

MTIC 79385-KR

2007-015716
Klamath County, Oregon

MORTGAGE AND
SECURITY AGREEMENT



09/06/2007 11:55:01 AM

Fee: \$51.00

WHEN RECORDED RETURN TO:

Scott Springer
AFA, Inc.
P.O. Box 1626
Mount Shasta, CA 96067

Tamera Campbell and Klamath Algae Products, Inc.,
whose address is 610 Broad Street, Klamath Falls, OR 97601
Mortgagor

Scott Springer and AFA, Inc.,
whose address is P.O. Box 1626, Mount Shasta, CA 96067
Mortgagee

THIS MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") is made as of the 8th day of June, 2007, between Tamera Campbell and Klamath Algae Products, Inc., an Oregon corporation having its office at 610 Broad Street, Klamath Falls, OR 97601 ("Mortgagor"), and Scott Springer and AFA, Inc., an Oregon corporation having its office at P.O. Box 1626, Mount Shasta, CA 96067 ("Mortgagee").

WHEREAS, Mortgagee has offered to make a loan to Mortgagor in the sum of \$300,000.00, which loan is to be evidenced by a Promissory Note of even date herewith. The mortgage, if not sooner paid, is due and payable in full on January 1, 2013. (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 mortgages to Mortgagee, all of Mortgagor's right, title, and interest in and to the real property located in Klamath County, state of Oregon, particularly described in Exhibit A (the "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.

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, 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, and

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

1.03 Insurance.

Mortgagee may purchase insurance at Mortgagee's expense to protect Mortgagee's interest. This insurance may, but need not, also protect Mortgagor's interest. If the Mortgaged Property becomes damaged, the coverage Mortgagee purchases may not pay any claim Mortgagor makes or any claim made against Mortgagor.

51.00

ARTICLE II

Security Agreement

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 real estate lien.

ARTICLE III

Events of Default; Remedies

3.01 Default.

Failure of Mortgagor to pay any of the Obligations within 30 days after written notice from Mortgagee of any such nonpayments shall constitute default.

3.02 Remedies in Case of Default. If an Event of Default shall occur, Mortgagee may exercise any one or more of the remedies that may be available by law, in equity, or otherwise:

3.03 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 marshaling 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, Mortgagor 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.

3.04 Application of Proceeds. All proceeds realized from the exercise of the rights and remedies under this Section 5 shall be applied as follows:

(1) *Costs and Expenses.* To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Mortgaged Property, the costs and expenses of any receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 6.07 below.

(2) *Indebtedness.* To pay all Obligations, in such order as Mortgagee shall determine in its sole discretion.

(3) *Surplus.* The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court in the event of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled to the surplus.

3.05 Deficiency. Any 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. If the proceeds of a sale, a collection, or other realization of or on the Mortgaged Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Mortgagor shall not remain liable for any deficiency. The sale and its proceeds shall be deemed full satisfaction of the debt, and no deficiency judgment shall be allowed.

ARTICLE IV

General Provisions

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

4.02 Notice. Except as otherwise provided in this Mortgage, all notices pertaining to this Mortgage shall be in writing and must be mailed by first-class, registered, or certified mail, return receipt requested, postage prepaid, and addressed to the appropriate party at its address set forth at the outset of this Mortgage. Any party may change its address for such notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph shall be deemed to have been given on the date of mailing.

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

4.04 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.

4.05 **Captions.** The captions to the sections and paragraphs of this Mortgage are included only for the convenience of the parties and shall not have the effect of defining, diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Mortgage.

4.06 **Rights of Prior Mortgagee.** If all or any portion of the Mortgaged Property is subject to a superior mortgage or trust deed specifically permitted under Exhibit B, the rights of Mortgagee 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 insurance or Condemnation proceeds and all other sums held by them to Mortgagee to be applied in accordance with this Mortgage.

4.07 **Person Defined.** As used in this Mortgage, the word *person* shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

4.08 **Severability.** If any provision of this Mortgage shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Mortgage, and such other provisions shall be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Mortgage.

4.09 **Commercial Property.** Mortgagor covenants and warrants that the Property and Improvements are used by Mortgagor exclusively for business and commercial purposes. Mortgagor also covenants and warrants that the Property and Improvements are not now, and at no time in the future will be, occupied as the principal residence of Mortgagor, Mortgagor's spouse, or Mortgagor's minor or dependent child.

4.10 **ORS 93.040 Warning.**


THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

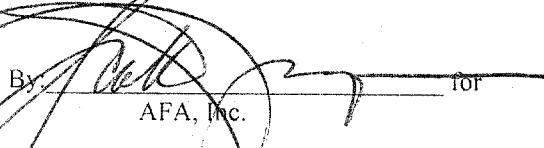
MORTGAGOR:


Tamera Campbell

By:  for
Klamath Algae Products, Inc

MORTGAGEE:


Scott Springer

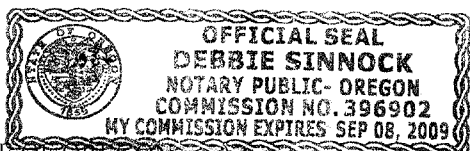
By:  for
AFA, Inc.


STATE OF OREGON)

) ss.

County of Klamath)

On this 8th day of June, 2007, before me personally appeared Tamera Campbell, and acknowledged the foregoing instrument to be her voluntary act and deed




Notary Public for Oregon
My commission expires: 9-8-09

STATE OF OREGON)

) ss.

County of Klamath)

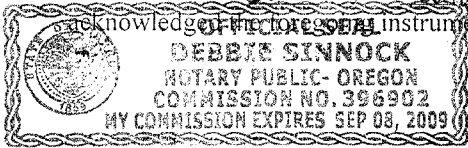
On this _____ day of _____, 20____, before me personally appeared Tamera Campbell, who being duly sworn, stated that she is the President of Klamath Algae Products, Inc, an Oregon corporation, and

acknowledged the foregoing instrument to be the voluntary act and deed of the corporation, executed by authority of its board of directors.

Notary Public for Oregon
My commission expires: _____

STATE OF OR)
) ss.
County of Klamath)

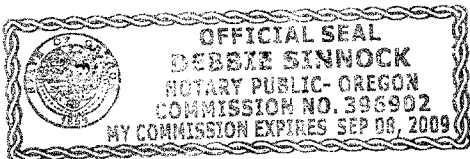
On this 31st day of July, 2007, before me personally appeared Scott Springer, and acknowledged the foregoing instrument to be his voluntary act and deed.



Debbie Sinnock
Notary Public for Klamath Co.
My commission expires: 9-8-09

STATE OF OR)
) ss.
County of Klamath)

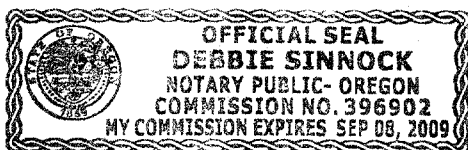
On this 31st day of July, 2007, before me personally appeared Scott Springer, who being duly sworn, stated that he is the President of AFA, Inc., an Oregon corporation, and acknowledged the foregoing instrument to be the voluntary act and deed of the corporation, executed by authority of its board of directors.



Debbie Sinnock
Notary Public for Klamath Co.
My commission expires: 9-8-09

STATE OF OREGON
County of Klamath

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Debbie Sinnock
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My commission expires: 9-8-09

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1.

Government Lot 30, Section 15, Township 36 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 2.

Lot 15, of MODOC POINT, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 3.

Lots 17 and 18 of MODOC POINT, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 4.

Lot 16 of MODOC POINT, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

EXHIBIT B
OTHER MORTGAGES, TRUST DEEDS, AND SECURITY INSTRUMENTS ON THE PROPERTY

1. Trust Deed dated 6/6/07, with Northwest Farm * as beneficiary securing indebtedness of
\$ 363,200.00.

*Credit Services, FLCA, a corporation organized under the Farm Credit
Act of 1971