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Vol. 789 Page 21039
Loan No. 196079-2
Loan No. 22801 301

SECURITY AGREEMENT

The parties to this agreement are Farm Credit Bank of Spokane, successor in merger to The Federal Land Bank of Spokane, hereinafter referred to as "Bank," and Michael B. Jager and Margaret H. Jager, husband and wife, hereinafter referred to as "Debtor," whose mailing address is: P.O. Box 345, Glenbrook, NV 89413.

WHEREAS, the Debtor executed a mortgage of certain real property to the secured party dated July 25, 1983, recorded August 8, 1983, in Volume M83, page 13038, as Instrument No. 26686, Records of Klamath County, Oregon, which mortgage was given to secure a promissory note for Two Hundred Thirty-five Thousand Dollars (\$235,000.00) payable in 35 installments, the last payment being due July 1, 2018.

WHEREAS, the Debtor has applied to Bank for a reduction of the variable interest rate provided on said note in accordance with Bank's differential interest rate program. In consideration of granting the reduced interest rate, Debtor has agreed to grant to Bank as supplemental security for the above described note and mortgage a security interest in irrigation equipment hereinafter described.

NOW, THEREFORE, Debtor does hereby grant Bank a security interest in that collateral described below and all products and proceeds of that collateral subject to the terms and conditions contained herein.

SECURITY

Eight, 1/4-mile wheellines

Real estate description for fixtures shown on Exhibit A attached hereto and by reference made a part hereof.

PROCEEDS

Debtor grants Bank a security interest in all cash and noncash proceeds from the sale or other disposition of any of the collateral, and all accounts receivable from such transactions.

SIMILAR AND AFTER-ACQUIRED PROPERTY

Debtor grants Bank a security interest in all additions, replacements and substitutions of the Collateral described above and any and all property of similar type or kind now owned or hereafter acquired by Debtor, including but not limited to accessories, replacements and additions to and substitutions of equipment and other property.

OBLIGATIONS SECURED HEREBY

The Collateral secures the debt evidenced by the Note including any extension or renewals of the Note, all interest which shall accrue thereon, repayment of all sums hereafter expended by Bank for the maintenance, preservation or transportation of the Collateral or for the protection of its liens thereon, and all costs of collection of the debt and realization from the Collateral.

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FURTHER COVENANTS, AGREEMENTS AND WARRANTIES OF THE DEBTOR

Sale or Other Disposition of Collateral. Debtor agrees not to sell, exchange or otherwise dispose of any Collateral without the prior written consent of Bank.

Debtor's Address and Kind or Location of Collateral. Debtor shall immediately notify Bank in writing of any change in the kind, location or identity of Collateral and of any change in Debtor's address.

Financing Statements. Debtor agrees to sign and deliver to Bank any financing statements, and any amendments and continuations thereof, and any other document or instrument requested by Bank for the purpose of creating, perfecting or continuing the security interest hereby given in the Collateral described herein. Debtor agrees and acknowledges that this is a continuing obligation until the obligations secured by this Security Agreement are paid in full and termination statements have been given and filed.

Warranties. Debtor is the owner and in lawful possession at the location above described of the Collateral free and clear of liens, encumbrances and security interests except the security interest hereby granted and will defend the Collateral against the claims and demands of all persons; Debtor will not permit any of the Collateral to be encumbered (other than Bank's security interest) without first having obtained the written consent of the Bank.

Obligations to Pay. (A) Debtor will pay, when due, all indebtedness secured hereby with interest, together with any rent, taxes, levies, assessments, or other claims which are or may become liens against the Collateral; (B) Debtor agrees to pay on demand the amount of all expenses reasonable incurred by Bank in protecting or realizing on the Collateral. In the event that this Agreement or any obligation secured by it is referred to an attorney for protecting or defending the priority of Bank's interest, Debtor agrees to pay a reasonable attorney's fee, including fees incurred in both trial and appellate courts, any bankruptcy proceedings, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this subparagraph shall be secured hereby.

Care, Delivery and Inspection of Collateral. Debtor agrees to give Bank prompt notice of any loss of or damage to the Collateral or any part thereof and permit Bank, or its agents, to enter upon the farm at reasonable times for the purpose of inspecting the Collateral and the land.

Preservation of Collateral. If Debtor fails to attend to and care for the Collateral as herein agreed, Bank at its option may enter upon the premises and perform all things which may be necessary to preserve and/or market the Collateral at Debtor's expense or if Debtor fails to pay, when due, any rent, taxes, levies, assessments, insurance premiums or other claims as herein agreed, Bank at its option may pay the same or any part thereof without waiving its right to enforce this agreement for default, and all such expenses incurred and amounts paid by Bank, including reasonable attorney's fees, shall be added to the indebtedness hereby secured and bear interest at the current rate from the date of payment.

Term of Agreement. This Agreement shall continue in full force and effect until the indebtedness secured hereby is paid in full or until amended, replaced, released or terminated in writing.

Events of Default. Time is of the essence of this Agreement. The occurrence of one or more of the following events shall constitute an event of default hereunder:

1. Debtor shall fail to make any payment, when due or declared due, of any sum or sums evidenced or secured by this Agreement.

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2. Debtor shall breach or fail to perform any of the covenants, warranties, terms, conditions, or provisions of this Agreement or of the note and mortgage between Debtor and Bank secured hereby.
3. Debtors' death, dissolution, termination of existence or insolvency (defined to include liabilities exceeding assets and inability to pay debts as they come due).
4. Assignment for the benefit of creditors by Debtor; appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, agent or other similar official for Debtor or for any substantial part of debtor's property; or the commencement of bankruptcy proceedings by or against Debtor.
5. Loss, theft, substantial damage or destruction of the Collateral not fully covered by insurance, or the issuance or filing of any lien, levy, writ, attachment, execution, seizure or notice of tax lien against Debtor or the Collateral which is not released, bonded or stayed to the satisfaction of Bank within thirty (30) days thereof.
6. Failure of Debtor to defend the Collateral against any competing claims.
7. Any material change in the financial condition of Debtor which, in Bank's reasonable business judgment, would adversely affect the value of the Collateral or the ability of Debtor to timely repay the indebtedness.

No waiver by Bank of any event of default shall be effective unless in writing, nor operates as a waiver of any other default or of the same default on a future occasion.

Remedies. In the event of any default hereunder and the acceleration of the indebtedness evidenced or secured hereby, Bank shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code--Secured Transactions or other applicable law and all rights and remedies provided herein, to enforce payment thereof, all of which rights and remedies shall, to the full extent permitted by law, be optional and cumulative, including, without limiting the generality of the foregoing, the right of Bank to require Debtor to assemble the Collateral and make it available to Bank at a place to be designated by Bank which shall be reasonably convenient to both parties, or the right of Bank, its agent or attorney, or the sheriff of any county in which the above described Collateral or any part thereof may be located, to take immediate possession of said Collateral wherever found, with or without suit or process, and to sell the same at public or private sale, with or without notice, and to apply the proceeds of said sale to the discharge debt, interest and expenses of protecting or realizing on the Collateral, including reasonable attorney's fees, and the right to a judgment for any deficiency; the right to become the purchaser at any sale made hereunder; and in any suit for foreclosure hereof, the right to have a receiver appointed to take possession of the Collateral. The sheriff of any county wherein the Collateral or any part thereof is located is authorized, at the request of Bank and upon delivery of a copy of this Security Agreement, to take possession of such collateral and sell the same as provided by law. Any notice of sale or other intended action by Bank, sent to Debtor at least five (5) days prior to any such action, shall constitute reasonable notice to Debtor.

All rights of Bank hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind the heirs, executors, administrators, successors and assigns of Debtor. If there be more than one Debtor, their obligations hereunder shall be joint and several.

COMPLETE AGREEMENT

This Agreement and the above referenced note and mortgage merge all prior negotiations, interpretations and oral or written loan agreements between Debtor and Bank and contain the entire loan agreement between Debtor and Bank with respect to the loan transaction. No amendments of such Agreements shall be binding upon Debtor and Bank unless such amendment is reduced to writing and signed by the parties. Any presently effective and continuing instrument of debt or security shall continue in full force and effect for its duration.

Dated: July 1, 1989

Michael B. Jager
Michael B. Jager

Margaret H. Jager
Margaret H. Jager

STATE OF Nevada)
County of Douglas) ss.

On this 9th day of October, 1989, before me personally appeared Michael B. Jager and Margaret H. Jager, husband and wife, known to me to be the persons described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.



DONALD K. BROOKS, JR.
Notary Public - State of Nevada
Appointment Recorded in Douglas County
MY APPOINTMENT EXPIRES AUG. 26, 1993

Donald K. Brooks, Jr.
Notary Public for the State of Nevada
Residing at Zephyr Cove, Nevada
My commission expires 8/26/93

81-A-6069

EXHIBIT "A"

PARCEL 1:

The E1/2SW1/4 and S1/2SE1/4 of Section 31 and the SW1/4SW1/4 and S1/2NW1/4SW1/4 and S1/2N1/2NW1/4SW1/4 of Section 32 all in Township 37 South, Range 11 East of the Willamette Meridian.

That portion of the SW1/4NE1/4, SE1/4NW1/4, NW1/4SE1/4 lying Northerly of the center thread of Wildhorse Creek; and Government Lot 3 (NE1/4NW1/4) Section 6 all in Township 38 South, Range 11 East of the Willamette Meridian.

PARCEL 2:

NE1/4SE1/4 of Section 31, Township 37 South, Range 11 East of the Willamette Meridian.

Tax Account Nos: 3711-3100-500; 3711-3100-900; 3711-3200-1000
& 3811-600-300. ✓

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Farm Credit Services the 1st day
of Nov. A.D., 19 89 at 1:15 o'clock P.M., and duly recorded in Vol. M89,
of Mortgages on Page 21039.
Evelyn Biehn County Clerk
By Pauline Mueselers

FEE \$28.00

Return to
Farm Credit Services
P.O. Box 148 Klamath Falls 97601