

MORTGAGE AND ASSIGNMENT FOR SECURITY PURPOSES

Made as of the last date set opposite the signatures of assignor and assignee, between JOHN D. ALARCON and DARLENE ALARCON, husband and wife, as assignor (Debtor), and FARM CREDIT BANK OF SPOKANE, as assignee (Secured Party).

RECITALS

A. On January 13, 1989, Debtor sold certain land to Brendan Capital Corporation (Brendan) pursuant to land sale contract (the contract). The real property is more fully described on the attached Exhibit "A". The contract is recorded May 24, 1989, at Vol. #M89, Page #8986, deed records of Klamath County, Oregon.

B. On July 10, 1990, the contract was amended by written agreement between Debtor and Brendan.

C. On October 11, 1990, the contract was further amended by written agreement between Debtor and Brendan.

D. Debtor is currently indebted to Secured Party and wishes to assign the contract as amended, to secured party as additional security for a new loan.

IT IS AGREED:

1. Assignment: Debtor hereby bargains, sells, assigns, and transfers to Secured Party all of Debtor's right, title, and interest in and to the following general intangibles, instruments, documents, contract rights, drafts, acceptances, notes, and rights to payment or performance under contract, whether or not yet due, (Collateral): All of Debtor's right to the payment of \$312,500.00 principal, together with 10% interest evidenced and secured by the contract (to which recorded instrument reference is made and the same thereby incorporated herein as though fully set forth hereat); all of Debtor's vendor's lien in the real property described in the Land Sale Contract; all of Debtor's security interest under the Uniform Commercial Code in the personal property described in the Land Sale Contract. In addition, without limiting the generality of this Agreement, this Agreement shall also constitute a conveyance of Debtor's title in and to the real property described in the Land Sale Contract for the purposes designated in this Agreement.

2. Grant of Security Interest: Debtor grants Secured Party a security interest in the Collateral as security for the payment of each and every one of the following:

- a. The Indebtedness: The Indebtedness defined in this Agreement.
- b. All Obligations of Debtor: The payment and performance of all existing and future obligations of Debtor to Secured Party, including those arising under this Agreement.

c. Expense: All expenses, including reasonable attorney fees (both at trial and on appeal) incurred or paid by Secured Party in the preservation or enforcement of Secured Party's rights, or obligations of Debtor hereunder, including such expenses incurred by Secured Party in performing, on behalf of Debtor, any obligations of Debtor. Without limiting the generality of the foregoing, expenses shall include any one or more of the following: Payment (voluntary or otherwise) of taxes, liens, insurance, or conflicting security rights; appearance by Secured Party in any proceeding (in law, in equity, or in bankruptcy) affecting Secured Party's security rights in the Collateral or the property described in the Collateral; and costs, charges, and expenses of evidence of title or validity or priority of Secured Party's security interest in the Collateral or property described therein. Nothing contained in this provision shall be construed as obligating Secured Party to incur any such expense for the benefit of Debtor and the incurring of any such expense shall be at the sole option and discretion of Secured Party.

3. Declaration of Agreement: This Agreement is irrevocable and shall remain in full force and effect until and unless it is released in writing by Secured Party or there is payment in full of the following obligations of Debtor (Indebtedness):

- a. Promissory Note, executed by Debtor and held by Secured Party, dated November 6, 1990, in the face amount of \$297,000.00.

- b. All future advances or loans hereafter made to or for the Debtor.

- c. All loan extensions or renewals.

- d. Debtor's obligations to acquire Secured Party's Stock and/or any capital equity in Secured Party required by any commitment of Debtor to Secured Party.

- e. All sums hereafter expended by Secured Party for the maintenance and preservation of the Collateral or the real property described in the Land Sale Contract, including expenses and attorney fees.

- f. Any other liability of Debtor to Secured Party now existing or hereafter incurred.

- g. Interest on all such sums, advances, loans, expenditures, or liability from the date thereof at the variable rate Secured Party shall, from time to time, proscribe as its rate of interest on its loans.

4. Debtor's Warranties and Covenants: Debtor warrants and covenants as follows:

a. Balance: Debtor warrants that the balance due under the contract is not less than \$312,500.00 with interest thereon from July 1, 1990.

b. Title: Debtor is the owner of the Collateral free from any adverse lien, security interest, or encumbrance except as set forth in this Agreement.

c. No Prior Assignment: Debtor has not made any prior assignment of the Collateral.

d. No Future Assignment or Modification: Debtor will not assign any other interest in the Collateral. Debtor will not agree to any modification of its rights or obligations under the contract.

e. Debtor Transmit Directly Received Payments to Secured Party: In the event any payment under the Collateral is made to Debtor, Debtor will promptly transmit such payment to Secured Party in the same form as it is received by Debtor except that Debtor will endorse checks or drafts which are payable to Debtor.

f. Location of Collateral: If the Land Sale Contract, and documents implementary of or ancillary to it are not placed with an installment collection escrow (Installment Collector) for collection of installments due, or to become due, under the Land Sale Contract, the recorded original of the Land Sale Contract, and all documents and/or instruments implementary of or ancillary to it will be kept in the office of Secured Party at West 601 1st Avenue, Spokane, WA 99220-4005. If the Land Sale Contract, and other documents described in this paragraph, are placed with an Installment Collector, Debtor will irrevocably instruct the Installment Collector in writing to remit all sums received by it to Secured Party, will not change the Installment Collector without the written consent of Secured Party, and will deliver executed originals of each document executed by Debtor, Purchaser, and the Installment Collector, to Secured Party to be kept at the herein specified office of Secured Party.

g. Sale Prohibited: Debtor will not sell, or offer to sell, or otherwise transfer, the Collateral, or any interest therein, without the written consent of Secured Party, but, in case of any such sale or transfer, Secured Party shall have a security interest in the proceeds.

h. Protect Collateral From Liens: Debtor will keep the Collateral free from any adverse lien, security interest, or encumbrance including taxes and assessments, and will defend the Collateral against all claims and demands of all other persons at any time claiming the same, or any interest therein.

i. Perfection of Security Interest: Debtor agrees to execute and file financing statements and do whatever may be necessary under applicable law to perfect and continue Secured Party's security interest in Collateral; all at Debtor's expense.

j. Further Assurances: Debtor will do, execute, and deliver whatever further acts, documents, or instruments as Secured Party reasonably shall require for preserving, confirming, and assuring to Secured Party, all and singular, and the security rights in the Collateral herein described.

k. Duties and Obligations of Debtor Joint and Several: If more than one Debtor, the duties and obligations of Debtor shall be joint and several.

5. Rights of Secured Party to Collect Proceeds and Enforce Debtor's Rights in the Collateral: Debtor hereby grants to Secured Party the following powers and rights:

a. Authority to Act: Debtor hereby authorizes Secured Party to perform the acts consented to by Debtor in this Agreement, including, without limiting the generality of the foregoing, to demand, receive, and enforce payment, to give receipts, releases, and satisfactions, to grant graces, extensions and indulgences, and to sue, either in the name of Debtor or in the name of Secured Party, for all sums payable under the collateral. This Agreement is to be construed as conveying to Secured Party whatever title Debtor has in the real property described in the Land Sale Contract to the extent necessary for Secured Party to obtain payment of all sums secured hereby, collect proceeds and to enforce Debtor's rights in the Collateral and the Land Sale Contract.

b. Notices and Right of Secured Party to Receive Payments and Proceeds: Secured Party may, at any time, give notice to any obligor under the Collateral, of Secured Party's right to receive all payments and proceeds from the Collateral and to require any obligor, under the Collateral, to make any payment to Secured Party. Secured Party, at its option, may hold such payment in trust as security, or apply the whole, or any part thereof, toward the Indebtedness in such order as Secured Party, in its sole discretion, may elect.

c. Secured Party May Grant Extension: Debtor consents that Secured Party may, at Secured Party's discretion, without further notice and without releasing the liability of Debtor, give grace or indulgence in the collection of all sums due or to become due under the contract, to grant extensions of time for the payment of the same before, at, or after maturity, or deal in any other way with the contract debtor or collateral.

d. Right of Secured Party to Proceed Against Debtor Independent of Obligor of Collateral: Debtor agrees that Secured Party may proceed against Debtor directly or independently of any obligor under the Collateral.

e. Non-Assumption of Debtor's Underlying Duty to Obligor of Collateral: Secured Party does not assume any of Debtor's obligations under any underlying agreement between Debtor and any obligor of the Collateral, and Debtor agrees to keep and perform all obligations of Debtor under any such agreement and to save Secured Party harmless from the consequences of any failure to do so (including, without limiting the generality of the foregoing, reasonable attorney fees at trial or on appeal); and no provision of this Agreement nor any act of Secured Party pursuant to this Agreement shall be construed to provide otherwise.

6. Default of Obligor of Collateral: In the event that any obligor under the Collateral should fail to make any payments when due or to perform any of its obligations to Debtor contained in the Collateral, Secured Party, without being or becoming obligated therefor, may enforce the Collateral or require Debtor to enforce it. Any cost incurred by Secured Party in enforcing the Collateral against any obligor under the Collateral (including without limiting the generality of the foregoing, any reasonable attorney fees at trial or on appeal) shall be added to the Indebtedness.

In the event Secured Party enforces the Debtor's rights under the assigned contract by foreclosure or otherwise it may do so in the name of the Debtor and this Agreement shall constitute lawful authority for it to do so. In the event any foreclosure action based upon the assigned contract results in a sheriff's sale, Secured Party may bid all or any part of the balance due Debtor under the assigned contract, in the name of the Debtor.

If the assigned contract is foreclosed in the name of the Debtor, and Debtor owns the property after foreclosure, Secured Party's mortgage, contained herein, shall continue in the property. If there is a cash bidder at the foreclosure sale, Secured Party shall have the right to receive all net cash proceeds up to the balance due on its debt.

Debtor may not use the balance owed under the assigned contract to outbid a cash bidder at any foreclosure sale arising from the assigned contract without the express written permission of Secured Party.

In no event shall Secured Party be obligated to give Debtor credit on its loan balance until Secured Party receives cash payment or agrees, in writing, with Debtor to take the real property subject to the assigned land sale contract in lieu of payment of a sum certain in cash.

7. Events of Default: Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

a. Failure to Perform: Default in the performance of any terms, covenants or provisions contained or referred to in this Agreement or any other agreement between Debtor and Secured Party.

b. False Warranty, Etc.: If any warranty, representation, or statement made or furnished to Secured Party by or on behalf of Debtor

proves to have been false in any material respect when made or furnished.

c. Acceleration of Debtors to Third Parties: Any event which results in the acceleration of the maturity of any indebtedness of Debtor to others under any indenture, agreement, or undertaking.

d. Unauthorized Disposition of Collateral: Sale or encumbrance of all, or any part of the Collateral, or the making of any levy, seizure or attachment thereof.

e. Insolvency, Etc.: Termination of Debtor's business, insolvency of Debtor, business failure of Debtor, appointment of a receiver of any part of the Collateral, assignment by Debtor for the benefit of Debtor's creditors of any of the Collateral, or the commencement of any proceeding under any bankruptcy or insolvency law by or against Debtor, or entry of any judgment against Debtor, or any one or more of the foregoing.

8. Remedies of Secured Party: In the event Debtor fails to pay when due the Indebtedness secured hereby or any part thereof, or fails to keep, observe or perform any warranty, covenant or agreement contained in this Agreement or any other agreement between the parties, Secured Party, at its option, may declare all Indebtedness secured hereby immediately due and payable. To enforce payment thereof, Secured Party may treat this Agreement either as an absolute assignment subject only to accounting for any surplus, or as a security agreement, or both, in which event Secured Party shall have all the rights and remedies of a secured party under applicable laws and may be a purchaser at any foreclosure sale. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right and a waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Secured Party's rights and remedies, regardless of how evidenced, shall be cumulative and may be exercised singularly or concurrently at the sole discretion and option of Secured Party. Secured Party acknowledges that the contract, as amended, is non-recourse.

9. Attorney Fees: In any suit or action between the parties arising out of, or in connection with, any of the terms, covenants, or provisions of this Agreement, the prevailing party in such suit or action shall be awarded, in addition to any equitable relief, or damages, or both, and costs as provided by law, reasonable attorney fees at trial and on appeal. This provision shall extend to and apply to any suit or action in which the issue may be whether the terms, covenants, and provisions of this Agreement are enforceable or null and void. This provision shall, therefore, be and is hereby expressly declared by the parties hereto to be severable from all other terms, covenants, and provisions of this Agreement.

10. Notice: Any notice to Debtor required by this Agreement shall be deemed to have been fully given when written and deposited in a sealed envelope with the United States Postal Service with postage prepaid as

Certified Mail addressed to Debtor at the address shown as Debtor's address on the records of Secured Party.

11. Construction: All agreements and covenants contained herein are severable and, in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as though such invalid agreements or covenants were not contained herein. Pronouns shall be construed in accordance with the appropriate gender or neuter, and as either singular or plural as the context requires. This Agreement shall not be construed against the party paying for its preparation, but shall be construed as though all parties prepared it. The headings contained in this Agreement are for convenience only and are not to be construed as part of this Agreement. Acceptance of this Agreement by Secured Party is not intended, and will not be, any relinquishment of any rights by Secured Party, however evidenced or arising, and the intent of the parties is for this assignment to be additional security for the Indebtedness and not any substitute for any other security for the Indebtedness except as expressly released by Secured Party in writing. In addition, by way of expansion of not limitation of, the rights of Secured Party and the obligations of Debtor to Secured Party, this Agreement is accepted as substituted security for liens on the real property and personal property described in the Land Sale Contract more particularly described in Paragraph 1 of this Agreement, and shall not constitute, or be construed as, any relinquishment of the rights of Secured Party, or the duties of Debtor to Secured Party, including, without limitation of the generality of the foregoing, those rights and duties arising out of, or resulting from, the Promissory Note described in Paragraph 3a, being past due.

Nothing herein shall be construed as creating any fiduciary obligation between Debtor and Secured Party. Secured Party does not certify that the property sold under the assigned Land Sale Contract is worth the balance due under the Land Sale Contract.

12. Binding Effect and Assignment: This Agreement shall be binding upon the parties, their heirs, executors, administrators, successor in interest, pledges, encumbrances, or assigns (both voluntary and by operation of law); provided however, that this Agreement may not be pledged, encumbered, or assigned by Debtor without written consent of Secured Party. Secured Party may assign or transfer, in whole or in part, any of the Indebtedness and may transfer, in whole or in part any of the Secured Party's rights acquired under this Agreement and the transferee shall be vested with all the rights, duties, and powers of Secured Party hereunder with respect to the Indebtedness or the Collateral.

SIGNED on the date set opposite the signatures of the party signing the same; any corporate party by its officer pursuant to authority granted such officer by its Board of Directors or its Loan Committee.

THIS DOCUMENT CONSTITUTES A BINDING CONTRACT.

THE PARTIES HAVE READ IT.

DATE

12/12/90

12/12/90

12/12/90

SIGNATURE

John D. Alarcon
John D. Alarcon (Debtor)

Darlene Alarcon
Darlene Alarcon (Debtor)

FARM CREDIT BANK OF SPOKANE

By [Signature]
Title Credit Mgr.
(Secured Party)

STATE OF OREGON)
) ss.
County of Klamath)

This instrument was acknowledged before me this 12 day of December, 1990, by John D. Alarcon.

[Signature]
Notary Public for Oregon
My commission expires: 6-16-93

STATE OF OREGON)
) ss.
County of Klamath)

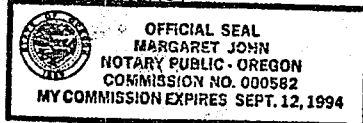
This instrument was acknowledged before me this 12 day of December, 1990, by Darlene Alarcon.

[Signature]
Notary Public for Oregon
My commission expires: 6-16-93

24757

STATE OF OREGON)
) ss.
 County of Klamath)

This instrument was acknowledged before me this 12 day of December, 1990, by Noland Alston, Credit Manager of Farm Credit Bank of Spokane.



Margaret John
 Notary Public for Oregon
 My commission expires: 9-12-94

WHEN RECORDED MAIL TO:

*Keto
 collection # 4677*

STATE OF OREGON)
) ss.
 County of _____)

I certify that the within instrument was received for record on the ____ day of _____, 1990, 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.

 By: _____ Title
 Deputy

GRH4:sjd3
 0613006.221

PARCEL 1:

All those parts of the SW|NE| and NW|SE| of Section 21, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, which lies Northeasterly of the Northeasterly boundary of the right of way of Lost River Diversion Canal.

EXCEPTING THEREFROM beginning at the Northeast corner of the SW|NE| of Section 21, Township 39 South, Range 9 East of the Willamette Meridian; thence West 343 feet; thence in a Southeasterly direction following Drain No. 1, 630 feet intersecting the East line of the SW|NE| of said Section; thence North 450 feet to the point of beginning.

AND ALSO EXCEPTING beginning at a point 350 feet West of the Northeast corner of SW|NE| of Section 21, in Township 39 South, Range 9 East of the Willamette Meridian, which point is also the intersection of the Westerly line of Drain No. 1 and the center line of the County Road known as the Joe Wright Road; thence running in a Southeasterly direction along the said Westerly line of Drain No. 1, to the East line of said SW|NE| of said Section 21; thence South along the East line of said SW|NE|, to the intersection with the Easterly line of the No. 1C-4E-1A Lateral; thence Northwesterly along the said Easterly line of said lateral a distance of 1440 feet to the center line of said County Road; thence East along the center line of said road a distance of 400 feet to the place of beginning.

PARCEL 2:

The N|SW| of Section 16, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. EXCEPTING THEREFROM a portion conveyed to the United States of America by Deed dated July 2, 1909, recorded July 13, 1909, in Volume 26 page 321, Deed Records of Klamath County, Oregon. ALSO EXCEPTING THEREFROM that portion conveyed to Klamath County, State of Oregon, by Deed dated July 20, 1920, recorded February 15, 1926, in Volume 69 page 287, Deed Records of Klamath County, Oregon. ALSO EXCEPTING THEREFROM a 20 foot strip off the North side of said NW|SW|.

Tax Account Nos. 3909-1600-600 and 3909-2100-1200

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 14th day of Dec. A.D., 19 90 at 9:44 o'clock AM., and duly recorded in Vol. M90, of Mortgages on Page 24749.

Evelyn Biehn
By Queline Nielsen County Clerk

FEE \$53.00