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MORTGAGE OF REAL PROPERTY AND

MORTGAGE OF LEASEHOLD INTEREST IN REAL PROPERTY
AND SECURITY AGREEMENT

DATED: March 29, 1977

FROM: John Mosby and Marilyn Mosby,
husband and wife,
whose address is 526 Mercury
Street, Lompoc, California
93436
as Mortgagors

TO: Security Pacific National Bank,
whose address is P. O. Box 2097,
Terminal Annex, Los Angeles,
California 90051
Attn: F. W. Smalley, H13-4
as Mortgagee

Mortgagors are the owners of certain real property located in the County of Jackson, State of Oregon, specifically described in Exhibit "A" attached hereto. Mortgagors are likewise the owners of certain real property located in the County of Klamath, State of Oregon and described in Exhibit "B" attached hereto. Mortgagors are likewise the owners and holders of certain leasehold interests in real property which are specifically described in Exhibit "C" attached hereto and incorporated herein by reference.

Under a Letter of Inducement dated February 24, 1977 the Mortgagors acknowledged certain debts to the Mortgagee which arenow past due and have agreed to give security for said debt excepting as to certain items which are specifically agreed to be unsecured. Attached hereto and marked Exhibit "D" is a Statement of Indebtedness from the Mortgagors to the Mortgagee secured hereby and a statement of a portion of that debt from the Mortgagors to the Mortgagee which is agreed to be unsecured.

To secure payment by the Mortgagors to the Mortgagee of all of the indebtness from the Mortgagors to the Mortgagee all as set out in an exhibit attached to said Letter of Inducement of February 24, 1977, with the exception, however, of the debt agreed to be unsecured which said unsecured debt is specified in Exhibit "D", the Mortgagors mortgage and convey to Mortgagee all the real property owned by them in fee as described in Exhibits "A" and "B" together with all appurtenances and all existing or future improvements, together with all of their right, title and interest as Lessee in certain leasehold lands described in Exhibit "C" attached hereto and incorporated herein by reference, all of which,including without limitation the leasehold interest and all timber or rights to timber growing in or upon such lands, Such lands both fee lands and leasehold lands, are hereinafter called "Mortgaged Property" and the said Mortgagors presently assign to the Mortgagee all rents, revenues, income, issues and profits from the Mortgaged Property, whether now or hereafter due, on the following terms and conditions:

1. Payment and Performance.

Mortgagors will pay to Mortgagee promptly when due all amounts payment of which is secured by this Mortgage and will strictly perform all obligations imposed upon Mortgagors

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8th floor Nat. Bk.

by this Mortgage and the said Letter of Inducement of February 24, 1977, excepting insofar as same requires the payment of certain obligations which are agreed by the parties hereto to be unsecured.

2. Possession.

Until in default, Mortgagors may remain in possession and control of and operate and manage the Mortgaged Property and collect the rents, revenues, income, issues and profits.

3. Warranties of Mortgagor.

3.1 Title. Mortgagors warrant that they hold marketable title to the Mortgaged Property described in Exhibits "A" and "B", subject only to the defects or encumbrances stated in said exhibits. Mortgagors likewise warrant that they hold a leasehold interest in and to the real properties described in Exhibit "C" in accordance with the leaseholds held by them as the same may be hereafter renewed or extended. Mortgagors shall defend Mortgagee's rights against the claims and demands of all persons or entities, except on account of the defects and encumbrances set forth in Exhibits "A", "B" and "C".

3.2 Compliance with Laws. Mortgagors warrant that their use of the Mortgaged Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

4. Maintenance and Alterations.

4.1 Duty to Maintain. Mortgagors shall maintain the Mortgaged Property in first class condition and promptly perform all repairs and maintenance necessary to preserve its value.

4.2 Waste; Nuisance. Mortgagors shall niether conduct or permit any nuisance nor commit or suffer any strip or waste in the Mortgaged Property.

4.3 Removal of Improvements. Mortgagors shall not demolish or remove any improvements from the Mortgaged Property without the prior written consent of Mortgagee, which will not be withheld if Mortgagors make arrangements satisfactory to Mortgagee to replace any improvement which Mortgagors propose to remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures and parking facilities.

4.4 Mortgagee's Right to Enter and Inspect. Mortgagee and its agents and representatives may enter upon the Mortgaged Property at all reasonable times to attend to Mortgagee's interest and to inspect the Mortgaged Property, upon reasonable advance notice.

4.5 Compliance with Governmental Requirements. Mortgagors shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Mortgaged Property. Mortgagors may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Mortgagee's interest in the Mortgaged Property is not jeopardized.

5. Mortgagors Covenants as to Leasehold Interests. Said Mortgagor covenants to and with the Mortgagee, its successors and assigns, that he is the lawful tenant of said premises and that the Lease is current in all respects, and will warrant and forever defend the same against all persons, and does hereby promise and agree as follows, to-wit:

a. To pay any and all ground rents, faithfully at or before the same become due, and to do and perform and carry out each and every covenant and agreement of the Lessee faithfully at or before the same become due or delinquent, and not to permit any default in connection with any of the same, all as set forth in the certain leaseholds described herein, in which Mortgagor is the Lessee.

b. That Mortgagor will at all times fully perform and comply with all agreements, covenants, terms and conditions imposed upon the lessee under the ground lease identified in this Mortgage, and if Mortgagor fails to do so Mortgagee may (but shall not be obligated to) take any action Mortgagee deems necessary or desirable to prevent or to cure any default by Mortgagor in the performance of or compliance with any of the Lessee's covenants or obligations under said ground lease. Upon receipt by Mortgagee from the Lessor under such ground lease of any written notice of default by the Lessee thereunder, Mortgagee may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by Mortgagor or by any party on behalf of Mortgagor. Mortgagor hereby expressly grants to Mortgagee, and agrees that Mortgagee shall have, the absolute and immediate right to enter in and upon the mortgaged premises or any part thereof to such extent and as often as Mortgagee, in its sole discretion, deems necessary or desirable in order to prevent or to cure any such default by Mortgagor. Mortgagee may pay and expend such sums of money as Mortgagee in its sole discretion deems necessary for any such purpose, and Mortgagor hereby agrees to pay to Mortgagee immediately and without demand, all such sums so paid and expended by Mortgagee, together with interest thereon from the date of each such payment at the then effective rate of loans from Mortgagee to Mortgagor. All sums so paid and expended by Mortgagee, and the interest thereon, shall be added to and be secured by the lien of this Mortgage.

c. That Mortgagor will not surrender the ground leasehold estate and interest described in this Mortgage, nor terminate or cancel any of said ground leases, and will not, without the express written consent of Mortgagee modify, change, supplement, alter or amend said ground leases either orally or in writing, and as further security for the repayment of the indebtedness secured hereby and for the performance of the covenants herein and in said ground leases contained, Mortgagor hereby assigns to Mortgagee all of the Mortgagor's rights, privileges and prerogatives as Lessee under said leases to terminate, cancel, modify, change, supplement, alter or amend said ground leases, and any such termination, cancellation, modification, change, supplement, alteration or amendment of any of said ground leases without the prior written consent thereto by Mortgagee shall be void and of no force and effect. As further security to Mortgagee, Mortgagor hereby deposits with Mortgagee the Lessee's original of said ground leases and all amendments thereto, to be retained by Mortgagee until all indebtedness secured hereby is fully paid. So long as there is no breach of or default under any of the covenants or agreements herein contained to be performed by Mortgagor, or in the performance by Mortgagor of any of the terms, covenants

and conditions in said ground leases contained, Mortgagee shall have no right to terminate, cancel, modify, change, supplement, alter or amend said ground leases.

d. That no release or forbearance of any of Mortgagor's obligations under said ground leases, pursuant to said ground leases or otherwise, shall release Mortgagor from any of Mortgagor's obligations under this Mortgage, including any obligations with respect to payment of rent as provided for in said ground leases and the performance of all of the terms, provisions, covenants, conditions and agreements contained in all of the said ground leases, to be kept, performed and complied with by the Lessee therein.

e. That unless Mortgagee shall otherwise expressly consent in writing, the fee title to the property demised by said ground leases and the leasehold estate shall not merge but shall always remain separate and distinct, notwithstanding the union of said estate either in the Lessor or in the Lessee, or in a third party by purchase or otherwise.

6. Taxes and Assessments; Liens and Claims.

6.1 Payment. Mortgagors shall pay when due all taxes and assessments against the Mortgaged Property and all claims and demands arising from Mortgagors' use or occupancy of the Mortgaged Property.

6.2 Protection of the Mortgaged Property; Performance of First Mortgage. Mortgagors shall not permit any lien prior or equal to the lien of this Mortgage to be imposed upon the Mortgaged Property, except those certain mortgages listed on Exhibits "A" and "B" attached hereto. Mortgagors covenant that Mortgagors will perform each and every obligation required by such first mortgages or any instrument secured by the same.

6.3 Mortgagors' Right to Contest. Mortgagors may withhold payment of any taxes, assessments, claims or demands or may elect to contest any lien if Mortgagors are in good faith conducting appropriate proceedings to contest the obligation to pay and so long as Mortgagee's interest in the Mortgaged Property is not jeopardized. If the Mortgaged Property is subjected to a lien which is not discharged within 15 days, Mortgagors shall deposit with Mortgagee cash, a sufficient corporate surety bond or other security satisfactory to Mortgagee in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale. In any contest Mortgagors shall defend themselves and Mortgagee and shall satisfy any final adverse judgment before enforcement against the Mortgaged Property. Mortgagors shall name Mortgagee as an additional obligee under any surety bond furnished in the contest proceedings.

6.4 Evidence of Payment of Taxes or Assessments. Mortgagors shall upon demand furnish to Mortgagee evidence of payment of the taxes or assessments and shall authorize the appropriate county official to deliver to Mortgagee at any time a written statement of the taxes and assessmetns against the Mortgaged Property.

6.5 Notice to Mortgagee. Mortgagors shall notify Mortgagee at least 15 days before the commencement of any work, the furnishing of any services or the supplying of any materials to the Mortgaged Property the cost of which is to exceed

$1,000.00. Mortgagors will on request furnish to Mortgagee advance assurances satisfactory to Mortgagee that it can and will pay the cost of such improvements.

7. Casualty Insurance.

7.1 Maintenance of Casualty Insurance. Mortgagors shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all improvements on the Mortgaged Property in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Mortgagee. Policies shall be written by insurance companies reasonably acceptable to Mortgagee. Mortgagors shall deliver to Mortgagee certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of 10 days' written notice to Mortgagee.

7.2 Mortgagors' Report on Insurance. Within 60 days after the close of its fiscal year, Mortgagors shall furnish to Mortgagee a report on each existing policy of insurance showing:

(a) the name of the insurer;

(b) the risks insured;

(c) the amount of the policy;

(d) the property insured, the then current replacement cost of the property, and the manner of determining that cost; and

(e) the expiration date of the policy.

Mortgagors shall upon request have an independent appraiser satisfacgory to Mortgagee determine the replacement cost of the Mortgaged Property.

7.3 Application of Proceeds. Mortgagors shall promptly notify Mortgagee of any loss or damage to the Mortgaged property. Mortgagee may make proof of loss if Mortgagors fail to do so within 15 days of the casualty. All proceeds of any insurance on the Mortgaged Property shall be held by Mortgagee as part of the Mortgaged Property. If Mortgagors elect to repair or replace the damaged or destroyed improvements in a manner satisfactory to Mortgagee, Mortgagee shall, upon satisfactory proof of expenditure, pay or reimburse Mortgagors from the proceeds for the reasonable cost of repair or restoration. If Mortgagors elect not to restore the Mortgaged Property, Mortgagee shall retain a sufficient amount of the proceeds to pay all amounts due under this Mortgage, and shall pay the balance to Mortgagors. Any proceeds which have not been paid out within 180 days after their receipt and which Mortgagors have not committed to the repair or restoration of the Mortgaged Property shall be used to prepay first accrued interest and then principal of Mortgagors' indebtedness.

8. Imposition of Tax by State.

8.1 This section shall apply to the following state taxes:

(a) A specific tax on mortgages or any part of the secured indebtedness.

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(b) A specific tax on the owner of Mortgaged Property which the taxpayer is authorized or required to deduct from payments on the Mortgage.

(c) A tax on Mortgaged Property chargeable against the Mortgagee or holder of the note secured.

(d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Mortgagors.

8.2 If any state tax to which this section applies is enacted after the date of this Mortgage this shall constitute an event of default unless the following conditions are met:

(a) Mortgagors may lawfully pay the tax or charge imposed by the state tax, and

(b) Mortgagors pay or offer to pay the tax or charge within 30 days after notice from Mortgagee that the tax law has been enacted.

9. Transfer.

Mortgagors shall not transfer or agree to transfer the Mortgaged Property without the prior written consent of Mortgagee, which consent shall not be unreasonably withheld. Consent by Mortgagee to one transfer shall not constitute consent to other transfers or a waiver of this section.

10. Event of Default.

The following shall constitute events of default:

a. Failure of Mortgagors to make any payment required under this Mortgage when due.

b. Failure of Mortgagors to perform any other obligation contained in this Mortgage or the Letter of Inducement (excepting any portion of the obligation agreed to be paid under said Letter of Inducement which are unsecured as specified herein) within 20 days after notice from Mortgagee specifying the nature of the default or, if the default cannot be cured within 20 days, failure within such time to commence and pursue with reasonable diligence curative action. No notice of default and no opportunity to cure shall be required if during the same calendar year Mortgagee has already sent a notice to Mortgagors concerning default in performance of the same obligation.

c. A default is declared by the Mortgagee under the mortgages or encumbrances described in Exhibits "A" and "B" attached hereto.

d. A default under the Letter of Inducement. (excepting any portion of the obligation agreed to be paid under said Letter of Inducement which are unsecured as specified herein).

e. Dissolution, insolvency, business failure, or discontinuance of Mortgagors as a going business (except for labor disputes); appointment of a receiver of any of the property of, assignment for the benefit of creditors by, or commencement of any proceedings under any bankruptcy or insolvency laws by Mortgagors; failure of Mortgagors to

obtain dismissal or deny the contents of any petition filed against it under any bankruptcy or insolvency laws within the time required to answer.

11. Mortgagee's Rights Upon Default.

11.1 Remedies. On default Mortgagee may exercise any one or more of the following rights and remedies in addition to any other remedy which may be available at law, in equity or otherwise.

(a) Mortgagee may declare the entire amount owed by Mortgagors immediately due and payable regardless of any other specifications in said Letter of Inducement.

(b) Mortgagee may have a receiver appointed as a matter of right or may exercise all rights of a receiver as a mortgagee-in-possession.

(c) Mortgagee may, either through a Receiver or as a mortgagee-in-possession, take possession of all or any part of the Mortgaged Property, which shall be peaceably surrendered by Mortgagor.

(d) Mortgagee may revoke Mortgagors' right to collect the rents and revenues from the Mortgaged Property, and may, either itself or through a receiver, collect the same. To facilitate collection, Mortgagee may notify Mortgagors' tenants to pay rents directly to it. Mortgagee shall not be deemed a mortgagee-in-possession solely by reason of exercise of the rights contained in this subparagraph.

(e) Mortgagee may obtain a decree foreclosing Mortgagors' interest in all or any part of the Mortgaged Property.

(f) If permitted by applicable law, Mortgagee may foreclose Mortgagors' interest in all or any part of the Mortgaged Property by nonjudicial sale.

(g) If permitted by applicable law, Mortgagee may obtain a judgment for any deficiency remaining in the indebtedness due to Mortgagee after application of all amounts received from the exercise of the rights provided in this section.

(h) With respect to any part of the Mortgaged Property that is personal property, Mortgagee may exercise the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the property is located.

(i) In connection with any remedy pursuit hereunder either by way of mortgage foreclosure, appointment of a receiver or sale pursuant thereto or pursuant to

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any such foreclosure, it is agreed that any such action may be brought in either Klamath County or Jackson County at the option of the Mortgagee for the foreclosure of the properties located in either or both of said counties, and that any receiver appointed in any such proceedings may have possession of the properties in Jackson County and Klamath County or either or both of such counties which are the subject of this mortgage.

11.2 Receiver. Mortgagee shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Mortgaged Property exceeds the amount of the secured indebtedness, and any receiver appointed may serve without bond. Employment by Mortgagee shall not disqualify a person from serving as receiver.

11.3 Rights of Receiver or Mortgagee-in-Possession. Upon taking possession of all or any part of the Mortgaged Property the receiver or Mortgagee may:

(a) Use, operate, manage, control and conduct business on the Mortgaged Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect all rents, revenues, income, issues and profits from the Mortgaged Property and apply such sum to the expenses of use, operation and management;

(c) At Mortgagee's option, complete any construction in progress on the Mortgaged Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Mortgagee deems appropriate.

If the revenues produced by the Mortgaged Property are insufficient to pay expenses, the receiver may borrow, from Mortgagee or otherwise, or Mortgagee may borrow or advance such sums as it deems necessary for the purposes stated in this paragraph, and repayment of such sums shall be secured by this Mortgage. The amounts borrowed or advanced shall bear interest at the highest rate then being charged on any of the Notes from the date of expenditure until repaid and shall be payable by Mortgagors to Mortgagee on demand.

11.4 Manner of Nonjudicial Sale. In exercising the remedies provided in paragraphs 11.1 (f) and (h), Mortgagee may sell all or any part of the Mortgaged Property as a whole or in parcels. Mortgagee may bid at any public sale on all or any portion of the Mortgaged Property. Mortgagee shall give Mortgagors reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of the Mortgaged Property is to be made, and notice given at least 10 days prior to the time of the sale or other disposition shall be conclusively presumed to be reasonable. A public sale conducted in the following fashion shall be conclusively presumed to be reasonable:

(a) Notice is given at least 10 days prior to the date of sale by publication once in a newspaper of general circulation published in the county in which the sale is to be held;

(b) The sale is held in a county in which the Mortgaged Property or any part is located or in a county in which Mortgagors have a place of business;

It being specifically agreed that a sale may be held as to all of the properties covered by this Mortgage including without limitation that located in Jackson and Klamath counties, even though said sale may be held in either Jackson or Klamath Counties as to all of the said properties regardless of the county in which the same is located.

11.5 Election of Remedies. Election by Mortgagee to pursue one remedy shall not exclude resort to any other remedy, and all remedies of Mortgagee under this Mortgagee are cumulative and not exclusive. An election to make expenditures or to take action to perform an obligation under Paragraph 12.7 shall neither prejudice Mortgagee's right to declare a default or constitute a waiver of the breached term or of any of the remedies provided in this section.

11.6 Application of Proceeds from Mortgaged Property. All proceeds realized from the exercise of Mortgagee's rights and remedies shall be applied as follows:

(a) To pay the costs of exercising such rights remedies, including the costs of any sale, the costs and expenses of any receiver or mortgagee-in-possession, and the costs and expenses provided for in paragraph 12.3;

(b) To pay all amounts owed by Mortgagors payment of which is secured by this Mortgage;

(c) The overplus, if any, shall be paid to the clerk of the Court in the case of a foreclosure by a judicial proceeding, otherwise to the person or persons legally entitled thereto.

12. Miscellaneous.

12.1 Notices. Any notice under this Mortgage shall be in writing. Any notice to be given or document to be delivered under this Mortgage shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address specified in this Mortgage. Either party may by notice to the other designate a different address.

12.2 Financial Reports. Financial reports shall be made in the manner specified in the Letter of Inducement.

12.3 Expenses. In the event that Mortgagee shall take any action, judicial or otherwise, to enforce the Notes or any provision of this Mortgage or the Letter of Inducement or if Mortgagee shall be required to appear in any proceeding to protect and maintain the priority of this Mortgage, Mortgagee shall be entitled to recover from Mortgagors all expenses

which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and reasonable attorneys' fees, whether incurred in a suit or action or appeal from a judgment or decree therein or in connection with non-judicial action. Mortgagors shall reimburse Mortgagee for expenses so incurred on demand with interest thereon at the highest rate then being paid on any of the Notes from the date of expenditure until repaid.

12.4 Waiver. A waiver by Mortgagee of a breach of any provision of this Mortgage shall not constitute a waiver of that provision or of any succeeding breach of or prejudice Mortgagee's right otherwise to demand strict compliance with the same or any other provision.

12.5 Mortgage Binding Upon Successors and Assigns. Subject to Section 9, this Mortgage shall be binding on and inure to the benefit of the successors and assigns of both Mortgagors and Mortgagee. If ownership of the Mortgaged Property becomes vested in a person other than Mortgagors, Mortgagee, without notice to Mortgagors, may deal with Mortgagors' successor with reference to this Mortgage and the Notes by way of forebearance or extension without releasing Mortgagors form the obligations of this Mortgage or liability under the Notes.

12.6 Time of Essence. Time is of the essence of this Mortgage.

12.7 Mortgagee's Right to Perform Obligations of Mortgagors. If Mortgagors fail to perform any obligation required of it under this Mortgage, Mortgagee without notice may take any steps necessary to remedy such failure. Mortgagors shall reimburse Mortgagee for all amounts expensed in so doing on demand with interest at the highest rate then being paid on any of the Notes from the date of expenditure until repaid. Such action by Mortgagee shall not constitute a waiver of the default or any other right or remedy which Mortgagee may have on account of Mortgagors' default.

12.8 Security Agreement; Financing Statements. This instrument shall constitute a security agreement under the Uniform Commercial Code with respect to any personal property included in the Mortgaged Property including without limitation all crops and timber growing or to be grown upon the said mortgaged property (the Collateral), to the extent that such personal property is not on the date of this Mortgage validly encumbered. Mortgagors shall promptly execute the necessary financing statements in the form required by the Uniform Commercial Code in effect in the state in which the Collateral is located and shall file the statements at Mortgagors' expense in all public offices where filing is required to perfect the security interest of Mortgagee in the Collateral. Mortgagee may, at any time and at its option without further authorization from Mortgagors, file copies of this instrument as financing statements. Upon default Mortgagors shall, within three days after receipt of written demand from Mortgagee, assemble the Collateral and make it available to Mortgagee at a place designated by Mortgagee.

12.9 Release on Full Performance. If Mortgagors pay the full indebtedness when due and performs all obligations under this Mortgage, Mortgagee shall, if requested, execute and deliver to Mortgagors a suitable satisfaction of this Mortgage.

12.10 Applicable Law. The law of the State of Oregon shall be applicable for the purpose of construing and determining the validity of this Mortgage and, to the fullest extent permitted by the law of any state in which any of the Mortgaged Property is located, determining the rights and remedies of Mortgagee on default. The law of the state where the Mortgaged Property is located shall control whether the property may be sold without judicial foreclosure.

12.11 Multiple Parties. If there is more than one mortgagor the obligations imposed upon Mortgagors under this Mortgage shall be joint and several.

Mortgagor

Mortgagor

STATE OF CALIFORNIA)
) ss.
COUNTY OF Santa Barbara)

On this 29th day of March, 1977, before me, a notary public in and for the said county and state, residing therein, duly commissioned and sworn, personally appeared JOHN MOSBY and MARILYN MOSBY, husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same.

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

Betty R Coveel
Notary in and for said County and State.

EXHIBIT "A"

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PARCEL I

The following described parcels in Township 40 South, Range 2 East of the Willamette Meridian, Jackson County, Oregon.

Tract A

The North half of the North half, the Southeast quarter of the Northeast quarter, the Southwest quarter of the Northwest quarter, the West half of the Southwest quarter, and the Southeast quarter of Section 1.

Tract B

All of Section 2, EXCEPTING THEREFROM, the following: Beginning at a point which bears South 24° 48' 40" East a distance of 1897.15 feet from the North quarter corner of said Section 2; thence South 48° 02' 20" East a distance of 552.55 feet; thence on a curve to the right, having a radius of 430.0 feet a distance of 323.98 feet; thence South 04° 52' 10" East a distance of 210.75 feet; thence on a curve to the left, having a radius of 220.0 feet, a distance of 162.85 feet; thence South 42° 43' 04" West a distance of 60.0 feet; thence North 38° 10' 26" West a distance of 189.6 feet; thence South 89° 13' 34" West a distance of 275.5 feet; thence North 40° 41' 11" West a distance of 575.90 feet; thence North 01° 09' 34" East a distance of 465.67 feet; thence North 89° 10' 25" East a distance of 160.60 feet to the point of beginning.

Tract C

The West half of the Northeast quarter of Section 3.

Tract D

The North half of the Northeast quarter of Section 11.

Tract E

The North half of the Northwest quarter, the Northwest quarter of the Northeast quarter, the Southeast quarter of the Northwest quarter, and the East half of the Southwest quarter of Section 12.

Tract F

The Northwest quarter, and the Northwest quarter of the Northeast quarter lying West of Emmigrant Creek of Section 13.

Tract G

The Southeast quarter of the Northeast quarter of Section 14.

PARCEL II

The Following described parcels in Township 40 South, Range 3 East, of the Willamette Meridian, Jackson County, Oregon:

Tract A

The West Half of the Northwest quarter of Section 6.

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Tract B

The Southwest quarter of the Northwest quarter, all of the Southwest quarter of Section 8.

Tract C

The Northeast quarter of the Northwest quarter, and the Southeast quarter of the Northeast quarter of Section 17.

Tract D

The North half of the Northeast quarter, the Southwest quarter of the Northeast quarter, the Northwest quarter of the Southeast quarter of Section 20.

PARCEL III

The following described parcels in Township 39 South, Range 2 East, Willamette Meridian, Jackson County, Oregon:

Tract A

Beginning at the Southeast corner of Section 34, Township 39 South, Range 2 East of the Willamette Meridian, Jackson County, Oregon; thence North along the line between Sections 34 and 35, said Township and Range, a distance of 14.00 chains to the center of Emigrant Creek; thence North 64° West along the center of said Creek, a distance of 8.00 chains; thence North 68° West along the center of said Creek, a distance of 1.60 chains; thence South 50° West, 7.50 chains; thence South 40° West, 4.86 chains; thence South 89° West, 3.72 chains; thence South 16° West, 2.87 chains; thence South 20° West, 3.45 chains; thence South, 2.60 chains to the South line of said Section 34; thence East along said South line, a distance of 23.19 chains to the point of beginning.

Tract B

The Southwest quarter of Section 35, in Township 39 South, Range 2 East of the Willamette Meridian, Jackson County, Oregon, EXCEPTING THEREFROM, Beginning at a 3/4" x 18" iron bolt on the existing Northwesterly right of way line of Greensprings Highway as now located, said bolt bears 1244.60 feet East and 875.40 feet South of the quarter corner common to Sections 34 and 35 in Township 39 South, Range 2 East of the Willamette Meridian, Jackson County, Oregon, for the point of beginning; thence along said right of way line South 42° 54' 30" West, 125.64 feet; thence North 52° 51' 30" West, 200.0 feet to a bolt; thence North 37° 08' 30" East, 125.0 feet to a 3/4" x 18" bolt; thence South 52° 51' 30" East, 212.62 feet to the point of beginning.

Tract C

The Southwest quarter of the Southeast quarter of Section 35.

Tract D

All that portion of the Southeast quarter of the Southeast quarter of Section 35, and the South half of the North half and the South half of Section 36, Township 39 South, Range 2 East of the Willamette Meridian, Jackson County, Oregon, lying and being Southerly of a line generally described as follows: Beginning at the point where the new Ashland-Klamath Falls Road (as of 1920), intersects the West line of the Southeast quarter of the Southeast quarter of said Section 35; thence following center line of said road, Easterly

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to a point where said road intersects the gulch known as "Soda Gulch", said point being about 10 rods South of the center of said Section 36; thence in a Northeasterly direction following the meanderings of said Gulch, to where said Gulch intersects the East line of said Section 36, and which point is 2100.0 feet South, more or less, from the Northeast corner of said Section 36. EXCEPTING THEREFROM, a living spring on the Southerly side of said Ashland-Klamath Falls Road, between Stations 283+61.2 and 280+99.5, and in the North half of the Southwest quarter of said Section 36, Together with a strip of land 100.0 feet in width, extending South from said road to a point 10.0 feet South of the said living spring, the West side of said strip being about 300.00 feet long and the East side being about 525 feet long.

ALSO EXCEPTING, therefrom land conveyed to The State of Oregon, by and through its State Highway Commission, by deed recorded in Volume 224, Page 159, Deed Records of Jackson County, Oregon.

ALSO EXCEPTING, therefrom the following: A parcel of land conveyed to the State of Oregon, by and through its State Highway Commission, by deedrecorded in Volume 197, Page 287 of Deed Records of Jackson County, Oregon, and more particularly described as follows: Beginning at a point on the northerly right of way line of the Green Springs Highway, said point being 30 feet distant from (when measured at right angles to) the center line of said highway at Engineer's Station 2344+40.0, said point being 985.6 feet West and 917.4 feet North of the South quarter corner of Section 36, Township 39 South, Range 2 East of the Willamette Meridian, in Oregon; thence North 61° 58' West, 230.0 feet; thence North 20° 51' East, 205.0 feet; thence South 80° 00' East, 100.0 feet; thence South 22° 24' East, 262.4 feet to the northerly right of way line of the above mentioned highway; thence following the said Northerly right of way line on a 234.6 foot radius curve to the left (the long chord of which bears South 59° 37' West), 80.0 feet to the point of beginning.

PARCEL IV

Tract A

The East half of the Southwest Quarter, the West half of The Southeast Quarter, and the Southeast Quarter of the Southeast Quarter of Section 21; the West Half of the West Half of Section 22; the West Half of the West Half of Section 27; and the East Half of the Southeast Quarter of Section 28; all in Township 40 South, Range 4 East of the Willamette Meridian in Jackson County Oregon.

ALSO, Beginning at a point on the East line of Section 28, in Township 40 South, Range 4 East of the Willamette Meridian in Jackson County, Oregon, which point is South 141.5 feet from the Northeast corner of said Section 28; thence North 141.5 feet to said Northeast corner; thence West 61.0 feet; thence Southeasterly in a straight line 154.0 feet, more or less, to the point of beginning.

Tract B

The North Half; the Southwest Quarter; and the West Half of the Southeast Quarter of Section 28 in Township 40 South, Range 4 East of the Willamette Meridian in Jackson County, Oregon.

EXCEPTING THEREFROM the following: Beginning at a point on the East line of Section 28 in Township 40 South, Range 4 East of the Willamette Meridian in Jackson County, Oregon, which point

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is South 141.5 feet from the Northeast corner of said Section 28; thence North 141.5 feet to said Northeast corner; thence West 61.0 feet; thence Southeasterly in a straight line 154.0 feet, more or less, to the point of beginning.

Tract C

The Northeast quarter of the Northwest quarter of Section 33 in Township 40 South, Range 4 East of the Willamette Meridian in Jackson County, Oregon.

PARCEL V

The North Half of the Northwest Quarter, the Southeast Quarter of the Northwest Quarter and the Southwest Quarter of the Northeast quarter of Section 8, Township 40 South, Range 3 East, Willamette Meridian, Jackson County, Oregon.

SUBJECT TO:

Items Nos. 1 through 46, effecting parcels I, II, III and IV of the above described real property and Items Nos. 1 through 7 effecting parcel V of such real properties, together with delinquent taxes as shown in Tax Sheets, all as set forth in a certain Title Report from Transamerica Title Insurance Company Orders Nos. 61026 and 60776 which said title report is dated February 15, 1977 and sets forth the state of the title as to such real property as of February 4, 1977 at 5:00 p.m.

EXHIBIT "B"

All that certain real property located in the County of Klamath, State of Oregon described as follows, to-wit:

In Township 31 South, Range 8 East of the Willamette Meridian:

Section 5: SW 1/4

Section 7: NE 1/4, E 1/2 NW 1/4, Lots 1 and 2, BUT EXCEPTING from said Lots 1 and 2 the portion thereof lying West of a line parallel to and 50 feet Easterly from the located center line of the Southern Pacific Company right of way,

Section 15: SW 1/4, N 1/2 SE 1/4

Section 17: N 1/2, SW 1/4

Section 20: All

Section 21: S 1/2 NW 1/4, SW 1/4

Section 28: W 1/2

Section 29: All

Section 30: E 1/2, SE 1/4 SW 1/4

Section 31: E 1/2, E 1/2 NW 1/4, E 1/2 SE 1/4 of Lot 1, E 1/2 E 1/2 of Lot 2, E 1/2 NW 1/4 SW 1/4, E 1/2 SW 1/4 SW 1/4, E 1/2 SW 1/4

Section 32: All

Section 33: S 1/2 NE 1/4, NW 1/4, S 1/2

Section 34: S 1/2 N 1/2, N 1/2 S 1/2, SW 1/4 SW 1/4

In Township 32 South, Range 8 East of the Willamette Meridian:

Section 4: Lots 3 and 4, SW 1/4 NW 1/4

Section 5: Lots 1 and 2, S 1/2 NE 1/4, those portions of Lots 3 and 4, S 1/2 NW 1/4, SW 1/4 which lies Southerly and Easterly from the center line or thread of Williamson River; W 1/2 SE 1/4

Section 6: Lots 1 and 2, S 1/2 NE 1/4, Lot 3, Lot 4, BUT EXCEPTING from said Lot 4 a parcel 417.42 feet by 208.71 feet described as Parcel 2 in Book 331 at page 173, Deed Records, S 1/2 NW 1/4, Lots 6 and 7, that part of the E 1/2 SE 1/4 lying Southerly and Easterly of the center line or thread of Williamson River.

Section 8: SW 1/4 NE 1/4, NW 1/4, N 1/2 SW 1/4, NW 1/4 SE 1/4

SUBJECT TO:

Exception as set forth as Items 1 through 20 and the taxes as set forth in Item 23 and also special assessment as farm property as set forth in Exception 22 all as the same appears in

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Order No. 38-11672, dated October 28, 1976 showing title effective as of October 22, 1976 at 5:00 p.m., said report being issued by Transamerica Title Insurance Company.

EXHIBIT "C"

Leaseholds for grazing purposes and any extensions thereof, no timber rights on lands in the State of Oregon, this mortgage covering the leasehold interest only of the mortgagors, and leases being as follows, to-wit:

1. Lease dated 4/2/76 from Boise Cascade Corporation, as Lessor, to Green Springs Cattle Association, as Lessee, the predecessor in interest or mortgagors, covering the grazing rights on 2,969 acres in Jackson County, Oregon.
2. Grazing Lease No. Ore 805, described in a Supplemental AGreement dated 4/23/75, from Weyerhaeuser Company, as Lessor, to JOHN MOSBY one of the mortgagors as Lessee, covering certain grazing rights on lands in the State of Oregon.

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EXHIBIT "D"

INDEBTEDNESS SECURED

All indebtedness of the Mortgagors to the Mortgagee as set forth in Items 1, 6 and 8 of Exhibit "A" to the Letter of Inducement of February 24, 1977, together with all interest accruing from and after December 1, 1976 on the principal debt as set forth hereinafter together with all other indebtedness whatsoever which may at any time be owing by the Mortgagors to the Mortgagee, excepting that certain debt specified in Items 2, 3, 4, 5, 7, and 9 of Exhibit "A" attached to the Letter of Inducement of February 24, 1977; said debt referred to hereinabove, excepting for other debt which may hereafter become owing, is as follows, to-wit:

Loan No.	Principal	Interest Due	Total Principal & Interest	Per Diem Interest Accrual
1) 881-325/100-153	$651,795.72	$137,603.72	$ 789,399.44	$153.89 Cattle Loan
2) $270,000.00 Note	270,000.00	32,475.00	302,475.00	75.00 Ashland
8) $150,000.00 Note	150,000.00	18,042.02	168,042.02	41.66 Marsh
Total	$1,071,795.72	$188,120.74	$1,259,916.46	

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 4th day of APRIL A.D., 19 77 at 3:02 o'clock P M., and duly recorded in Vol M77, of MORTGAGES on Page 5569.

FEE $ 56.00

WM. D. MILNE, County Clerk

By Hazel Imazi Deputy