

2001 FEB 21 PM 3:16

Vol M01 Page 6982¹

After Recording Return to:

USDA Rural Utilities Service
1600 Valley River Drive, Suite 230
Eugene, OR 97401

mtc 49781

REAL AND PERSONAL PROPERTY MORTGAGE - INSURED

KNOW ALL MEN BY THESE PRESENTS, this Mortgage is made and entered into this 20th day of February 2001, by and between Crescent Water Association, of P. O. Box 247, Crescent, Oregon 97733-0247, (hereinafter called "Borrower") and the UNITED STATES OF AMERICA, acting through Rural Utilities Service, U. S. Department of Agriculture (herein called "the Government").

WHEREAS Borrower is justly indebted to the Government as evidenced by the following-described promissory note payable to the order of the Government:

<u>Date</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Final Installment Due</u>
February 20, 2001	\$437,000.00	4.7500%	February 20, 2001

And, the note evidences a loan to Borrower in the principal amount specified therein, made with the purpose and intention that the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farmers Home Administration Act of 1961; and

When payment of the note is insured by the Government, it may be assigned from time to time and each holder of the insured note, in turn, will be the insured lender; and

When payment of the note is insured by the Government, the Government will execute and deliver to the insured lender along with the note an insurance endorsement insuring the payment of the note fully as to principal and interest; and

At all times when payment of the note is insured by the Government, the Government by agreement with the insured lender set forth in the insurance endorsement will be entitled to a specified portion of the interest payments on the note, to be designated the "annual charge"; and

A condition of the insurance of payment of the note will be that the holder will forego his rights and remedies against Borrower and any others in connection with said loan, as well as any benefit of this instrument, and will accept the benefits of such insurance in lieu thereof, and upon the Government's request will assign the note to the Government; and

It is the purpose and intent of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured lender, this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance endorsement by reason of any default by Borrower.

NOW, THEREFORE, in consideration of said loan and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, (b) at all times when the note is held by an insured lender, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance endorsement by reasons of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government with interest, as hereinafter described and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby grant, bargain, sell, convey, mortgage, and assign with general warranty unto the Government all of the real and personal property now owned or hereafter acquired by Borrower, in KLAMATH County, State of OREGON including but not limited to the following:

SEE ATTACHED EXHIBIT A, Legal Description

together with:

1. The water system of Borrower located or to be located in the premises described in the above-listed real property, easements and franchises including but not limited to reservoirs, distribution tanks, control valves and locks, rams, pumps, motors, improvements, incidental fittings, diversion dams, distribution system, pipe, service connections headworks, pressure tanks, pump houses, meters, miscellaneous valves, casings, electrical parts, fittings, and wells.
2. All water rights, canals, ditches, and diversion works now owned or hereafter acquired by Borrower and used or reasonably necessary to the use of the real property now owned or hereafter acquired by Borrower and in connection with the water system of Borrower.
3. All rents and other revenue or income therefrom, the rights, title and interest of Borrower in and to, all and singular, the rights, grants, rights-of-way, easements, water rights, hereditaments, and appurtenances thereunto belonging, including all improvements and personal property now or hereafter attached to or reasonably necessary to the use of the real property herein described, all of which property is sometimes hereinafter designated as "said property".

TO HAVE TO HOLD the said property unto the Government and its assigns forever.

Borrower, for itself, its successors and assigns, does hereby and by these presents forever warrant said property unto the Government against the claims and demands of all persons whomsoever, and does hereby and by these presents covenant and agree:

1. To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of the promissory note by reason of any default by Borrower. At all times when the promissory note is held by an insured lender, Borrower shall continue to make payments on the promissory note to the Government as collection agent for the holder.
2. To pay to the Government any initial fees for inspection and appraisal, and any delinquency charges, now or hereafter required by regulations of the Rural Utilities Service.
3. To maintain said property in proper repair and good condition; to commit or suffer no waste or exhaustion of said property; and to remove or demolish no building or other improvement on said property, neither to cut nor to remove any timber therefrom nor to remove, nor permit to be removed, any gravel, oil, gas, coal, or other minerals, without the consent of the Government; and promptly to effect such repairs to said property as the Government may from time to time

require. If, in the opinion of the Government, the security pledged for the performance of the obligations incurred hereunder be deemed at any time inadequate for the protection of the interest of the Government, Borrower covenants that it will deposit such further security as may be available and will provide or adopt such methods of operation or means for the repayment of the loan as the Government may require.

4. To perform, comply with and abide by each and every agreement, condition, and covenant contained in said promissory note, in any extension or renewal thereof, in any agreement supplementary thereto, and in this mortgage; to keep such records, books, and accounts as may be prescribed by the Government and to make them available for examination by officials of the Government upon request, and to permit copies thereof to be made by the Government; to furnish in such form and at such time as the Government shall request statements of annual income and expenses and other information concerning Borrower's operations as the Government may request; and to comply with all laws, ordinances, and regulations affecting said property or its use.
5. At all times when the promissory note is held by an insured lender, any amount due and unpaid under the terms of the promissory note, less the amount of the annual charge, may be paid by the Government to the holder of the promissory note to the extent provided in the insurance endorsement for the account of Borrower. Any amount due and unpaid under the terms of the promissory note, whether it is held by the Government or by an insured lender, may be credited by the Government on the promissory note and thereupon shall constitute an advance by the Government for the account of Borrower. Any advance by the Government as described in this paragraph shall bear interest at the note rate from the date on which the amount of the advance was due to the date of payment to the Government.
6. Whether or not the promissory note is insured by the Government, the Government may at any time pay any other amounts required herein to be paid by Borrower and not paid by him when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the note rate until paid to the Government.
7. All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the promissory note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of his covenant to pay. Such advances, with interest, shall be repaid from the first available collections received from Borrower. Otherwise, any payment made by Borrower may be applied on the promissory note or any indebtedness to the Government secured hereby, in any order the Government determines.
8. To use the loan evidenced by the promissory note solely for the purposes authorized by the Government.
9. That the loan evidenced by said promissory note was expressly made by the Government to Borrower to enable Borrower to make improvements by soil conservation facilities or practices, water conservation, development or use, forestation, or drainage, approved by the Government, and Borrower did or will use said moneys for the foregoing purposes and for no other purpose or purposes; said improvements to be made in accordance with the plans and specifications approved by the Borrower and the Government.
10. That the Government, its agents and attorneys shall have the right at all times to inspect said property for the purpose of ascertaining whether the security given is being lessened or impaired, improperly operated or maintained; and if in the judgment of the Government the

security given is being lessened or impaired, improperly operated or maintained, such condition shall be deemed a breach of the covenants of this mortgage on the part of Borrower.

11. That should Borrower assign, sell, lease, transfer or encumber said property or any interest therein, voluntarily, involuntarily or otherwise, or should any suit be instituted against Borrower which in the opinion of the Government would adversely affect the Government's interest hereunder, or should any judgment be recovered by any party against Borrower, or should there be instituted against Borrower any bankruptcy, receivership, liquidation, insolvency, or the like proceedings, or if any warrant of attachment should be issued against any property of Borrower, or should it abandon said property or be declared a bankrupt or an insolvent or make an assignment for the benefit of creditors, or should it, without the consent of the Government, fail to keep, perform and comply with any covenant, warranty or condition contained or referred to in this mortgage, the Government may declare the entire amount unpaid under said promissory note and on any indebtedness to the Government under this mortgage immediately due and payable and thereupon exercise any remedy provided herein or by law.
12. That it will not, unless written permission be first obtained from the Government, cause or permit any voluntary dissolution of its organization; merge or consolidate with any other organization; or transfer its assets or any part thereof to any other organization in any manner whatsoever except in the regular and usual course of its business.
13. That it will levy upon its members or shareholders in accordance with its charter or articles of incorporation and bylaws, assessments sufficient to pay the yearly cost of operation, maintenance, repair, improvements, taxes, interest, and principal upon all obligations of Borrower, especially the obligation to the Government as evidenced by the promissory note executed by Borrower to the Government.
14. That it will preserve and maintain its present provisions with respect to the admission of members or shareholders and their participation in its affairs, as set forth in its charter, constitution, and bylaws, unless written permission to change such provisions be first obtained from the Government.
15. That, without in any manner affecting the right of the Government to require and enforce performance at a subsequent date of the same, similar or any other covenant, agreement or obligation herein set forth, without affecting the liability of any person for payment of any indebtedness referred to herein, and without affecting the lien created upon said property or the priority of said lien, the Government is hereby authorized and empowered at its option and at any time to (a) waive the performance of any covenant or obligation contained in the promissory note or in this mortgage; (b) deal in any way with Borrower or grant to Borrower any indulgence or forbearance or extensions of the time for payment of any indebtedness evidenced by said promissory note or on any indebtedness to the Government under this mortgage; and (c) execute and deliver partial release of any part of said property from the lien hereby created, or to subordinate the lien of this mortgage to other rights in said property.
16. That any notice, consent or other act to be given or done by the Government under this mortgage shall be valid only if in writing and executed or performed by the State Director of the Farmers Home Administration or his duly authorized representative.
17. That if at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source on terms and conditions which it can reasonably be expected to fulfill, Borrower will, upon request of the Government, apply for and accept such loans in sufficient amount to repay the Government.

18. That the land and said property described hereinabove shall be the subject of and covered by this mortgage even though Borrower shall acquire its title to same after the execution of this mortgage.
19. That all awards of damages, up to the amount of the indebtedness of Borrower to the Government on said loan plus any indebtedness to the Government under this mortgage, in connection with any condemnation for public use of or injury to any of said property are hereby assigned and shall be paid to the Government who may apply same first to payment of any indebtedness to the Government under this mortgage for application on the installments last to become due under said promissory note, and the Government is hereby authorized, in the name of Borrower, to execute and deliver valid acquittances therefor and to appeal in the name of Borrower or the Government from any such award.
20. THAT TIME IS OF THE ESSENCE OF THIS MORTGAGE and the promissory note referred to herein, and upon payment of all indebtedness evidenced by said promissory note and all indebtedness to the Government under this mortgage and full performance hereunder by Borrower, the Government shall execute and deliver to Borrower a release and satisfaction of this mortgage within sixty (60) days after written demand thereof by Borrower, Borrower hereby waiving the benefits of all statutes or laws which require earlier execution or delivery of such release or satisfaction; BUT SHOULD DEFAULT BE MADE in the payment of any sum when due under said promissory note or under any extension or renewal thereof or under any agreement supplementary thereto, should Borrower fail to keep or perform any other covenant, condition or agreement contained or referred to in this mortgage, the Government is hereby irrevocably authorized and empowered at its option and without notice: (a) to declare the entire indebtedness evidenced by said promissory note and any other indebtedness owing by Borrower to the Government under this mortgage immediately due and payable and to foreclose this mortgage in any manner provided by law; (b) to incur and pay any reasonable expenses for repair or maintenance of said property and any expenses or obligations Borrower fails to pay as agreed in this mortgage, including taxes, levies, assessments, insurance premiums and any other necessary costs and expenditures for the protection, preservation and enforcement of this lien; and (c) to pursue any remedies provided herein or by law. Any default under this mortgage shall also constitute a default under any other mortgage of any kind whatsoever or security agreement from borrower herein to the Government herein, and any default under such shall also constitute a default under this mortgage.

In the event Borrower does fail to pay when due any sum evidenced by said promissory note or violates any covenant or condition of this mortgage, the Government, at its option, at any time during the period when such default in payment or violation of any covenant or condition of this mortgage exists or continues, shall take over the facility or system purchased, constructed, repaired or enlarged with the proceeds of the loan evidenced by said promissory note and wholly manage and operate the same at all times until said default in payment or violation of covenant or condition no longer exists. During any period of such management and operation by the Government, all sums collected from members and any other income of Borrower paid to the Government for the account of Borrower shall be used, first to defray the cost of operation and maintenance of the said facility or system; second, to reduce or remove the said default in payment, and to pay, as they mature, all installments, payments, advances and charges falling due under the terms of the said promissory note or under the provisions of this mortgage; and the balance thereafter, if any, shall be delivered to Borrower.

21. That Borrower will pay or reimburse the Government for all expenses necessary to enforce the provisions of this mortgage and the instruments referred to in it, including costs of evidence of title to and survey of said property, court costs, recording costs and attorney's fees.

22. That all moneys advanced or expended by the Government as provided in this mortgage, with interest, shall become a part of the indebtedness hereby secured and shall be due and payable by Borrower to the Government immediately after such expenditure, except as hereinabove provided, and without demand, at the place designated in the promissory note or at such other place as the Government may designate.
23. That the Government or its agent may bid for and purchase said property as a stranger at any foreclosure or other sale.
24. The applications of the proceeds of such sale may be made in the following order: (a) to the payment of the cost of foreclosure, including expenses of advertising, selling and conveying said property, abstracts of title or other title evidence, a reasonable attorney's fee, court costs and other expenses incident and necessary thereto; to the payment of any liens prior to the lien of this mortgage; (b) to the payment of any amounts that have been expended by the Government or that then may be necessary to expend in the payment of insurance premiums, taxes or other expenditures as herein provided, with interest thereon as aforesaid; (c) to the payment in full of the promissory note whether the same shall or shall not have fully matured at the time of said sale; (d) to the payment of any other indebtedness to the Government secured hereby; (e) to the payment of secondary liens duly approved and allowed by the court; and (f) the balance, if any, shall be delivered to Borrower.
25. Every right or remedy herein conferred upon or reserved to the Government shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.
26. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions shall not affect the remaining portions of this mortgage.

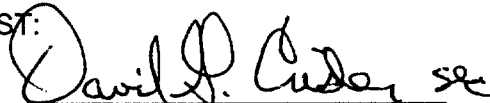
IN WITNESS WHEREOF, Borrower has caused this instrument to be executed in its name and its corporate seal to be affixed hereunto by its duly authorized officers the day and year in this instrument first above written.



By: Mark Crisp, President

(Corporate Seal)

ATTEST:

By  *see*
David Crider, Secretary / Treasurer

ACKNOWLEDGMENT

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STATE OF OREGON)
) ss.
COUNTY OF KLAMATH)

On this 20th day of February, 2001, before me personally appeared Mark Crisp and David Crider to me known to be the President and Secretary, respectively, of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



(Notarial Seal)

A handwritten signature in dark ink, appearing to be "Jeanne Benkover", is written over a horizontal line.

Notary Public in and for the
State of Oregon

My Commission Expires 8/26/02

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1 (Line)

A strip of land 20 feet in width situate in the E1/2 of the NE1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and the 10 feet in width on either side of the following described centerline:

Beginning at a point from which the Northeast corner of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, bears North 79 degrees 41' East 104.35 feet and North 2 degrees 17' East 1362.18 feet distant; thence South 79 degrees 41' West 1191 feet, more or less, to a point from which the said Northeast corner of the said Section 30 bears South 79 degrees 41' West 25.65 feet and North 40 degrees 15' 40" East 2093.4 feet distant.

PARCEL 2 (Reservoir)

A piece or parcel of land situate in the E1/2 of the NE1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and the W1/2 of the NW1/4 of Section 29, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at a point from which the Northeast corner of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, bears North 2 degrees 17' West 1362.18 feet distant, said point being the center of the following described parcel; thence South 79 degrees 41' West 104.35 feet to the true point of beginning; thence North 10 degrees 19' West 104.35 feet; thence North 79 degrees 41' East 208.7 feet; thence South 10 degrees 19' East 208.7 feet; thence South 79 degrees 41' West 208.7 feet; thence North 10 degrees 19' West 104.35 feet, more or less to the true point of beginning.

PARCEL 3 (Pump)

A piece or parcel of land situate in the E1/2 of the NE1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and being more particularly described as follows:

Beginning at a point on the Southerly boundary of the existing right of way for the present water line and access road of the Crescent Water Association from which the East one-sixteenth corner on the North boundary of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, bears South 79 degrees 41' West 289.4 feet and North 0 degrees 22' East 1609.5 feet distant; thence North 79 degrees 41' East along said Southerly right of way boundary 25.0 feet to a point; thence South 10 degrees 19' West 25.0 feet to a point; thence South 79 degrees 41' West 25.0 feet to a point; thence North 10 degrees 19' East 25.0 feet to the point of beginning.

- Continued -

EXHIBIT "A"
LEGAL DESCRIPTION
CONTINUED

PARCEL 4 (Pump)

A piece or parcel of land situate in the SW1/4 of the NE1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and being more particularly described as follows:

Beginning at a point from which the Northeast corner of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, bears North 40 degrees 15' 40" East 2093.4 feet distant, said point being the center of the following described parcel; thence South 89 degrees 38' East 25.0 feet to the true point of beginning, said point being South 0 degrees 22' West 1604 feet from the East one-sixteenth corner on the North boundary of said Section 30; thence South 0 degrees 22' West 25.0 feet; thence North 89 degrees 38' West 50.00 feet; thence North 0 degrees 22' East 50.0 feet to a point; thence South 89 degrees 38' East 50.0 feet to a point; thence South 0 degrees 22' West 25.0 feet to the true point of beginning.

PARCEL 5 (Office)

Beginning at a point from which is 944.08 feet East of the Northwest corner of Section 31, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence in a Southerly direction and parallel to Highway 97, a distance of 134 feet; thence 220 feet Easterly at right angles to said Highway; thence Northerly parallel to said Highway a distance of 235 feet; thence West 237.5 feet, more or less, to the point of beginning. SAVING AND EXCEPTING the Westerly 20 feet contained in the Highway.

PARCEL 6 (Storage)

The Northerly 50 feet of the following described property measured at right angles from the Westerly line thereof:

Beginning at a point from which is 944.08 feet East of the Northwest corner of Section 31, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; said point is marked by an iron pin (pipe) driven four feet into the ground; thence continuing Southwesterly along the East boundary of Highway 97 and parallel to the same, 133 feet and 7 inches beginning of tract herein conveyed; thence in an Easterly direction, at right angles to Highway 97, 220 feet; thence Southerly parallel to said Highway, 50 feet; thence Westerly, at right angles to said Highway, 20 feet; thence Southerly parallel to said Highway, 50 feet; thence Westerly 200 feet to said Highway; thence Northerly along Highway, 100 feet to beginning; LESS 20 feet sold to the Oregon State Highway Commission.

State of Oregon, County of Klamath
 Recorded 02/21/01, at 2:16 p. m.
 In Vol. M01 Page 6982
Linda Smith,
 County Clerk Fee\$ 61⁰⁰