

**MORTGAGE, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING**

THIS MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this "Mortgage") is made as of the 30th day of January, 1994, by and between Terry L. Hager and Dessa L. Hager, whose address is P. O. Box 85, Beatty, Oregon 97621 ("Mortgagor"), and Highland Community Federal Credit Union, a federal credit union having its office at 3737 Shasta Way, Klamath Falls, Oregon 97601 ("Mortgagee").

WHEREAS, Mortgagee has offered to make a loan to Mortgagor in the sum of \$120,000.00, which loan is to be evidenced by a Promissory Note of even date herewith. (The Promissory Note as modified, supplemented, extended, renewed, or replaced from time to time is referred to below as the "Note"); and

WHEREAS, as a condition to the making of the loan to Mortgagor, Mortgagee has required, and Mortgagor has agreed to execute and deliver, this Mortgage.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.01 below, Mortgagor irrevocably mortgages to Mortgagee, all of Mortgagor's right, title, and interest in and to the real property located in Klamath County, state of Oregon, and more particularly described in Exhibit B attached hereto and incorporated herein (the "Property");

TOGETHER WITH all interests, estates, and rights that Mortgagor now has or may acquire in (1) the Property; (2) any and all options, agreements, and contracts for the purchase or sale of all or any part or parts of the Property or interests in the Property; (3) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and (4) all tenements, hereditaments, and appurtenances in any manner belonging, relating, or appertaining to the Property; and

TOGETHER WITH all rights, titles, and interests of Mortgagor, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Property and all fixtures, machinery, equipment, and other personal property located on the Property or attached to, contained in, or used in any such buildings and other improvements, and all appurtenances and additions to and substitutions and replacements of the Property, including but not limited to the fixtures, machinery, equipment and other personal property more particularly described in Exhibit A attached hereto and incorporated herein (all of the foregoing being collectively referred to below as the "Improvements"); and

All of the above is sometimes referred to below as the "Mortgaged Property."

TO HAVE AND TO HOLD the Mortgaged Property, provided always, that if all the Obligations (as defined in Section 1.01 below) shall be paid, performed, and satisfied in full, then the lien granted by this Mortgage shall be released.

This Mortgage, the Note, and all other agreements or instruments executed at any time in connection therewith, as they may be amended or supplemented from time to time, are sometimes collectively referred to below as the "Loan Documents."

TO PROTECT THE SECURITY OF THIS MORTGAGE, MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I

Particular Covenants and Warranties of Mortgagor

1.01 Obligations Secured. This Mortgage secures the following, collectively referred to as the "Obligations":

(1) The payment of all indebtedness, including but not limited to principal and interest, and the performance of all covenants and obligations of Mortgagor, under the Note, whether such payment and performance is now due or becomes due in the future;

(2) The payment and performance of all covenants and obligations in this Mortgage, in the other Loan Documents, and in all other security agreements, notes, agreements, and undertakings now existing or hereafter executed by Mortgagor with or for the benefit of Mortgagee; and

(3) The payment and performance of any and all other indebtedness and obligations of Mortgagor to Mortgagee of any nature whatsoever, whether direct or indirect, primary or secondary, joint or several, liquidated or unliquidated, whenever and however arising, and whether or not reflected in a written agreement or instrument.

1.02 Payment of Indebtedness; Performance of Covenants. Mortgagor shall duly and punctually pay and perform all of the Obligations.

1.03 Property. Mortgagor warrants that it holds good and merchantable title to the Property and the Improvements, free and clear of all liens, encumbrances, reservations, restrictions, easements, and adverse claims except those specifically listed in Exhibit C. Mortgagor covenants that it shall forever defend Mortgagee's rights under this Mortgage and the priority of this Mortgage against the adverse claims and demands of all persons.

1.04 Further Assurances; Filing; Refiling; Etc.

(1) Mortgagor shall execute, acknowledge, and deliver, from time to time, such further instruments as Mortgagee may require to accomplish the purposes of this Mortgage.

(2) Mortgagor, immediately upon the execution and delivery of this Mortgage, and thereafter from time to time, shall cause this Mortgage, any supplemental security agreement, mortgage, or deed of trust and each instrument of further assurance, to be recorded and rerecorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Mortgage.

(3) Mortgagor shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording, and acknowledgment of this Mortgage; any security agreement, mortgage, or deed of trust supplemental hereto and any instrument of further assurance; and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Mortgage, any supplemental security agreement, mortgage, or deed of trust and any instrument of further assurance.

1.05 Environmental Covenants; Warranties and Compliance

(1) Mortgagor will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Property or the Property's groundwater, or transport to or from the Property, any Hazardous Substance and will not permit any other person to do so, except for such Hazardous Substances that may be used in the ordinary course of Mortgagor's business and in compliance with all Environmental Laws, including but not limited to those relating to licensure, notice, and record keeping.

(2) Mortgagor will keep and maintain the Property in compliance with, and shall not cause or permit all or any portion of the Property, including groundwater, to be in violation of any Environmental Law.

(3) Mortgagor shall hold Mortgagee, its directors, officers, employees, agents, successors, and assigns, harmless from, indemnify them for, and defend them against any and all losses, damages, liens, costs, expenses, and liabilities directly or indirectly arising out of or attributable to any violation of any Environmental Law, any breach of Mortgagor's warranties in this Section, or the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of a Hazardous Substance on, under, or about the Property, including without limitation the costs of any required repair, cleanup, containment, or detoxification of the Property, the preparation and implementation of any closure, remedial or other required plans, attorney fees and costs (including but not limited to those incurred in any proceeding and in any review or appeal), fees, penalties, and fines.

(4) Mortgagor represents and warrants to Mortgagee that:

(a) Neither the Property nor Mortgagor is in violation of or subject to any existing, pending, or threatened investigation by any governmental authority under any Environmental Law.

(b) Mortgagor has not and is not required by any Environmental Law to obtain any permit or license other than those it has obtained to construct or use the Improvements.

(c) To the best of Mortgagor's knowledge, no Hazardous Substance has ever been used, generated, manufactured, produced, stored, released, discharged, or disposed of on, under, or about the Property in violation of any Environmental Law.

(5) All representations, warranties, and covenants in this Section shall survive the satisfaction of the Obligations, the release or satisfaction of this Mortgage, or the foreclosure of this Mortgage by any means.

1.06 **Maintenance and Improvements.** Mortgagor shall not permit all or any part of the Improvements to be removed, demolished, or materially altered without Mortgagee's prior written consent; provided, however, that Mortgagor may remove, demolish, or materially alter such Improvements as become obsolete in the usual conduct of Mortgagor's business, if the removal or material alteration does not materially detract from the operation of the Mortgagor's business and if all Improvements that are demolished or removed are promptly replaced with Improvements of like value and quality. Mortgagor shall maintain every portion of the Property and Improvements in good repair, working order, and condition, except for reasonable wear and tear, and shall at Mortgagee's election restore, replace, or rebuild all or any part of the Improvements now or hereafter damaged or destroyed by any casualty (whether or not insured against or insurable) or affected by any Condemnation (as defined in Section 2.01 below). Mortgagor shall not commit, permit, or suffer any waste, strip, or deterioration of the Mortgaged Property.

1.07 **Liens.** Mortgagor shall pay when due all claims for labor, materials, or supplies that if unpaid might become a lien on all or any portion of the Mortgaged Property. Mortgagor shall not create, or suffer, or permit to be created, any mortgage, deed of trust, lien, security interest, charge, or encumbrance upon the Mortgaged Property prior to, on a parity with, or subordinate to the lien of this Mortgage, except as specifically provided in Exhibit C.

1.08 **Impositions.** Mortgagor shall pay or cause to be paid, when due and before any fine, penalty, interest, or cost attaches, all taxes, assessments, fees, levies, and all other governmental and nongovernmental charges of every nature now or hereafter assessed or levied against any part of the Mortgaged Property (including, without limitation, levies or charges resulting from Covenants), or on the lien or estate of Mortgagee (collectively, the "Impositions"); provided, however, that if by law any such Imposition may be paid in installments, whether or not interest shall accrue on the unpaid balance, Mortgagor may pay the same in installments, together with accrued interest on the unpaid balance, as the same become due, before any fine, penalty, or cost attaches.

1.09 **Books and Records; Inspection of the Property.** Mortgagor shall keep complete and accurate records and books of account with respect to the Mortgaged Property and its operation in accordance with generally accepted accounting principles consistently applied. Mortgagor shall permit Mortgagee and its authorized representatives to enter and inspect the Property and the Improvements, and to examine and make copies or extracts of the records and books of account of the Mortgagor with respect to the Property and the Improvements, all at such reasonable times as Mortgagee may choose.

1.10 **Limitations of Use.** Mortgagor shall not initiate, join in, or consent to any rezoning of the Property or any change in any Covenant or other public or private restrictions limiting or defining the uses that may be made of all or any part of the Property

and the Improvements without the prior written consent of Mortgagee.

1.11 Financial Information. Mortgagor shall furnish to Mortgagee within 90 days after the end of each of Mortgagor's fiscal years a complete copy of Mortgagor's financial statement for such year, ~~audited or reviewed by a certified public accountant~~ (including balance sheet, income statement, and statement of changes in financial position). Mortgagor shall promptly furnish to Mortgagee any and all such other financial information as Mortgagee shall reasonably request from time to time.

ARTICLE II Condemnation

2.01 Condemnation

(1) Should any part of or interest in the Mortgaged Property be taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding, or in any similar manner (a "Condemnation"), or should Mortgagee receive any notice or other information regarding such action, Mortgagor shall give immediate notice of such action to Mortgagee.

(2) Subject to the rights of any superior mortgagee or trust deed beneficiary, Mortgagee shall be entitled to all compensation, awards, and other payments or relief ("Condemnation Proceeds") up to the full amount of the Obligations, and shall be entitled, at its option, to commence, appear in, and prosecute any Condemnation proceeding in its own or Mortgagor's name and make any compromise or settlement in connection with such Condemnation. In the event the Mortgaged Property is taken in its entirety by condemnation, all Obligations secured by this Mortgage, at Mortgagee's election, shall become immediately due and collectible.

(3) Mortgagee may, at its sole option, apply the Condemnation Proceeds to the reduction of the Obligations in such order as Mortgagee may determine, or apply all or any portion of the Condemnation Proceeds to the cost of restoring and improving the remaining Mortgaged Property. In the event that Mortgagee elects to apply the Condemnation Proceeds to restoration and improvement, the proceeds shall be held by Mortgagee and shall be released only upon such terms and conditions as Mortgagee shall require in its sole discretion, including but not limited to prior approval of plans and release of liens. No Condemnation Proceeds shall be released if Mortgagor is in default under this Mortgage.

ARTICLE III Assignment of Leases, Rents, Issues, and Profits

3.01 Assignment. Mortgagor assigns and transfers to Mortgagee (1) all leases, subleases, licenses, rental contracts, and other agreements, whether now existing or hereafter arising, and relating to the occupancy or use of all or any portion of the Mortgaged Property, including all modifications, extensions, and renewals thereof, (the "Leases"), and (2) all rents, revenues, issues, profits, income, proceeds, and benefits derived from the Mortgaged Property and the lease, rental, or license of all or any portion thereof, including but not limited to lease and security deposits (collectively, the "Rents"). Mortgagor specifically assigns and transfers to Mortgagee \$45,000.00 from the Rent that is due on December 15, 1994 under the Farm Lease dated April 25, 1990 wherein the Mortgagor is the Lessor and William J. Rajnus, Jr. is the Lessee. This assignment is intended by Mortgagor and Mortgagee to create a present and unconditional assignment to Mortgagee, subject only to the license set forth in Section 3.04 below.

3.02 Rights of Mortgagee. Subject to the provisions of Section 3.04 below giving Mortgagor a revocable, limited license, Mortgagee shall have the right, power, and authority to:

(1) Notify any and all tenants, renters, licensees, and other obligors under any of the Leases that the same have been assigned to Mortgagee and that all Rents are to be paid directly to Mortgagee, whether or not Mortgagee shall have foreclosed or commenced foreclosure proceedings against the Mortgaged Property, and whether or not Mortgagee has taken possession of the Mortgaged Property;

(2) Discount, settle, compromise, release, or extend the time for payment of, any amounts owing under any of the Leases and any Rents, in whole or in part, on terms acceptable to Mortgagee;

(3) Collect and enforce payment of Rents and all provisions of the Leases, and to prosecute any action or proceeding, in the name of Mortgagor or Mortgagee, with respect to any and all Leases and Rents; and

(4) Exercise any and all other rights and remedies of the lessor in connection with any of the Leases and Rents.

3.03 Application of Receipts. Mortgagee shall have the right, power, and authority to use and apply any Rents received under this Mortgage (1) for the payment of any and all costs and expenses incurred in connection with enforcing or defending the terms of this assignment or the rights of Mortgagee, and in collecting any Rents; and (2) for the operation and maintenance of the Mortgaged Property and the payment of all costs and expenses in connection therewith, including but not limited to the payment of utilities, taxes, assessments, governmental charges, and insurance. After the payment of all such costs and expenses, and after Mortgagee shall have set up such reserves as it shall deem necessary in its sole discretion for the proper management of the Mortgaged Property, Mortgagee shall apply all remaining Rents collected and received by it to the reduction of the Obligations in such order as Mortgagee shall determine. The exercise or failure by Mortgagee to exercise any of the rights or powers granted in this assignment shall not constitute a waiver of default by Mortgagor under this Mortgage, the Note, or any of the other Loan Documents.

3.04 License. With the exception of the \$45,000.00 rental payment due on December 15, 1994 under the Rajnus Lease which has been specifically assigned to the Mortgagee, Mortgagee hereby grants to Mortgagor a revocable license to collect and receive the Rents. Such license may be revoked by Mortgagee, without notice to Mortgagor, upon the occurrence of any event of default under this Mortgage, including any default by Mortgagor of its covenants in this Article III. Mortgagee reserves the right

to collect the sum of \$45,000.00 from the Rajnus Lease from the lease payment that is due on December 15, 1994. If for any reason the Mortgagor receives the Rajnus rental payment that is due on December 15, 1994, Mortgagor agrees to apply the proceeds of that Rajnus rental payment to the payment of the Obligations. Mortgagor agrees to (1) observe and perform every obligation of Mortgagor under the Leases; (2) enforce or secure at its expense the performance of every obligation to be performed by any lessee or other party under the Leases; (3) promptly give notice to Mortgagee of any default by any such lessee or other party under any of the Leases, and promptly provide Mortgagee a copy of any notice of default given to any such lessee or other party; (4) not collect any Rents more than 30 days in advance of the time when the same shall become due, or anticipate any other payments under the Leases, except for bona fide security deposits not in excess of an amount equal to two months' rent; (5) not further assign or hypothecate any of the Leases or Rents; (6) except with Mortgagee's prior written consent, not waive, release, or in any other manner discharge any lessee or other party from any of its obligations under any of the Leases; (7) except with Mortgagee's prior written consent, not modify or amend any of the Leases; (8) except with Mortgagee's prior written consent, not cancel, terminate, or accept surrender of any of the Leases; (9) obtain Mortgagee's prior written approval as to the form and content of all future leases and any modifications of any present or future leases; (10) deliver copies of all present and future leases to Mortgagee promptly; and (11) appear in and defend, at Mortgagor's sole cost and expense, any action or proceeding arising out of or in connection with the Leases or the Rents.

3.05 Limitation of Mortgagee's Obligations. Notwithstanding the assignment provided for in this Article III, Mortgagee shall not be obligated to perform or discharge, and Mortgagee does not undertake to perform or discharge, any obligation or liability with respect to the Leases or the Rents. This assignment shall not operate to place responsibility for the control, care, maintenance, or repair of the Mortgaged Property upon Mortgagee, or to make Mortgagee responsible for any condition of the Property. Mortgagee shall be accountable to Mortgagor only for the sums actually collected and received by Mortgagee pursuant to this assignment. Mortgagor shall hold Mortgagee fully harmless from, indemnify Mortgagee for, and defend Mortgagee against any and all claims, demands, liabilities, losses, damages, and expenses, including attorney fees, arising out of any of the Leases, with respect to any of the Rents, or in connection with any claim that may be asserted against Mortgagee on account of this assignment or any obligation or undertaking alleged to arise therefrom.

3.06 Termination. The assignment provided for in this Article III shall continue in full force and effect until all the Obligations have been fully paid and satisfied. At such time, this assignment and the authority and powers herein granted by Mortgagor to Mortgagee shall cease and terminate.

3.07 Attorney-in-Fact. Mortgagor irrevocably constitutes and appoints Mortgagee, and each of its officers, as its true and lawfully attorney-in-fact, with power of substitution, to undertake and execute any and all of the rights, powers, and authorities described in this Article III with the same force and effect as if undertaken or performed by Mortgagor, and Mortgagor ratifies and confirms any and all such actions that may be taken or omitted to be taken by Mortgagee, its employees, agents, and attorneys.

ARTICLE IV Security Agreement and Fixture Filing

To secure the Obligations, Mortgagor grants to Mortgagee a security interest in the following: (1) the Mortgaged Property to the extent the same is not encumbered by this Mortgage as a first priority real estate lien; (2) all personal property that is used or will be used in the construction of any Improvements on the Mortgaged Property; (3) all personal property that is now or will hereafter be placed on or in the Mortgaged Property or Improvements; (4) all personal property that is derived from or used in connection with the use, occupancy, or enjoyment of the Mortgaged Property; (5) all property defined in the Uniform Commercial Code as adopted in the state of Oregon, as accounts, equipment, fixtures, and general intangibles, to the extent the same are used at, or arise in connection with the ownership, maintenance, or operation of, the Mortgaged Property, including but not limited to the irrigation equipment which is set forth in Exhibit A attached hereto; (6) all causes of action, claims, security deposits, advance rental payments, utility deposits, refunds of fees or deposits paid to any governmental authority, refunds of taxes, and refunds of insurance premiums relating to the Mortgaged Property; and (7) all present and future attachments, accessions, amendments, replacements, additions, products, and proceeds of every nature of the foregoing. This Mortgage shall constitute a security agreement and "fixture filing" under the Uniform Commercial Code. Secured Transactions statutes of the State of Oregon. The mailing address of Mortgagor and the address of Mortgagee from which information may be obtained are set forth in the introductory paragraph of this Mortgage.

ARTICLE V Events of Default; Remedies

5.01 Events of Default. Each of the following shall constitute an event of default under this Mortgage and under each of the other Loan Documents:

- (1) **Nonpayment.** Failure of Mortgagor to pay any of the Obligations before the due date.
- (2) **Breach of Other Covenants.** Failure of Mortgagor to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in the Note, in this Mortgage, or in any other Loan Document.
- (3) **Misinformation.** Falsity when made in any material respect of any representation, warranty, or information furnished by Mortgagor or its agents to Mortgagee in or in connection with any of the Obligations.
- (4) **Other Default.** The occurrence of any other event of default under the Note or any of the other Obligations.
- (5) **Other Indebtedness, Secondary Financing.** Mortgagor's default beyond the applicable grace periods in the payment of any other indebtedness owed by Mortgagor to any person, if such indebtedness is secured by all or any portion of the Mortgaged Property.

(6) **Bankruptcy.** The occurrence of any of the following with respect to Mortgagor, any guarantor of the Obligations, or the then-owner of the Mortgaged Property: (a) appointment of a receiver, liquidator, or trustee for any such party or any of its properties; (b) adjudication as a bankrupt or insolvent; (c) filing of any petition by or against any such party under any state or federal bankruptcy, reorganization, moratorium or insolvency law; (d) institution of any proceeding for dissolution or liquidation; (e) inability to pay debts when due; (f) any general assignment for the benefit of creditors; or (g) abandonment of the Mortgaged Property.

(7) **Transfer; Due-on-Sale; Due-on-Encumbrance.** Any sale, gift, conveyance, contract for conveyance, transfer, assignment, encumbrance, pledge, or grant of a security interest in all or any part of the Mortgaged Property, or any interest therein, either voluntarily, involuntarily, or by the operation of law (a "Transfer"), without Mortgagee's prior written consent, shall constitute an event of default. For the purpose of clarification, and without limiting the generality of the foregoing, the occurrence at any time of any sale, conveyance, assignment, or other transfer of, or the grant of a pledge of or security interest in, any shares of the capital stock of Mortgagor shall be deemed to be a Transfer in violation of this paragraph. The provisions of this subsection (7) shall apply to each and every Transfer, regardless of whether or not Mortgagee has consented or waived its rights in connection with any previous Transfer. Mortgagee may attach such conditions to its consent under this subsection (7) as Mortgagee may determine in its sole discretion, including without limitation an increase in the interest rate or the payment of transfer or assumption fees, and the payment of administrative and legal fees and costs incurred by Mortgagee.

5.02 Remedies in Case of Default. If an Event of Default shall occur, Mortgagee may exercise any one or more of the following rights and remedies, in addition to any other remedies that may be available by law, in equity, or otherwise:

(1) **Acceleration.** Mortgagee may declare all or any portion of the Obligations immediately due and payable.

(2) **Receiver.** Mortgagee may have a receiver appointed for the Mortgaged Property. Mortgagee shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Mortgaged Property exceeds the amount of the indebtedness secured by this Mortgage. Employment by Mortgagee shall not disqualify a person from serving as receiver. Mortgagor consents to the appointment of a receiver at Mortgagee's option and waives any and all defenses to such an appointment.

(3) **Possession.** Mortgagee may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Mortgaged Property and use, operate, manage, and control it as Mortgagee shall deem appropriate in its sole discretion. Upon request after an Event of Default, Mortgagor shall peacefully relinquish possession and control of the Mortgaged Property to Mortgagee or any receiver appointed under this Mortgage.

(4) **Rents.** Mortgagee may revoke Mortgagor's right to collect the Rents, and may, either itself or through a receiver, collect the same. Mortgagee shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this subsection (4). If Rents are collected by Mortgagee under this subsection (4), Mortgagor hereby irrevocably appoints Mortgagee as Mortgagor's attorney-in-fact, with power of substitution, to endorse instruments received in payment thereof in the name of Mortgagor and to negotiate such instruments and collect their proceeds. After payment of all Obligations, any remaining amounts shall be paid to Mortgagor and this power shall terminate.

(5) **Foreclosure.** Mortgagee may judicially foreclose this Mortgage and obtain a judgment foreclosing Mortgagor's interest in all or any part of the Property and giving Mortgagee the right to collect any deficiency remaining due after disposition of the Mortgaged Property.

(6) **Fixtures and Personal Property.** With respect to any Improvements and other personal property subject to a security interest in favor of Mortgagee, Mortgagee may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.

(7) **Abandonment.** Mortgagee may abandon all or any portion of the Mortgaged Property by written notice to Mortgagor.

5.03 Sale. In any sale under this Mortgage or pursuant to any judgment, the Mortgaged Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Mortgagee may elect, without regard to the right of Mortgagor, any person claiming under Mortgagor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Mortgaged Property or the part thereof so sold, free and clear of the estate of Mortgagor, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Mortgagee, its officers, agents, and employees, may purchase at any such sale. Mortgagee and each of its officers are irrevocably appointed Mortgagor's attorney-in-fact, with power of substitution, to make all appropriate transfers and deliveries of the Mortgaged Property or any portions thereof so sold and, for that purpose, Mortgagee and its officers may execute all appropriate instruments of transfer. Nevertheless, Mortgagee shall ratify and confirm, or cause to be ratified and confirmed, any such sale or sales by executing and delivering, or by causing to be executed and delivered, to Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Mortgagee, for such purpose.

5.04 Cumulative Remedies. All remedies under this Mortgage are cumulative and not exclusive. Any election to pursue one remedy shall not preclude the exercise of any other remedy. An election by Mortgagee to cure under Section 1.15 shall not constitute a waiver of the default or of any of the remedies provided in this Mortgage. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy or constitute a waiver of the default.

5.05 Deficiency. No sale or other disposition of all or any part of the Mortgaged Property pursuant to this Section 5 shall be deemed to relieve Mortgagor of any of the Obligations, except to the extent that the proceeds are applied to the payment of such Obligations. If the proceeds of a sale, a collection, or other realization of or upon the Mortgaged Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Mortgagor shall remain liable for any deficiency to the fullest extent permitted by law.

ARTICLE VI
General Provisions

6.01 Time is of the Essence. Time is of the essence with respect to all covenants and obligations of Mortgagor under this Mortgage.

6.02 Mortgage Binding on Successors and Assigns. This Mortgage shall be binding upon and inure to the benefit of the successors and assigns of Mortgagor and Mortgagee.

6.03 Indemnity. Mortgagor shall hold Mortgagee and its directors, officers, employees, agents, and attorneys, harmless from and indemnify them for any and all claims, demands, damages, liabilities, and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Mortgagee's interest under this Mortgage, except Mortgagor shall not be liable for acts performed by Mortgagee in violation of applicable law.

6.04 Expenses and Attorney Fees. If Mortgagee refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Mortgagee is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Mortgagee or any other person initiates any judicial or nonjudicial action, suit, or proceeding in connection with any of the Obligations or the Mortgaged Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings, or in connection with any state or federal tax lien), and an attorney is employed by Mortgagee to (1) appear in any such action, suit, or proceeding, or (2) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve, or enforce Mortgagee's interests, then in any such event Mortgagor shall pay reasonable attorney fees, costs, and expenses incurred by Mortgagee or its attorney in connection with the above-mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports, and the cost of surveyors' reports. Such amounts shall be secured by this Mortgage and, if not paid upon demand, shall bear interest at the rate specified in the Note.

6.05 Applicable Law. The Mortgage and the validity, interpretation, performance, and enforcement of the Mortgage shall be governed by the laws of the state of Oregon.

6.06 Rights of Prior Mortgagee. In the event that all or any portion of the Mortgaged Property is subject to a superior mortgage or trust deed specifically permitted under Exhibit C, the rights of Mortgagee with respect to condemnation proceeds as provided in Section and 2.01, and all other rights granted under this Mortgage that have also been granted to such a superior mortgagee or trust deed beneficiary, shall be subject to the rights of the superior mortgagee or trust deed beneficiary. Mortgagor hereby authorizes all such superior mortgagees and beneficiaries, on satisfaction of the indebtedness secured by their mortgage or trust deed to remit all remaining Condemnation proceeds and all other sums held by them to Mortgagee to be applied in accordance with this Mortgage.

MORTGAGOR:

Terry L. Hager
Terry L. Hager

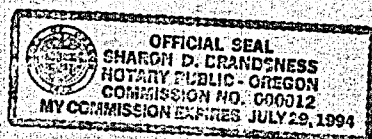
Dessa L. Hager
Dessa L. Hager

STATE OF OREGON)

County of Klamath)

) ss.

On this 30th day of January, 1994, before me personally appeared Terry L. Hager and Dessa L. Hager, who being duly sworn, acknowledged the foregoing instrument to be their voluntary act and deed.



[Signature]
Notary Public for Oregon

My commission expires: 07-24-94

EXHIBIT A

IRRIGATION EQUIPMENT

ALL IRRIGATION EQUIPMENT NOW OR HEREAFTER ACQUIRED INCLUDING BUT NOT LIMITED TO: ALL PARTS, ACCESSORIES, AND ATTACHMENTS

- 4 SETS OF 1280'X4"X58" WESTERN WHEEL-LINE, INCLUDES WESTERN HYDRAULIC MOVER
"O" RING TYPE COUPLERS COMPLETE WITH ALL ACCESSORIES
- 1280'X4"X58" WESTERN MIX WHEEL-LINE 22 PCS. "O" RING PIPE, 10 PCS, I.G. PIPE.
COMPLETE WITH ALL ACCESSORIES
- 1280'X4"X58" WADE WHEEL-LINE MIX 29 PCS. SQUARE C/P, 3 PC. IG PIPE ("28" SERIES
& "48" SERIES WADE TYPE) MECHANICAL MOVER, COMPLETE.
- 1280'X(4"&5")X58" WADE WHEEL-LINE. 16 PCS. 4" IG PIPE, 16 PC 5" IG PIPE W/WADE RAIN
HYDROSTATIC MOVER, COMPLETE WITH ALL ACCESSORIES.
- 2 SETS OF 1280'X5"X76" WADE WHEEL-LINE. ALL WADE IG CPLRS. HYDROSTATIC MOVER,
COMPLETE W/ALL ACCESSORIES
- 14-RAIN BIRD MODEL 102 BEG GUN SPRINKLERS WITH WHEEL CARTS
- 191 PCS. 3" HOOK
- 130 PCS. 3" DROPLOCK
- 137 PCS. 4" MAINLINE
- 21 PCS. 5" MAINLINE
- 114 PCS. 6" MAINLINE RINGLOCK
- 21 PCS. 6" MAINLINE LOCK
- 30 PCS. 6" MAINLINE RINGLOCK
- 72 PCS. 8" MAINLINE RINGLOCK
- 44 PCS. 10" MAINLINE RINGLOCK
- 2 WHEEL LINES W/MOVERS
- REPLACEMENT PARTS, SUPPLIES
- 20 HP PUMP
- 50 HP PUMP
- 50 HP TURBINE PUMP AND COLUMN
- ELECTRICAL PANELS

PARCEL 1:

GOVERNMENT LOTS 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 30 AND 31, SECTION 16, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

EXCEPTING THEREFROM ANY PORTION LYING WITHIN THE RIGHT OF WAY OF GREAT NORTHERN RAILWAY AND ALSO EXCEPTING THE FOLLOWING TRACT OF LAND:

COMMENCING AT A POINT WHICH IS THE SOUTHWEST CORNER OF THE SE1/4 OF SECTION 16; THENCE NORTH 208 FEET; THENCE WEST 208 FEET; THENCE SOUTH 208 FEET; THENCE EAST 208 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

THE NE1/4 NE1/4 SECTION 28, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

PARCEL 3:

THE E1/2 E1/2 SECTION 21, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE BOUNDARIES OF KLAMATH FALLS-LAKEVIEW HIGHWAY.

PARCEL 4:

LOTS 1, 8, 9, 16, 17, 24, 25 AND 32, SECTION 16, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

EXCEPTING THEREFROM ANY PORTION LYING WITHIN THE RIGHT OF WAY OF GREAT NORTHERN RAILROAD.

PARCEL 5:

THE S1/2 W1/2 NW1/4 SW1/4, W1/2 SW1/4 SW1/4 SECTION 22 AND THE W1/2 W1/2 NW1/4 SECTION 27, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

PARCEL 6:

THE S1/2 NE1/4, N1/2 SE1/4, SE1/4 OF SECTION 28, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

PARCEL 7:

THE N1/2 NE1/4, N1/2 N1/2 SW1/4 NE1/4, N1/2 SE1/4 NE1/4 SECTION 33, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

PARCEL 8:

THE SE 1/4 OF SECTION 15, AND THE NW1/4 OF SECTION 22, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON.

EXCEPTING THEREFROM THAT PORTION OF SECTION 22, LYING WITHIN THE BOUNDARIES OF THE KLAMATH FALLS-LAKEVIEW HIGHWAY.

TOGETHER WITH THE FOLLOWING EASEMENTS APPURTENANT TO THE ABOVE DESCRIBED PROPERTY:

RECORDED: DECEMBER 11, 1975

BOOK: M-75

PAGE: 15643

AS FOLLOWS:

TOGETHER WITH A PERPETUAL EXCLUSIVE EASEMENT FOR ROADWAY PURPOSES ALONG THE WEST 15 FEET OF THE E1/2 E1/2 SECTION 21 TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, WHICH LIES NORTH OF HIGHWAY #140.

RECORDED: DECEMBER 23, 1975

BOOK: M-75

PAGE: 16106

AS FOLLOWS:

TOGETHER WITH A PERPETUAL EXCLUSIVE EASEMENT FOR ROADWAY PURPOSES MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT AT THE MOST SOUTHWESTERLY CORNER OF GOVERNMENT LOT 32, SECTION 16, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF KLAMATH, STATE OF OREGON; THENCE SOUTHERLY ALONG THE EAST BOUNDARY LINE OF THE NW1/4 OF THE NE1/4 OF SECTION 21, TOWNSHIP 36 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, A DISTANCE OF 15 FEET; THENCE WESTERLY ALONG THE EXISTING ROADBED A DISTANCE OF 15 FEET; THENCE NORTHERLY A DISTANCE OF 15 FEET TO THE SOUTHERLY BOUNDARY LINE OF SECTION 16 AFORESAID; THENCE EASTERLY A DISTANCE OF 15 FEET TO THE POINT OF BEGINNING, AND A 20 HP PUMP, 50 HP PUMP, AND 50 HP TURBINE PUMP AND COLUMN

EXHIBIT C -- PAGE 1 OF 4
HAGER - HIGHLAND

Mortgage, Assignment of Rents, Security Agreement, and Fixture Filing, subject to the terms and provisions thereof, given to secure an indebtedness with interest thereon and such future advance as may be provided therein;

Dated...: April 3, 1992

Recorded: July 17, 1992

Volume...: M92, page 15834, Microfilm Records of Klamath County, Oregon

Amount...: \$167,000.00

Mortgagor: Terry L. Hager and Dessa L. Hager

Mortgagee: South Valley State Bank

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Bearl Seals and Ruby Seals, husband and wife
Mortgagee: State of Oregon, represented and acting by the
Director of Veterans' Affairs

Dated: June 19, 1979

Recorded: June 19, 1979

Book: M-79

Page: 14438

Fee No.: 69261

Amount: \$180,000.00

(Affects Parcel 8)

Contract, including the terms and provisions thereof, as revealed by a memorandum thereof:

Vendor: Richard Henry Francis

Vendee: Crystal M. Matlock

Dated: January 3, 1983

Recorded: January 4, 1983

Book: M-83

Page: 114

(Affects Parcel 4)

Contract, including the terms and provisions thereof, as revealed by a memorandum thereof:

Vendor: Karen Elizabeth Conley

Vendee: Crystal M. Matlock

Dated: January 3, 1983

Recorded: January 4, 1983

Book: M-83

Page: 115

(Affects Parcel 3)

Contract, including the terms and provisions thereof:

Vendor: Crystal M. Matlock

Vendee: Terry L. Hager and Dessa L. Hager, husband and wife

Dated: January 4, 1983

Recorded: January 4, 1983

Book: M-83

Page: 116

(Affects Parcel 3 and 4)

EXHIBIT C -- PAGE 2 OF 4
HAGER - HIGHLAND

3843

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Donald W. Rice, Terry L. Hager and Dessa L. Hager
Mortgagee: South Valley State Bank
Dated: January 31, 1985
Recorded: February 5, 1985
Book: M-85
Page: 1786
Amount: \$175,000.00
(Affects Parcels 1, 3 and 4)

Contract, including the terms and provisions thereof:
Vendor: John M. Schoonover and Arba F. Schoonover
Vendee: Terry L. Hager and Dessa L. Hager, husband and wife
and Donald W. Rice
Dated: July 2, 1984
Recorded: February 7, 1985
Book: M-85
Page: 2064

Contract, including the terms and provisions thereof, as revealed by a memorandum thereof:
Vendor: Bearl Seals and Ruby Seals
Vendee: Terry L. Hager and Dessa L. Hager, husband and wife
Dated: June 13, 1986
Recorded: June 16, 1986
Book: M-86
Page: 10461
Fee No.: 62616
(Affects Parcel 8)

Findings of Fact and Order before the Board of Commissioners and Planning Commission, Klamath County, Oregon, recorded February 17, 1987 in Book M-87 at Page 2450. (Affects Parcels 5, 6 and 7)

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Donald W. Rice, Terry L. Hager and Dessa L. Hager
Mortgagee: South Valley State Bank
Dated: June 9, 1987
Recorded: June 11, 1987
Book: M-87
Page: 10101
Amount: \$25,000.00
(Affects Parcels 1, 3 and 4)

Right, Title and Interest of Donald W. and Elizabeth Rice, as disclosed by Mortgage recorded June 11, 1987 in Book M-87 at Page 10101.

EXHIBIT C -- PAGE 3 OF 4
HAGER - HIGHLAND

3844

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Terry L. Hager and Dessa L. Hager
Mortgagee: South Valley State Bank
Dated: May 18, 1988
Recorded: June 23, 1988
Book: M-88
Page: 9789
Amount: \$249,315.00
(Affects Parcels 3 and 4)

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Terry L. Hager and Dessa L. Hager, as tenants by the entirety
Mortgagee: South Valley State Bank
Dated: March 1, 1989
Recorded: March 15, 1989
Book: M-89
Page: 4350
Fee No.: 98058
Amount: \$110,691.00
which cites in part as follows:

"...this is one of 3 documents securing a loan to Terry L. & Dessa L. Hager and Donald W. & L. Elizabeth Rice dated March 1, 1989." (Affects Parcels 1, 3 and 4)

Trust Deed, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Grantor: Terry L. Hager and Dessa L. Hager, husband and wife
Trustee: Mountain Title Company of Klamath County
Beneficiary: Richard G. Lee and Sharon G. Lee, husband and wife
Dated: April 4, 1989
Recorded: April 18, 1989
Book: M-89
Page: 6561
Fee No.: 99187
Amount: \$8,000.00
(Affects Parcel 2)

Judgment in the State Circuit Court:

In Favor of: Patricia Ann Turpen, fka Patricia Ann Francis
Against: Richard H. Francis
Suit No.: 82-37-1
Entered: August 4, 1988
Amount: \$175.00 per month child support

EXHIBIT C -- PAGE 4 OF 4
HAGER - HIGHLAND

Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Mortgagor: Terry L. Hager and Dessa L. Hager
Mortgagee: South Valley State Bank
Dated: March 14, 1990
Recorded: April 3, 1990
Book: M-90
Page: 6017
Fee No.: 13046
Amount: \$174,000.00

RETURN TO:

BRANDSNESS & BRANDSNESS, P.C.
ATTORNEYS AT LAW
411 PINE STREET
KLAMATH FALLS, OREGON 97601

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Brandsness & Brandsness the 2nd day
of Feb A.D., 19 94 at 2:48 o'clock P.M., and duly recorded in Vol. M94
of Mortgages on Page 3833

FEE \$70.00

Evelyn Biehn County Clerk

By Pauline Mullendore