

FARM CREDIT BANK MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, That on September 26, 1990

Forney W. Scronce, unmarried; Jennifer D. Scronce, married dealing in her sole and separate property; Scronce Farm Co., a partnership composed of Forney W. Scronce and Earl D. Scronce; Earl D. Scronce, married dealing in his sole and separate property; Linda D. Pearson, married dealing in her sole and separate property; whose mailing address is P.O. Box 221, Merrill, OR 97633;

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, TAI-C5, Spokane, Washington 99220-4905, hereinafter called the Mortgagee, the following described real estate in the County(ies) of Klamath State of Oregon

THIS MORTGAGE IS ALSO INTENDED AS A FIXTURE FILING

PARCEL A:

Township 37 South, Range 8 East of the Willamette Meridian.

Section 12: Lot 4

Section 13: Lot 1, N1/2 of Lot 2, NE1/4NE1/4, N1/2SE1/4NE1/4

EXCEPT those portions of the above described properties heretofore conveyed to the State of Oregon for highway purposes in Deed Volume 224, page 139, Deed Records of Klamath County, Oregon.

ALSO EXCEPTING those portions of the above described properties heretofore conveyed to the Oregon Eastern Railway Company, an Oregon Corporation, for railroad right-of-way in Deed Volume 26, page 396, Deed Records of Klamath County, Oregon.

Township 37 South, Range 9 East of the Willamette Meridian.

Section 7: Lot 4, SE1/4SW1/4

Section 18: N1/2NW1/4, portions of the SE1/2NW1/4, more particularly described as follows: Beginning at the Northeast corner of the SE1/4NW1/4 of Section 18; thence Southwesterly along the center of the dredger cut to a point 10 chains North of the quarter section corner on the West line of said Section 18; thence North to the Northwest corner of SW1/4NW1/4 of said Section 18, East along the North line of SE1/2NW1/4 of Section 18 to the place of beginning.

Key #s 376989, 378380, 376391 & 376408

PARCEL B:

Government Lots 5, 6 and 7; the SE1/4SW1/4 and that portion of the NE1/4SW1/4 lying West of the State Highway, all in Section 6; Lots 1, 2 and 3 and the E1/2NW1/4 and the NE1/4SW1/4 of Section 7; all in Township 37 South, Range 9 East of the Willamette Meridian.

Lot 1, Section 1 and Lots 1, 2 and 3 of Section 12 all in Township 37 South, Range 8 East of the Willamette Meridian.

Key #s 376863, 376337, 376382, 376318 & 376827

Together with a 25 HP Fairbanks Morse electric motor and G.E. panel with Vertiline Layne Fowler turbine pump; and any replacements thereof, all of which are hereby declared to be appurtenant thereto. ✓

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including all houses, 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 here or will be assigned or waived to Mortgagors.

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 evident, 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 \$144,000.00 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 January, 2006.

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 improvement 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 improvements 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 as 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 thereof 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.

ADDITIONAL RECITALS, COVENANTS AND CONDITIONS:

This conveyance is intended as a Mortgage and is given as security for the performance of the covenants and agreements herein contained and the payment of the debt represented by the following described notes made by the Mortgagors to the order of the Mortgagee as provided for in said Notes.

Face Amount of Note
\$430,000.00

Date of Note
May 13, 1980

Maturity Date of Note
January 1, 2015

The terms of the Note(s) described above provide that the interest rate, payment terms or amounts due under the Note(s) may be indexed, adjusted, renewed or renegotiated.

Default of any of the above Notes or default in the performance of any of the covenants of this Mortgage or any prior Mortgages securing said Notes shall be considered a default of all Mortgages covering the security and Mortgagee may, at its option, declare any and all Notes and Mortgages immediately due and payable.

It is further agreed that payoff of any of the Notes secured hereby will not entitle Mortgagors to a release of this or any prior Mortgage, until the entire indebtedness secured by this Mortgage is paid in full.

The obligations secured by this Mortgage are personal to the Mortgagor and are not assignable by the Mortgagor. When making the loan secured by this Mortgage, the Mortgagee relied upon the credit of the Mortgagor, the interest of the Mortgagor 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 of the obligations secured by this Mortgage immediately due and payable.

The Farm Credit Bank of Spokane is the successor in merger to The Federal Land Bank of Spokane.

The following join in this instrument to perfect the first lien offered as security for the loan, but assume no liability for payment of the debt and shall not be bound by the personal covenants hereof: Scronce Farm Co., a partnership composed of Forney W. Scronce and Karl D. Scronce; Karl D. Scronce, married dealing in his sole and separate property; Linda D. Pearson, married dealing in her sole and separate property.

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.

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 Farm Credit Services - Klamath Falls, 900 Klamath Avenue, P.O. Box 148, Klamath Falls, OR 97601 and the mailing address of the debtor(s) is P.O. Box 221, Merrill, OR 97633.

The mortgagor appearing on the first page hereof as Karl D. Scronce is the same person as Karl Scronce.

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

SCRONCE FARM CO.

BY: Forney W. Scronce
Forney W. Scronce, Partner

BY: Karl D. Scronce
Karl D. Scronce, Partner

Forney W. Scronce
Forney W. Scronce

Jennifer D. Scronce
Jennifer D. Scronce

Karl D. Scronce
Karl D. Scronce

Linda D. Pearson
Linda D. Pearson

STATE OF Oregon)
County of Klamath) ss.

On this 28th day of September, 1990, before me personally appeared Forney W. Scronce to me known to be the person described in and who executed the within instrument, and acknowledged to me that he executed the same as his free act and deed.

KIRSTINE L. PROCK
NOTARY PUBLIC - OREGON

My Commission Expires

Kirstine L. Prock
Notary Public for the State of Oregon
Residing at Klamath Falls, OR
My commission expires 12/16/92

STATE OF Oregon)
County of Klamath) ss.

On this 28th day of September, 1990, before me personally appeared Jennifer D. Scronce to me known to be the person described in and who executed the within instrument, and acknowledged to me that she executed the same as his free act and deed.

KIRSTINE L. PROCK
NOTARY PUBLIC - OREGON

My Commission Expires

Kirstine L. Prock
Notary Public for the State of Oregon
Residing at Klamath Falls, OR
My commission expires 12/16/92

STATE OF Oregon)
County of Klamath) ss.

On this 28th day of September, 1990, before me personally appeared Karl D. Scronce to me known to be the person described in and who executed the within instrument, and acknowledged to me that he executed the same as his free act and deed.

KIRSTINE L. PROCK
NOTARY PUBLIC - OREGON

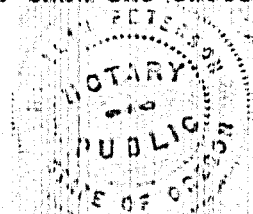
My Commission Expires

Kirstine L. Prock
Notary Public for the State of Oregon
Residing at Klamath Falls, OR
My commission expires 12/16/92

STATE OF Oregon)
County of Clackamas) ss.

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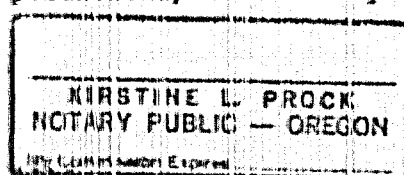
On this 1st day of October, 1990, before me personally appeared Linda D. Pearson to me known to be the person described in and who executed the within instrument, and acknowledged to me that she executed the same as his free act and deed.



Marilyn Peterson
Notary Public for the State of Oregon
Residing at Brightwood, OR 97011
My commission expires 4/24/92

STATE OF Oregon)
County of Klamath) ss.

On this 28th day of September, 1990, before me personally appeared Forney W. Scronce and Karl D. Scronce, known to me to be the partners in the partnership which executed the within instrument, and acknowledged that they executed the same as such partners and in the partnership name freely and voluntarily.



Kirstine L. Prock
Notary Public for the State of Oregon
Residing at Klamath Falls, OR
My commission expires 12/16/92

RETURN:
FARM CREDIT SERVICES
900 KLAMATH AVENUE
KLAMATH FALLS OR 97601

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 5th day of Oct. A.D. 19 90 at 10:05 o'clock A.M. and duly recorded in Vol. M90 of Mortgages on Page 20160

FEE \$18.00

Evelyn Biehn County Clerk

By Debra Muckindar