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K-31703
SECOND MORTGAGE ON LEASEHOLD

Vol. 111 Page 20931

THIS MORTGAGE is made this 31 day of August, 1979, by RUTH H. TEASDEL (Teasdel), Mortgagor, and MODOC LUMBER CO., an Oregon corporation (Modoc), Mortgagee.

1. Property: Teasdel hereby mortgages to Modoc all of her interest in Burlington Northern, Inc. Lease No. (GN) 75938, including all buildings and improvements located on the demised premises described as the hatchmarked portion of the map attached. (hereafter "the Property").

2. Promissory Note: This Mortgage is intended to secure the payment of the promissory note, a true copy of which is attached hereto as Exhibit "A". The final payment of principal and interest on said promissory note, if not sooner paid, is due and payable on September 1, 1982.

3. Prior Mortgage: Teasdel warrants that she has a valid, unencumbered title to the Property subject to a mortgage made by Teasdel to First National Bank of Oregon as mortgagee, dated AUGUST 31, 1979, recorded in the mortgage records of Klamath County in Book M-79 at page 20914. Said mortgage secures a promissory note in the principal sum of \$1,000,000, on which a balance of \$1,000,000 is owing as of September 1, 1979.

4. Covenants of Mortgagor: Teasdel promises that she will:

a) Pay the note secured by this mortgage according to its terms;

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b) Pay all taxes, assessments and other charges which may be levied or assessed against the Property when due;

c) Pay the note received by the first mortgage described in Paragraph 3 according to its terms and promptly discharge any liens against the Property which are superior to the lien of this Mortgage. In the event that Teasdel shall fail to pay any sum due upon any such prior lien promptly when due, Modoc may pay the same and Teasdel shall reimburse Modoc the amount thereof upon demand. As an alternative, Modoc may add the amount thereof to the debt secured by this Mortgage and the same shall bear interest at the rate specified in the note. However, the exercise of either of these options by Modoc shall not be deemed a waiver of any right arising by reason of Teasdel's breach of this Mortgage.

d) Keep the buildings and other improvements now existing or which may hereafter be placed on the Property insured against fire and other casualties with extended coverage endorsements. The policy shall be written to the full replacement value with loss payable to Modoc and Teasdel as their interests may appear. Certificates evidencing the policies shall be delivered to Modoc within 10 days of the date hereof and shall contain a stipulation providing that coverage will not be canceled or diminished without a minimum of 10 days written notice to Modoc.

e) Keep the building and improvements on the Property in good repair and not commit or suffer any waste thereof.

5. Default: Time is of the essence of this Mortgage.

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In the event Teasdel shall default in the payment of any sum due under the terms of the note or in the performance of any covenant of this Mortgage, Modoc shall give Teasdel written notice specifying said default. If, within 10 days after receipt of such notice, Teasdel fails to make said payment or perform or commence performance of such covenant, Modoc shall have the right to declare the entire unpaid balance of the note immediately due and payable and pursue all available remedies provided by law.

6. Costs and Attorney Fees: In the event suit or action is instituted to foreclose this Mortgage, Teasdel agrees to pay such sum as the court may adjudge reasonable as attorney fees at trial or on appeal of such suit or action in addition to all reasonable costs incurred by Modoc for title search and reports and all other sums provided by law.

7. Eminent Domain: In the event that all or any portion of said Property shall be taken by eminent domain, Modoc shall have the right to require that all or any portion of the moneys payable as compensation for such taking, in excess of the amount required to pay reasonable costs and attorney fees incurred by Teasdel in such proceedings, shall be paid to Modoc and applied first to any costs and expenses necessarily paid or incurred by Modoc in such proceedings. The balance shall be applied against the payments last becoming due on the note.

8. Insurance Proceeds: If the Property is damaged because of fire or other risk covered by insurance, Teasdel shall

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apply the proceeds of said insurance against the cost of repair. Any amount not required for said purpose shall be paid to Modoc and applied against the payments last becoming due on the note. If said insurance proceeds shall be insufficient for such repairs, Teasdel shall pay the difference. If damage to the improvements is so extensive as to constitute total destruction so that repair is not feasible, the insurance proceeds shall be paid to Modoc and applied against the payments last becoming due on the note, and any excess over the balance thereof shall be paid to Teasdel.

In the event that Teasdel shall fail to file any proof of loss or to endorse any check, draft or warrant payable to Teasdel arising from such loss, Teasdel hereby names and constitutes Modoc her attorney-in-fact to make such proof of loss and to endorse such check, draft or warrant and apply the proceeds as provided herein.

9. Waiver: Teasdel agrees that failure of Modoc at any time to require performance by Teasdel of any provision of this Mortgage or note, shall in no way affect Modoc's right hereunder to enforce the same, nor shall any waiver by Modoc of any breach of any provision hereof be held to be a waiver of the provision itself or any other provision.

10. Benefit: All of the covenants and agreements herein shall apply to and bind the heirs, successors and assigns of Teasdel and Modoc.

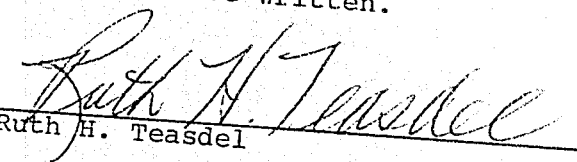
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11. Notice: Any notice in connection with this Mortgage shall be in writing and shall be effective when actually delivered or when deposited in the mail, registered or certified, addressed to the parties at the addresses set forth below or such other addresses as either party may designate by written notice to the other:

Modoc Lumber Co.
P.O. Box 257
Klamath Falls, Oregon
97601

Ruth H. Teasdel
661 South Spring Street
Klamath Falls, Oregon
97601

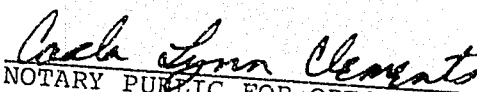
IN WITNESS WHEREOF, Teasdel has signed this Mortgage Agreement as of the day and year first above written.


Ruth H. Teasdel

STATE OF OREGON)
) ss
County of Klamath)

On this 31 day of August, 1979, before me appeared the within named RUTH H. TEASDEL, who is known to me to be the identical individual described in and who executed the within instrument, and acknowledged to me that she executed the same freely and voluntarily.

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


NOTARY PUBLIC FOR OREGON

My commission expires 3/16/82

PROMISSORY NOTE

20936

\$255,000

September 1, 1979
Klamath Falls, Oregon 97601

FOR VALUE RECEIVED, RUTH H. TEASDEL (Teasdel), hereby promises to pay MODOC LUMBER CO., an Oregon corporation (Modoc), or its order, the principal sum of \$255,000 in three annual installments of \$85,000 each, plus interest at the rate of 8 percent per annum from the date hereof, due September 1, 1980, 1981 and 1982.

If any installment is not paid within ten days after it becomes due, the whole sum of principal and interest shall become immediately due and payable at the option of Modoc.

If this note is placed in the hands of an attorney for collection, Teasdel promises and agrees to pay any fees, incurred by Modoc in enforcing Teasdel's obligations under this note whether or not a suit or action is commenced. If a suit or action is filed, the amount of such attorney fees shall be fixed by the court or courts in which the suit or action, including any appeal therein, is decided.

Teasdel and all endorsers, sureties and guarantors hereof, hereby jointly and severally waive presentment, demand for payment, notice of dishonor, notice of protest, and protest, and all other notices or demands in connection with the delivery, acceptance, performance, default, endorsement or guaranty of this instrument.

This note is secured by a real property mortgage, a leasehold mortgage and a personal property security agreement all of even date.

Ruth H. Teasdel

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 31st day of August A.D., 19 79 at 2:56 o'clock P M., and duly recorded in Vol. M79 of Mortgages on Page 20931.

FEE \$21.00

WM. D. MILNE, County Clerk

By Barbara H. Letch Deputy