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FCB 697A (Rev. 7-88)

FCB Loan No.

F-220901-4
030705 321 01

C-41712

FARM CREDIT BANK MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, That on

September 22, 1989

____ Lloyd L. Nelson and Patricia A. Nelson, husband and wife; whose mailing address is _____
____ 2005 Buckey Way, Sparks, NV 89431; _____

4011-200-1300 Key #738893
4011-300-101 Key #804829
4011-200-301 Key #804838
4011-200-700 Key #103505
4011-200-1000 Key #805169
4011-200-1100 Key #103453

Re-recorded to add initials

hereinafter called the Mortgagors, hereby grant, bargain, sell, convey and mortgage to FARM CREDIT BANK OF SPOKANE, a corporation, whose address is West 601 First Avenue, TAF-C5, Spokane, Washington 99220-4005, hereinafter called the Mortgagee, the following described real estate in the County(ies) of Klamath State of Oregon

The description of real property covered by this mortgage consists of 1 page(s) marked Exhibit "A", which is attached hereto and is by reference made a part hereof.

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Exhibit "A"

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PARCEL 1:

Lots 19 and 20, and N $\frac{1}{2}$ SW $\frac{1}{4}$ in Section 2, Township 40 South, Range 11 E.W.M., less portions deeded to United States of America in Deed 37 page 628, and in Deed 38 page 512, and further excepting that portion deeded to Wood River Investment Co., in Deed Volume 84 page 219, records of Klamath County, Oregon.

Lots 14 and the S $\frac{1}{2}$ of Lot 11, in Section 2, Township 40 South, Range 11 E.W.M.

ALSO, a parcel of land situated in Government Lots 5, 12, and 13 in Section 2, and Government Lots 8 and 9, in Section 3, Township 40 South, Range 11 E.W.M., more particularly described as follows:

Beginning at the N $\frac{1}{16}$ corner common to said Sections 2 and 3; thence North 1365.49 feet to a $\frac{1}{2}$ inch pipe described in Volume 2 page 183 of the Klamath County Road records; thence North 1350.00 feet to the True Point of Beginning of this description; thence West 1367 feet, more or less, to the West line of said Government Lot 8; thence Southerly, along the Westerly lines of said Government Lots 8 and 9, 1359.01 feet to a point in the centerline of Schaupp Road; thence N. 89°37'20" E. 1360.07 feet to said $\frac{1}{2}$ inch pipe; thence South 1365.49 feet to said N $\frac{1}{16}$ corner; thence S. 89°04'32" E. along the centerline of Bedford Road as constructed, 1297.4 feet, more or less, to the East line of Government Lot 13; thence Northerly, along the East line of said Government Lots 13, 12, and 5, 2736.50 feet to a point; thence West 1279.40 feet to the true point of beginning.

SAVING AND EXCEPTING any portion in Volume M77 page 3655, Deed records of Klamath County, Oregon.

ALSO, Beginning at the Northwest corner of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 2, Township 40 South, Range 11 E.W.M.; thence Southwesterly along the West line of an old farm road to the County Road or Highway, 2027 feet to an iron pin; thence Northwesterly along the North line of said highway 2300 feet, more or less, to the Southwest corner of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 2; thence Easterly along the Southline of the N $\frac{1}{2}$ SW $\frac{1}{4}$ of said Section 2, to the point of beginning.

SAVING AND EXCEPTING the following: Beginning at a point which lies 767 feet Southwesterly along an Old Farm Road from the Northwest corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 2; thence continuing Southwesterly along the old farm road 1260 feet, more or less, to the Northerly right of way line of the County Road, known as Schaupp Road; thence Northwesterly along the Northwest right of way line of Schaupp Road, 1400 feet; thence Easterly 1610 feet to the point of beginning.

PARCEL 2:

A portion of the S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 2 and the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11, Township 40 South, Range 11 E.W.M., Klamath County, State of Oregon, more particularly described as follows:

Beginning at a point which lies 767 feet Southwesterly along an old farm Road from the Northwest corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 2; thence continuing Southwesterly along the old farm road 1260 feet, more or less, to the Northerly right of way line of the County Road, known as Schaupp Road; thence Northwesterly along the Northwest right of way line of Schaupp Road, 1400 feet, thence Easterly 1610 feet to the point of beginning.

Together with a 40 HP Century electric motor, with a Berkley centrifugal pump; a 30 HP Marathon electric motor, with a Berkley centrifugal pump; a 40 HP Century electric motor, with a Berkley centrifugal pump; a 30 HP Century electric motor, with a Berkley centrifugal pump; 1,300 feet of size 6 inch aluminum mainline with valves; inclusive of all elbows, end plugs, hoses, valve openers, and other related parts; approximately 7,800 feet of sizes 6 inch through 10 inch buried PVC mainline; 150 - 3 inch by 40 feet aluminum handline with risers and sprinklers; 1 - 5 inch by 1680 feet of Western Wheeline with mover; 5 - 4 inch by 1320 feet of Wade Rain Wheeline with mover; 3 - 4 inch by 1320 feet of Trunnell Wheeline with mover; and any replacements thereof, all of which are hereby declared to be appurtenant thereto.

Also, together with 1982 Marlette 28 X 66 double wide mobile home or any replacements thereof, including but not limited to all parts, accessories, and accessions thereto at any time made or acquired, which mobile is hereby declared appurtenant to the herein mortgaged property.

INITIALS *MDV*, *SM*.

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including all leases, permits, licenses or privileges, written or otherwise, appurtenant or nonappurtenant to said mortgaged premises, now held by Mortgagors 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 Mortgagors to the order of the Mortgagee, of even date herewith, for the principal sum of \$337,900.00, 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 October, 2004.

MORTGAGORS COVENANT AND AGREE:

That they are lawfully seized of said premises in fee simple, have good right and lawful authority to convey and mortgage the same, and that said premises are free from encumbrance; and each of the Mortgagors 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; not to cut or permit the cutting of timber from said premises except for domestic use; to maintain and cultivate the premises in good and husbandlike 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 the Mortgagors 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 the Mortgagors 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 or bankruptcy proceeding which the Mortgagee may deem it necessary to prosecute or defend to effect or protect the lien hereof, the Mortgagors agree to pay a reasonable sum as attorney's fees and all costs and legal expenses in connection with said suit or proceeding, and further agree 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.

This mortgage and the note secured hereby are executed and delivered under and in accordance with the Farm Credit Act of 1971 and any acts amendatory or supplementary thereto and the regulations of the Farm Credit Administration, and are subject to the terms, conditions and provisions thereof applicable to Farm Credit Bank loans.

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.

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The promissory note described above, which is secured by this Mortgage, provides for indexing and adjustment of the interest rate, payment terms and balance due on the obligation. A Rider summarizing the terms and provisions of said Note is attached hereto as Exhibit "1" and by reference at this place incorporates the terms thereof.

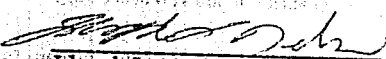
Each Mortgagor agrees to provide to the Mortgagee annually, within 90 days of the end of each Mortgagor's fiscal year, in a form prescribed by or acceptable to the Mortgagee, a current balance sheet and a current income and expense statement certified by Mortgagor to be complete and accurate.

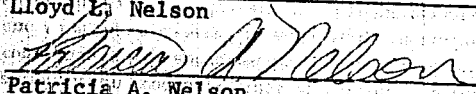
The obligations secured by this Mortgage are personal to the Mortgagor(s) and are not assignable by the Mortgagor(s). When making the loan secured by this Mortgage, the Mortgagee relied upon the credit of the Mortgagor(s), the interest of the Mortgagor(s) in the premises, and the financial market conditions then existing. In the event of any transfer, sale or conveyance, or contract to transfer, sell or convey the title to all or any part of the premises, or of all or any part of the stock or ownership interest in any corporation, partnership, or other entity owning all or any part of the premises, whether voluntary, involuntary or by operation of law, without Mortgagee's prior written consent, Mortgagee may declare the entire balance then remaining unpaid on all the obligations secured by this Mortgage immediately due and payable.

It is agreed that this Mortgage, without affecting its validity as a real estate Mortgage, is also executed and shall be construed as a Security Agreement and Financing Statement under the Oregon Uniform Commercial Code, granting to Mortgagee a security interest in personal property collateral described herein, including but not limited to equipment, fixtures or goods which are or are to become fixtures, timber, and consumer goods. In addition to the rights and remedies provided herein, Mortgagee shall have all the rights and remedies granted by such Code; and reasonable notice, when notice is requested, shall be five (5) days.

For the purpose of a Financing Statement covering personal property collateral described herein, the debtor(s) are the Mortgagor(s), the secured party is the Mortgagee, the address of the secured party from which information concerning the security interest may be obtained is 900 Klamath Avenue, P.O. Box 148, Klamath Falls, OR 97601 and the mailing address of the debtor(s) is 2005 Buckey Way, Sparks, NV 89431.

IN WITNESS WHEREOF, The mortgagors have hereunto set their hands the day and year first above written.

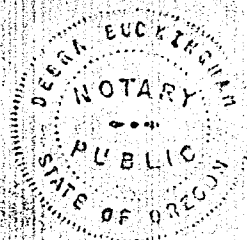

Lloyd L. Nelson


Patricia A. Nelson

STATE OF Oregon)
County of Klamath)

On this 29th day of September, 1989, before me personally appeared Lloyd L. Nelson and Patricia A. Nelson to me known to be the person(s) described in and who executed the within instrument, and acknowledged that he/she/they executed the same as his/her/their free act and deed.

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Debra Euckingham
Notary Public for the State of Oregon
Residing at Klamath Falls
My commission expires 12-19-29

FCE No. F-220901-4
030705 321 01

EXHIBIT I
FIXED RATE RIDER

THIS FIXED RATE RIDER is made this 22nd day of September, 19 89, and is incorporated into and amends and supplements that certain Mortgage dated September 22, 1989 for the purpose of providing notice of the terms and provisions of the obligations evidenced by that certain Note (the "Note") given by the Borrower to Farm Credit Bank of Spokane ("Bank") or Bank's predecessor in merger, The Federal Land Bank of Spokane, dated September 22, 1989 for the principal sum of Three Hundred Thirty-seven Thousand Nine Hundred and no cents ----- Dollars (\$ 337,900.00). The terms of the Note provide that the interest rate, payment terms or amounts due under the Note may be indexed, adjusted, renewed or renegotiated upon subsequent written agreement of the parties.

FIXED INTEREST RATE

1. The Note provides for a fixed interest rate which shall remain in effect during the term of the Note unless changed to a default interest rate pursuant to the default provisions of the Note.
2. Payments under the Note shall be in annual installments.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 3rd day of Oct. A.D., 19 89 at 8:42 o'clock AM., and duly recorded in Vol. M89, of Mortgages on Page 18585.
Evelyn Biehn County Clerk
By Caroline Mustenclare
FEE \$28.00
Return: K.C.T.C.
INDEXED

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 7th day of Nov. A.D., 19 89 at 10:09 o'clock AM., and duly recorded in Vol. M89, of Mortgages on Page 21462.
Evelyn Biehn County Clerk
By Caroline Mustenclare
FEE \$25.00
Return: K.C.T.C.