

81267

After recording return to:
Hershner, Hunter, Moulton,
Andrews & Neill
P.O. Box 1475
Eugene, OR 97440

Vol. m87 Page 20123MORTGAGEPARTIES:

JOHNSON STOCK CO., also known as JOHNSON STOCK COMPANY, an
Oregon corporation (Mortgagor)

Address: Box 62
MAVIN, OREGON 97632

UNITED STATES NATIONAL BANK OF OREGON, a national banking
organization (Mortgagee)

Address: P.O. Box 10308
Eugene, OR 97440

AGREEMENTS:

The Mortgagor hereby mortgages to Mortgagee the real property described on the attached Exhibit A and all interest therein which the Mortgagor may hereafter acquire; and all buildings, improvements, fixtures or appurtenances now or hereafter erected thereon or used in connection with the property, including, but not limited to, all apparatus, equipment, fixtures or articles whether in single units or centrally controlled, used to supply heat, gas, air conditioning, water, light, power, refrigeration, ventilation, or other services; all built-in appliances, and any other thing now or hereafter therein or thereon, the furnishing of which by lessors to lessees is customary or appropriate, including screens, window shades, storm doors and windows, floor coverings, screen doors, awnings, tanks, shrubbery, trees, stoves and water heaters; all of which are intended to be, and are hereby declared, a part of real estate whether physically attached thereto or not; and all easements, water and irrigation rights, and other rights or privileges now or hereafter appurtenant to the land; and all of the rents, issues, and profits of the premises except growing crops, which are hereby pledged, assigned and transferred to the Mortgagee, whether now due or hereafter to become due (hereinafter referred to as "the property").

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1. This Mortgage is to secure the payment by Mortgagor of a promissory note of even date herewith wherein Mortgagor is maker and Mortgagee is payee, a copy of which is attached hereto as Exhibit B, in the face amount of Two Million Sixty Thousand Two Hundred Seventy-eight Dollars and Twenty-one Cents (\$2,060,278.21); a promissory note of even date herewith wherein Mortgagor is maker and Mortgagee is payee, a copy of which is attached hereto as Exhibit C, in the face amount of One Hundred Six Thousand Five Hundred Fifty-one Dollars and Twenty-six Cents (\$106,551.26) and to secure the performance of all of the covenants and obligations of the Mortgagor contained or referred to herein.

2. The Mortgagor covenants:

a. The Mortgagor will pay the notes and all extensions or renewals thereof, if any, together with all interest accrued thereon, promptly as the same become due.

b. The Mortgagor will pay when due all taxes, assessments and other governmental rates and charges against the property (including those heretofore due), and will furnish the Mortgagee, upon request, duplicate receipts therefor, and all items extended against the property shall be conclusively deemed valid for the purpose of this requirement. Mortgagor may elect to pay taxes in accordance with any available installment method that does not cause accrual of interest.

c. The Mortgagor is the owner in fee simple of the property subject to only the encumbrances shown on the attached Exhibit A and is entitled to possession of the property; the Mortgagor has the right to mortgage the property; the Mortgagor will keep the property free from all other encumbrances, including those of record, whether legal or otherwise, which are or might be prior or superior to the lien of Mortgagee hereunder; the Mortgagor will warrant and defend the same against all claims and demands whatsoever; and the Mortgagor will execute or procure such further assurance of Mortgagor's title to the property as may be reasonably requested by Mortgagee to protect Mortgagee's security interest.

d. The Mortgagor will keep any improvements now or hereafter located upon the property insured against damage by fire for the full insurable value of such improvements until the indebtedness secured by this Mortgage is fully paid, or in case of foreclosure, until expiration of the period of redemption, for the full insurable value thereof, in form and with a company reasonably acceptable to the Mortgagee. Such insurance policy or policies shall have mortgage clauses in favor of, and in form acceptable to, the Mortgagee. In the event of foreclosure of this Mortgage or other transfer of title to the property in extinguishment of the indebtedness secured by this Mortgage, all

right, title and interest of the Mortgagor in and to any insurance policies then in force shall be passed to the purchaser or grantee. In case of loss, the Mortgagor shall give immediate notice of loss by mail to the Mortgagee. In the event of destruction or damage, the Mortgagor may elect to rebuild and restore the improvements now or hereafter located on the property by giving written notice thereof to the Mortgagee within sixty (60) days from such destruction or damage. In the event the Mortgagor so elects, such rebuilding or restoration shall be promptly commenced and diligently prosecuted. Upon satisfactory proof of expenditure, Mortgagee shall, from the insurance proceeds, pay or reimburse Mortgagor for the reasonable costs of repair or restoration. In the event the Mortgagor does not give a timely notice of election to rebuild or restore, all insurance proceeds shall be paid to the Mortgagee to apply upon the indebtedness secured by this Mortgage, in addition to any other payments coming due thereon. Upon request of the Mortgagee, the Mortgagor will furnish a certificate of insurance evidencing compliance with the insurance requirements of this paragraph.

e. The Mortgagor will not initiate, join in or consent to any change in any private restrictive covenant or condition, other public or private restriction, limiting or defining the uses which may be made of the property or any part thereof, without the prior written consent of the Mortgagee.

f. The Mortgagor will not make, suffer or permit, without the prior written consent of the Mortgagee, any alterations or removal of any portion of the property, provided items of equal or greater value may be substituted for any improvements, apparatus, appurtenances, fixtures, built-in appliances or equipment now or hereafter used on the property.

g. Upon request of the Mortgagee, the Mortgagor shall certify in writing to the Mortgagee or Mortgagee's proposed assignee the amount of principal and interest then owing and whether Mortgagor has or claims any setoffs or defenses thereto.

h. Mortgagor, and any successor in interest to the Mortgagor, shall not sell, assign or otherwise transfer title to, or possession of, all or part of the property by deed, contract of sale, lease for a term in excess of one (1) year, or similar agreement without the Mortgagee's prior written consent. A transfer of more than fifty percent (50%) of the stock of Mortgagor to a party not a shareholder of Mortgagor on the date of this Mortgage, shall be deemed a transfer for the purposes of this paragraph. Mortgagor acknowledges that the indebtedness and obligations secured by this Mortgage are personal to Mortgagor and that in extending credit to Mortgagor, Mortgagee has relied on Mortgagor's credit, Mortgagor's interest

in the property and financial market conditions existing at the time the indebtedness was created. No transfer or consent pursuant to this paragraph shall relieve Mortgagor, wholly or partially, from the obligations under the terms of this Mortgage and the obligations and indebtedness secured hereby.

3. In the event the ownership of the property or any part thereof becomes vested in a person other than the Mortgagor, the Mortgagee may, without notice to the Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and the obligations hereby secured, either by forbearance to sue or by extending the time for performance of the obligations under this Mortgage, without in any way releasing, discharging or otherwise affecting the Mortgagor's liability hereunder for the obligations secured by this Mortgage.

4. In case the property, or any portion thereof, shall be taken under the right of eminent domain or condemnation, then, as between Mortgagor and Mortgagee, the Mortgagee is empowered to collect and receive all compensation which may be paid for any property taken or for damages to property not taken, and all compensation so received shall be distributed in the following order of priority:

a. To Mortgagee to reimburse reasonable costs, expenses and attorney's fees necessarily paid or incurred in the condemnation proceeding,

b. To Mortgagor to reimburse reasonable costs, expenses and attorney's fees necessarily paid or incurred in the condemnation proceeding,

c. To Mortgagee to be applied upon the indebtedness secured by this Mortgage, principal and interest, and

d. Any remaining balance shall be paid to Mortgagor.

The Mortgagor agrees to take such action or to execute such instruments as may be necessary in obtaining such compensation, promptly upon the Mortgagee's request. It is understood that an agreed sale of all or any portion of the property to a public body or quasi-public body after threat of condemnation constitutes a condemnation as used in this paragraph.

5. It is expressly understood and agreed:

a. Should the Mortgagor fail to perform any of the covenants of this Mortgage, the Mortgagee may at Mortgagee's option, carry out the same on behalf of the Mortgagor without waiver of such default, and the Mortgagee may do any act Mortgagee may deem necessary to protect the Mortgagee's security

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interest. Any expenditures made or charges incurred by the Mortgagee for the foregoing purpose shall be repayable by the Mortgagor on demand and shall be secured by this Mortgage, and shall draw interest until repaid at the rate of one and one-half percent (1-1/2%) per month or the rate of interest on the promissory note secured hereby, whichever is greater, but in no event exceeding the highest lawful rate. The Mortgagee may, at Mortgagee's option, sue to collect all or any part of the aforementioned expenditures without foreclosing this Mortgage and without affecting Mortgagee's right to foreclose this Mortgage at any future time. Nothing herein contained shall require the Mortgagee to advance any monies for any purpose or do any act hereunder, and the Mortgagee shall not incur any personal liability because of Mortgagee's acts or omissions hereunder.

b. Time is material and of the essence hereof, and if default be made in the payment of the debts hereby secured, or an installment, extension or renewal thereof, or of interest, or in the performance of any of the covenants herein contained; or if Mortgagor or any of the guarantors is adjudicated bankrupt; or if a receiver is appointed for any property of Mortgagor or any of the guarantors; or if Mortgagor or any of the guarantors shall make an assignment for the benefit of creditors; or if Mortgagor shall default under the terms of any mortgage or other encumbrance which is or may be prior to or superior to the lien of the Mortgagee hereunder; or if proceedings be instituted to enforce any other lien or charge upon the property, or any part thereof, and within thirty (30) days thereafter Mortgagor shall fail to deposit cash or post a bond in lieu of cash in the amount of the alleged debt for the lien or charge sought to be enforced; or if the Mortgagor abandons any of the property, the balance of the unpaid principal with the accrued interest and all other indebtedness secured by this Mortgage shall, at the Mortgagee's election, become immediately due without notice, except as provided otherwise in Paragraph 10. of this Mortgage, and this Mortgage may be foreclosed. In addition, the Mortgagee may, at Mortgagee's option and without affecting the Mortgagee's security interest, apply toward the payment of the indebtedness such sums or any part thereof held by Mortgagee under the provisions of this Mortgage, or any indebtedness of the Mortgagee to the Mortgagor. Mortgagee's failure to exercise any right or option, or waiver of any default, shall not be deemed a waiver of any future right, option or default.

c. To the extent allowed by law the Mortgagor assigns to the Mortgagee all rents, issues, profits and revenues from the property, except growing crops, and hereby assigns any leases in effect or hereafter in effect upon the property or any part thereof. In the event of default in the payment of the debts hereby secured, or in any installment, extension or

renewal thereof, or of any interest, or in the performance of any of the covenants herein contained and while the default continues, Mortgagor hereby authorizes and empowers the Mortgagee, Mortgagee's agents or attorneys, at Mortgagee's election, without notice to the Mortgagor, as agents for the Mortgagor, to take and maintain full control of the property; to oust tenants for nonpayment of rents; to lease all or any portion of the property, in the name of the Mortgagor, on such terms as Mortgagee may deem advisable; to make alterations or repairs Mortgagee may deem advisable and deduct the cost thereof from the rent; to receive all rents and income therefrom and issue receipts therefor; and out of the amount or amounts so received to pay the necessary operating expenses and retain or pay the customary charges for thus managing the property; to pay the Mortgagee any amount due upon the indebtedness secured by this Mortgage; to pay taxes, assessments, and premiums of insurance policies, or renewals thereof, on the property, or amounts necessary to carry out any covenant in this Mortgage contained, the Mortgagee to determine which items are to be met first, but to pay any overplus so collected to the Mortgagor, and those exercising this authority shall be liable to the Mortgagor only for the amount collected hereunder and the accounting thereof, and as to all others, persons exercising this authority are acting only as agent of the Mortgagor in the protection of the Mortgagee's security interest. In no event is the right to such management and collection of such rents to affect or restrict the right of the Mortgagee to foreclose this Mortgage in case of default.

d. Except as provided otherwise by law, a receiver may be appointed in any proceeding to foreclose this Mortgage, without regard to the adequacy of the security for the indebtedness or the solvency of the Mortgagor or the absence of waste or danger of loss or destruction of the property, to possess, manage and control the property, and to collect the rents, issues and profits thereof, except growing crops. Upon a declaration of default under the terms of this Mortgage, the Mortgagor shall attorn to the Mortgagee or to a receiver of the property.

e. Mortgagee shall not be required to marshal security and may proceed to foreclose or otherwise realize upon security in such order and in such manner as Mortgagee may determine in Mortgagee's sole discretion.

f. The Mortgagee and persons authorized by Mortgagee shall have the right to enter and inspect the property at all reasonable times.

g. If Mortgagor shall have the right to foreclose this Mortgage as specified above and is awarded a judgment of foreclosure, or if Mortgagee seeks adequate protection of

Mortgagee's interest under the Bankruptcy Code and is granted such protection by order of the court, the Mortgagor shall pay to the Mortgagee all reasonable expenses incurred by Mortgagee, at any time necessary in Mortgagee's opinion for the protection of Mortgagee's interest or the enforcement of Mortgagee's rights, including, but not limited to, the cost of searching records, obtaining title reports, surveyor's reports, attorney's opinions or mortgagee's title insurance, whether or not in connection with any legal proceeding; and the amount of such expenses, with interest thereon from the date incurred at the rate of one and one-half percent (1-1/2%) per month or the rate of interest on the promissory note secured hereby, whichever is greater (but in no event exceeding the highest lawful rate), shall be secured by this Mortgage. If any legal proceeding is commenced to foreclose this Mortgage or which concerns this Mortgage in any way or arises from the execution hereof, including appeals, the prevailing party shall be entitled to recover reasonable attorney's fees, to be set by the court in addition to the costs and disbursements allowed by law. If this Mortgage is foreclosed, Mortgagee shall, in addition, be entitled to recover at the time the judgment of foreclosure is entered an amount equal to the reasonable attorney's fees and legal expenses which Mortgagee reasonably anticipates will be incurred in enforcing and collecting such judgment.

6. The Mortgagor hereby agrees that in the event a default occurs in the performance of any lien or encumbrance which is prior to this Mortgage, or in payment or performance of the indebtedness or obligation secured thereby, the Mortgagee may, at Mortgagee's option, proceed to cure such default by the payment of all or any part of the indebtedness secured by such lien or encumbrance and the Mortgagee shall thereupon be subrogated to the lien of such lien or encumbrance to the extent of such payment. In addition, such default under such lien or encumbrance shall be a default hereunder and shall entitle the Mortgagee to foreclose this Mortgage as provided herein.

7. From time to time, upon request by Mortgagor in writing, Mortgagee shall release a portion of the property from the lien of this Mortgage, upon the following terms and conditions:

a. Releases shall only be made as to such portion or portions of the property which does not impair the use or value of unreleased portions of the property. This determination shall be made by Mortgagee, in its sole discretion.

b. The portion of the property to be released shall be sold for a purchase price acceptable to Mortgagee, in its sole discretion, and all proceeds from such sale, less such closing costs and expenses as Mortgagee approves, in its sole discretion, shall be paid to Mortgagee prior to or

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contemporaneously with the recording of the release by Mortgagee hereunder. Such proceeds shall be treated as a prepayment on the promissory notes secured by this Mortgage and shall be first applied to the first promissory note described in Paragraph 1. hereof and, after it is paid in full, shall then be applied to the second promissory note described in Paragraph 1 hereof.

c. The portion of the property to be released shall not deprive the remainder of the property from reasonable and satisfactory access to a public road, shall not deprive the remainder of the property from reasonable and satisfactory access to any source of water or irrigation facilities, and shall not otherwise, in the discretion of Mortgagee, impair the value of the remaining portion of the property as security for the obligations secured hereby.

d. Mortgagor shall be solely responsible for complying with any applicable governmental laws, ordinances or regulations relating to the division of land in connection with any partial release, and shall indemnify and hold Mortgagee harmless from any claim or demand that any such law, ordinance or regulation has been violated.

e. Mortgagor shall not be in default under this Mortgage or any obligation secured hereby or at the time of any release by Mortgagee.

f. All costs of completing any release, including actual attorney fees of the Mortgagee, shall be paid by the Mortgagor prior to recording the partial release.

8. This Mortgage is executed and delivered pursuant to a Repayment Agreement of even date herewith between Mortgagor, Mortgagee, T & J Packing Co., Rollin Throne, Leith F. Throne, Peter Van Johnson and Terri L. Johnson, and the obligations secured by this Mortgage are also secured by a Security Agreement of even date herewith wherein Mortgagor is Debtor, and Mortgagee is Secured Party, a Security Agreement of even date herewith wherein T & J Packing Co., an Oregon corporation, is Debtor, Mortgagee is Secured Party, and Mortgagor is Obligor, and a Deed of Trust of even date herewith wherein Mortgagor is Trustor and Mortgagee is Beneficiary. Any default by Mortgagor under either of the promissory notes secured by this Mortgage or any of the terms and conditions of any of the documents described in the preceding sentence, shall constitute a default under the provisions of this Mortgage, a default under both of the promissory notes secured hereby, and a default by the Mortgagor under all of the documents described in the preceding sentence. Upon any such default, Mortgagee may immediately exercise any and all rights and remedies Mortgagee may have.

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9. Mortgagor represents and warrants that this Mortgage is executed under authority duly granted by its board of directors. The person executing this Mortgage on behalf of Mortgagor represents and warrants that he is duly authorized to do so and that the execution of this Mortgage is the lawful and voluntary act of Mortgagor.

10. If the Mortgagor violates or fails to perform any covenant, condition or provision of this Mortgage, other than the payment of any amount due to the Mortgagee, the Mortgagor shall be in default of this Mortgage if such violation or failure has not been remedied within thirty (30) days after written notice thereof from the Mortgagee to the Mortgagor.

DATED this 29TH day of October, 1987.

JOHNSON STOCK CO., also known as
JOHNSON STOCK COMPANY

By *Alise Johnson*

By _____

STATE OF OREGON)
County of Klamath) ss.

The foregoing instrument was acknowledged before me this 29TH day of October, 1987, by *Alise Johnson* and _____ the *Sec-Treas* and _____, respectively, of Johnson Stock Co., a corporation organized under the laws of Oregon, on behalf of the corporation.

Dusan
Notary Public for Oregon
My Commission Expires: 6-21-88

DESCRIPTION OF PROPERTY

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

PARCEL 1:

TOWNSHIP 40 SOUTH, RANGE 14½ EAST OF THE WILLAMETTE MERIDIAN

Section 27: W½SW¼
Section 28: SW¼SW¼, N½SW¼, N½SE¼
Section 29: SE¼SE¼
Section 32: E¼NE¼, NE¼SE¼
Section 33: NW¼, S½NE¼, NE¼NE¼, SE¼, N½SW¼, SE¼SW¼
Section 34: W½NW¼, W½SW¼

PARCEL 2:

Section 36: S½NW¼, That portion of the SW¼ lying Westerly of the fence constructed and existing across the E½SW¼.

ALSO ALL that portion of said section lying and being Southeasterly from a line parallel with and 225 feet distant Northwesterly from the Northerly line of Bear Flat-Deer Spring Road which runs Northeasterly across said quarter section.

PARCEL 3:

TOWNSHIP 40 SOUTH, RANGE 15 EAST OF THE WILLAMETTE MERIDIAN

Section 21: S¼, SAVING AND EXCEPTING the SW¼SW¼
Section 28: NE¼, NE¼NW¼, S½NW¼NW¼, S½NW¼, NW¼SW¼, N½NE¼SW¼, N½N½SE¼

PARCEL 4:

TOWNSHIP 40 SOUTH, RANGE 15, EAST OF THE WILLAMETTE MERIDIAN

Section 35: S½SW¼, SW¼SE¼, LESS AND EXCEPTING any portion lying within reservoir as shown on county map.

TOWNSHIP 41 SOUTH, RANGE 15, EAST OF THE WILLAMETTE MERIDIAN

Section 2: Lot 3, LESS AND EXCEPT any portion lying within reservoir as shown on county map.

PARCEL 5:

TOWNSHIP 41 SOUTH, RANGE 11 EAST OF THE WILLAMETTE MERIDIAN

Section 1: The Southerly 15 feet of the N½NE¼NE¼, S½NE¼NE¼ and all that part of the SE¼NE¼ lying North of Adams Canal.

EXCEPTING THEREFROM the Westerly 15 feet conveyed to Rudolph Paygr, et ux., by deed recorded November 12, 1957, in Volume 295 page 451, Deed Records of Klamath County, Oregon.

TOWNSHIP 41 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN

Section 6: SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ and Lot 3. EXCEPTING portions thereof lying Northerly of the Southerly right-of-way line of Paygr Road;

SE $\frac{1}{4}$ SW $\frac{1}{4}$ AND Lot 4; N $\frac{1}{4}$ SE $\frac{1}{4}$. EXCEPT the following: Beginning at a point on the South line of Paygr Road which bears South 30 feet and West 297 feet from the East $\frac{1}{4}$ corner of said Section 6; thence continuing West along said South line a distance of 210.5 feet; thence South a distance of 207 feet; thence East a distance of 210.5 feet; thence North a distance of 207 feet to the point of beginning.

Section 7: All that portion of the NE $\frac{1}{4}$ NW $\frac{1}{4}$ and Lot 1, which lies North of the U.S.B.R. "D" Canal.

PARCEL 6:

TOWNSHIP 41 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN

Section 14: A tract of land in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14, Township 41 South, Range 12 East of the Willamette Meridian, more particularly described as follows: Commencing at the Northeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14; thence West along the North line of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 14, 950.5 feet to a point; thence South at right angles to North line of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 14 to a point on the North boundary of the Dalles-California Highway; thence Southeasterly along the Northerly boundary of said highway to its intersection with the East boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 14; thence North along the East boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ to the point of beginning.

A tract of land in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14, Township 41 South, Range 12 East of the Willamette Meridian, more particularly described as follows: Beginning at a point on the North boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 14, 950.5 feet West of the Northeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$; thence South at right angles to the North line of said SW $\frac{1}{4}$ SE $\frac{1}{4}$ 249.5 feet to a point; thence West and parallel to the North boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, 18.5 feet to a point; thence North and parallel to the East boundary of the herein described tract 249.5 feet to a point on the North boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$; thence East 18.5 feet to the point of beginning.

The SE $\frac{1}{4}$ NE $\frac{1}{4}$ lying Southwest of the Low Line Canal, and the SW $\frac{1}{4}$ NE $\frac{1}{4}$ and N $\frac{1}{4}$ SE $\frac{1}{4}$.

LESS AND EXCEPTING the following described portion thereof. Beginning at the Southwest corner of the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 14 and running thence North 200 feet; thence East 180 feet; thence South 200 feet; thence West 180 feet to the point of beginning, all in Section 14, Township 41 South, Range 12 East of the Willamette Meridian.

PARCEL 7:

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TOWNSHIP 41 SOUTH, RANGE 13 EAST OF THE WILLAMETTE MERIDIAN

Section 15: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

SAVING AND EXCEPTING the following: Beginning at the Northwest corner of NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 15, Township 41 South, Range 13 East of the Willamette Meridian; thence Southeasterly to the Southeast corner of NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said section; thence North along the East line of NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said section to the Northeast corner of NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said section; thence West along the North line of NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said section to the place of beginning.

SE $\frac{1}{4}$ SE $\frac{1}{4}$, SAVING AND EXCEPTING the following: Beginning at the Northwest corner of SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 15, Township 41 South, Range 13 East of the Willamette Meridian; thence Southeasterly to the Southeast corner of said section; thence North along the East line of said section to the Northeast corner of SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said section; thence West along the North line of SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said section to the place of beginning.

Section 16: All, SAVING AND EXCEPTING the following: Beginning at the Northwest corner of NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16, Township 41 South, Range 13 East of the Willamette Meridian; thence Southeasterly to the Southeast corner of NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said section; thence North along the East line of NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said section to the Northeast corner of NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said section; thence West along the North line of said section to the place of beginning.

ALSO EXCEPTING the NE $\frac{1}{4}$ NE $\frac{1}{4}$
and ALSO EXCEPTING the following: Beginning at the Northwest corner of SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16, Township 41 South, Range 13 East of the Willamette Meridian; thence Southeasterly to the Southeast corner of the NE $\frac{1}{4}$ of said section; thence North along the East line of said section to the Northeast corner of SE $\frac{1}{4}$ NE $\frac{1}{4}$ of said section; thence West along the North line of SE $\frac{1}{4}$ NE $\frac{1}{4}$ of said section to the place of beginning.

Section 21: N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, and Lots 1, 2, 3, 4, 5 and 6

Section 22: N $\frac{1}{2}$ and Lots 1, 2, 3 and 4

Section 23: NE $\frac{1}{4}$, NW $\frac{1}{4}$ and Lot 1, 2, 3 and 4

Section 24: NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$ and Lots 2, 3 and 4

PARCEL 8:

TOWNSHIP 41 SOUTH, RANGE 14 EAST OF THE WILLAMETTE MERIDIAN

Section 4: That portion of the NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ lying Southerly of the County Road.

Section 5: The South 150 feet of the S $\frac{1}{2}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$; The E $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$; the SE $\frac{1}{4}$ SE $\frac{1}{4}$; that portion of the E $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ lying Southerly of the center line of the Old Grohs Ranch Road.

Section 6: E½E½W½; W½E½; Lot 1; SE½NE½ and NE½SE½

A strip of land 150 feet in width lying along and immediately adjacent to the Southerly boundary of the SE½SE½ of Section 6. SAVING AND EXCEPTING a strip of land 30 feet wide along the North line of Lots 1, 2 and E½ Lot 3 deeded to Klamath County in Volume 258 page 1, Deed Records of Klamath County, Oregon.

Section 7: W½E½ and S½SE½SE½; E½W½,

LESS a strip of land 125 feet in width described as follows: Commencing at the Northwest corner of NE½SW½ of Section 7 and running thence North 125 feet; thence East 125 feet; thence South 1570 feet parallel with the West line of said section; thence Westerly 125 feet; thence Northerly 1445 feet to the point of beginning, being the Westerly 125 feet of the NE½SW½ and a parcel of land 125 feet square in the Southwest corner of the SE½NW½ and a parcel of land 125 feet square in the Northwest corner of the SE½SW½ of said Section 7.

LESS AND EXCEPT a piece or parcel of land in the SE½SW½ of Section 7, Township 41 South, Range 14 East of the Willamette Meridian, more particularly described as follows: Beginning at the Northwesterly corner of said SE½SW½ of said Section 7, Township 41 South, Range 14 E.W.M., and running thence Easterly along the Northerly boundary thereof 34.8 feet; thence South 5°27' East 1326.0 feet, more or less, to a point in the Southerly boundary thereof, thence Westerly along the said Southerly boundary thereof 160.7 feet, more or less, thence Northerly along the Westerly boundary thereof 1320 feet, more or less, to the said point of beginning.

ALSO SAVING AND EXCEPTING that portion in deed from Johnson Stock Co. to W. D. Campbell in Volume 257 page 91, Deed Records of Klamath County, Oregon.

Section 8: NE½NE½, S½SW½SW½, SE½SW½, SW½SE½; LESS AND EXCEPTING any portion lying within the East Langell Valley Road.

Section 9: N½NW½, that portion of the N½NE½ lying Southerly of the county road.

Section 10: SE½NW½; and that portion of the NW½NW½ lying Southerly of the county road.

EXCEPTING THEREFROM that portion lying within the boundaries of the Willow Valley Road (State Line Road).

Section 17: NW½NW½, NE½NW½ and the NW½NE½. LESS AND EXCEPT any portion lying within the East Langell Valley Road

Section 18: A piece or parcel of land in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 18, Township 41 South, Range 14 East of the Willamette Meridian, more particularly described as follows: Beginning at the Northeasterly corner of the said NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 18, Township 41 South, Range 14 East of the Willamette Meridian, and running thence Westerly along the Northerly boundary thereof 1159.3 feet; thence South 5°27' East 63.0 feet; thence South 86°02' East 1156.1 feet, more or less, to a point in the Easterly boundary thereof; thence Northerly along the said Easterly boundary thereof 142.7 feet to the point of beginning.

The N $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ NE $\frac{1}{4}$,
LESS AND EXCEPT the West 440 feet.

The W $\frac{1}{4}$ SE $\frac{1}{4}$, LESS AND EXCEPT the West 440 feet.
ALSO LESS AND EXCEPT any portion lying with the Malone
Lateral and East Langell Valley Road.

Section 19: NW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$

Subject to:

1. The taxes for 1987-88 are now a lien, but not yet payable.
Note: The taxes for 1986-87 are paid. (See attached statements)
2. The assessment roll and the tax roll disclosed that the within described premises were specially assessed as farm land. Taxes for the year 1986-87 and possibly prior years have been deferred pursuant to ORS 308.370 to 308.403. These, plus earned interest are due and payable when said reason for the deferment no longer exists.
3. Rights of the Federal Government, the State of Oregon, and the general public in any portion of the herein described premises lying below the high water line of Lost River.
4. Liens and assessments of Klamath Project and Klamath Irrigation District, and regulations, easements, contracts, water and irrigation rights in connection therewith.
5. Any unpaid charges or assessments of Klamath Irrigation District.
6. Liens and assessments of Shasta View Irrigation District, and regulations, easements, contracts, water and irrigation rights in connection therewith.

7. Liens and assessments of Malin Irrigation District, and regulations easements, contracts, water and irrigation rights in connection therewith.
8. Liens and assessments of Langell Valley irrigation District, and regulations, easements, contracts, water and irrigation rights in connection therewith.
9. Right of Way and Easement, including the terms and provisions thereof, from Robert L. Malone and Eva Malone, husband and wife, to United States, dated December 6, 1915, recorded January 4, 1916, in Volume 45 page 295, Deed Records of Klamath County, Oregon, to overflow all that portion of said premises, which may be flooded by the backwater from the Malone Dam of the Klamath Project. (Sec 19/41/14)
10. Reservations and restrictions in deed from United States of America to Emma Fredenburg, recorded in Volume 50 page 519, records of Klamath County, Oregon. In addition to the standard patent exceptions, the following reservation was made: "Reserving, also, to the United States all minerals in the land so granted, together with the right to prospect for, mine and remove the same as authorized by the provisions of said Section 8 as amended as aforesaid."
11. Easement, including the terms and provisions thereof, given to Dewey D. Horn, dated April 28, 1934 and recorded July 24, 1934 in Deed Volume 103 on page 308, records of Klamath County, Oregon. (6/41/14)
12. Reservations and restrictions in deed from Klamath Lake Land & Livestock to G. L. Hembree et ux, dated November 12, 1936, and recorded December 4, 1936 in Deed Volume 107 on page 533, records of Klamath County, Oregon. (14/41/12)
13. Reservations and restrictions in deed from The Klamath Lake Land and Livestock Co. to Chas Henry Johnson and Gertrude A. Johnson, dated March 25, 1937 and recorded June 12, 1937 in Deed Volume 110, on page 137, records of Klamath County, Oregon. (14/41/12)
14. Right of Way, including the terms and provisions thereof, given by Rudolph Cacka to The California Oregon Power Co., dated July 16, 1941 and recorded July 26, 1941, in Deed Volume 140 on page 13, records of Klamath County, Oregon. (SE $\frac{1}{4}$ SW $\frac{1}{4}$ of 6/41/12)
15. Agreement for Easement and Right of Way, including the terms and provisions thereof, given by John S. Horn to United States of America, recorded March 13, 1943, in Deed Volume 153 on page 507, records of Klamath County, Oregon. (Sec 27/40/14)
16. Right of Way, including the terms and provisions thereof, given by Frank Paygr, Jr. et al to The California Oregon Power Co., dated July 18, 1945 and recorded July 25, 1945 in Deed Volume 178 on page 257, records of Klamath County, Oregon. (N $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ of 1/41/11)

17. Reservations and restrictions contained in deed from Johnson Stock Co. to W. D. Campbell, dated September 19, 1952 and recorded September 30, 1952 in Deed Volume 257 page 91, records of Klamath County, Oregon. (Sec 6 and 7 T. 41/14)
18. Reservations and restrictions contained in deed from W. D. Campbell and Mildred Campbell, to Johnson Stock Co., dated September 19, 1952 and recorded October 7, 1952, in Deed Volume 257 on page 167, records of Klamath County, Oregon, regarding installation of pipes. (Sec 5 and 6 T. 41/14)
19. Grant of Right of Way, including the terms and provisions thereof, given by J. E. Benbow and Mabel C. Benbow, husband and wife, to The California Oregon Power Company, a California Corporation, dated June 29, 1953 recorded July 7, 1953, on page 560 of Volume 261 of Deeds, records of Klamath County, Oregon. (NE $\frac{1}{4}$ SE $\frac{1}{4}$ 6/41/12)
20. Reservations and restrictions in Patent from United States of America to Lloyd Gift et ux, recorded April 1, 1955 in Deed Volume 273, on page 384 records of Klamath County, Oregon. In addition to the standard patent exceptions, the following reservation was made: "Also excepting from this conveyance that certain range improvement project No. ccc-2-Yokum Valley Truck Trail and all appurtenances thereto, constructed by the U.S., through, over or upon the land herein described and the right of the U.S, its officials, agents or employees to maintain, operate, repair or improve the same so long as needed or used for or by the U.S." (Por. of Sec. 3, 4, 5 and 10/41/14)
21. Water Use Agreement including the terms and provisions thereof, given by and between Jounson Stock Co. and Charles Kilgore, et al, dated August 20, 1959, and recorded January 29, 1960, in Deed Volume 318 on page 544, records of Klamath County, Oregon. (40/14 $\frac{1}{2}$)
22. Easements granted to Charles Kilgore, et al, by Johnson Stock Co., in Deed recorded January 29, 1960 in Deed Volume 318 on page 554, records of Klamath County, Oregon (40/14 $\frac{1}{2}$)
23. Reservations and restrictions contained in deed from Lewis E. Bay and Clara E. Bay to Johnson Stroock Co. dated May 21, 1962 and recorded may 25, 1962, in Deed Volume 337 on page 596, records of Klamath County, Oregon. (14/41/12)
24. Reservations and restrictions as shown in Patent from United States of America to Lloyd Gift, recorded June 21, 1962 in Deed Volume 338 on page 328, records of Klamath County, Oregon, as follows: In addition to the standard patent exceptions, the following reservation was made: "Excepting and reserving, also, to the United States all the oil and gas in the lands so patented and to it, or persons authorized by it, the right to prospect for, mine, and remove such deposits from the same upon compliance with the conditions and subject to the provisions and limitations of the Act of July 17, 1914." (4 and 9/41/14)

25. Reservations reserved in Patent from United States of America to Johnson Stock Company, dated May 24, 1964 and recorded July 20, 1965 in Deed Volume M-65 on page 136, records of Klamath County, Oregon, as follows: In addition to the standard patent exceptions, the following reservation was made: "Reserving, also to the United States all minerals in the land so granted, together with the right to prospect for, mine and remove the same as authorized by the provisions of said Section 8 as amended as aforesaid."

26. Contract and Grant of Easement, including the terms and provisions thereof, between Shasta View Irrigation District, and Johnson Stock Co., dated June 20, 1973 and recorded August 8, 1973 in M-73 on page 10360, records of Klamath County, Oregon. (SW $\frac{1}{4}$ NW $\frac{1}{4}$ of 6/41/12)

27. Reservations and restrictions contained in deed from H. A. Searles and Delos E. Robbins, to Johnson Stock Co., dated October 21, 1976 and recorded February 18, 1977 in Deed Volume M-77 on page 2979, records of Klamath County, Oregon, for an easement and right of way for ditch. (Sec 4, 9 and 10 of 41/14)

28. Easement, including the terms and provisions thereof, for Access Road from Johnson Stock Co., an Oregon corporation, to United States of America, dated March 4, 1969, recorded May 23, 1969, in Volume M-69 page 3872, Deed Records of Klamath County, Oregon.

29. Mortgage, including the terms and provisions thereof, executed by Johnson Stock Co., an Oregon corporation, Stanley Johnson, Peter Van Johnson, and Leith Throne, to The Federal Land Bank of Spokane, a corporation in Spokane, Washington, dated October 11, 1979, recorded October 17, 1979, in Volume M-79 on page 24441, Mortgage records of Klamath County, Oregon, to secure the payment of \$280,000.00.

PROMISSORY NOTE

20140

\$2,060,278.21

October _____, 1987

The undersigned (Maker) promises to pay to the order of UNITED STATES NATIONAL BANK OF OREGON, a national banking organization (Lender), at P.O. Box 10308, Eugene, Oregon 97440, or to such other person or at such other place as the holder hereof may designate, the amount of Two Million Sixty Thousand Two Hundred Seventy-eight Dollars and Twenty-one Cents (\$2,060,278.21), plus interest thereon at the rate of nine percent (9%) per annum from January 1, 1988, until paid.

This Promissory Note shall be paid in annual installments in the amount of Two Hundred Seventy Thousand Seven Hundred Seventy-eight Dollars and Twenty-one Cents (\$270,778.21) each, including interest, with the first such annual installment due on or before October 30, 1988, and a like annual installment due on the thirtieth (30th) day of each October thereafter to and including October 30, 2001. The full remaining balance of principal and interest on this Promissory Note shall be due on or before October 30, 2002.

Prepayment may be made at any time, wholly or partially, without penalty. Provided, that any partial prepayment shall not affect the regular annual installments due hereunder, unless otherwise agreed by Lender in writing. All payments, including any prepayments, shall be applied first to accrued interest to the date of payment or prepayment and then to principal.

This Promissory Note is executed and delivered pursuant to a Repayment Agreement of even date herewith between Lender, Maker, T & J Packing Co., an Oregon corporation (T & J), Peter Van Johnson, Terri L. Johnson, Rollin Throne and Leith F. Throne, and this Promissory Note is secured by a Deed of Trust Beneficiary, a Mortgage of even date herewith wherein Maker is Mortgagor and Lender is Mortgagee, a Security Agreement of even date herewith wherein Maker is Debtor and Lender is Secured Party, and a Security Agreement of even date herewith wherein T & J is Debtor, Lender is Secured Party and Maker is Obligor. Any default by Maker under this Promissory Note or any other promissory note from Maker to Lender, or any default by Maker in the payment or performance of any of the terms and conditions of any of the documents described in the preceding sentence, shall constitute a default under the provisions of this Promissory Note, a default under any other promissory note from Maker to Lender and a default by Maker under all of the documents described in the preceding sentence. Upon such default, Lender may immediately exercise any and all rights and remedies Lender may have.

20141

If any payment due hereunder is not paid promptly when due, time being of the essence hereof, or in the event of any other default under the provisions of this Promissory Note, the entire amount of principal and accrued interest shall be immediately due and collectible at the option of the holder of this note. If this note is placed in the hands of an attorney for collection, Maker agrees to pay the holder's reasonable collection costs, including reasonable attorney's fees, even though no legal proceeding is filed hereon; however, if a legal proceeding is filed for the purpose of interpreting or enforcing this Promissory Note, the holder shall be entitled to recover a reasonable attorney's fee in such proceeding, or any appeal thereof, to be set by the court, in addition to the costs and disbursements allowed by law.

Any notices required or permitted to be given under the terms of this Promissory Note, or by law, shall be in writing and may be given by personal delivery or certified mail, directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

LENDER: P.O. Box 10308
Eugene, Oregon 97440

MAKER: P.O. Box 62
Malin, OR 97632

Any notice given shall be effective when actually received or if given by certified mail, then ninety-six (96) hours after the deposit of such notice in the United States mail with postage prepaid.

Maker expressly waives presentment, demand for payment, notice of dishonor and agrees that this Promissory Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of Maker.

THIS PROMISSORY NOTE IS SECURED BY A DEED OF TRUST, MORTGAGE AND TWO (2) SECURITY AGREEMENTS, ALL OF EVEN DATE HERewith.

JOHNSON STOCK CO., also known as
JOHNSON STOCK COMPANY, an Oregon
corporation

By _____

By _____

PROMISSORY NOTE

20142

\$106,551.26

October _____, 1987

The undersigned (Maker) promises to pay to the order of UNITED STATES NATIONAL BANK OF OREGON, a national banking organization (Lender), at P.O. Box 10308, Eugene, Oregon 97440, or to such other person or at such other place as the holder hereof may designate, the amount set forth above, without interest.

This Promissory Note is due and shall be paid in full on or before October 30, 2002.

Prepayment may be made at any time, wholly or partially, without penalty.

This Promissory Note is executed and delivered pursuant to a Repayment Agreement of even date herewith between Lender, Maker, T & J Packing Co., an Oregon corporation (T & J), Peter Van Johnson, Terri L. Johnson, Rollin Throne and Leith F. Throne, and this Promissory Note is secured by a Deed of Trust of even date herewith wherein Maker is Trustor and Lender is Beneficiary, a Mortgage of even date herewith wherein Maker is Mortgagor and Lender is Mortgagee, a Security Agreement of even date herewith wherein Maker is Debtor and Lender is Secured Party, and a Security Agreement of even date herewith wherein T & J is Debtor, Lender is Secured Party and Maker is Obligor. Any default by Maker under this Promissory Note or any other promissory note from Maker to Lender, or any default by Maker in the payment or performance of any of the terms and conditions of any of the documents described in the preceding sentence, shall constitute a default under the provisions of this Promissory Note, a default under any other promissory note from Maker to Lender and a default by Maker under all of the documents described in the preceding sentence. Upon such default, Lender may immediately exercise any and all rights and remedies Lender may have.

In the event of any default under the provisions of this Promissory Note, time being of the essence, the entire amount hereof shall be immediately due and collectible at the option of the holder of this note. If this note is placed in the hands of an attorney for collection, Maker agrees to pay the holder's reasonable collection costs, including reasonable attorney's fees, even though no legal proceeding is filed hereon; however, if a legal proceeding is filed for the purpose of interpreting or enforcing this Promissory Note, the holder shall be entitled to recover a reasonable attorney's fee in such proceeding, or any appeal thereof, to be set by the court, in addition to the costs and disbursements allowed by law.

Any notices required or permitted to be given under the terms of this Promissory Note, or by law, shall be in writing and may be given by personal delivery or certified mail, directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

LENDER: P.O. Box 10308
Eugene, Oregon 97440

MAKER: P.O. Box 62
Malin, OR 97632

Any notice given shall be effective when actually received or if given by certified mail, then ninety-six (96) hours after the deposit of such notice in the United States mail with postage prepaid.

Maker expressly waives presentment, demand for payment, notice of dishonor and agrees that this Promissory Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of Maker.

THIS PROMISSORY NOTE IS SECURED BY A DEED OF TRUST, MORTGAGE AND TWO (2) SECURITY AGREEMENTS, ALL OF EVEN DATE HEREWITH.

JOHNSON STOCK CO., also known as
JOHNSON STOCK COMPANY, an Oregon
corporation

By _____

By _____

Page 2--PROMISSORY NOTE
EXHIBIT C to Mortgage - page 2

STATE OF OREGON: COUNTY OF KLAMATH: ss

Filed for record at request of Klamath County Title Company the 6th day
of November A.D. 19 87 at 10:00 o'clock A M., and duly recorded in Vol. M87
of Mortgages on Page 20123

Evelyn Biehn, County Clerk
By B. Smith

FEE \$105.00