Klamath ) ss.

On this 27 day of ~~March~~ <sup>April</sup> 1987, before me the undersigned, a Notary Public for the State of Oregon, personally appeared PAUL H. FAIRCLO, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same as his free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



Robert Fairclo  
Notary Public for  
My Commission Expires: 3/15/88

WHEN RECORDED MAIL TO:  
GIACOMINI, JONES & TROTMAN  
ATTORNEYS AT LAW  
635 Main Street  
Klamath Falls, Oregon 97601

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 \_\_\_\_\_ on page \_\_\_\_\_ or as filing fee number \_\_\_\_\_.  
Record of Deeds of said County.

MAIL TAX STATEMENTS TO:  
THE FEDERAL LAND BANK OF SPOKANE  
West 601 First Avenue TAF-C4  
Spokane, Washington 99220

Witness my hand and seal of County affixed.  
\_\_\_\_\_  
Title  
BY \_\_\_\_\_ Deputy

Beginning at a point on the line marking the boundary between Sec. 36 Twp. 39 S., R. 9 East of the Willamette Meridian, and Sec. 1 Twp., 40 S., R. 9 E.W.M., from which the corner common to Sec. 36 Twp. 39 S., R. 9 E.W.M., Sec 31 Twp. 39 S., R. 10 E.W.M., Sec. 6 Twp. 40 S., R. 10 E.W.M., and Sec. 1 Twp. 40 S., R. 9 E.W.M., bears S. 89°52' E. 1505.5 feet distance, and running thence N. 0°14' E. parallel to the line marking the boundary between the said Sec. 36 and 31, 1773.1 feet; thence N. 89°57' W. 760.5 feet, more or less, to a point in the line marking the Southeasterly boundary of the right-of-way for the U.S. Reclamation Service "South Branch" or "C" Canal, and 1-B Drain; thence S. 23°27'-1/2' W. along the said right-of-way line, 1930.1 feet, more or less, to the line marking the boundary between the said Secs. 36 and 1; thence S 89°52' E. along the said section line 1521.5 feet, more or less, to the place of beginning, and containing 45.5 acres, more or less, and being a portion of the SE1/4 and the SE1/4 of SW1/4 of the said Sec. 36 Twp. 39 S., R. 9 E.W.M.

S1/2S1/2 of Section 5, Township 36 South, Range 12, East of the Willamette Meridian.

Lots 1, 2, 7, 8, 9, 10, 15, 16 Section 8 Township 36 South, Range 12 East of the Willamette Meridian.

S1/2N1/2 and N1/2S1/2 lying South of the Rim of Knot Table Land, in Section 5, Township 36 South, Range 12, East of the Willamette Meridian;

W1/2 of Section 4 lying South of the Rim of Knot Table Land in Township 36 South, Range 12, East of the Willamette Meridian.

N1/2N1/2 of Section 1 Township 40 South, Range 9 East of the Willamette Meridian. SAVING AND EXCEPTING THEREFROM the following: Starting at the section corner common to Section 1, Township 40 South, Range 9 E.W.M., Section 6 Township 40 South, Range 10 E.W.M., Section 31, Township 39 South, Range 10 E.W.M., and Section 36, Township 39 South, Range 9 E.W.M.; thence Southerly along the section line to the North line of the C-5 irrigation canal; thence Westerly along said North line of C-5 Canal 810 feet to a point; thence North to the section line in common to said Section 1 and Section 36, Township 39 South, Range 9 E.W.M.; thence Easterly along said section line to the Point of Beginning.

Government Lots 19, 20, 21, 22, 27, 28, 29 and 30 (SW1/4) Section 8 Township 36 South, Range 12 East of the Willamette Meridian.

Government Lots 1, 2, 7, 8, 9, 10, 15, and 16 (NE1/4); Government Lots 3, 4, 5, 6, 11, 12, 13, and 14 (NW1/4); Government Lots 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, and 28 in Section 17, Township 36 South, Range 12 East of the Willamette Meridian.

Together with a 50 HP Lincoln electric motor with a Pacific centrifugal pump and a 20 HP U.S. Motor electric motor with a Johnston turbine pump and a 15 HP U.S. Motor electric motor with a Johnston turbine pump and a 50 HP Westinghouse electric motor with a unmarked turbine pump, and any replacements thereof, all of which are hereby declared to be appurtenant thereto.

All water and water rights used upon or appurtenant to said property, however evidenced;

Together with any and all tenements, hereditaments and appurtenances thereunto belonging or used in connection therewith.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Company the 23rd day of July A.D., 19 87 at 2:48 o'clock P.M., and duly recorded in Vol. M87 of Deeds on Page 13158.

FEE \$18.00

Evelyn Biehn, County Clerk  
By [Signature]