

5.4 Lender shall not charge a service charge for collecting reserves and paying taxes and insurance premiums. The reserves shall not constitute a trust. Mortgagor agrees that Lender may commingle reserve funds with other funds of Lender, and need not invest them for the benefit of Mortgagor. Mortgagor agrees that Lender need not pay Mortgagor interest on reserves, unless applicable statutes require payment of interest notwithstanding any contrary agreement.

7. If Mortgagor shall fail to comply with any provision of this mortgage, the Lender may, at its option, on Mortgagor's behalf take the required action and any amount that it expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest at the same rate as provided in the note from the date of expenditure. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which the Lender may be entitled on account of the default, and the Lender shall not by taking the required action cure the default so as to bar it from any remedy that it otherwise would have had.

To cover the extra expense involved in handling delinquent payments, Lender may charge a late charge on any scheduled payment which Lender does not receive within 15 days after the due date, or by the next business day, if the 15-day period ends on a Saturday, Sunday, or legal holiday. The amount of the late charge shall be as specified in the note or, if the note specifies no late charge, _____ percent of the payment of principal and interest, or portion of such payment, which Lender does not receive within the 15 day period. The late charge under the note or under this mortgage shall in no event exceed the maximum charge, if any, specified under applicable law. Collection of a late charge shall not constitute a waiver of or prejudice the Lender's right to pursue any other right or remedy available on account of the delinquency.

8.1 Mortgagor warrants that he holds merchantable title to the Property in fee simple, free of all encumbrances other than those ~~in~~^{on} ~~the~~^{the} ~~premises~~^{premises} ~~and~~^{and} ~~those~~^{those} ~~affecting~~^{affecting} ~~the~~^{the} ~~same~~^{same} ~~as~~^{as} ~~are~~^{are} ~~shown~~^{shown} ~~on~~^{on} ~~the~~^{the} ~~plat~~^{plat} ~~of~~^{of} ~~record~~^{of} ~~for~~^{for} ~~the~~^{the} ~~land~~^{land} ~~herein~~^{herein} ~~referred~~^{referred} ~~to~~^{to} ~~as~~^{as} ~~"the~~^{"the} ~~Property"~~^{Property", ~~and~~^{and} ~~that~~^{that} ~~he~~^{he} ~~owns~~^{owns} ~~the~~^{the} ~~Property~~^{Property} ~~free~~^{free} ~~from~~^{from} ~~all~~^{all} ~~encumbrances~~^{encumbrances} ~~other~~^{other} ~~than~~^{than} ~~those~~^{those} ~~described~~^{described} ~~as:~~^{as:} the rights of the public in and to any portion of the property lying within the limits of streets, roads or highways (hereinafter referred to as "Permitted Encumbrances").}

8.3 If any Permitted Encumbrance is a lien, Borrower shall pay any sums and do any other acts necessary to prevent a default or prevent any action or condition which, with the lapse of time, the giving of notice, or any other action of a creditor, would be a default or enable any creditor to declare a default or foreclose any Permitted Encumbrance which is a lien.

9.2 If any proceedings in condemnation are filed, Mortgagor shall promptly take such steps as may be necessary to defend the action and obtain the award.

10.1 The following shall constitute state taxes to which this paragraph applies:

(b) Mortgagor pays or offers to pay the tax or charge within 30 days after notice from the Lender that the tax law has been enacted.

15.1 Upon the occurrence of any event of default and at any time thereafter, the Lender may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to Borrower to declare the entire Indebtedness immediately due and payable.

(b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by judicial foreclosure in accordance with applicable law.

(c) With respect to all or any part of the Property that constitutes personalty, the rights and remedies of a secured party under the Uniform Commercial Code.

(d) The right, without notice to Mortgagor, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above the Lender's costs, against the Indebtedness. In furtherance of this right the Lender may require any tenant or other user to make payments of rent or use fees directly to the Lender, and payments by such tenant or user to the Lender in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

(e) The right in connection with any legal proceedings to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. The Lender's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount.

(f) Any other right or remedy provided in this mortgage or the promissory note evidencing the Indebtedness.

15.2 In exercising its rights and remedies, the Lender shall be free to sell all or any part of the Property together or separately or to sell certain portions of the Property and refrain from selling other portions. The Lender shall be entitled to bid at any public sale on all or any portion of the Property.

15.3 The Lender shall give Mortgagor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

15.4 A waiver by either party of a breach of a provision of this agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by the Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Mortgagor under this mortgage after failure of Mortgagor to perform shall not affect the Lender's right to declare a default and exercise its remedies under this paragraph 15.

15.5 In the event suit or action is instituted to enforce any of the terms of this mortgage, the Lender shall be entitled to recover from Mortgagor such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. All reasonable expenses incurred by the Lender that are necessary at any time in the Lender'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 payable on demand and shall bear interest at the same rate as provided in the note from the date of expenditure until repaid.

16. Notice.

Any notice under this mortgage shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this mortgage. Either party may change the address for notices by written notice to the other party.

17. Succession; Terms.

17.1 Subject to the limitations stated in this mortgage on transfer of Mortgagor's interest, this mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns.

17.2 In construing this mortgage the term mortgage shall encompass the term security agreement when the instrument is being construed with respect to any personal property.

17.3 Attorneys' fees. "Attorneys' fees," as that term is used in the note and in this mortgage, shall include attorneys' fees, if any, which may be awarded by an appellate court.

Wilbur L. Workman Jr.
Wilbur L. Workman Jr., Pres.
 Pacific Chip Producers, Inc.

INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON

County of Coos) ss. AUG 26 19 80
 Personally appeared the above-named WILBUR L. WORKMAN, JR. and acknowledged the foregoing instrument to be his voluntary act.

Before me:

Jean Hale
 Notary Public for Oregon
 My commission expires: 9-17-83

CORPORATE ACKNOWLEDGMENT

STATE OF OREGON

County of Coos) ss. Sept 19, 19 80
 Personally appeared Wilbur L. Workman Jr. and who, being sworn, stated that he, the said Wilbur L. Workman Jr. is a President and he, the said is a

of Mortgagor corporation and that the seal affixed hereto is its seal and that this Mortgage was voluntarily signed and sealed in behalf of the corporation by Authority of its Board of Directors.

Before me:

Jean Hale
 Notary Public for Oregon
 My commission expires: 9-17-83

PARTNERSHIP ACKNOWLEDGMENT

STATE OF OREGON

County of _____) ss.

THIS CERTIFIES that on this _____ day of _____, 19____, personally appeared before me, the undersigned, a Notary Public in and for said County and State, the within named _____

known to me to be the person _____ named in and who executed the foregoing instrument and who _____ known to me to be _____ member _____ of the partnership of _____

acknowledged to me that _____ he _____ executed said instrument freely and voluntarily for the purposes and use therein mentioned, on behalf of said partnership.

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

Before me:

Notary Public for Oregon
 My commission expires:

19187
Mortgage

KANEMATSU-GOSHO (U.S.A.)
JANED STATES NATIONAL BANK
INC., Portland, Oregon
~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~ Mortgagee

STATE OF OREGON,
County of Klamath } ss.

I certify that the within instrument was received
for the record on the 3rd
day of October 19 80
at 1:20 o'clock P M. and recorded
in Book M80 on page 19184 Record
of Mortgages of said County.

Witness my hand and seal of County affixed.

Wm. D. Milne
County Clerk, (Recorder)
By Bernard J. Smith Deputy

Fee \$14.00
After Recording RETURN TO:
KANEMATSU-GOSHO (U.S.A) INC.
Portland, Oregon
~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~ MORTGAGEE

BRANCH
ADDRESS
OREGON
for the attention of:
Department