

NONMERGER WARRANTY DEED IN LIEU OF FORECLOSURE

THIS DEED made this 29th day of December, 1987, between Frances O'Connor Enterprises, Inc., dba O.K. Land and Cattle Company, James B. O'Connor and John D. O'Connor, the Grantors, 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 Grantors, for and in consideration of the covenants hereinafter contained and other good and valuable consideration, do 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. Grantors covenant with Grantee that Frances O'Connor Enterprises, Inc., dba O.K. Land and Cattle Company, James B. O'Connor and John D. O'Connor are 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 except those specified in Grantee's complaint filed in Case No. 87-165 CV; that Grantors and all persons acquiring any interest in the same through or for them 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 Grantors 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.

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 Grantors that Grantee shall not enforce any judgment against Grantors on the indebtedness evidenced by the promissory note secured by that certain mortgage executed by Grantors, to The Federal Land Bank of Spokane, a corporation, dated May 18, 1977 and recorded July 29, 1977 in Book M-77 of Mortgages, Page 13607 as Recording No. 33238, 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 Grantors.

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

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

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Possession of the property is surrendered and delivered to Grantee subject to the agreement and stipulation for lease and right of first refusal dated November 25, 1987.

Grantors declare 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 other than last above stated.

Grantors 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.

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, Grantors has hereunto set Grantors' hand the day and year first above written.

Frances O'Connor Enterprises,
Inc., and Oregon corporation
and

Frances O'Connor Enterprises,
Inc., dba O.K. Land & Cattle
Company,

BY:

James B O'Connor
James B O'Connor
James B. O'Connor

John D. O'Connor
John D. O'Connor

STATE OF OREGON)

County of Klamath)

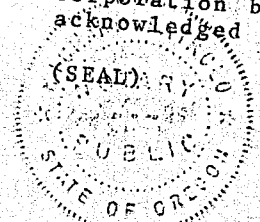
ss.

On the 29th day of December, 1987, personally appeared James B O'Connor who, being duly sworn did say that he is the president of Frances O'Connor Enterprises, Inc., dba O.K. Land and Cattle Company, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors; and each of them acknowledged said instrument to be his voluntary act and deed.

Before me:

Notary Public for Oregon

My Commission Expires: 3/15/88

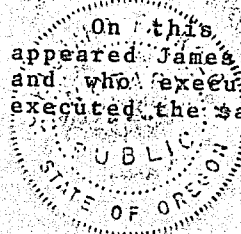


STATE OF OREGON

County of Klamath

ss:

On this 29 day of December, 1987, before me personally appeared James B. O'Connor, known to me to be the person described in and who executed the within instrument, and acknowledged that he executed the same as his free act and deed.



Notary Public for Oregon

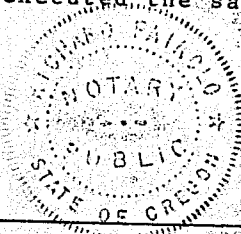
My Commission Expires: 3/15/88

STATE OF OREGON

County of Klamath

ss:

On this 7th day of January, 1988, before me personally appeared John D. O'Connor, known to me to be the person described in and who executed the within instrument, and acknowledged that he executed the same as his free act and deed.



Notary Public for Oregon

My Commission Expires: 3/15/88

WHEN RECORDED MAIL TO:

GIACOMINI, JONES & TROTMAN
ATTORNEYS AT LAW
635 Main Street
Klamath Falls, Oregon 97601

MAIL TAX STATEMENTS TO:

THE FEDERAL LAND BANK OF SPOKANE
West 601 First Avenue TAF-C4
Spokane, Washington 99220

STATE OF OREGON

ss.

County of _____

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.

Witness my hand and seal of County affixed.

Title

BY _____

Deputy

Real property situate in Klamath County, Oregon, to-wit:
PARCEL 1:

Township 40 South, Range 9 East of the Willamette Meridian

Section 16: SW $\frac{1}{4}$

Section 23: E $\frac{1}{2}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$

PARCEL 2:

Township 40 South, Range 9 East of the Willamette Meridian

Section 14: SE $\frac{1}{4}$, the SW $\frac{1}{4}$, all that portion of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ lying Westerly of the county road. The S $\frac{1}{2}$ NW $\frac{1}{4}$, LESS portions thereof conveyed to the United States of America by deeds recorded in Deed Volume 99, Page 184 and in Volume 105, Page 261, ALSO SAVING AND EXCEPTING those portions of the SE $\frac{1}{4}$ NW $\frac{1}{4}$ lying East of the U.S.B.R. 3-C Drain.

Section 15: SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, all that portion of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ and of the S $\frac{1}{2}$ NW $\frac{1}{4}$ described as follows: Beginning at the corner common to Sections 9, 10, 15 and 16; thence East 183 feet; thence South 38°43' West 25 feet; thence South 7°30' West 370 feet; thence South 20°00' West 385 feet; thence South 33°15' East 425 feet; thence South 12°00' East 435 feet; thence South 56°30' East 350 feet; thence South 43°20' East 290 feet; thence South 18°30' East 300 feet; thence South 27°45' East 250 feet; thence South 80°00' East 190 feet; thence North 76°30' East 520 feet; thence South 76°00' East 345 feet; thence South 89°00' East 490 feet; thence South 65°30' East 30 feet; thence South to the Southeast corner of the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 15; thence West along the South line of said NW $\frac{1}{4}$ of said Section 15, to the quarter corner common to Sections 15 and 16; thence North along the section line to the point of beginning.

Section 16: W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, and the SE $\frac{1}{4}$

Section 22: E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 23: E $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$

Section 26: NW $\frac{1}{4}$ NE $\frac{1}{4}$

Township 40 South, Range 9 East of the Willamette

Meridian Portion Section 36
 Township 40 South, Range 10 East of the Willamette
 Meridian Portion Sections 31 and 32
 Township 41 South, Range 10 East of the Willamette
 Meridian Portion Sections 5, 6, 7 and 8; more
 particularly described as follows:

Commencing at the Northwest corner of Section 7, Township 41 South, Range 10 East of the Willamette Meridian, thence South, 2,349.63 feet; thence East 588.53 feet to a 5/8 inch iron pin on the Northerly boundary of Lower Lake Road for the true point of beginning; thence North 32°57'50" East, 626.60 feet; thence North 30°37'40" East, 583.76 feet; thence North 2°06'10" West, 272.55 feet; thence North 26°53'30" West, 795.90 feet; thence North 00°59'20" West, 483.48 feet; thence North 30°49'50" East, 1,493.24 feet; thence North 8°30'40" West, 1,245.85 feet; thence North 26°12'20" West, 5,063.29 feet; thence North 9°33'50" East, 881.61 feet; thence North 17°30'30" East, 240.44 feet; thence North 20°16'20" East, 245.73 feet; thence North 36°44'20" East a distance of 920 feet, more or less, to a point on the North boundary of the S½NW¼ of Section 31, Township 40 South, Range 10 East of the Willamette Meridian; thence East along said line and the North line of the S½NW¼ to the East line of Section 31; thence South along said East line to the East-West centerline of Section 32; thence East along said line to the Northeast corner of the NW¼SW¼; thence South along the North-South centerline of the SW¼ of Section 32 and the W½ of Section 5, Township 41 South, Range 10 East of the Willamette Meridian, and the NW¼ (NE¼ in Mortgage M-77 page 13607) of Section 8, Township 41 South, Range 10 East of the Willamette Meridian, to the East-West centerline of Section 8; thence West along said centerline to the East line of Section 7, Township 41 South, Range 10 East of the Willamette Meridian; thence South along said line to the North right-of-way line to the Lower Klamath Lake Road; thence Northwest along said North line to the point of beginning. SAVE AND EXCEPT from the above-described parcel: S½NE¼ (S½NW¼ in Mortgage M-77 page 13607) of Section 31, Township 40 South, Range 10 East of the Willamette Meridian.

Together with the following irrigation equipment, which are replacements of that originally given as security, all of which are hereby declared to be appurtenant hereto:

- 25 HP G.E. motor, Model #SK1364GG, with a Berkeley turbine pump, #7836931;
- 100 HP G.E. electric motor, #CNJ323154, with a Johnston turbine pump, #JV1951; and three 30 HP G.E. motors, all Model #5K284JL1128, and three booster pumps;
- 30 HP Century electric motor, #6323051-01, with a Berkeley turbine pump, #7836931;
- 75 HP U.S. electric motor, #1183848, with a Berkeley 10-lift turbine pump, #6960293; and
- 60 HP Century electric motor, #6-339171-01, with a Berkeley turbine pump, #7837018

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.

SUBJECT TO reservations and restrictions of record, easements and rights of way of record and those apparent on the land, contracts and/or liens for irrigation and/or drainage.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Company the 18th day
of January A.D. 19 88 at 2:08 o'clock P. M., and duly recorded in Vol. M88
of Deeds on Page 877.
By Evelyn Biehn, County Clerk
RAM Smith

FEE \$35.00