

MORTGAGE

THIS MORTGAGE, Made the 28th day of February 19 78

MILTON RAY SESSLER

Mortgagors, unto LENDER, THE OREGON BANK, Broadway & Oak, an Oregon Corporation, Mortgagee.

WITNESSETH: That the said Mortgagors, in consideration of the sum of Three Hundred Fifty Thousand and no/
100----- (\$ 350,000.00) Dollars,
the receipt of which is acknowledged; and for the purpose of securing the repayment of the said sum with interest, and the performance of
the covenants hereinafter contained, do hereby grant, convey, mortgage and warrant unto the said Mortgagee the lands, premises and
property situated in the County of Klamath and State of Oregon described as follows, to-wit:

The SW $\frac{1}{4}$ NW $\frac{1}{4}$ and the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 28, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon

TO HAVE AND TO HOLD the granted premises and property, together with the tenements, hereditaments, rights, privileges and appurtenances, now or hereafter belonging to or used in connection with the above described premises including all buildings and improvements thereon (or that may hereafter be erected thereon), together with the reversions and remainders, rents, issues and profits thereof, together with the following property which is and shall be deemed to be fixtures and a part of the real property: all plumbing; heating, cooking, cooling, ventilating, watering, irrigating apparatus, window shades, venetian blinds, screens and storm windows and doors, shutters and awnings, floor coverings, machinery or any other fixtures and replacements thereof now or hereafter during the term of this mortgage belonging to or used in connection with the above described premises all of which are a part of the security for the indebtedness herein mentioned.

In addition thereto, the following described furniture, appliances and equipment or other fixtures and any replacements thereof, which are and shall be deemed to be fixtures and a part of the realty, are included as security for the indebtedness herein mentioned, to-wit:

N/A

And the Mortgagors hereby covenant with the said Mortgagee as follows:

FIRST: That this mortgage is given to secure ~~XX~~
~~XX~~
~~XX~~
to the mortgage
a copy of which is attached.

SECOND: The security of this mortgage shall also extend to and cover any additional loan, loans or advances made by the mortgagee to Sessler, Inc. or any of his successors in ownership in the real estate hereby conveyed.

THIRD: The Mortgagors warrant that they hold merchantable title to the above described premises and property in fee simple free of all encumbrances other than those enumerated in the title insurance policy, if any, issued for the benefit of the Mortgagee in connection with this transaction and accepted by the Mortgagee. Subject to such exceptions, the Mortgagors warrant and will forever defend the title against the claims of all persons. In the event any action or proceeding is commenced which questions Mortgagors' title or the interest or priority of the Mortgagee under this mortgage, Mortgagors shall defend the action or proceeding at their expense.

FOURTH: This instrument shall constitute a security agreement with respect to any personal property or fixtures or both included within the description of the property.

At the request of the Mortgagee, Mortgagors shall join with the Mortgagee in executing one or more financing statements pursuant to the Uniform Commercial Code in a form satisfactory to the Mortgagee and will pay for filing the same in the proper public office or offices as well as the cost of such lien searches made by filing officers or searching agencies as may be deemed desirable by the Mortgagee.

FIFTH: During the entire life of this mortgage the building and improvements erected and to be erected upon said premises, and the personal property mortgaged herein if any, shall be kept insured by the Mortgagors against loss or damage by fire and such other hazards in such amounts, for such periods and under such form and type of policy as shall be satisfactory to the Mortgagee. All the insurance written on the mortgaged premises and property shall be made payable, in the event of loss, to the Mortgagee and the Mortgagee shall be entitled to the possession of all such insurance policies during the life of this mortgage. The cash value of all such insurance policies is hereby assigned to the Mortgagee as additional security to the loan and in the event of foreclosure of this mortgage or other transfer of title to the mortgaged property in extinguishment of the debt secured hereby, all right, title and interest of the Mortgagors in and to any such insurance policies then in force shall pass to the Mortgagee. The Mortgagors will pay the premiums for said insurance as the same shall become due. The Mortgagee shall not be responsible for any failure to place or maintain such insurance, or for loss or damage growing out of a defect or non-payment of loss under any such policy of insurance. If the premises or property covered hereby or any part thereof, shall be damaged by fire or other hazards against which insurance is held, the amounts paid by any insurance company pursuant to the contract of insurance, shall be paid to the Mortgagee and the amounts so received may be applied by the Mortgagee, at its option, either upon any sum or sums secured by the mortgage, whether or not same are due, or released by the Mortgagee, at its option, for the repairing, replacing and rebuilding of the premises and property; said repairing, replacing and rebuilding to be done and made subject to the approval of the Mortgagee and in a manner satisfactory to the Mortgagee.

Mortgagors shall promptly notify Mortgagee of any loss or damage which may occur to the mortgaged property. Mortgagee is hereby authorized, at Mortgagee's option, to make proof of loss if the same is not promptly made by the Mortgagors. Mortgagee may compromise with any insurance company and make a final settlement which shall be binding upon Mortgagors.

SIXTH: The Mortgagors will pay, before delinquency, and before any penalties, interest or other charges accrue or are added thereto, any and all taxes, assessments, liens, charges for the use of water on said premises, and any other charges or assessments which may become liens thereon prior to the lien of this mortgage, and will keep said property free and clear of any and all liens for labor or material, or any lien whatsoever that may become prior to this mortgage. If any future law is passed taxing or assessing this mortgage or the Mortgagee on account of its ownership of this mortgage, then the Mortgagee may, upon the passing of such law, declare the entire debt hereby secured due and payable.

The assessor or tax collector of the county in which the mortgaged property is located is authorized to deliver to the Mortgagee a written statement of the property taxes assessed or owing at any time.

SEVENTH: Together with and in addition to the monthly payments of principal and interest payable under the terms of the note or notes secured hereby, the Mortgagors may agree to pay to the Mortgagee, until the said note or notes are fully paid, the following:

A sum equal to the premiums that will next become payable on policies of fire and other hazard insurance covering the mortgaged property, plus taxes and assessments next due on the mortgaged property (all as estimated by the Mortgagee, and of which the Mortgagors are notified) less all sums already paid therefor, divided by the number of months to elapse before one month prior to the date when such premiums, taxes and assessments will become delinquent, such sums to be held by Mortgagee to pay such premiums, taxes and assessments. In the event that Mortgagors agree to pay to the Mortgagee such sums, payment shall be secured by this mortgage and Mortgagors failure to make such payments shall be an event of default hereunder.

EIGHTH: The Mortgagors will use said mortgaged premises only for lawful purposes and will not commit nor suffer strip or waste upon said premises and will not do or suffer to be done any act or thing which may in any way impair the security of this mortgage. The said premises and any and all improvements thereon shall at all times be kept in a sound state of preservation and in good repair; the character and usage of said property shall not be changed, and alterations in the said premises or additions thereto shall not be made without the written consent of the Mortgagee. If the mortgaged premises are to be used for farming, Mortgagors will maintain and cultivate the same in a good and husbandlike manner, using approved methods of preventing soil erosion thereon and of preserving the fertility of the cultivated portions thereof; will keep the orchards on said land properly irrigated, cultivated, pruned, sprayed and cared for; will not remove or demolish or permit the removal or demolition of any building or buildings or fences or other improvements now or hereafter existing on said premises; will not cut or remove or permit the cutting or removal of timber from said premises, except for domestic use thereon; and will do all acts and things necessary to protect from pollution any and all surface waters, seepage waters, wells, springs and streams now or hereafter upon or used for irrigation or domestic purposes upon said premises.

In the event of an actual or threatened destruction or removal of the improvements or property on said premises, or the breach of any other covenant in this paragraph "EIGHTH," the Mortgagee may, at its option, declare the entire debt hereby secured due and payable. All judgments, decrees and awards for injury to the mortgaged property and all awards pursuant to proceedings for condemnation thereof are hereby assigned in their entirety to the Mortgagee, who may apply the same to the indebtedness hereby secured in such manner as it may elect.

NINTH: Any structure being constructed on the mortgaged premises, or to be constructed, shall be completed within N/A months from the date hereof. Mortgagors will perform all of the terms and conditions of Mortgagors to be performed pursuant to any commitment agreement or construction loan agreement executed in connection with this mortgage. Failure of performance of any of such terms or conditions shall also be a default under this mortgage. In the event of any such defaults the Mortgagee may, at its option, and in addition to any other remedies provided by law or contract, declare the entire debt hereby secured to be immediately due and payable.

TENTH: This mortgage and the note or notes hereby secured may be extended or modified by the Mortgagee at any time for the payor hereunder without notice to any other person, firm or corporation and without releasing the Mortgagors or any subsequent guarantor or payor from any liability hereunder or under said note or notes and without impairing, altering or affecting the lien of this mortgage in any way. Each of the covenants and agreements herein shall be binding upon, all successors in interest of each of the Mortgagors and shall inure to the benefit of any successor in interest of the Mortgagee. And it is agreed that if any note or notes secured hereby be assigned and transferred by the Mortgagee to any one or more parties without the assignment of this mortgage, then the Mortgagee shall hold this mortgage in trust for the benefit of such assignee or assignees, and may sue and recover upon such note or notes, and foreclose such mortgage in its own name for the benefit of such assignee or assignees to the same extent as though such notes had not been assigned.

ELEVENTH: All rents, issues, income and profits derived from the mortgaged premises and property are hereby assigned to the Mortgagee as additional security. In the event of default of the Mortgagors in any respect under this mortgage, the Mortgagee shall have the right to collect and retain the rents, issues, income and profits derived from the mortgaged premises and property, and said rents, issues, income and profits shall be applied by the Mortgagee, at its option, in payment of operating costs and expenses in connection with the operation and management of the mortgaged premises, in payment of customary costs and charges for collection and management, or upon any indebtedness due or which may become due upon said note or notes, or upon or under this mortgage. The Mortgagee shall have the right at its option to enter into and upon the mortgaged premises and take possession thereof in the event of default and to collect said rents, issues, income and profits therefrom and require any tenants or occupants of said premises to make payments to the Mortgagee of rental or of other charges arising out of the use and occupancy of said premises.

TWELFTH: If all or any part of the mortgaged premises and property is condemned, the Mortgagee may, at its election, require that all or any portion of the net proceeds of the award be applied on the indebtedness secured hereby. The "net proceeds of the award" means the award after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Mortgagors and the Mortgagee in connection with the condemnation. If any proceedings in condemnation are filed, Mortgagors shall promptly take such steps as may be necessary to defend the action and obtain the award.

THIRTEENTH: In the event it becomes necessary in the judgment of the Mortgagee so to do, the Mortgagee, without notice and without regard to the value of the mortgaged premises or to the adequacy of the security for the debt, shall have the right to apply to any Court having jurisdiction for the appointment of a Receiver and to have appointed a Receiver to manage and control said mortgaged premises and property. In the event the Mortgagee or any Receiver enters into possession of said premises and property, any personal property owned by the Mortgagors and remaining in or about said premises may be used without charge by the Mortgagee or Receiver in the operation of the premises, or may be removed by the Mortgagee or Receiver, and in no event shall the Mortgagee or Receiver be held liable or responsible in any manner for injuries, loss, destruction or damage to such property or any portion thereof.

FOURTEENTH: In the event suit or action is instituted to enforce any of the terms of this mortgage, the Mortgagee shall be entitled to recover from Mortgagors such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. All reasonable expenses incurred by the Mortgagee that are necessary at any time in the Mortgagee's opinion for the protection of its interest or the enforcement of its rights, including without limitation, the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions or title insurance, whether or not any court action is involved, shall become a part of the indebtedness secured hereby, payable on demand and shall bear interest at the rate of ten percent per annum from the date of expenditure until repaid.

FIFTEENTH: Should the Mortgagors be or become in default in any of the covenants or agreements contained herein, then the Mortgagee (whether electing to declare the whole indebtedness hereby secured due and collectible or not) may perform the same and all expenditures made by the Mortgagee in so doing, or under any of the covenants or agreements herein, shall draw the same rate of interest as is provided to be paid on the principal of this mortgage, and all such expenditures shall be repayable by the Mortgagors without demand, and together with interest and costs accruing thereon, shall be secured by this mortgage; and the rights and duties of the parties covenanted for in this paragraph shall apply equally to any and all part payments or advances made by the Mortgagee for any of the purposes herein referred to.

SIXTEENTH: Mortgagors will not, without prior written consent of Mortgagee, transfer Mortgagors' interest in said premises or any part thereof, whether or not the transferee assumes or agrees to pay the indebtedness hereby secured. Upon any application for Mortgagee's consent to such a transfer, Mortgagee may require from the transferee such information as would normally be required if the transferee were a new loan applicant. Mortgagee shall not unreasonably withhold its consent. As a condition of its consent to any transfer, Mortgagee may impose a service charge and may increase the interest on the indebtedness hereby secured.

SEVENTEENTH: Should the debt hereby secured and all sums due under the terms and covenants hereof be paid when due, then this indenture shall be void, but in case default be made in the payment of the principal or interest, or any part or installment thereof, or in case the Mortgagors shall fail or refuse or default in the payment of any sum which may become due under the terms hereof when and as the same become due, or shall default in the fulfillment of any of the terms hereof or the performance of any of the provisions herein required by them as and when the same are required to be performed hereby, or shall permit or suffer any default in any of the terms hereof, time being the essence hereof, then the whole of the principal sum secured hereby and the interest thereon and any and all other sums due the Mortgagee under the terms hereof shall, at the option of the Mortgagee, become immediately due and payable without notice, and this mortgage may be foreclosed, but the failure to delay of the Mortgagee to exercise such option in any one or more instances shall not be a waiver or relinquishment of the right to exercise such option.

EIGHTEENTH: The mailing address(es) of the Mortgagor (Debtor) is 111 Highway 99 N., Eugene, OR 97402

and the address of the Mortgagee (Secured Party) from which security information is obtainable is THE OREGON BANK, Broadway & Oak Branch, 111 E. Broadway, Eugene, OR 97401

Executed the day and year first above written.

Milton Ray Sessler
Milton Ray Sessler

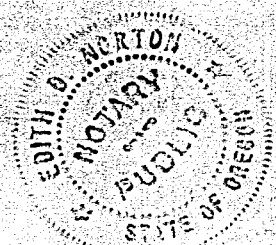
STATE OF

County of Lane

ss.

THIS CERTIFIES That on this 28th day of February A.D. 19 78 before me, the undersigned, a notary public in and for said County and State, personally appeared the within named Milton Ray Sessler who is known to me to be the identical individual described in and who executed the within instrument, and acknowledged to me that he executed the same as his free act and deed, for the uses and purposes therein expressed.

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



South O. Norton
Notary Public for Oregon
My commission expires September 21, 1980

CONTINUING GUARANTY

4906

In consideration of a concurrent loan made, at the request of the undersigned, by THE OREGON BANK, Portland, Oregon, an Oregon corporation, hereinafter referred to as the Bank, to **SESSLER, INC.**

hereinafter called the Debtor, and in further consideration of the present forbearance of the Bank to sue upon any past due debt of said Debtor, and in further consideration of loans, or advances, or overdrafts, or discounts, hereafter made by the Bank to the Debtor, or by Debtor to others, and discounted by holder with the Bank, or discounts of obligations of others upon which Debtor is liable as principal, endorser, guarantor or otherwise, or other obligations arising by the Debtor to the Bank, by way of acceptances, suretyships, indorsements, or guaranties, and whether the liability of the Debtor be primary, secondary or contingent, or for moneys advanced by the Bank to pay insurance premiums, interest, or taxes, or repairs, care, or storage, upon any property, real or personal, held as collateral to any indebtedness of the Debtor to the Bank, or otherwise, the undersigned hereby guarantees unto the Bank, its successors and assigns, unconditionally, and at all times, the prompt payment in lawful money of the United States of America of any and all indebtedness which the Debtor may now, or at any time hereafter, owe to the Bank to the extent of not exceeding the sum of Three Hundred Fifty Thousand and no/100----- (\$ 350,000.00) Dollars principal sum and any interest accrued and unpaid on the whole or any part of said principal sum.

The foregoing is not intended as a restriction upon the amount of the indebtedness of the Debtor to the Bank, either in the aggregate or at any one time; and the Bank shall have and is hereby given the right and privilege to apply all sums of money and/or property, of any kind or nature, which may be by it received from the Debtor, or anyone on the Debtor's behalf, or for his or its use or benefit, to the reduction and/or payment of any indebtedness of the Debtor in excess of the amount covered by this Guaranty, before any such amounts need be applied to the reduction of the liability of the undersigned created by virtue of this instrument.

Such liability of the undersigned shall remain at all times undiminished, unreleased and undischarged by any act done or left undone by the Bank, the Debtor, or any surety, or any other guarantor, other than by the payment to the Bank of the full amount of every and all indebtedness which may now, or at any time hereafter, be owing from the Debtor to the Bank, and no payments made upon any such indebtedness shall be held to discharge or diminish the liability of the undersigned for any and all remaining and succeeding indebtedness of the Debtor to the Bank.

The guaranty is in full force and effect, when delivered to the Bank, whether so delivered to the Bank by the undersigned, the Debtor or anyone else, and no written or other acceptance hereof by the Bank is required, and the undersigned hereby expressly waives any such written or other acceptance by the Bank.

The undersigned hereby expressly waives presentment, protest, demand or notice of non-payment of any of said indebtedness of the Debtor, or of any collateral thereto, and notices of every other kind, including those of any action or non-action on the part of the Debtor, the Bank, or any surety, or other guarantor, and hereby consents to any and all extensions of time, or renewals, granted by the Bank to the Debtor, or to the other parties bound upon any collateral thereto.

The undersigned consents to the Bank selling any collateral to the said indebtedness of the Debtor, or any part thereof, or any that may have been received in exchange therefor, or in addition thereto, or any part thereof, at the Bank's option, on the nonpayment of any of said indebtedness, at public or private sale, or the substitution of any new collateral for any formerly held by the Bank, in its discretion.

The Bank may compound with the Debtor, or any person, firm or corporation liable as guarantor or endorser, or otherwise, or liable upon any collateral to any of the Debtor's indebtedness, which collateral may be held by the Bank; and in furtherance thereof, may enter into any agreement not to sue the person, firm or corporation entering into such composition, without affecting this guaranty.

This guaranty covers all costs and expenses, including attorney's fees, which the Bank may pay, or become liable for in the collection of any such indebtedness of the Debtor, or collection or the sale of any collateral thereto, whether suit or action is brought or not, and in the event any suit or action is brought by the Bank against the undersigned on account of, or in connection with, this guaranty, the Bank shall be entitled to recover in any such suit or action such sum as the court may adjudge reasonable as attorney's fees therein.

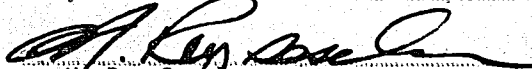
This guaranty is hereby agreed to be a continuing guaranty, (the benefit of any statute of limitations being hereby expressly waived by the undersigned), binding the undersigned, and each of his, their or its heirs, legal representatives and successors, until terminated by written notice to the Bank, and the payment and discharge of all obligations owing and existing from the Debtor to the Bank at the date said notice is delivered to and received by the Bank.

Upon any default of the Debtor, the Bank may, at its option, proceed directly and at once against the undersigned to collect the full amount of any liability hereunder, or any portion thereof, without first proceeding against the Debtor, or any surety, or other guarantor, or foreclosing upon, selling, or otherwise disposing of any collaterals it may have as surety for any of such indebtedness.

In the event of the payment by the undersigned to the Bank of any amount whatsoever hereunder and/or in the event the undersigned shall for any other reason acquire a claim against the Debtor, the amount of the indebtedness of the Debtor still existing in favor of the Bank after the payment of the liability of the undersigned, pursuant to this Guaranty, shall be and the same is hereby declared to be prior to any claim that the undersigned may have against the Debtor, whether or not the Debtor is at such time or thereafter becomes insolvent; and in case of bankruptcy, this agreement shall constitute an assignment to the Bank of any dividends payable to the undersigned from the assets of the Debtor; and the undersigned shall and does expressly subordinate any claim against the Debtor, upon any account whatsoever, to any claim that the Bank may then have against the Debtor, which subordination shall be enforced by all Courts, bankruptcy, law or equity (including, if the undersigned is a corporation, the court having jurisdiction under the reorganization provisions of chapter X of the Bankruptcy Act as amended).

In the event of this guaranty being signed by more than one person, the obligation of all and each of the parties signing is intended to be joint and several, and this guaranty is assignable with the principal obligations and when assigned the guarantors shall be bound, as above, to the transferee.

Dated at Eugene, Oregon, this 28th day of February, 1978
Witnesses:


M. Ray Sessler

Loan 689 4/65

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 15th day of March A.D., 19 78 at 8:45 o'clock A M., and duly recorded in Vol M78 of Mortgages on Page 4903.

FEE \$12.00

WM. D. MILNE, County Clerk

By Bernetha J. Detach

Deputy

SESSLER, INC.