

Dated: AUG 1, 1984.

By: M. L. Stewart, Inc., an Oregon corporation  
("Mortgagor"), whose address is 5930 Washburn Way,  
Klamath Falls, Oregon 97601

To: United States National Bank of Oregon, a national  
banking association ("Mortgagee"), whose address is  
555 S.W. Oak Street, Portland, Oregon

For a valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor does hereby mortgage, grant, bargain, sell, assign and convey unto Mortgagee the "Real Property" situated in Klamath County, Oregon, legally described on Exhibit A which is attached hereto and incorporated herein by this reference, together with the tenements, hereditaments and appurtenances now or hereafter belonging thereto and the proceeds, rents, issues and profits therefrom.

This conveyance is intended as a mortgage to secure (a) performance of the covenants and agreements hereinafter made, (b) payment of the sum of \$500,000, together with interest on the unpaid balance thereof, on or before August 1, 1989, in accordance with (i) the promissory note of Basin View Development Company, an Oregon corporation, Melvin L. Stewart and Mary Lou Stewart (collectively referred to as "Stewart") of even date herewith ("Instrument"), any and all renewals and extensions thereof whether or not evidenced by new or additional instruments, and (ii) those certain guaranties of even date herewith (the "guaranty"), wherein Stewart guarantees the payment promptly when due of all amounts owing Mortgagee by Bob A. Dortch and Paula M. Dortch and Brandsness Enterprises, Inc., an Oregon corporation, and the principals thereof, pursuant to the terms of two promissory notes. (provided that the guaranty is in fact executed), and (c) performance and payment of all other present or future debts, liabilities or obligations of any kind or nature, direct or indirect, of Mortgagor to Mortgagee, including, but not limited to, all advances, costs, expenses and reasonable attorney fees at trial or on appeal incurred by Mortgagee in servicing and enforcing the debts, obligations and liabilities of Mortgagor and in preserving, handling, protecting, collecting, foreclosing, disposing and otherwise realizing on any and all security therefor, including Real Property. The interest rate, payment terms or balance due on the Instrument may be indexed, adjusted, renewed or renegotiated.

Mortgagor represents and warrants that (a) Mortgagor now is the owner of Real Property in fee simple as a tenant in common with two other individuals and has the right and authority to mortgage its rights in Real Property as provided herein, and (b) Real Property now is free and clear of all liens and encumbrances except THOSE OF RECORD

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This mortgage, and the warranties, covenants and agreements made herein, shall bind Mortgagor and Mortgagor's personal representatives, heirs, successors and assigns and inure to the benefit of Mortgagee and Mortgagee's personal representatives, heirs, successors and assigns.

Mortgagor hereby makes the following covenants and agreements:

1. Mortgagor will strictly and punctually perform all obligations, covenants and agreements that are contained in this mortgage any other applicable instrument or agreement between Mortgagor and Mortgagee.

2. Mortgagor will (a) pay all taxes, assessments and other charges of every nature (including utilities) which may be levied or assessed upon or against Real Property, or any part thereof, when due and payable according to law, (b) promptly pay and satisfy as and when required all construction liens and other liens or encumbrances that are or might by operation of law or otherwise become a prior lien on Real Property, (c) promptly and fully comply with all existing and future laws, orders and regulations of all governmental bodies that affect Real Property or the use thereof, (d) defend Mortgagee's rights against any and all liens and encumbrances, and (e) hold Mortgagee harmless from all costs incurred in connection with such taxes, assessments, charges, compliance with governmental requirements, liens and encumbrances.

3. Mortgagor will (a) keep all improvements on Real Property in good order and repair, (b) not commit or suffer any waste of Real Property and (c) not do or allow any act or omission, including removal or alteration of improvements, which will materially reduce the security value of Real Property.

4. Mortgagor will keep all improvements now or hereafter on Real Property insured against loss or damage by fire with extended coverage endorsement by a responsible insurance company satisfactory to Mortgagee in an amount equal to the full replacement value of the improvements. The insurance policy shall name Mortgagor, Mortgagee and the holder of any prior mortgage or trust deed insured parties as their respective interests may appear and provide that such insurance coverage will not be canceled without at least 15 days' prior

written notice having been given to Mortgagee. Mortgagor will give prompt notice to Mortgagee of any insured or uninsured casualty. In the event of any condemnation under the power of eminent domain or insured casualty, all proceeds may, at the option of Mortgagee and the holder of any prior mortgage or trust deed, be applied either to repairs, restoration or replacement of improvements or to payment of the debts secured by this mortgage and any prior mortgage or trust deed. Mortgagee is hereby appointed Mortgagor's agent to collect, apply and disburse all proceeds payable as a result of either condemnation or insured casualty.

5. Mortgagor will afford Mortgagee the right to enter upon and inspect Real Property at all reasonable times.

It is agreed that, if Mortgagor allows insurance coverage to expire or fails or refuses to pay taxes, assessments, charges, liens or encumbrances or to comply with governmental requirements, Mortgagee may, but shall not be required to, procure, pay or perform the same and the amount of such payment or cost of such procurement or performance, together with interest thereon at the rate provided for in the Instrument, shall be immediately due and payable by Mortgagor to Mortgagee and secured by the lien of this mortgage.

If the debts and liabilities secured by this mortgage shall be fully satisfied and if Mortgagor shall comply with the covenants and agreements contained in this mortgage and any other applicable agreement, then this conveyance shall be void, but otherwise it will remain in full force and effect as a mortgage to secure the payment of the debts and liabilities referred to above as and when due and the performance of the covenants and agreements contained herein, in the guaranty and in any other applicable agreement.

Time is of the essence. If (a) Real Property is destroyed or substantially damaged or the security value thereof materially reduced, (b) any maker of the Instrument shall fail to make any of the payments provided for in the Instrument promptly when due or Stewart or Mortgagor shall fail to satisfy and discharge Stewart's or Mortgagor's other debts and liabilities when due to Mortgagee, including those under the guaranty, or Stewart or Mortgagor shall fail to perform any covenant or agreement contained herein or in any other applicable agreement, including the guaranty, within ten days after receipt of written notice of failure to perform the same, (c) Mortgagor shall sell or transfer Real Property or any interest therein voluntarily, involuntarily or by operation of law without the prior written consent of Mortgagee, or (d) Mortgagor or any maker of the Instrument becomes insolvent or unable to pay debts as they mature, makes an assignment for the benefit of creditors or petitions for or becomes the subject of any federal or state law receivership, insolvency, liquidation or reorganization proceeding or case, then

Mortgagor shall be in default hereunder and Mortgagee shall have the option to declare all debts and liabilities of Mortgagor to Mortgagee immediately due and payable and this mortgage by reason thereof may be foreclosed at any time thereafter; provided, however, that Mortgagor shall not be deemed in default hereunder by reason of failure to pay any taxes, assessments, liens or other charges levied, assessed or imposed upon or against Real Property when due and payable so long as Mortgagor is contesting such taxes, assessments, liens or charges in good faith by appropriate means and Mortgagor provides to Mortgagee assurances satisfactory to Mortgagee (including cash deposits or bonds) that Mortgagee's interests will not be jeopardized as a result of the contest.

This mortgage, without affecting its validity as a real estate mortgage, is also executed and shall be construed as an assignment to Mortgagee of any "contract vendor" or similar interest of Mortgagor in and to Real Property. Mortgagor covenants and agrees to execute and file any instruments deemed necessary or desirable by Mortgagee to perfect, continue and renew said assignment.

No covenant, agreement or condition of this mortgage shall be deemed waived unless expressly waived in writing by Mortgagee. The failure of Mortgagee at any time to require strict performance by Mortgagor of any covenant, agreement or condition shall not estop or otherwise affect Mortgagee's right to enforce the same nor shall any acceptance of partial payment on account, waiver or forbearance by Mortgagee be held to be a waiver of Mortgagor's default or the covenant, agreement or condition itself or any future failure to perform the same.

In the event of any transfer of Real Property or any part thereof or any interest therein, whether voluntary or involuntary or by operation of law, Mortgagee may, without notice to Mortgagor or any one else, once or often, extend the time of payment or grant renewals of the debt hereby secured for any term, execute releases or partial releases from the lien of this mortgage or in any other respect modify the terms hereof without thereby affecting the personal primary liability of Mortgagor for the payment of the debts and liabilities hereby secured. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, the notice, demand or request shall be sufficient if actually furnished to Mortgagee or mailed to Mortgagor by certified mail, return receipt requested, in a postpaid envelope addressed to the last address of Mortgagor shown in Mortgagee's records.

In the event civil action is instituted to foreclose this mortgage, which results in judgment against Mortgagor, Mortgagor agrees to pay all costs and disbursements allowed by law and such sum as the trial judge or appeal court may adjudge reasonable as attorney fees in such action or appeal, together

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with reasonable costs incurred by Mortgagee for title reports and title search, all such sums to be secured by the lien of this mortgage and included in the decree of foreclosure. As a material inducement to Mortgagee, Mortgagor covenants and agrees that Mortgagee, either directly or through a receiver appointed by a judge of the circuit court for the county in which Real Property is located, may take possession of Real Property upon Mortgagor's default hereunder (whether or not the apparent value of Real Property exceeds the alleged debts and liabilities of Mortgagor to Mortgagee), collect the rents and profits therefrom and apply the same, after payment of costs, charges and expenses, to the payment of amounts due to Mortgagee. Any receiver appointed may serve without bond.

IN WITNESS WHEREOF Mortgagor has executed this mortgage as of the date first above written.

M. L. STEWART, INC., an Oregon corporation

By: Melvin L. Stewart  
Melvin L. Stewart, president

STATE OF OREGON )  
COUNTY OF Clatsop ) SS

The foregoing instrument was acknowledged before me this 8 day of SEPT, 1984, by Melvin L. Stewart, president of M. L. Stewart, Inc., an Oregon corporation, on behalf of the corporation.

William H. [Signature]  
Notary Public for Oregon  
My commission expires: 9/1/85

After recording, return to:  
Jonathon L. Goodling  
Miller, Nash, Wiener,  
Hager & Carlsen  
111 S.W. Fifth Avenue  
Portland, Oregon 97204  
Telephone: (503) 224-5858

The real property located in Klamath County,  
Oregon, described as:

Township 38 South, Range 9 East of the Willamette Meridian,  
as follows:

Section 14: S $\frac{1}{2}$  of NW $\frac{1}{4}$  and SW $\frac{1}{4}$

Section 15: S $\frac{1}{2}$  of NE $\frac{1}{4}$ , the South 465.44 feet of the NW $\frac{1}{4}$  of  
NE $\frac{1}{4}$ , NW $\frac{1}{4}$ , N $\frac{1}{2}$  SW $\frac{1}{4}$ , SE $\frac{1}{4}$  SW $\frac{1}{4}$ , and SE $\frac{1}{4}$ , together with a  
perpetual easement for water and sewer pipe lines, telephone  
and power lines over land described as:

That portion of Sections 28, 27 and 22 of Township 38 South,  
Range 9 East of the Willamette Meridian in Klamath County,  
Oregon, lying within a strip of land 50 feet in width, the  
center line of which is described as follows:

Beginning at a point, same being on the half section line  
and 113.13 feet West of the Southwest corner of the  
Northwest quarter of Section 27; thence North 48°45' East a  
distance of 366.84 feet to a point; thence North 38°15' East  
a distance of 494.7 feet to a point lying in Section 27;  
thence North 29°29' East a distance of 2196.5 feet; thence  
North 31°28' East a distance of 481 feet to a point; thence  
North 8°34' East a distance of 256 feet to a point; thence  
North 13°45' East a distance of 242 feet to a point; thence  
North 46°42' East a distance of 850 feet to a point; thence  
North 36°56' East a distance of 189.6 feet to a point;  
thence North 44°21' East a distance of 1408.9 feet to a  
point; thence North 31°36' East a distance of 260 feet to a  
point; thence North 22°58' East a distance of 730 feet to a  
point; thence North 20°43' East a distance of 345 feet to a  
point; thence North 3°57' West a distance of 595 feet to a  
point; thence North 27°05' West a distance of 530 feet to a  
point; thence North 23°25' West a distance of 330 feet to a  
point; thence North 15°30' East a distance of 131.3 feet,  
same being on section line between Sections 15 and 22.

EXCEPTING from the above described property, the portion  
described in Warranty Deed dated December 21, 1977 and  
recorded December 28, 1977 in Volume M-77 at page 25005,  
Records of Klamath County, Oregon as the Rifle Range area;  
and

ALSO EXCEPTING portions heretofore previously conveyed or  
sold as of record.

STATE OF OREGON: COUNTY OF KLAMATH: ss

I hereby certify that the within instrument was received and filed for  
record on the 3rd day of December, A.D., 1984 at 2:10 o'clock P.M.,  
and duly recorded in Vol. 484, of Mortgages on page 20265.

Fee: \$ 25.00

EVELYN BIEHN, COUNTY CLERK

by: Pamela Smith, Deputy