

AMT 99208

2013-011560

Klamath County, Oregon

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Fee: \$182.00

FIRST LIEN MORTGAGE, SECURITY AGREEMENT, FIXTURE

AND

COLLATERAL ASSIGNMENT

THIS FIRST LIEN MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING AND COLLATERAL ASSIGNMENT (this "Mortgage") is dated as of October 10, 2013 by and from KLAMATH BASIN GEOPower, INC., a Nevada corporation ("Mortgagor"), whose address is 200 South Virginia Street, Suite 560, Reno, Nevada 89501 to Erick Erwin, as administrative agent (in such capacity, "Administrative Agent") for the Lenders as defined below in the Credit Agreement (defined below), having an address at 3500 N. Rock Road, Building 800 B, Wichita, Kansas 67226 (Administrative Agent, together with its successors and assigns, "Mortgagee").

RECITALS

WHEREAS, Mortgagor has entered into that certain Credit Agreement dated as of same date hereof (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") with the Administrative Agent and the Lenders identified therein; and

WHEREAS, as a condition to extending credit to Mortgagor under the Credit Agreement, the Lenders have required, among other things, that Mortgagor execute and deliver this Mortgage.

NOW THEREFORE, in consideration of foregoing recitals, which are incorporated into the operative provisions of this Mortgage by this reference, and for other good and valuable consideration, the receipt and adequacy of which are hereby conclusively acknowledged, Mortgagor hereby represents and warrants to and covenants and agrees with Mortgagee as follows:

**ARTICLE 1
DEFINITIONS**

Section 1.1 Definitions. All capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Credit Agreement. As used herein, the following terms shall have the following meanings:

(a) "Collateral" means (i) each of the Leases and the leasehold interest created therein in favor of Mortgagor, (ii) all agreements, documents, certificates, instruments, legal opinions and other materials relating to a Lease including, without limitation, that certain Model Turnkey Agreement dated October 10, 2013, by and between Mortgagor (as assignee of Olene KBG LLC, a Nevada limited liability company) and Paul Graham Drilling & Service Co., (iii) all of the rents, revenues, royalties, income, proceeds, profits, accounts receivable, security and other types of deposits, and other benefits paid or payable to Mortgagor for using, leasing, licensing, possessing, operating, residing in, selling or otherwise enjoying the leasehold interest

of Mortgagor created under a Lease, (iv) all materials, supplies, equipment, and other items of personal property now owned or hereafter acquired by Mortgagor and used in connection with, arising from or otherwise related to a Lease, (v) all goods, fixtures, accounts, inventory, general intangibles, instruments, documents, contract rights and chattel paper, including all such items as defined in the UCC, now owned or hereafter acquired by Mortgagor and used in connection with, arising from or otherwise related to a Lease, (vi) all accessions, replacements and substitutions for any of the foregoing and all proceeds thereof, and (vii) all awards, damages, remunerations, reimbursements, settlements or compensation heretofore made or hereafter to be made by any governmental authority pertaining to any condemnation or other taking (or any purchase in lieu thereof) of all or any portion of the foregoing. As used in this Mortgage, the term "Collateral" shall mean all or, where the context permits or requires, any portion of the above or any interest therein.

(b) **"Event of Default"**: An Event of Default under and as defined in the Credit Agreement or the Revenue Royalty Agreement (as defined below).

(c) **"Indebtedness"**: All present and future indebtedness, obligations and liabilities of Mortgagor to Mortgagee or any of the other Lenders under the Credit Agreement, this Mortgage or the Revenue Royalty Agreement, including, without limitation, all principal, interest and other amounts owing or may hereafter be owing by Mortgagor to the Mortgagee or any of the Lenders under such documents. The Indebtedness secured hereby includes, without limitation, all interest and expenses accruing after the commencement by or against Mortgagor of a proceeding under the Bankruptcy Code (defined below) or any similar law for the relief of debtors. This Mortgage secures, and the Indebtedness secured hereby includes, any and all future advances by Mortgagee and/or any of the other Lenders to Mortgagor made pursuant to the Credit Agreement, this Mortgage or the Revenue Royalty Agreement.

(d) **"Indemnified Party"**: Mortgagee, each Lender and each of their respective officers, directors, employees, attorneys, and agents, and each of their successors, assigns and personal representatives.

(e) **"Leases"** mean (i) that certain Geothermal Lease and Agreement dated September 18, 2012 by and between the Jeffrey E. Brown Living Trust dated April 20, 2010 (as lessor) and the Mortgagor (as lessee) conveying a leasehold interest in certain geothermal steam, geothermal fluids, geothermal energy, heat, hot water, extractable minerals, and all byproducts and gasses associated therewith located on and within the real property located in Klamath County, Oregon, as more particularly described in Schedule 1 of this Mortgage, and (ii) that certain Geothermal Lease and Agreement dated September 18, 2012 by and between Susan F. House and John Q. House, husband and wife, David P. Fairclo, an individual, Paulette B Knoll, an individual, Baron and Grant Knoll, as brothers and members of Knoll Ranch, LLC, Knoll Ranch, LLC, Paulette B Knoll as trustee of Knoll Family Trust and Knoll Family Trust (collectively, as lessor) and the Mortgagor (as lessee) conveying a leasehold interest in certain geothermal steam, geothermal fluids, geothermal energy, heat, hot water, extractable minerals, and all byproducts and gasses associated therewith located on and within the real property located in Klamath County, Oregon, as more particularly described in Schedule 2 of this Mortgage. "Lease" means either of the Leases.

(f) **"Obligations"**: All of the agreements, covenants, conditions, warranties, representations and other obligations of Mortgagor under the Credit Agreement, this Mortgage and the Revenue Royalty Agreement.

(g) **"Permitted Liens"**: Liens permitted by the definition of "Permitted Liens" in Section 1.1 of the Credit Agreement.

(h) **"Revenue Royalty Agreement"** means that certain Revenue Royalty Agreement dated as of the same date hereof (as amended, amended and restated, supplemented or otherwise modified from time to time) by and between the Mortgagor and the Administrative Agent (as administrative agent for Lenders).

(i) **"UCC"**: The Uniform Commercial Code of Oregon or, if the creation, perfection and enforcement of any security interest herein granted is governed by the laws of a state other than Oregon, then, as to the matter in question, the Uniform Commercial Code in effect in that state.

ARTICLE 2 GRANT OF MORTGAGE

Section 2.1 Grant of Mortgage. To secure the full and timely payment and performance of the Indebtedness and the full and timely performance of the Obligations, Mortgagor MORTGAGES AND WARRANTS, GRANTS, BARGAINS, ASSIGNS, SELLS, CONVEYS and CONFIRMS, to Mortgagee for the benefit of the Lenders, the Collateral, subject, however, to Permitted Liens, TO HAVE AND TO HOLD the Collateral to Mortgagee for the benefit of the Lenders, and Mortgagor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND the title to the Collateral unto Mortgagee for the benefit of the Lenders.

Section 2.2 Maximum Principal Amount of Mortgage. The maximum principal amount of Indebtedness which may be outstanding at any time and secured by this Mortgage, exclusive of interest or premium thereon, unpaid balances of advances made with respect to the Collateral for the payment of taxes, assessments, insurance premiums, amounts owing with respect to indemnity and expense reimbursement obligations of Mortgagor under this Mortgage, the Credit Agreement or the Revenue Royalty Agreement, costs incurred for the protection of the Collateral and all other costs, fees or expenses which Administrative Agent or any Lender is authorized to pay on Mortgagor's behalf or for which Mortgagor is liable under the Credit Agreement, this Mortgage or the Revenue Royalty Agreement, all of which shall also be secured by this Mortgage, is \$7,000,000.

ARTICLE 3 ASSIGNMENT OF COLLATERAL

Section 3.1 Assignment of Collateral. In furtherance of and in addition to the assignment made by Mortgagor in Section 2.1 of this Mortgage, Mortgagor hereby absolutely and unconditionally assigns, sells, transfers and conveys to Mortgagee all of its right, title and interest in and to the Collateral. This assignment is an absolute assignment and not an assignment for additional security only. Without limiting the generality of the foregoing, as

security for Obligations, Mortgagor specifically collaterally assigns and transfers to Mortgagee all rights of Mortgagor to receive any sums of money or property in connection with the Leases, provided, that so long as no Event of Default has occurred and is continuing, Mortgagor shall be entitled to collect and receive for its own use monies paid under and in respect of the Leases, subject to the terms and conditions of the leases. So long as no Event of Default shall have occurred and be continuing, Mortgagor shall have a revocable license from Mortgagee to exercise all rights under the Leases and to otherwise use the Collateral. The foregoing license is granted subject to the conditional limitation that no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, whether or not legal proceedings have commenced, and without regard to waste, adequacy of security for the Obligations or solvency of Mortgagor, the license herein granted shall automatically expire and terminate, without notice to Mortgagor by Mortgagee (any such notice being hereby expressly waived by Mortgagor to the extent permitted by applicable law).

Section 3.2 Enforcement of Assignment. Upon the occurrence and during the continuance of an Event of Default, Mortgagee shall have the right, power and authority to (a) declare the foregoing assignment to be unconditional and absolute, and thereby succeed fully to all of Mortgagor's rights, remedies, title and interest in, to and under the Collateral, (b) notify other parties that the Collateral has been assigned to Mortgagee, whether or not Mortgagee has commenced or completed foreclosure or taken possession of thereof; and (c) to the extent permitted by applicable laws, exercise all rights of Mortgagor with respect to the Collateral. In furtherance of the foregoing, upon the occurrence and during the continuance of an Event of Default, Mortgagor hereby irrevocably authorizes and empowers Mortgagee, in its sole discretion, to assert, either directly or on behalf of Mortgagor, any right, privilege or claim which Mortgagor then or thereafter may have with respect to the Collateral, as Mortgagee may deem proper, and to receive and collect any and all damages, awards and other monies resulting therefrom and to apply the proceeds thereof against any Obligations then outstanding. Nothing herein shall be construed to require Mortgagee to take any action in respect to the Collateral, whether for the account of Mortgagor or otherwise. Mortgagor hereby irrevocably makes, constitutes and appoints Mortgagee as its true and lawful attorney in fact for the purposes of enabling Mortgagee or its agent or designee to exercise the foregoing rights under this Section 3.2.

Section 3.3 Performance of Leases. Mortgagor shall keep Mortgagee informed of all circumstances which have a Material Adverse Effect upon the exercise of its rights and remedies under the Leases. In any event, Mortgagor shall not release, cancel, sell, compromise, waive, amend, alter or modify any of its rights or remedies under the Leases, without first obtaining the prior written consent of Mortgagee. Mortgagor expressly acknowledges and agrees that it shall remain liable under the Leases, to observe and perform all of the conditions and obligations therein contained to be observed and performed by it, and that neither the assignment under Section 3.1, nor any action taken by Mortgagee shall cause Mortgagee to be under any obligation or liability in any respect whatsoever to any party to the Leases or for the observance or performance of any of the representations, warranties, conditions, covenants, agreements or terms therein contained.

ARTICLE 4

GRANT OF SECURITY INTEREST

Section 4.1 Grant of Security Interest. This Mortgage constitutes a "security agreement" within the meaning of the UCC and other applicable law and with respect to the Collateral. Mortgagor grants to Mortgagee a first and prior security interest in the Collateral to secure the payment of the Indebtedness and performance of the Obligations, and agrees that Mortgagee shall have all the rights and remedies of a secured party under the UCC with respect to the Collateral. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Collateral sent to Mortgagor at least ten (10) days prior to any action under the UCC shall constitute reasonable notice to Mortgagor.

Section 4.2 Financing Statements. Mortgagor shall prepare and deliver to Mortgagee such financing statements, and shall execute and deliver to Mortgagee such other documents, instruments and further assurances, in each case in form and substance satisfactory to Mortgagee, as Mortgagee may, from time to time, reasonably consider necessary to create, perfect and preserve Mortgagee's security interest hereunder. Mortgagor hereby irrevocably authorizes Mortgagee to cause financing statements (and amendments thereto and continuations thereof) and any such documents, instruments and assurances to be recorded and filed, at such times and places as may be required or permitted by law to so create, perfect and preserve such security interest. Mortgagor represents and warrants to Mortgagee that Mortgagor's jurisdiction of organization is the State of Nevada. After the date of this Mortgage, Mortgagor shall not change its name, type of organization, organizational identification number (if any), jurisdiction of organization or location (within the meaning of the UCC) without giving at least thirty (30) days' prior written notice to Mortgagee.

Section 4.3 Fixture Filing. This Mortgage shall also constitute a "fixture filing" for the purposes of the UCC against all of the Collateral which is or is to become fixtures. The information provided in this Section 4.3 is provided so that this Mortgage shall comply with the requirements of the UCC for a mortgage instrument to be filed as a financing statement. Mortgagor is the "Debtor" and its name and mailing address are set forth in the preamble of this Mortgage immediately preceding Article 1. Mortgagee is the "Secured Lender" and its name and mailing address from which information concerning the security interest granted herein may be obtained are also set forth in the preamble of this Mortgage immediately preceding Article 1. Descriptions of the land upon which the fixtures are or will be located are set forth in Schedules 1 and 2 of this Mortgage. The lessor or lessors of each of the Leases are the record owner(s) of such land.

ARTICLE 5

WARRANTIES, REPRESENTATIONS AND COVENANTS

Mortgagor warrants, represents and covenants to Mortgagee as follows:

Section 5.1 Title to Collateral and Lien of this Instrument. Mortgagor owns the Collateral free and clear of any liens, claims or interests, except the Permitted Liens. This Mortgage creates valid, enforceable first priority liens and security interests against the Collateral except for Permitted Liens.

Section 5.2 First Lien Status. Mortgagor shall preserve and protect the first lien and security interest priority of this Mortgage and the other Security Documents. If any lien or security interest other than a Permitted Lien is asserted against the Collateral, Mortgagor shall promptly, and at its expense, (a) give Mortgagee a detailed written notice of such lien or security interest (including origin, amount and other terms), and (b) pay the underlying claim in full or take such other action so as to cause it to be released or contest the same in compliance with the requirements of the Credit Agreement (including the requirement of providing a bond or other security satisfactory to Mortgagee).

Section 5.3 Payment and Performance. Mortgagor shall pay the Indebtedness when due under the Credit Agreement and the other Credit Documents and shall perform the Obligations on its part to be performed in full when they are required to be performed.

Section 5.4 Inspection. Mortgagor shall permit Mortgagee and its agents, representatives and employees, upon reasonable prior notice to Mortgagor, to inspect the Collateral and all books and records of Mortgagor with respect thereto, provided that such inspections shall not materially interfere with the use and operation of the Collateral.

Section 5.5 Other Covenants. All of the representations, warranties and covenants in the Credit Agreement and the Revenue Royalty Agreement are incorporated herein by reference.

Section 5.6 Payment of Taxes and Other Obligations. Mortgagor will pay and discharge from time to time prior to the time when the same shall become delinquent, and before any interest or penalty accrues thereon or attaches thereto, all taxes and other obligations with respect to the Collateral or any part thereof or arising in respect of the occupancy, use or possession thereof in accordance with, and to the extent required by, the Credit Agreement.

Section 5.7 Filing and Recording. Mortgagor will cause this Mortgage, the UCC financing statements referred to in Section 4.2 any other security instrument creating a security interest in or evidencing the lien hereof upon the Collateral and each UCC continuation statement and instrument of further assurance to be filed, registered or recorded and, if necessary, refiled, rerecorded and reregistered in such manner and in such places as may be required by any present or future law in order to fully perfect the lien hereof upon, and the security interest of Mortgagee in the Collateral until this Mortgage is terminated and released in full in accordance with Section 7.7 hereof. Mortgagor will pay all filing, registration and recording fees, all Federal, state, county and municipal recording, documentary or intangible taxes and other taxes, duties, imposts, assessments and charges, and all reasonable expenses incidental to or arising out of or in connection with the execution, delivery and recording of this Mortgage, UCC financing statements and continuation statements, any mortgage supplemental hereto, any security instrument with respect to the Collateral or any instrument of further assurance.

Section 5.8 Additions to Collateral. All right, title and interest of Mortgagor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Collateral hereafter acquired by or released to Mortgagor, and all conversions of the security constituted thereby, immediately upon such acquisition, release or conversion, as the case may be, and in each such case without any further mortgage,

deed of trust, conveyance, assignment or other act by Mortgagor, shall become subject to the lien and security interest of this Mortgage as fully and completely and with the same effect as though now owned by Mortgagor and specifically described in the grant of the Collateral above, but at any and all times Mortgagor will execute and deliver to Mortgagee any and all such further assurances, mortgages, deeds, conveyances or assignments thereof as Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien and security interest of this Mortgage.

ARTICLE 6 DEFAULT AND FORECLOSURE

Section 6.1 Remedies. Upon the occurrence and during the continuance of an Event of Default, Mortgagee may, at Mortgagee's election, exercise any or all of the following rights, remedies and recourses:

(a) Acceleration. Subject to any provisions of the Credit Documents providing for the automatic acceleration of the Indebtedness upon the occurrence of certain Events of Default, declare the Indebtedness to be immediately due and payable, without further notice, presentment, protest, notice of intent to accelerate, notice of acceleration, demand or action of any nature whatsoever (each of which hereby is expressly waived by Mortgagor), whereupon the same shall become immediately due and payable.

(b) Foreclosure and Sale. Institute proceedings for the complete foreclosure of this Mortgage by judicial action or by power of sale, in which case the Collateral may be sold for cash or credit as Mortgagee may determine. With respect to any notices required or permitted under the UCC, Mortgagor agrees that ten (10) days' prior written notice shall be deemed commercially reasonable. At any such sale by virtue of any judicial proceedings, power of sale, or any other legal right, remedy or recourse, the title to and right of possession of any such property shall pass to the purchaser thereof, and to the fullest extent permitted by law, Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim, equity, equity of redemption, and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against Mortgagor, and against all other Persons claiming or to claim the property sold or any part thereof, by, through or under Mortgagor. Mortgagee or any of the Lenders may be a purchaser at such sale. If Mortgagee or such Lender is the highest bidder, Mortgagee or such Lender may credit the portion of the purchase price that would be distributed to Mortgagee or such Lender against the Indebtedness in lieu of paying cash. In the event this Mortgage is foreclosed by judicial action, appraisal of the Collateral is waived.

(c) Receiver. Make application to a court of competent jurisdiction for, and obtain from such court as a matter of strict right and without notice to Mortgagor or regard to the adequacy of the Collateral for the repayment of the Indebtedness, the appointment of a receiver of the Collateral, and Mortgagor irrevocably consents to such appointment. Any such receiver shall have all the usual powers and duties of receivers in similar cases, including the full power to rent, maintain and otherwise operate the Collateral upon such terms as may be approved by the court, and shall apply any proceeds in accordance with the provisions of Section 6.7.

(d) Other. Exercise all other rights, remedies and recourses granted under the Credit Documents (including, without limitation, Section 3.2 of this Mortgage) or otherwise available at law or in equity.

Section 6.2 Separate Sales. The Collateral may be sold in whole or part or in such manner and order as Mortgagee in its sole discretion may elect. The right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 6.3 Remedies Cumulative, Concurrent and Nonexclusive. Mortgagee and the Lenders shall have all rights, remedies and recourses granted in the Credit Documents and available at law or equity (including the UCC), which rights (a) shall be cumulative and concurrent, (b) may be pursued separately, successively or concurrently against Mortgagor or others obligated under the Credit Documents, or against the Collateral, or against any one or more of them, at the sole discretion of Mortgagee or such Lender, as the case may be, (c) may be exercised as often as occasion therefor shall arise, and the exercise or failure to exercise any of them shall not be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive. No action by Mortgagee or any Lender in the enforcement of any rights, remedies or recourses under the Credit Documents or otherwise at law or equity shall be deemed to cure any Event of Default.

Section 6.4 Release of and Resort to Collateral. Mortgagee may release, regardless of consideration and without the necessity for any notice to or consent by the holder of any subordinate lien on the Collateral, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the lien or security interest created in or evidenced by the Credit Documents or their priority with respect to the Collateral. For payment of the Indebtedness, Mortgagee may resort to any other security in such order and manner as Mortgagee may elect.

Section 6.5 Waiver of Redemption, Notice and Marshalling of Assets. To the fullest extent permitted by law, Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefit that might accrue to Mortgagor by virtue of any present or future statute of limitations or law or judicial decision exempting the Collateral from attachment, levy or sale on execution or providing for any stay of execution, exemption from civil process, redemption or extension of time for payment, (b) all notices of any Event of Default or of any election by Mortgagee to exercise or the actual exercise of any right, remedy or recourse provided for under the Credit Documents, and (c) any right to a marshalling of assets or a sale in inverse order of alienation.

Section 6.6 Discontinuance of Proceedings. If Mortgagee or any Lender shall have proceeded to invoke any right, remedy or recourse permitted under the Credit Documents and shall thereafter elect to discontinue or abandon it for any reason, Mortgagee or such Lender, as the case may be, shall have the unqualified right to do so and, in such an event, Mortgagor, Mortgagee and the Lenders shall be restored to their former positions with respect to the Indebtedness, the Obligations, the Credit Documents, the Collateral and otherwise, and the rights, remedies, recourses and powers of Mortgagee and the Lenders shall continue as if the right, remedy or recourse had never been invoked, but no such discontinuance or abandonment shall waive any Event of Default which may then exist or the right of Mortgagee or any Lender

thereafter to exercise any right, remedy or recourse under the Credit Documents for such Event of Default.

Section 6.7 Application of Proceeds. The proceeds of any sale of, and amounts generated by the holding, leasing, management, operation or other use of the Collateral, shall be applied by Mortgagee (or the receiver, if one is appointed) in the following order unless otherwise required by applicable law:

(a) to the payment of the costs and expenses of taking possession of the Collateral and of holding, using, leasing, repairing, improving and selling the same, including, without limitation (1) receiver's fees and expenses, including the repayment of the amounts evidenced by any receiver's certificates, (2) court costs, (3) attorneys' and accountants' fees and expenses, and (4) costs of advertisement;

(b) to the payment of the Indebtedness and performance of the Obligations in such manner and order of preference as Mortgagee in its sole discretion may determine; and

(c) the balance, if any, to the Persons legally entitled thereto.

Section 6.8 Occupancy After Foreclosure. Any sale of the Collateral or any part thereof in accordance with Section 6.1(b) will divest all right, title and interest of Mortgagor in and to the property sold. Subject to applicable law, any purchaser at a foreclosure sale will receive immediate possession of the property purchased. If Mortgagor retains possession of such property or any part thereof subsequent to such sale, Mortgagor will be considered a tenant at sufferance of the purchaser, and will, if Mortgagor remains in possession after demand to remove, be subject to eviction and removal, forcible or otherwise, with or without process of law.

Section 6.9 Additional Advances and Disbursements; Costs of Enforcement.

(a) Upon the occurrence and during the continuance of any Event of Default, Mortgagee and each of the Lenders shall have the right, but not the obligation, to cure such Event of Default in the name and on behalf of Mortgagor. All sums advanced and expenses incurred at any time by Mortgagee or any Lender under this Section 6.9, or otherwise under this Mortgage or any of the other Credit Documents or applicable law, shall bear interest from the date that such sum is advanced or expense incurred, to and including the date of reimbursement, computed at the highest rate at which interest is then computed on any portion of the Indebtedness, and all such sums, together with interest thereon, shall be secured by this Mortgage.

(b) Mortgagor shall pay all expenses (including reasonable attorneys' fees and expenses) of or incidental to the perfection and enforcement of this Mortgage and the other Credit Documents, or the enforcement, compromise or settlement of the Indebtedness or any claim under this Mortgage and the other Credit Documents, and for the curing thereof, or for defending or asserting the rights and claims of Mortgagee in respect thereof, by litigation or otherwise.

Section 6.10 No Mortgagee in Possession. Neither the enforcement of any of the remedies under this Article 4, the assignment of the Collateral under Article 5, the security interests under Article 6, nor any other remedies afforded to Mortgagee under the Credit Documents, at law or in equity shall cause Mortgagee or any Lender to be deemed or construed to be a mortgagee in possession of the Collateral, to obligate Mortgagee or any Lender to lease the Collateral or attempt to do so, or to take any action, incur any expense, or perform or discharge any obligation, duty or liability whatsoever under any of the Leases or otherwise.

ARTICLE 7 MISCELLANEOUS

Section 7.1 Notices. Unless otherwise required by applicable law, any notice required or permitted to be given under this Mortgage shall be given in accordance with Section 9.4 of the Credit Agreement.

Section 7.2 Attorney-in-Fact. Mortgagor hereby irrevocably appoints Mortgagee as its attorney-in-fact, which agency is coupled with an interest and with full power of substitution, with full authority in the place and stead of Mortgagor and in the name of Mortgagor or otherwise (a) to prepare and file or record financing statements and continuation statements, and to prepare, execute and file or record applications for registration and like papers necessary to create, perfect or preserve Mortgagee's security interests and rights in or to any of the Collateral, and (b) after the occurrence and during the continuance of any Event of Default, to perform any obligation of Mortgagor hereunder; provided, however, that (i) Mortgagee shall not under any circumstances be obligated to perform any obligation of Mortgagor; (ii) any sums advanced by Mortgagee in such performance shall be added to and included in the Indebtedness and shall bear interest at the highest rate at which interest is then computed on any portion of the Indebtedness; (iii) Mortgagee as such attorney-in-fact shall only be accountable for such funds as are actually received by Mortgagee; and (iv) Mortgagee shall not be liable to Mortgagor or any other Person for any action or any failure to take any action which it is empowered to take under this Section 7.2.

Section 7.3 Mortgagee's Fees and Expenses. Mortgagor agrees to pay upon demand to Mortgagee the amount of any and all costs and expenses, including the fees, disbursements and other charges of its counsel and of any experts or agents, that Mortgagee may incur in connection with the administration of this Mortgage, including, without limitation, all recording and filing fees, taxes, UCC search fees, and title insurance premiums. Mortgagor agrees to pay upon demand to Mortgagee the amount of any and all costs and expenses, including the fees, disbursements and other charges of its counsel and of any experts or agents, that Mortgagee may incur in connection with (i) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (ii) the exercise, enforcement or protection of any of the rights of the Mortgagee under this Mortgage or (iii) the failure of Mortgagor to perform or observe any of the provisions hereof.

Section 7.4 Successors and Assigns. This Mortgage shall be binding upon and inure to the benefit of Mortgagee, the Lenders, and Mortgagor and their respective successors and assigns. Mortgagor shall not, without the prior written consent of Mortgagee, assign any rights, duties or obligations hereunder, except as permitted by the Credit Agreement.

Section 7.5 No Waiver. Any failure by Mortgagee and the Lenders to insist upon strict performance of any of the terms, provisions or conditions of the Credit Documents shall not be deemed to be a waiver of same, and Mortgagee and the Lenders shall have the right at any time to insist upon strict performance of all of such terms, provisions and conditions.

Section 7.6 Credit Agreement. If any conflict or inconsistency exists between this Mortgage and the Credit Agreement, the Credit Agreement shall control and govern to the extent of any such conflict or inconsistency.

Section 7.7 Release or Reconveyance. Upon the indefeasible payment in full of the Indebtedness and performance in full of the Obligations, the lien and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Mortgagor. Upon any such termination, Mortgagee, at Mortgagor's request and expense, shall release the liens and security interests created by this Mortgage or reconvey the Collateral to Mortgagor. Notwithstanding the foregoing, the lien and security interest granted hereby in the Collateral associated with a Lease shall terminate and all rights to such Collateral shall revert to the Mortgagor upon (i) the sale of all or substantially all of Mortgagor's right, title and interest in such Lease in accordance with and as contemplated in the Revenue Royalty Agreement, and (ii) the indefeasible payment in full of the Indebtedness and performance in full of the Obligations associated with such Lease under the Section 3(1) or Section 3(2) of the Revenue Royalty Agreement, as the case may be.

Section 7.8 Waiver of Stay, Moratorium and Similar Rights. Mortgagor agrees, to the full extent that it may lawfully do so, that it will not at any time insist upon or plead or in any way take advantage of any stay, marshalling of assets, extension, redemption or moratorium law now or hereafter in force and effect so as to prevent or hinder the enforcement of the provisions of this Mortgage or the Indebtedness or Obligations secured hereby, or any of the other Credit Documents or any rights or remedies of Mortgagee or any Lender.

Section 7.9 Applicable Law. This Mortgage shall be governed by and construed under the laws of the State of Oregon.

Section 7.10 Headings. The Article, Section and Subsection titles hereof are inserted for convenience of reference only and shall in no way alter, modify or define, or be used in construing, the text of such Articles, Sections or Subsections.

Section 7.11 Severability. If any provision of this Mortgage shall be held by any court of competent jurisdiction to be unlawful, void or unenforceable for any reason, such provision shall be deemed severable from and shall in no way affect the enforceability and validity of the remaining provisions of this Mortgage.

Section 7.12 Entire Agreement. This Mortgage and the other Credit Documents embody the entire agreement and understanding between Mortgagor and Mortgagee relating to the subject matter hereof and thereof and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Credit Documents may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 7.13 Further Assurances. At any time, and from time to time, upon request of Mortgagee, Mortgagor will make, execute and deliver, or will cause to be made, executed or delivered to Mortgagee or to Mortgagee's designee, and when requested by Mortgagee, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Mortgagee may deem reasonably appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the reasonable opinion of Mortgagee, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (i) the Obligations, and (ii) the assignments, and liens and security interests created by this Mortgage in and to the Collateral, whether now owned or hereafter acquired by Mortgagor.

Section 7.14 Mortgagee as Agent.

(a) Administrative Agent has been appointed to act as Administrative Agent hereunder by the Lenders. Administrative Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of the Collateral) in accordance with the terms of the Credit Agreement and this Mortgage. Mortgagor and all other Persons shall be entitled to rely on releases, waivers, consents, approvals, notifications and other acts of Administrative Agent, without inquiry into the existence of required consents or approvals of the Lenders therefor.

(b) Mortgagee shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to the Credit Agreement shall also constitute notice of resignation as Administrative Agent under this Mortgage. Removal of Agent pursuant to any provision of the Credit Agreement shall also constitute removal as Administrative Agent under this Mortgage. Appointment of a successor Agent pursuant to the Credit Agreement shall also constitute appointment of a successor Administrative Agent under this Mortgage. Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent under the Credit Agreement, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent as the Mortgagee under this Mortgage, and the retiring or removed Administrative Agent shall promptly (i) assign and transfer to such successor Agent all of its right, title and interest in and to this Mortgage and the Collateral, and (ii) execute and deliver to such successor Administrative Agent such assignments and amendments and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Administrative Agent of the liens and security interests created hereunder, whereupon such retiring or removed Administrative Agent shall be discharged from its duties and obligations under this Mortgage. After any retiring or removed Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Mortgage and the Credit Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Mortgage while it was Administrative Agent hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, Mortgagor has on the date set forth in the acknowledgement hereto, effective as of the date first above written, caused this Mortgage to be duly executed and delivered by authority duly given.

Klamath Basin Geopower, Inc.

By: [Signature]
Name: William Honjas
Title: president / CEO

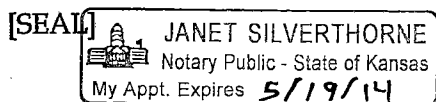
"Mortgagor"

State of Kansas §
§
County of Sedgewick §

On October 10th, 2013, before me, the undersigned, a Notary Public, personally appeared William Honjas, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Kansas that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Janet Silverthorne
Notary Public

Printed Name: Janet Silverthorne

My Commission expires: 5/19/14

SCHEDULE 1

[Description of Real Property Under Lease described in Clause (i) of Section 1.1(e)]

The real property that is the subject of the Lease described in clause (i) of Section 1.1(e) is situated in the State of Oregon, County of Klamath, in an unincorporated area, and is described as follows:

Klamath County, Oregon

APN Nos. 3810-03600-00500-000, 3810-03600-00501-000, 3810-03600-00502-000, 3910-00000-00100-000, 3910-00000-00700-000, 3910-01200-00300-000, 3910-01200-00400-000 and 3910-01200-00700-000.

Parcel A:

Parcels 1, 2 and 3 of Land Partition 47-04 situated in S1/2, S1/2N1/2 and NW1/4NW1/4 of Section 36, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon. Note: AmeriTitle noted the description incorrectly and stated "situated in S1/2S1/2N1/2, NW1/4NW1/4 of Section 36, Township 38 South, Range 10 East" versus the correct Township 39 South.

Parcel B:

Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Section 1: ALL, SAVING AND EXCEPTING that portion of Lot 4 of Section 1 which lies Westerly from the Westerly boundary of the right of way of The Klamath Falls-Lakeview Highway, and more particularly described as follows:

Beginning at the Northwesterly corner of said Section 1 and running thence South 1°28' East along the Westerly boundary of said Section 1, 304.5 feet, more or less, to its intersection with the Westerly boundary of the right of way of the Klamath Falls-Lakeview Highway; thence North 8°08' east along said right of way boundary 307.7 feet to its intersection with the Northerly boundary of said Section 1, thence West along said Section boundary 51.3 feet, more or less, to the point of beginning.

Section 2 & Section 11:

Beginning at the Northeast corner of the SE¹/₄SE¹/₄ of Section 2, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, and running West to the Easterly right of way line of the Oregon California & Eastern Railroad; thence Southwesterly along the right of way to a point in the NE¹/₄NE¹/₄ of Section 11, which lies due North 375 feet from the centerline of Oregon Highway 66, which said point is 200 feet from, when measured at right angles to, the centerline of said highway; thence parallel to and 200 feet at right angles from said centerline to the Easterly boundary line of the NE¹/₄NE¹/₄ of Section 11: thence due North to point of beginning.

Section 12: NW¹/₄NW¹/₄, SAVING AND EXCEPTING therefrom all that portion lying South of a line 200 feet due North of the centerline of Oregon Highway 66 and running parallel to said Highway to a point on the South boundary of said NW¹/₄NW¹/₄, which is 200 feet due North of said centerline, less all present existing rights of way.

That portion of the SW¹/₄NW¹/₄ lying North of the Klamath Irrigation District "E" Canal.

Beginning at the Northwest corner of the NE¹/₄NW¹/₄ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, and running thence due South to the Northern right of way line of Klamath Irrigation District "E" Canal, thence Northeasterly along said right of way line 500 feet; thence Northeasterly to a point on the Northern boundary line of the NE¹/₄NW¹/₄ which point lies due East 990 feet from the point of beginning, thence due West 990 feet to the point of beginning.

Parcel C:

That portion of the following described property in Klamath County, Oregon, lying East of State Highway 140 (Klamath Falls Lakeview Highway: The S¹/₂N¹/₂ and the N¹/₂S¹/₂ of Section 2, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, EXCEPT that portion thereof lying within the boundaries of the Oregon California and Eastern Railway right of way.

All that certain real property situated in the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

APN No. 3910-015D0-00800-000, containing 2.06 assessed acres, Twp. 39 S., Rge. 10 E., Sec. 15, cTracts in the SW¹/₄SE¹/₄.

Parcel 1:

Beginning at a point on the South line of the Klamath Falls-Lakeview Highway at a point from which the Northwest corner of the SE¹/₄ of Section 15, Township 39 South, Range 10 East of the Willamette Meridian, Klamath county, Oregon, bears North 38°50' West 1,076.0 feet, said point of beginning being also known as the Northeast corner of what is known as the Sweeney tract, thence East along the South line of the Highway to a point of

intersection with the line running South 4°10' East and parallel to the East line of the Sweeney tract, and distant therefrom 138 feet measured at right angles to said line of the Sweeney tract, thence along said parallel line to the North line of the Government Canal, thence Southwest along said line of canal to the Southeast corner of the Sweeney tract, thence North 4°10' West along said line of Sweeney tract to the place of beginning.

Parcel 2:

Beginning at a point on the South side of Highway at Olene, from which the Northwest corner of the SW1/4 of the SE1/4 of Section 15, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, bears North 38°50' West 1,076 feet distant; thence South 84°05' West 208.5 feet; thence South 4°10' East 300 feet; thence North and East along North bank of U.S.R.S. Canal 227 feet; thence North 4°10' West 220 feet to the place of beginning.

SCHEDULE 2

[Description of Real Property Under Lease described in Clause (ii) of Section 1.1(e)]

The real property that is the subject of the Lease described in clause (ii) of Section 1.1(e) is situated in the State of Oregon, County of Klamath, in an unincorporated area, and is described as follows:

Klamath County, Oregon

Parcel 1:

Township 39 South, Range 10 East, Willamette Meridian

Section 2: S $\frac{1}{2}$ S $\frac{1}{2}$, excepting the North 60 feet lying West of the U. S. Highway 140 and excepting that portion lying East of the O. C. & E. Railroad, containing 138.75 acres, more or less:

Assessor's Parcel No. R-3910-00000-00600-U01; and

Assessor's Parcel No. R-3910-00000-00600-U02.

Section 11: All excepting that portion lying Northeast of Highway 140 and East of the O. C. & E. Railroad, containing 613.20 acres, more or less:

Assessor's Parcel No. R-3910-00000-01800-U01; and

Assessor's Parcel No. R-3910-00000-01800-U02.

Section 12: SW $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, Lot 1, N $\frac{1}{2}$ SW $\frac{1}{4}$, containing 171.70 acres, more or less, and that portion of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ lying South of a line 200 feet due North of the centerline of Oregon Highway 66 and running parallel to said highway to a point on the South boundary of said NW $\frac{1}{4}$ NW $\frac{1}{4}$ which is 200 feet due North of said centerline, containing 2.10 acres, more or less:

Assessor's Parcel No. R-3910-01200-00600-U01; and

Assessor's Parcel No. R-3910-01200-00600-U02.

Note: The 171.70 acre parcel includes portions of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 12 lying outside the Lost River Easement, the 1.92 acre exclusion and apparently outside Lot 1. This remaining portion does not appear to be identified in the conveyance document to Fairclo and Knoll. This area should be mapped and surveyed if ever critical.

Saving and excepting that portion of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 12 more particularly described as follows: Beginning at a point 30 feet South of the Northeast corner of said SW $\frac{1}{4}$; running thence West along the South edge of the county road 810 feet; thence South 24°00' East 263 feet; thence South 38°00' East 310 feet; thence South 49°00' East 335 feet; thence South 75°00' East 273 feet; thence due North 778 feet to the point of beginning, containing 10.08 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-01400-000.

Also saving and excepting that portion of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 12 more particularly described as follows: Beginning at a point 1120 feet North and 230 feet East of the Southwest corner of said Section 12; running thence East 320 feet to the Westerly line of Highway 140; thence Northerly along the West line of Highway 140; 115 feet; thence West 395 feet; thence South 110 feet to the point of beginning, containing .92 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-01500-000.

Also saving and excepting that portion of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 12 lying North of the Klamath Irrigation District "E" Canal, containing 3.52 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-00700-000.

Section 13: Lot 1, except the East 500 feet thereof, and all of Lots 2, 3, 4 and 5. Saving and excepting therefrom that portion conveyed to Klamath County for park purposes, as described in deed recorded March 27, 1963, in Volume 344, Page 228, Deed records of Klamath County, Oregon, containing 85.12 and 46.36 acres, with a total of 131.48 acres, more or less. Note: See No. 1 of History and Ownership, Subsequent Conveyances below for a more complete description of the Deed to Klamath County.

Assessor's Parcel No. R-3910-01300-00200-U01;

Assessor's Parcel No. R-3910-01300-00200-U02;

Assessor's Parcel No. R-3910-01300-00300-U01; and

Assessor's Parcel No. R-3910-01300-00300-U02.

~~Section 14: NW $\frac{1}{4}$, containing 158.52 acres, more or less, being:~~

Assessor's Parcel No. R-3910-01400-00200-U01; and

Assessor's Parcel No. R-3910-01400-00200-U02 (78.62 acres).

Assessor's Parcel No. R-3910-01400-00300-U01; and

Assessor's Parcel No. R-3910-01400-00300-U02 (80.00 acres).

Saving and excepting from the above described parcels any portion thereof lying within the right of way of the Klamath Falls – Lakeview Highway and lying within the right of way of the O. C. & E. Railway.

Also saving and excepting the portion conveyed to Klamath County for road purposes, as described in Deed recorded March 4, 1955 in Volume 272, Page 555, Deed records of Klamath County, Oregon. Note: See No. 2 of History and Ownership, Subsequent Conveyances below for a more complete description of the Deed to Klamath County.

Also saving and excepting the portion conveyed to United States of America as described in Volume 38, Page 308, Deed records of Klamath County, Oregon. Note: See No. 3 of History and Ownership, Subsequent Conveyances below for a more complete description of the Deed to the United States.

Parcel 2:

Township 39 South, Range 10 East, Willamette Meridian, containing
120.66 acres

Section 12: A parcel of land lying within the NE $\frac{1}{4}$ SW $\frac{1}{4}$, described as follows: Beginning at a point 30 feet South of the Northeast corner of the SW $\frac{1}{4}$ of said Section 12; thence West along the South boundary of the county road 810 feet; thence South 24 00' East 263 feet; thence South 38 00' East 310 feet; thence South 49 00' East 335 feet; thence South 75 00' East 273 feet; thence due North 778 feet to the point of beginning, containing 10.08 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-01400-000.

Section 12: W $\frac{1}{2}$ NE $\frac{1}{4}$, excepting therefrom that part of the above described tract lying within the county road and within the "E" Canal right-of-way, and

Section 12: E $\frac{1}{2}$ NW $\frac{1}{4}$, excepting therefrom the following described tracts:

- a. Beginning at a point that bears North 26°26'28" East 4289.79 feet from the section corner common to Sections 11, 12, 13, 14 in Township 39 North, Range 10 East; thence South 38°09'43" West 96.19 feet; thence South 42°34'06" West 757.45 feet to the East line of a road; thence Northerly along said East line of a road to a point that is North 04°10'32" West 60.40 feet; thence North 01°28'23" West 347.02 feet; thence Northeasterly along the Klamath Irrigation District Canal right-of-way to a point that is North 32°17'45" West 160.44 feet from the point of beginning; thence South 32°17'45" East a distance of 160.44 feet to the point of beginning, containing 3.50 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-00800-000.

- b. Commencing at the Southwest corner of said Section 12; thence North $26^{\circ}26'28''$ East 4289.79 feet to a $5/8''$ iron pin for the true point of beginning; thence South $38^{\circ}05'43''$ West 96.19 feet; thence South $42^{\circ}34'06''$ West 757.45 feet to the Easterly boundary of Highway No. 140; thence North $78^{\circ}19'50''$ East 347.66 feet; thence North $37^{\circ}59'30''$ East 97.00 feet; thence North $44^{\circ}07'00''$ East 607.68 feet; thence North $23^{\circ}39'40''$ West 333.83 feet to the Southerly boundary of the Klamath Irrigation District "E" Canal; thence Southwesterly along said boundary to a point that is North $32^{\circ}17'45''$ West 160.44 feet from the true point of beginning; thence South $32^{\circ}17'45''$ East 160.44 feet to the true point of beginning, containing 4.88 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-00900-000.

- c. Beginning at the Northwest corner of the $NE\frac{1}{4}NW\frac{1}{4}$ of Section 12, Township 39 South, Range 10 East, and running thence due South to the Northern right-of-way line of the Klamath Irrigation District "E" Canal, thence Northeasterly along said right-of-way line 500 feet; thence Northeasterly to a point on the Northern boundary line of the $NE\frac{1}{4}NW\frac{1}{4}$, which point lies due East 990 feet from the point of beginning, thence due West 990 feet to the point of beginning, containing 26.00 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-00300-000.

- d. That part of the above described tract lying within Highway No. 140, North Poe Valley Road and within the "E" Canal right-of-way.

Assessor's Parcel No. R-3910-01200-00200-000, containing 120.66 acres, more or less.

Section 12: Beginning at a point 1120 feet North and 230 feet East of the Southwest corner of Section 12, Township 39 South, Range 10 East, running thence East 320 feet to the Westerly line of Highway 140; thence Northerly along the West line of Highway

140, 115 feet; thence West 395 feet; thence South 110 feet to the point of beginning, containing .9 acres, more or less, being:

Assessor's Parcel No. R-3910-01200-01500-000.

Parcel 3:

Township 39 South, Range 10 East, Willamette Meridian

Section 16: $W\frac{1}{2}E\frac{1}{2}SW\frac{1}{4}SE\frac{1}{4}$, lying South of the O.C. & E.R.R. right of way and excepting the right of way of the U.S.R.S. East Branch Canal, containing 9.10 acres, more or less. Being:

Assessor's Parcel No. R-3910-01600-02000-000.

Section 16: $W\frac{1}{2}SW\frac{1}{4}SE\frac{1}{4}$, except the right of way for the U.S.R.S. East Branch Canal as now constructed across said tract, containing 19.00 acres, more or less, being:

Assessor's Parcel No. R-3910-01600-02100-000.

Section 21: The Northerly 38 rods of the $W\frac{1}{2}E\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$, containing 4.75 acres, more or less, being:

Assessor's Parcel No. R-3910-02100-00400-000.

ALSO all the $W\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$, lying North of that certain tract deeded to Adah Brown, described in Volume 26, Page 125, Deed Records of Klamath County, except rights of ways for canals and laterals as presently located thereof, containing 65.00 acres, more or less. Note: See No. 4 of History and Ownership, Subsequent Conveyances below for a more complete description of the Deed to Adah Brown. This parcel contains 9.27 acres, more or less, being:

Assessor's Parcel No. R-3910-02100-00500-000.

Section 21: $SW\frac{1}{4}NE\frac{1}{4}$ and Lot 3; Also beginning at the Southeast corner of the $NW\frac{1}{4}NE\frac{1}{4}$; thence West 80 rods; thence North 42 rods; thence East 80 rods; thence South 42 rods to the Place of Beginning, containing 65.00 acres, being:

Assessor's Parcel No. R-3910-02100-00900-000.

Parcel 4:

Township 39 South, Range 10 East, Willamette Meridian

Section 20: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, containing 78.31 acres, more or less, being:

Assessor's Parcel No. (APN) R-3910-020000-00200-000.

Section 20: A parcel of land situated in the NW $\frac{1}{4}$, being more particularly described as follows:

Commencing at the Southwest corner of the N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$; thence North 89°53'16" East 35.00 feet to the point of beginning; thence North 00°21'40" East, along the Easterly right of way line of the County Road; 265.67 feet to the centerline of the K.I.D. canal right of way; thence Northeasterly along the centerline of said canal the following courses: along the arc of a 14° curve to the left 94.90 feet; thence North 46°11'00" East 396.60 feet; thence along the arc of a 6° curve to the left 442.22 feet; thence North 19°39'00" East 1056.61 feet to the Southerly right of way line of the County Road; thence leaving said canal right of way centerline North 89°32'36" East along said County Road Southerly right of way line of 354.52 feet to the East line of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of said Section 20; thence South 00°17'02" West along said East line 1960.78 feet to the Southeast corner of the N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 20; thence South 89°53'16" West along the South line of said N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ 1301.58 feet to the point of beginning, containing 30.34 acres, more or less, being:

Assessor's Parcel No. (APN) R-3910-020000-00300-000.

Parcel 5:

Township 39 South, Range 10 East, Willamette Meridian

Section 16: SE $\frac{1}{4}$ SW $\frac{1}{4}$ and that portion of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ lying South of the right of way of the O.C. & E. Railroad, containing 56.29 acres, being:

Assessor's Parcel No. R-3910-01600-02200-000 (11.95 acres); and

Assessor's Parcel No. R-3910-01600-02201-000 (44.34 acres).

Section 16: That portion of the $W\frac{1}{2}W\frac{1}{2}$ lying South of the O.C. & E. Railroad right of way, containing 74.30 acres, being:

and Assessor's Parcel No. R-3910-01600-02300-000 (25.79 acres);

Assessor's Parcel No. R-3910-01600-02301-000 (48.51 acres).

Section 20: $NE\frac{1}{4}NE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$ and Lots 1 and 2, containing 129.14 acres and 1.12 acres, with a total of 130.26 acres, except all that portion of Lots 1 and 2, described as follows:

Beginning 1218 feet North of the southeast corner of Section 20 on the right bank of Lost River; thence North 282 feet; thence West 258.5 feet; thence North $42^{\circ}30'$ West 317.5 feet; thence South 60° West 350 feet; thence South 300 feet; thence South $36^{\circ}45'$ West 269.5 feet; thence South 10° West 1060 feet to the South line of Lot 2; thence East 250 feet to right bank of Lost River, thence up stream along bank of Lost River to place of beginning; Also excepting a tract of land situated in Lot 2, Section 20, more particularly described as follows: Beginning at the Southwest corner of the said Lot 2; thence North along the West line of said Lot 2, 241 feet to an iron pin; thence East at right angles to the West line of said Lot 2, 265 feet to an iron pin on the Westerly bank of Lost River; thence Southwesterly along the Westerly bank of Lost River to the South line of said Lot 2; thence West along the South line of said Lot 2 to the point of beginning, being:

Assessor's Parcel No. R-3910-02000-01200-000.

Assessor's Parcel No. R-3910-02000-00900-000; and

Assessor's Parcel No. R-3910-02000-00901-000.

Section 21: $W\frac{1}{2}$ (Conveyance Deed erroneously states the $W\frac{1}{4}$) of the $NW\frac{1}{4}$, and Government Lot 1, $E\frac{1}{2}NW\frac{1}{4}$ and Government Lot 2, containing 178.74 acres, less and excepting from Lot 2 the following described portion:

Beginning 500 feet South of the center of Section 21; thence South 70°00' West 1150 feet; thence North 270 feet; thence South 61°05' West 263.4 feet to the West line of said Lot 2; thence South 750 feet to the right bank of Lost River; thence upstream along the bank of Lost River to the East line of said Lot 2; thence North 650 feet, more or less, to the point of beginning.

Also excepting a parcel of land in said Section 21 described as beginning at a center one quarter corner, marked by a 5/8 inch iron pin; thence South 00°02'36" East, along the North-South center of section line, 500 feet to a steel fence post; thence leaving said North-South center of section line, South 70°00'00" West, 1150 feet to an iron axle; thence North 270 feet to a 5/8 inch iron pin; thence South 61°05'00" West, 272.76 feet to a point on the West line of the E½W½ of said Section 21; thence along said West line North 00°04'26" East, 829.80 feet to its intersection with a fence to the East; thence leaving said West line, North 60°02'36" East, 803.05 feet to the point of intersection with said fence; thence along said fence, North 67°38'11" East, 251.68 feet; thence continuing along said fence North 70°18'03" East, 413.16 feet to its intersection with said center of section line; thence leaving said fence along said center of section line South 00°02'26" East, 710.60 feet to the point of beginning, together with easement from County road.

The above tract contains 28.93 acres, more or less, being:

Assessor's Parcel No. R-3910-02100-00800-000.

Assessor's Parcel No. R-3910-02100-00700-000.

The above described Parcel Nos. 1-5 are shown on the maps attached hereto as Exhibit A.

A. Ownership. Based on the materials examined, the minerals to the above property appear to be owned by the following:

a. Title to Parcel 1 is vested as follows:

Assessor's Parcel No. (APN) R-3910-00000-00600-U01;

Assessor's Parcel No. (APN) R-3910-00000-01800-U01;

and

Assessor's Parcel No. (APN) R-3910-01200-00600-U01;
Assessor's Parcel No. (APN) R-3910-01300-00200-U01;
Assessor's Parcel No. (APN) R-3910-01300-00300-U01;
Assessor's Parcel No. (APN) R-3910-01400-00200-U01;

Assessor's Parcel No. (APN) R-3910-01400-00300-U01.

Fairclo, David P. and Susan E.: an undivided 66.66%

20751 Amber Way

Bend, OR 97701

Assessor's Parcel No. (APN) R-3910-00000-00600-U02;

Assessor's Parcel No. (APN) R-3910-00000-01800-
U02;

Assessor's Parcel No. (APN) R-3910-01200-00600-U02;

~~Assessor's Parcel No. (APN) R-3910-01300-00200-U02;~~

Assessor's Parcel No. (APN) R-3910-01300-00300-U02;

Assessor's Parcel No. (APN) R-3910-01400-00200-U02;

and

Assessor's Parcel No. (APN) R-3910-01400-00300-U02.

Knoll, Grant: an undivided 33.34%

10333 Crystal Springs Road

Klamath Falls, OR 97603

b. Title to Parcel 2 is vested as follows:

Assessor's Parcel No. (APN) R-3910-01200-00200-000;

Assessor's Parcel No. (APN) R-3910-01200-01400-000;

and

Assessor's Parcel No. (APN) R-3910-01200-01500-000.

Fairclo, Ann S. & House, Rose, John Q. and Susan F.

(Contract of Sale to House)

15555 Hwy 140E

Klamath Falls, OR 97603

c. Title to Parcel 3 is vested as follows:

Assessor's Parcel No. (APN) R-3910-01600-02000-000;

Assessor's Parcel No. (APN) R-3910-01600-02100-000;

Assessor's Parcel No. (APN) R-3910-02100-00400-000;

Assessor's Parcel No. (APN) R-3910-02100-00500-000; and

Assessor's Parcel No. (APN) R-3910-02100-00900-000.

Knoll, B. Paulette and

Knoll, Grant

10227 Crystal Springs Road

Klamath Falls, OR 97603

d. Title to Parcel 4 is vested as follows:

Assessor's Parcel No. (APN) R-3910-020000-00200-000,

Assessor's Parcel No. (APN) R-3910-020000-00300-000.

Knoll Ranch LLC

5429 Reeder Road

Klamath Falls, OR 97603

e. Title to Parcel 5 is vested as follows:

and

Assessor's Parcel No. (APN) R-3910-01600-02200-000;
Assessor's Parcel No. (APN) R-3910-01600-02201-000;
Assessor's Parcel No. (APN) R-3910-01600-02300-000;
Assessor's Parcel No. (APN) R-3910-01600-02301-000;
Assessor's Parcel No. (APN) R-3910-02000-00900-000;
Assessor's Parcel No. (APN) R-3910-02000-00901-000; and
Assessor's Parcel No. (APN) R-3910-02100-00700-000.

Knoll, Paulette, Trustee, and

Knoll Family Trust

10227 Crystal Springs Road

Klamath Falls, OR 97603

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