

44470

CONTRACT OF SALE Made as of the last date set forth opposite the signatures of the parties hereto, between UNITED STATES NATIONAL BANK OF OREGON, a National Banking Association (hereinafter called "Vendor"), and CLYDE E. LANG, LAURA A. LANG, D. CLAYTON GANGES, and DONNA L. GANGES (hereinafter called "Purchaser");

MTC-14365-L

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W I T N E S S E T H:

Vendor agrees to sell to Purchaser and Purchaser hereby agrees to buy from Vendor, at the price and on the terms, covenants, conditions, and provisions hereinafter contained, all of the Property described in this Contract.

I. DESCRIPTION OF PROPERTY: The following constitutes the Property to be sold and purchased under the terms, covenants, conditions, and provisions of this Contract. The Property is situated in Klamath County, Oregon.

A. Real Property: The following described Real Property:

Township 41 South, Range 13 East of the Willamette Meridian:
Section 19: SE1/4 and Government Lot 4.

B. Personal Property: The following described Personal Property located upon the Real Property:

Sawmill

Small Lumber Shed

Dry Kiln

Office

Shop

Power Plant

Large Lumber Shed

Planer

Fuel Bins

30'x24' 4-strand heavy-duty live log deck with steel races, 8" H-beam supports, 4-pin operated log stop, 28' link chain with flights and steel through log haul, forward and reverse drive

All steel control house w/SALEM SET WORKS air and electric operated console w/all steel H-beam supports

20 hp electric hyd 7' chain cutoff saw

48' steel through w/link chain and flights log haul

3-arm single hyd-air cylinder log kicker and electric sensor log stop to 7'x24' 2-strand chain log holding deck; steel supports; races and log stop

All steel decking w/catwalk and steps 32'x40'

4-strand log transfer deck w/38 chain steel races

Combination wood and steel support deck w/steel H-beam supports

4-arm cradle log stop to PORTLAND MACHINE hyd-log turner, w/power pack, to KLAMATH 3-log automatic carriage w/trails and stops

250 hp electric AC-DC GENCO motor, fluid set works, air actuated, electronics and pantograph

KLAMATH IRON WORKS 8' head rig band saw, 200 hp electric AC-DC drive

Set saw guides

All steel control house

12-chain slat bed off-bearer fully computerized PROCESSOR CONTROL SYSTEM & SALEM SET WORKS override

60'x54' power roll off-feed to 26" rolls, 4-arm jump chain transfer deck w/steel drop aprons to 6-strand, lumber incline conveyor, steel races, teflon lined

4-arm lumber drop to 3 double wheel w/lugs timber selector to 5-strand lumber infeed

10 roll power roll infeed section to horizontal, PRESCOTT 60" Md1. 50 resaw and C & H electric controls air operated 100 hp electronic solid state drive

28" slat bed infeed section and outfeed roll cut off bearer

Approximate 65'30" power roll lumber transfer conveyor to 5-strand drop table w/steel apron roof top chain to SCHURMAN full power roll infeed section S/N 1277A

SCHURMAN 8 saw Edger Md1. 61A54, S/N 1277 w/150 hp AC-DC electric drive full electric set works, all steel control house, all steel cat walks, stairs and support sections

New constructed millwright control house w/air operated 4-arm jump chain transfer section w/merry-go-round transfer conveyors (all steel constructed), and supports

24' SCHURMAN power roll off bearer transfer to drop aprons, 5-strand to 3-strand transfer conveyor w/jump chain transfer unit to power roll infeed w/KLEINATH IRON WORKS #9 2-set saw edger S/N 4X14R w/15 hp electric motor control station

Full and complete under-house refuse conveyors, all steel trough, drop aprons, combination link chain, box chain, Belt and vibrating conveyors approx. 1,248' w/elec. gear head drives

40' chip belt conveyor to BUSH ROTO FLOW 6'x6' 2" deck screen Mdl. 77, S/N C36314

Chip and sawdust transfer system to KADER PNEUMATICS blower transfer feeder, size 16x20, S/N 2064 w/electric drive

SUTORBILT 10x18x202 blower, electric drive, with All pipe and steel support structure

Steel trough box chain chip conveyor to 17 unit FEERLESS chip bin, air operated gates

Vibrating conveyor to SUNNER 45 HOGG S/N 1854, with electric drive

100' steel trough w/link chain and flights to 35 unit sawdust bin, Hyd-gates and steel beam supports

12'x60' 5-strand #70 chain lumber transfer w/wood decking steel support to 5-strand roof top chain drop apron to all steel 12'x20' 5-strand w/dogs incline

Lumber transfer to grade section Electric over air controls lumber stop stations

11 saw trim saw w/50 hp arbor drive Air operated saws Full selector switches

Thickness gauge (shop made) 2-arm fully computerized PROCESSOR CONTROL SYSTEM and readout bank

Control station to house to 420' 2 station drop sorter w/single flat chain conveyor steel side races, all set on 8" tube steel supports

Automatic steel sort babbits and steel drop aprons w/nylon runners

LUNDEEN INDUSTRIES Automatic Lumber Travel stacker w/automatic sticker placer

Two (2) 5 hp drive motors 7 1/2 hp main drive motor

5 hp electric chain drive and approx. 420' of rail

Two (2) saw trim saw tie stations Drop chain to 74' 3-strand tie conveyor

#74 chain w/steel races, electric drive, wood construction and supports

Hyd-operated tie picker w/2-clamp cradle

15 hp electric motor 9'x12' diamond plate steel deck

Full and complete saw filing room w/ARMSTRONG Circle Saw Sharpener #25, S/N 10201

ARMSTRONG Stretcher rolls Benches and tables

ARMSTRONG Band saw sharpener, Mdl. 2LH S/N 4426 w/all related equipment

30'x30' power roll off feed conveyor w/steel support sections (off horizontal saw rolls)

WELLONS fuel system complete w/42 unit silo, S/N 9751B w/3 hp gear head drive on 12' auger

15' auger to WELLONS BOILER, 15 lb. low pressure, S/N 97513P w/TIERNEY ELECTRIC PAN-A-TROL controls w/gauge valves water purification system

FEDERAL BOILER 463HP Mdl. FB/ 4250, S/N 800933

130 GPH 15 lb steam system Valves All steel catwalks

Electric motors Pumps Hagen recorder

Approx. 30'x33' all steel building MOORE GRE recorders

WELLONS all metal constructed dry kilns 72'x72' 4 doors, S/N 9751 EK-1, w/wood constructed fan and control room approx. 71' long and 10' wide, w/40 hp fan system, electrical panel, full and complete Transformers

All steam pipe from boiler w/steel supports

INGERSOL RAND 3 hp compressor

Approx. 80 lumber carts

2-strand Box Chain Infeed Conveyor w/steel races to 3-arm breakdown hoist

5-strand lumber transfer deck to power roll infeed w/1 pineapple roll feed to YATES 15" AMERICAN

12-knife 4-head planer, S/N B5619

Power roll out feed

Pelt mair drive w/electric motor

4-strand, chain transfer conveyor to power roll infeed w/1 pineapple roll to WOODS 414M 20" planer, S/N 62214
10-knife 20 hp electric motors

55'x14' 4-strand H138 roof top chain lumber conveyor to IRVINGTON 20-saw trim saw

Wood construction deck and transfer, Mdl. 66, S/N 5406L 5x4 strand chain green end, w/power roll off bearer
stations

YATES V60 resaw, S/N B26480

60 hp electric drive manifold and duct works

Power roll off feed section and 2-arm breakdown hoist w/roll infeed

All cyclones

Duct work and fan systems

150 hp electric compressor

Scaling Shack

Pile Bottoms & Stickers

Mill sprinkler fire system

In addition to the foregoing, all personal property upon the real property not removed by Vendor at the time of closing.

C. Leasehold Interest: The following described Leasehold Interest:

That certain unrecorded Indefinite Term Lease dated November 10, 1982, between BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation (therein called "Lessor"), and UNITED STATES NATIONAL BANK OF OREGON (therein called "Lessee") attached hereto as Exhibit "1".

II. PURCHASE PRICE: The purchase price of the Property which Purchaser agrees to pay, is the sum of \$1,330,000.00.

III. TERMS OF PAYMENT OF PURCHASE PRICE: Purchaser shall pay purchase price in the following form and manner:

A. Assumption of Delinquent Ad Valorem Taxes: Purchaser hereby assumes and agrees to pay all delinquent unpaid ad valorem taxes and assessments levied by Klamath County, Oregon, under its Assessor's Account Nos. R-4113-0000-05600-000-000 (Key 635245) and R-0128-0251-00000-000-000 (Key 111925), together with interest and other charges for the same as they shall accrue. Vendor hereby gives Purchaser \$116,497.62 credit against the purchase price for the taxes hereby assumed. Purchaser shall pay all of the delinquent unpaid taxes hereby assumed in such manner and increments so that the Property shall not be placed on any foreclosure list or subjected to any foreclosure proceedings.

B. Deferred Balance: The Deferred Balance is \$1,213,502.38, representing \$1,330,000.00, less credit of \$116,497.62 for assumption of delinquent ad valorem taxes pursuant to Subarticle A of this Article III.

C. Interest Installments: 12 consecutive monthly installments of interest on the Deferred Balance commencing on the first day of the month immediately following the month of Commencement of Production, and continuing on the first day of each month thereafter, until a total of 12 interest installments have been paid. Vendor agrees to credit against interest installments any rentals received by Vendor from Purchaser for the months of August, September, October, and November, 1984. The rate of interest for this provision shall be 11% per annum.

D. Principal and Interest Installments From August 1, 1985, Through July 1, 1989: Forty-eight (48) equal consecutive monthly installments of \$17,748.51, inclusive of principal and interest at the rate of 11% per annum, commencing on the 1st day of August, 1985, and continuing on the 1st day of each month thereafter, to and including the 1st day of July, 1989.

E. Principal and Interest Installments From August 1, 1989, Through July 1, 1994: Sixty (60) equal consecutive monthly installments, inclusive of principal and interest, commencing on the 1st day of August, 1989, and continuing on the 1st day of each month thereafter, to and including the 1st day of July, 1994. The amount of the installment shall be the Deferred Balance, as of August 1, 1989, amortized over a term of 60 months at an interest rate equal to United States National Bank of Oregon prime rate, plus 1%, not to exceed 16%. Vendor shall determine the amount of each such monthly installment promptly following July 1, 1984, and shall provide the amount thereof in writing to Purchaser by Certified Mail with postage fully prepaid addressed to Purchaser at P.O. Box 2488, White City, Oregon 97503, or such other address as Purchaser shall designate by written notice to Vendor.

F. Final Instalment: The remaining balance of principal and interest due Vendor under the provisions of this Contract shall be paid the 1st day of August, 1994.

G. Commencement Date of Interest: Interest commences on August 1, 1984. All interest shall be calculated on a 365-day year.

H. Application of Payments: Except for payments pursuant to Subarticle A of this Article III, all payments received by Vendor from Purchaser shall be applied first to interest accrued to the date of receipt by Vendor and then to principal.

I. Prepayment: Purchaser may increase any installment or prepay all or any part of the whole Deferred Balance, together with interest thereon to the date of any such payment. No partial payment, increased installment, payment for a partial conveyance pursuant to Article XV of this Contract, or receipt by Vendor of net proceeds from eminent domain, pursuant to Article XII, shall be credited in lieu of any regular future installment, nor excuse Purchaser from making regular installments specified in this Contract.

IV. POSSESSION: The possession of the Property shall be delivered to Purchaser upon the Closing Date.

V. WARRANTIES OF VENDOR: Vendor makes only the following warranties:

A. Real Property: Vendor warrants that Vendor has merchantable title to the Real Property subject to the following exceptions: Rights of the public in and to any portion of the real property lying within the limits of streets, roads or highways; the statutory powers, including the power of assessment, of Malin Irrigation District; reservations, restrictions and easements as contained in patent recorded August 8, 1900, in Vol. 13, Page 133, Deed Records of Klamath County, Oregon; easement, including the terms and provisions thereof, granted to The Pacific Telephone and Telegraph Company, recorded August 1, 1942, in Vol. 149, Page 60, Deed Records of Klamath County, Oregon; easement created by instrument, including the terms and provisions thereof, recorded December 20, 1963, Vol. 350, Page 31, Deed Records of Klamath County, Oregon, in favor of United States of America for fire control lookout station and access road; all prior, current, and future ad valorem property taxes and/or other assessments; lease with Holl Logging, an Oregon corporation, recorded in Vol. M-81, Page 15000, Microfilm Records of Klamath County, Oregon; lease to R. H. & L. Loveness Lumber Company, an Oregon corporation, pertaining to Chisum Industries, Inc. site improvements evidenced by instrument recorded in Vol. M-82, Page 15006, Microfilm Records of Klamath County, Oregon; occupancy of the real property by persons thereon; requirements and provisions of law pertaining to the registration and transfer of any mobile home located upon the real property and rights and claims arising therefrom; all applicable zoning laws, ordinances, rules and regulations of any Governmental Entity, and easements and rights of way apparent thereon.

B. Personal Property: Vendor warrants title to the Personal Property free of all liens except ad valorem property taxes levied by any Governmental Entity upon the Personal Property.

C. Leasehold Interest: Vendor makes no warranty or representation regarding the Leasehold Interest described in or referred to in this Contract and Purchaser represents to Vendor that said Leasehold Interest does not constitute an inducement to enter into the transaction embodied in this Contract.

D. No Other Warranties: Except for the express warranties contained in this article, Vendor makes no other warranty, express or implied. Purchaser has examined the Property and agrees that no representations of any kind have been made by Vendor, or any representative of Vendor, with respect to the condition of title to said Property, or the condition of the Property itself, not contained in this Contract. Purchaser is purchasing the Property described in this Contract as is in its present condition, accepts it as such, and requires no work of any kind to be done on said Property by Vendor.

VI. NATURE OF REAL PROPERTY ESTATE SOLD AND LIEN CREATED THEREIN BY THIS CONTRACT: The Real Property hereby sold to Purchaser constitutes a Purchaser's equity in the same. This Contract creates a Vendor's lien in the Real Property. Without limiting the rights of Vendor as a secured party under the Uniform Commercial Code -- Secured Transactions, Purchaser agrees that Vendor's lien includes the Leasehold Interest and the Personal Property which constitutes a fixture or an improvement of the Real Property.

VII. CONTRACT AS PURCHASE MONEY SECURITY AGREEMENT FOR COLLATERAL: Without limiting Vendor's lien created by this Contract, Vendor and Purchaser agree that this Contract constitutes a purchase money security agreement for the Collateral and creates, in Vendor, a purchase money security interest in the Collateral as provided by the Uniform Commercial Code -- Secured Transactions. Parties agree that the rights of Vendor are those of a secured party as defined in the Uniform Commercial Code -- Secured Transactions and this Contract and the rights of Vendor are hereby declared those provided a secured party by the Uniform Commercial Code -- Secured Transactions and the provisions contained in this Contract. Without limiting the rights of Vendor as a secured party, the parties also agree as follows:

A. Security Interests in the Collateral: The purchase money security interest in the Collateral hereby granted Vendor by Purchaser constitutes security for the payment of the Indebtedness.

B. Use and Location of Collateral: The Collateral is bought and used primarily for a business use and will be kept upon the Real Property. Purchaser will not remove the Collateral from the Real Property or the State of Oregon without the written consent of Vendor nor otherwise sell or dispose of the Collateral without

the written consent of Vendor. If the Collateral is replaced by Property of equal or greater value the written consent provided for by the immediately preceding sentence shall not be required.

C. Perfection of Purchase Money Security Interest: Purchaser agrees to execute and file financing statements and do whatever may be necessary under applicable law to perfect and continue Vendor's purchase money security interest in the Collateral (including, without limiting the generality of the foregoing, the filing of a financing statement as a fixture filing); all at Purchaser's expense. In addition, without limiting the generality of the foregoing, Purchaser will do, execute, and deliver whatever further acts, documents, or instruments as Vendor reasonably shall require for preserving, confirming, perfecting, continuing, and assuring to Vendor, all and singular, the security rights in the Collateral.

D. Consent of Vendor to Accessions to, Substitutions or Replacements of, Any Part of Collateral: Subject to the limitations contained in this subarticle, Vendor consents to Purchaser acquiring an accession to, substitution or replacement of, any part of the Collateral by either a purchase-money security transaction or a lease with a 3rd party. The limitations of the foregoing consent are:

1. No Default: Purchaser shall not be in default of any covenant, term, or provision of this Contract to be performed by Purchaser.

2. \$100,000.00 Limit: The aggregate principal amount of the 3rd-party secured transaction or lease permitted by this subarticle shall not exceed \$100,000.00. The \$100,000.00 limit shall include all 3rd-party secured transactions and/or leases and not \$100,000.00 for each such 3rd-party secured transaction or lease.

3. For Existing Collateral Only: The accession, substitution, or replacement provided for in this subarticle shall be for existing Collateral only and shall not pertain to any newly-acquired Personal Property.

4. For Benefit of Plant Only: The accession, substitution, or replacement provided for in this subarticle shall be for the use and benefit of the Plant and not elsewhere.

5. Automatic Subordination: This subarticle shall be construed as a subordination by Vendor to the 3rd-party secured transactions or leases provided for in this subarticle and shall not require consent of Vendor other than that contained in this subarticle. Nothing contained in this subarticle shall be construed as prohibiting the written consent of Vendor to other accessions, substitutions, or replacements.

VIII. ASSIGNMENT OF LEASEHOLD INTEREST: Following the Closing Date, Vendor shall assign to Clyde E. Lang and D. Clayton Gangnes the Leasehold Interest in such form as shall be satisfactory to Burlington Northern Railroad Company. Purchaser shall, contemporaneously with such assignment, execute in favor of Vendor a collateral assignment of said Leasehold Interest, and such additional security instruments and financing statements as shall be required by Vendor to perfect and continue Vendor's lien and security interest in the Leasehold Interest.

IX. CONVEYANCES AND TERMINATION OF PURCHASE MONEY SECURITY INTEREST: Upon payment in full of the Indebtedness by Purchaser, and performance by Purchaser of all the terms, covenants, and provisions required by this Contract to be performed by Purchaser, Vendor shall convey the Real Property and Personal Property to Purchaser and terminate Vendor's lien in the Real Property and Vendor's purchase money security interest in the Collateral as provided in this article.

A. Conveyance of Real Property: Vendor shall convey the Real Property by Warranty Deed in substantially the same form attached hereto as Exhibit "2". Purchaser agrees that the grantees of the Warranty Deed shall be Clyde E. Lang and Laura A. Lang, husband and wife, as to an undivided one-half interest; and D. Clayton Gangnes and Donna L. Gangnes, husband and wife, as to an undivided one-half interest. Purchaser instructs and directs Vendor to convey the same in the form and manner specified in this subarticle. In addition, and in lieu of the foregoing, Purchaser may direct Vendor in writing to convey the Real Property to a corporation designated by Purchaser.

B. Conveyance of Personal Property: Vendor shall convey the Personal Property by Bill of Sale in substantially the same form attached hereto as Exhibit "3". Purchaser agrees that the buyers designated in the Bill of Sale shall be Clyde E. Lang and Laura A. Lang, husband and wife, as to an undivided one-half interest; and D. Clayton Gangnes and Donna L. Gangnes, husband and wife, as to an undivided one-half interest, and instruct and direct Vendor to convey the same in such manner. In addition, and in lieu of the foregoing, Purchaser may direct Vendor in writing to convey the Personal Property to a corporation designated by Purchaser.

C. Termination of Financing Statement: Vendor shall execute such form of termination of financing statement as shall be necessary under the provisions of the Uniform Commercial Code -- Secured Transactions to terminate the purchase money security interest of Vendor in the Collateral, and every part thereof.

D. Delivery of Conveyances and Terminations: Vendor shall be deemed to have fully complied with the provisions of this article by the recording and/or filing all of the documents and/or instruments provided in this article. Purchaser shall reimburse Vendor for all recording and/or filing fees.

X. TITLE INSURANCE: Thirty (30) days after the Closing Date, Vendor will provide Purchaser a standard form of Purchaser's Title Insurance Policy naming Clyde E. Lang and Laura A. Lang, husband and wife, as to an undivided one-half interest, and D. Clayton Gangnes and Donna L. Gangnes, husband and wife, as to an undivided one-half interest, as the insured and describing the same Real Property described in the preliminary title report prepared by Mountain Title Company, 407 Main Street, Klamath Falls, OR 97601, under its Order No. 13471, showing the condition of title to the Real Property as of March 6, 1984, subject only to Exception Nos. 1 through 9 contained in the preliminary title report, the standard exceptions of a Purchaser's Title Insurance Policy issued by Mountain Title Company, and any and all exceptions created and/or suffered by Purchaser (including, without limiting the generality of the foregoing, any exceptions created by this Contract). The amount of title insurance to be provided pursuant to this article shall be \$150,000.00.

XI. DOCUMENTS AND/OR INSTRUMENTS TO BE MADE, EXECUTED, RECORDED AND DELIVERED BY THE PARTIES: The parties shall execute and deliver the following documents and/or instruments:

A. Uniform Commercial Code Financing Statements: Purchaser shall execute, not later than 10 days before the Closing Date, financing statements on the Collateral in such form as will enable Vendor to file the same with the Oregon Secretary of State and the Clerk of Klamath County, Oregon, as a fixture filing perfecting the Vendor's purchase money security interest. Purchaser shall execute, not later than 10 days before the Closing Date, financing statements on the Leasehold Interest in such form as will enable Vendor to perfect Vendor's purchase money security interest in the Leasehold Interest. Vendor shall be entitled to file all of the financing statements required by this paragraph prior to the Closing Date, or thereafter, as Vendor shall determine.

B. Assignment of Leasehold Interest: Vendor and Purchaser shall execute such documents as shall be required by Burlington Northern Railroad Company to be executed by each of them to transfer to Purchaser the Leasehold Interest described in this Contract and Purchaser shall execute such documents as shall be required by Vendor to perfect Vendor's purchase money security interest in said Leasehold Interest, including, without limiting the generality of the foregoing, a collateral assignment of such lease in substantially the same form attached hereto as Exhibit "4". Vendor shall be entitled to record the collateral assignment of lease with the Clerk of Klamath County, Oregon.

C. Subordination Agreements: Except as provided in Article VII,D, Purchaser shall deliver to Vendor executed subordination agreements of any lender of Purchaser acknowledging the priority of Vendor's purchase money security interest in the Collateral.

XII. ADDITIONAL COVENANTS OF PURCHASER: In addition to all other covenants of Purchaser contained in this Contract, Purchaser covenants with Vendor as follows:

A. Maintenance of Property: Purchaser shall place the Property in an operating condition in compliance with all applicable laws and shall, thereafter, maintain the same in that condition at all times, reasonable wear and tear alone excepted; Purchaser shall not commit any waste of the Real Property; Purchaser shall not damage or injure the Property; and Purchaser shall not demolish or remove any improvements or fixtures from the Property without the written consent of Vendor.

B. Make Proper Use of Property: Purchaser shall use the Property in accordance with the laws, ordinances, and regulations of any Governmental Entity applying to the Property and shall not make any unlawful use of the Property.

C. Taxes, Assessments, and Charges: In addition to payment of taxes and assessments provided for in Article III,B, Purchaser shall pay regularly and seasonably, and before the same become delinquent, all future taxes, assessments, and charges of whatever nature (including additional charges by reason of change of use) levied and assessed against the Property by any Governmental Entity having the power to impose ad valorem taxes or to make assessments, commencing with the fiscal year of 1985-1986. Special assessments shall be paid currently. The assessor or tax collector of the Governmental Entity which has the power to levy taxes or assessments is authorized to deliver to Vendor a written statement of such tax or assessment levied or owing at any time. Purchaser shall provide Vendor proof of payment of all taxes and assessments, both those assumed pursuant to Article III,B, and to be paid pursuant to this subarticle, as the same are paid.

D. Comply With Leasehold Interest: Purchaser shall keep the Leasehold Interest in force and effect subject, however, to the rights of Burlington Northern Railroad Company to cancel the same at its discretion other than for cause. This covenant shall include, but not be limited to, the payment of rent, taxes, and other sums required by Burlington Northern Railroad Company pursuant to the provisions of the Leasehold Interest lease as the same now is, or is later amended, regularly and seasonably, and before the same become delinquent.

E. Protect Property From Liens: Purchaser will keep the Property free from any adverse lien, security interest (except as expressly permitted by Vendor in writing) or encumbrance (except as expressly permitted by Vendor in writing), and will defend the Property against all claims and demands of all other persons at any time claiming the same, or any interest therein.

F. Insurance: Purchaser will have and maintain insurance at all times with respect to the Property against fire, or other casualty, in an amount equal to the lesser of either the Deferred Balance, or the maximum insurable value as determined by the insurer, in such form, for such periods, and written by such companies, as

shall be satisfactory to Vendor. All policies of insurance shall have endorsed thereon such standard loss payable clause and/or other endorsements as Vendor may, from time to time, request and Purchaser will promptly provide Vendor with evidence of such insurance. Vendor is hereby made attorney-in-fact for Purchaser to obtain, adjust, settle, and cancel, in Vendor's sole discretion, such insurance and endorse any drafts. At least 30 days prior to the expiration of any insurance policy, a satisfactory renewal or substitute insurance policy shall be secured by Purchaser and proof of the same provided to Vendor. Vendor may, at its election, at any time, permit Purchaser to furnish a certificate of insurance rather than deposit any insurance policy with Vendor. If a loss should occur for which insurance proceeds shall be payable, Purchaser may elect either to rebuild, repair, or replace the Property so destroyed, or apply the proceeds toward payment of the then unpaid balance of the Indebtedness. If Purchaser elects to rebuild, repair, or replace, Purchaser shall sign such documents as may be required by Vendor to assure the application of the insurance proceeds to the cost of such rebuilding, repair, or replacement.

G. Eminent Domain: In the event any Governmental Entity having the power of eminent domain acquires by eminent domain judicial proceedings, or by a negotiated sale in lieu of eminent domain proceedings, all, or any portion, of the Property, Vendor may, at its election, require all or any portion of the net proceeds therefrom to be applied on the Indebtedness. The foregoing shall be subject to the following exceptions: if such taking requires replacement of Personal Property, or exceptions on the Real Property, Purchaser shall be entitled to that portion of the moneys paid for such taking to the extent of the cost of such replacement; provided, however, that, in such event, Purchaser shall sign such documents as may be required by Vendor to assure application of such moneys to the cost of such replacement. If any eminent domain judicial proceedings are filed, Purchaser shall promptly take such steps as may be necessary to defend the action and obtain the award.

H. Transfer of Property By Purchaser: Purchaser shall not, without the prior written consent of Vendor, transfer Purchaser's interest in the Property, whether or not the transferee assumes or agrees to pay the Indebtedness. If Purchaser, or a prospective transferee of the Property, applies to Vendor for consent to such a transaction, Vendor may require such information concerning the transferee as Vendor would normally require from a new loan applicant. As a condition to its consent to any transfer, Vendor may, in its discretion, impose a service charge not exceeding 1% of the then balance of the Indebtedness, and may increase the interest rate of the Indebtedness to any rate which is satisfactory to Vendor, and adjust the payments to include the increased interest; provided, however, that the increased rate of interest shall not exceed the lesser of either 20% or the United States National Bank of Oregon prime rate of interest plus 3%. Following a transfer, Vendor may agree to any extension of time for payment or modification of the terms of this Contract or waive any right or remedy under this Contract. If Purchaser should make any sale or transfer of the Property, without the written consent of Vendor, Vendor shall have a security interest in the proceeds.

XIII. PURCHASER'S GOOD FAITH DISPUTE OF TAX, ASSESSMENT, OR CLAIM OF LIEN: Purchaser may withhold payment of any tax, assessment, levy, or claim in connection with a good faith dispute over the obligation to pay, so long as Vendor's security created by this Contract in the Property is not jeopardized. If a lien arises, or is filed as a result of nonpayment, Purchaser shall, within 30 days after the lien is determined valid, either secure the discharge of the lien or deposit with Vendor cash or a sufficient corporate surety bond or other security satisfactory to Vendor in an amount sufficient to discharge the lien plus any costs, attorney fees, or other charges that could accrue as a result of a foreclosure or sale under the lien.

XIV. VENDOR'S RIGHT TO PAY TAXES, ETC., PROTECT VENDOR'S SECURITY: At its option (without being obligated to do so), Vendor may discharge taxes, liens, security interests, or other encumbrances placed upon the Property, may pay for insurance on the Property, and may pay for the maintenance and preservation of the Property. In addition, Vendor may appear in or defend any action or proceeding at law, or in equity, or in bankruptcy, in any way affecting the security of Vendor created by this Contract in the Property. If Vendor elects to discharge taxes, liens, security interests, or other encumbrances, or to pay for insurance, or to maintain or preserve the Property, or shall appear in or defend any action or proceeding at law, or in equity, or in bankruptcy, affecting Vendor's security interest in the Property, any amount Vendor expends pursuant to this article shall be added to the Indebtedness. Amounts so added to the Indebtedness shall be payable upon demand with interest from the date of the expenditure of the amount so added. The rate of interest on the amounts referred to in this article shall be the lesser of either 20% or the United States National Bank of Oregon prime rate of interest plus 3%. Without limiting the generality of the foregoing, the amounts referred to in this article shall include all costs, charges and expenses, including costs of evidence of title or validity and priority of the security rights of Vendor created by this Contract, and attorney fees (both at trial or on appeal) in a reasonable sum, incurred in any action or proceeding in which Vendor may appear.

XV. RIGHT TO INSPECT: Vendor, or any agent or attorney in fact for Vendor or duly authorized representative of Vendor, may, at any time, enter upon the Real Property and/or Leasehold Interest, to inspect the Property between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday.

XVI. PARTIAL CONVEYANCES: Vendor agrees that, for so long as Purchaser is not in default, Purchaser shall be entitled to demand and receive, and Vendor shall, within a reasonable time after Purchaser's demand, furnish to Purchaser partial conveyances of the Real Property in shape and area contained in Exhibit "5" and permitted by applicable zoning laws, ordinances, and regulations of any Governmental Entity having jurisdiction over the partition of the Real Property. The partial conveyance shall be by Warranty Deed in substantially the same form as Exhibit "2" describing therein the portion of the Real Property to be partially conveyed. Purchaser shall assume the obligations of ORS 93.030 requiring the statement of the true and actual consideration paid for the partial conveyance and Vendor shall have no obligation therefor. Purchaser shall pay Vendor for a partial

conveyance an amount determined on the basis of \$5,000.00 per acre; provided, however, if the area to be partially conveyed includes a fraction of an acre, the fraction shall apply in determining the amount to be paid by Purchaser to Vendor for the partial conveyance. Proceeds received for a partial conveyance shall be applied as follows: \$1,500.00 to Real Property and \$3,500.00 to partial payment for the Collateral to be applied to principal of the Deferred Balance. Neither the acceptance by Vendor of any payment for a partial conveyance, nor the giving of a partial conveyance, pursuant to this article shall affect the liability of Purchaser, nor Vendor's security interests in the remainder of the Property, for any unpaid balance of the indebtedness except as provided in Article III, J. The cost of any partial conveyance shall be borne and paid by Purchaser. The term "cost", as used in this article, shall mean and include, but shall not be limited to, expenses related to surveying, engineering, title company charges, and legal fees; provided, however, that such cost shall not include any legal fees incurred by Vendor. The provisions contained in this article relating to partial conveyances shall not apply to any partial conveyance by reason of eminent domain provisions of this Contract. This article shall not be construed as partitioning or subdividing any of the Real Property into parcels or lots, nor as requiring either party to partition or subdivide any of the Real Property into parcels or lots. It is expressly understood and agreed that the undertaking of any partition or subdivision of any part of the Real Property into parcels or lots shall be at the full risk and expense of Purchaser. Purchaser acknowledges that Purchaser has entered into this Contract subject to all applicable laws, ordinances, and regulations of any Governmental Entity relating to the partition or subdivision and sale of Real Property by parcels or lots and assumes and agrees to be bound by the same. Purchaser assumes and agrees to pay, and to hold Vendor harmless from, any expenses or obligations incurred as a consequence of, or connected with, any activity involving the partition or subdivision of the Real Property, including, but not limited to, any additional sums due to Klamath County, Oregon, for deferred real property taxes by reason of a change from farm use to non-farm use.

XVII. NO BROKER: Both Purchaser and Vendor represent, each to the other, that no person, firm, or corporation has been engaged by any party in this transaction. This Contract was entered into between the parties by reason of their own efforts. In the event that either party engaged, on his own behalf, a real estate broker not disclosed herein, such party hereby covenants with the other to pay such broker any commission claimed by such broker or to, at such party's expense, defend, hold harmless, and indemnify the other party against any suit or action brought by such undisclosed broker. Without limiting the generality of this covenant, it shall include the payment of all costs, judgments, and attorney fees, both at trial or upon appeal.

XVIII. DEFAULT OF PURCHASER: The following shall constitute a default of Purchaser:

A. Failure to Make Payments: Failure of Purchaser to make payments as herein provided and if said failure shall continue for more than 30 days after the payment becomes due. The acceptance of any sum secured by this Contract after its due date shall not constitute a waiver of Vendor's right either to require prompt payment when due of all other sums so secured or to seek any remedy provided for in this Contract.

B. Failure to Perform Covenants: Failure of Purchaser to perform any covenants or conditions of this Contract (other than failure to make payments as provided in the preceding subarticle) after 30 days' written notice of such failure and demand for performance.

C. Insolvency, Etc.: Termination of Purchaser's business, insolvency of Purchaser, appointment of a receiver for Purchaser by a State court of any part of the Property, assignment by Purchaser for the benefit of Purchaser's creditors of any of the Property, transfer of Purchaser's interest herein by operation of law, levy or execution upon Purchaser's interest herein by a creditor of Purchaser, or commencement of any proceeding under any State bankruptcy or insolvency laws by Purchaser, adjudication of Purchaser as a bankrupt under any State bankruptcy or insolvency laws, or any one or more of the foregoing.

XIX. REMEDIES: If Purchaser shall be in default as above provided, Vendor shall have the following cumulative rights:

A. Remedies Relating to Real Property: With reference to the Real Property:

1. **Foreclosure:** To foreclose this Contract by strict foreclosure in equity;
2. **Acceleration:** To declare the full unpaid balance of purchase price immediately due and payable;
3. **Specific Performance:** To specifically enforce the terms of this Contract by suit in equity;

4. **Forfeiture:** To declare this Contract null and void provided Vendor observes the following procedure: gives written notice to purchaser that, unless Purchaser pays any or all delinquent payments within 60 days from the date of such notice, the Contract shall be null and void and Vendor may retake possession of the Real Property without refund of any prior payments. Such notice may not be given unless Purchaser is in default as provided in Article XIX, A, above.

B. Remedies Relating to Collateral: In the event of any default by Purchaser, Vendor shall have all the rights and remedies of a secured party under the Uniform Commercial Code -- Secured Transactions, or other applicable law, and all rights and remedies provided for in this Contract, to enforce payment of all obligations secured by this Contract including, without limiting the generality of the foregoing, the following rights: the right to require Purchaser to assemble the Collateral and make it available to Vendor at a place to be designated by Vendor which shall be reasonably convenient to both parties; the right to take immediate

possession of said Collateral wherever found (either directly by Vendor or through Vendor's agent, attorney, or sheriff in any county in which the Collateral, or any part thereof, may be located), with or without suit or process, and to sell the same at public or private sale, with or without notice, and to apply the proceeds of such sale to the discharge of the obligations secured hereby (both principal and interest) and expenses of protecting or realizing on the Collateral, including reasonable attorney fees (both at trial and on appeal); the right to a judgment for any deficiency; and the right to become the purchaser at any sale made hereunder. Any notice of sale, or other intended action by Vendor, given to Purchaser at least 5 days prior to such sale, or intended action, shall constitute reasonable notice to Purchaser. Vendor shall have the right to enter upon any real property owned, leased, or occupied by Purchaser, upon which the Collateral, or any part thereof, shall be located, and to remain thereon for so long a period as may be necessary to perform and/or carry out the rights and remedies conferred by this Contract.

C. Exercise of Remedies: The remedies provided for in this article may be exercised by Vendor singularly or concurrently, with reference to either the Real Property or the Collateral, or both, at the sole discretion and option of Vendor.

XX. TIME IS OF THE ESSENCE: Time is expressly made the essence of this Contract.

XXI. NO WAIVER: No waiver by Vendor of any breach of any covenant of this Contract shall be construed as a continuing waiver of any subsequent breach of such covenant, nor as a waiver of any breach of any other covenant nor as a waiver of the covenant itself.

XXII. NOTICES: Any notice or demand required by the terms of this Contract to be given by Purchaser to Vendor, or desired so to be given, shall be sufficient if in writing contained in a sealed envelope, deposited with the United States Postal Service as Certified Mail with postage fully prepaid, addressed to Vendor, Attention Loan Service Department, at P.O. Box 4412, Portland, Oregon 97208. Any notice or demand required by the terms of this Contract to be given by Vendor to Purchaser, or desired so to be given, shall be in writing and personally delivered to either Clyde E. Lang or D. Clayton Gangnes; provided, however, that, if, after diligent effort on the part of Vendor such notice or demand cannot be personally delivered pursuant to this paragraph, the same may be given in writing contained in a sealed envelope, deposited with the United States Postal Service as Certified Mail with postage fully prepaid, addressed to either Clyde E. Lang or D. Clayton Gangnes, at P.O. Box 2488, White City, Oregon 97503. The burden of proof of diligent effort to deliver such notice or demand in person upon Clyde E. Lang or D. Clayton Gangnes shall be on Vendor. Any such notice or demand shall be deemed conclusively to have been delivered to the addressee thereof 48 hours after the deposit thereof with said United States Postal Service. Either party may give a notice of change of address in the same manner as for notice contained in this article.

XXIII. PROVISIONS REGARDING SUIT OR ACTION DUE TO DEFAULT OF PURCHASER: In the event any suit or action is commenced because of any default of Purchaser, the following provisions shall apply:

A. Receivership: The Court having jurisdiction of the case may, upon motion by Vendor, appoint a receiver to collect the rents and profits arising out of the Property, or to take possession, management and control of any of the Property during pendency of suit or action or until payment of the indebtedness hereby secured and apply said rents and profits to the payment of the indebtedness, first deducting all proper charges and expenses during the execution of the receivership.

B. Title Insurance: Purchaser shall pay to Vendor, in addition to all statutory costs and disbursements, any amount Vendor may incur or pay for any title report, title search, insurance of title or other evidence of title subsequent to the date of this Contract on the Real Property and this Contract shall be security for the payment thereof.

C. Attorney Fees: The prevailing party, at trial or on appeal, shall be entitled to such reasonable attorney fees as shall be fixed by the Court having jurisdiction of the case, in addition to statutory costs and disbursements.

XXIV. DUTIES AND OBLIGATIONS OF PURCHASER JOINT AND SEVERAL: The duties and obligations of Purchaser shall be joint and several. Purchaser waives notice, presentment, and protest with respect to the indebtedness.

XXV. NO DEFICIENCY: The parties agree that this Contract is a purchase money transaction between Vendor as a seller and Purchaser as a buyer of the Property and that Vendor shall not be entitled to any deficiency judgment against Purchaser, or any of them, on account of this Contract or the indebtedness secured by this Contract, including title insurance or attorney fees.

XXVI. NO ORAL MODIFICATION BINDING: This Contract contains the full understanding of the parties with respect to the subject hereof and no modification hereof shall be given effect unless the same be in writing subscribed by the parties hereto or their successors in interest.

XXVII. BINDING EFFECT: This Contract shall bind and inure to the benefit of, as the circumstances may require, the parties hereto and their respective successors, heirs, executors, administrators, and assigns, subject to the provisions pertaining to transfer by Purchaser contained in Article XII.

XXVIII. CONSTRUCTION OF CONTRACT: In construing this Contract, the following shall control:

A. Definitions: The following terms shall have the following meanings:

1. Vendor: The term "Vendor" shall mean the Vendor of the Real Property subject to this Contract, the seller of the Real Property subject to this Contract, or a secured party under the Uniform Commercial Code -- Secured Transactions, as the circumstances and context shall require.
 2. Purchaser: The term "Purchaser" shall mean the Purchaser of the Real Property subject to this Contract, the Personal Property subject to this Contract, or a debtor under the Uniform Commercial Code -- Secured Transactions, as the circumstances and context shall require. The term shall also include Clyde E. Lang, Laura A. Lang, D. Clayton Gangnes, and Donna L. Gangnes as co-obligors of the covenants of Purchaser to Vendor contained in this Contract notwithstanding the provisions of this Contract providing for the conveyance by Vendor of the Real Property, Personal Property, and Leasehold Interest subject to this Contract to a corporation designated by Purchaser.
 3. Property: The term "Property" shall mean the Real Property, Personal Property, and the Leasehold Interest described in this Contract, as the context shall require.
 4. Real Property: The term "Real Property" shall mean the real property described in Article I,A, together with the tenements, hereditaments, rights, easements, privileges, appurtenances thereunto belonging or in any wise appertaining, improvements thereon, the reversions, remainders, rents, issues and profits thereof, together with all the rights of the use of water for irrigating said premise and for domestic use thereon to which Vendor is now entitled, or which are now used on said premises, however the same may be evidenced, and together with all shares of stock or shares of water in any ditch or irrigation company which, in any manner, entitles the Vendor to water for irrigating or domestic purposes upon the same, within the metes and bounds of the description contained in Article I,A.
 5. Personal Property: The term "Personal Property" shall mean the personal property described in Article I,B.
 6. Leasehold Interest: The term "Leasehold Interest" shall mean the indefinite term lease between Vendor and Burlington Northern Railroad Company described in Article I,C.
 7. Collateral: The term "Collateral" shall mean the Personal Property described in and subject to the terms of this Contract, together with any and all additions, attachments, and accessions thereto, substitutions and replacements thereof and/or thereof, and products and proceeds therefrom; all as the context and circumstances shall require. Without limiting the rights of Vendor, said Personal Property is declared by the parties to be equipment and fixtures under the Uniform Commercial Code -- Secured Transactions. In addition, the term "Collateral" shall also include the Leasehold Interest.
 8. Deferred Balance: The term "Deferred Balance" shall mean the principal owing Vendor by Purchaser after deduction from the purchase price of the credit specified in Subarticle A of Article III.
 9. United States National Bank of Oregon Prime Rate of Interest: The term "United States National Bank of Oregon prime rate of interest" shall mean the rate of interest which United States National Bank of Oregon, from time to time, identifies as its prime rate. It is not, for example, the lowest rate of interest which the United States National Bank of Oregon collects from any borrower or group of borrowers.
 10. Uniform Commercial Code -- Secured Transactions: The term "Uniform Commercial Code -- Secured Transactions" shall mean the provisions of the Uniform Commercial Code -- Secured Transactions of the State of Oregon contained in Chapter 79 of the Oregon Revised Statutes, as the same now are or may be later amended.
 11. Net Proceeds From Eminent Domain: The term "net proceeds from eminent domain" shall mean the proceeds received by Purchaser from eminent domain acquisition remaining after payment of all reasonable costs, expenses, and attorney fees necessarily paid or incurred by Purchaser and Vendor in connection with the eminent domain acquisition.
 12. Plant: The term "Plant" shall mean the aggregate of the entities comprising the Property.
 13. Governmental Entity: The term "Governmental Entity" shall mean the United States of America, the State of Oregon, the County of Klamath, Oregon, Malin Irrigation District, and any political subdivision, municipal corporation, quasi-governmental entity, or agency thereof.
 14. Indebtedness: The term "Indebtedness" shall mean all obligations, debts, and liabilities of Purchaser to Vendor, including, without limiting the generality of the foregoing, all existing and future obligations of Purchaser to Vendor, arising out of, or in connection with, this Contract.
- B. Severability: All covenants, terms and provisions of this Contract are severable, and in the event any of them shall be held to be invalid by any competent Court, this Contract shall be interpreted as though said invalid covenants, terms, and provisions were not contained herein.

C. Prepared by All Parties: This Contract shall be construed as though prepared by all parties. Each party to this Contract has been free to consult with his own attorney. Purchaser does not consider the services performed by Vendor's attorney to constitute a conflict of interest between such attorney and Purchaser. Vendor does not consider the services performed by Purchaser's attorney to constitute a conflict of interest between such attorney and Vendor. This Contract shall be governed by the laws of the State of Oregon.

D. Singular, Plural and Gender: All words used herein the singular number shall extend to and include the plural. All words used in the plural number shall extend to and include the singular. All words used in any gender shall extend to and include all genders.

E. Exhibits: All exhibits attached hereto are incorporated into this Contract as though fully set forth at the place in this Contract at which reference to such exhibit is made.

F. Paragraph Headings For Convenience Only: Paragraph headings are for convenience only and shall not be used in construing the covenants, terms and provisions of this Contract.

SIGNED on the date set opposite the signatures of the parties executing this Contract; the corporate parties by and through their respective duly authorized officer.

DATE
12/17/84

SIGNATURE
UNITED STATES NATIONAL BANK OF OREGON, a National
Banking Association
By: [Signature]

12/27/84
12/27/84
12/27/84
12/27/84

[Signature]
CLYDE E. LANG
[Signature]
LAURA A. LANG
[Signature]
D. CLAYTON GANONES
[Signature]
DONNA L. GANONES

STATE OF OREGON, County of Clatsop ss: December 27, 1984

Personally before me appeared the above named Robert L. Mason, who stated he is President of the Vendor corporation, and acknowledged the foregoing instrument to be the Vendor corporation's voluntary act and deed.

(SEAL)
NOTARY PUBLIC FOR OREGON
My Commission Expires: 12/1/85

[Signature]
NOTARY PUBLIC FOR OREGON
My Commission Expires: 12/1/85

STATE OF OREGON, County of Clatsop ss: Dec. 27, 1984

Personally before me appeared the above named CLYDE E. LANG and LAURA A. LANG and acknowledged the foregoing instrument to be their voluntary act and deed.

(SEAL)

[Signature]
NOTARY PUBLIC FOR OREGON
My Commission Expires: 7/13/85

STATE OF OREGON, County of Clatsop ss: Dec 27, 1984

Personally before me appeared the above named D. CLAYTON GANONES and DONNA L. GANONES and acknowledged the foregoing instrument to be their voluntary act and deed.

(SEAL)

[Signature]
NOTARY PUBLIC FOR OREGON
My Commission Expires: 7/13/85

DUPLICATE

No. 243,884

INDEFINITE TERM LEASE

21571

Trfr: (GN) 76805, 1-20-69
Loveness Company, Inc.

THIS LEASE made this 10th day of November, 1982, between
BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation, hereinafter called "Lessor", and
UNITED STATES NATIONAL BANK OF OREGON, an Oregon corporation,
whose post office address is Klamath Falls Branch, P. O. Box 789, Klamath Falls, Oregon 97601
hereinafter called "Lessee",

WITNESSETH:

In consideration of the covenants hereinafter contained to be kept and performed by Lessee, Lessor hereby
leases to Lessee upon the terms and conditions hereinafter set forth the following described premises situate in the
City of Malin, County of Klamath, State of Oregon:

All that part of the premises of the said Lessor as shown hatched black on the print
hereto attached, marked Exhibit A dated November 1, 1982, and made a part hereof;
Together with the right of way of the said Lessor for an overhead chip loader and
blower conveyor pipe as shown colored red on said Exhibit "A".

The Lessee shall maintain said overhead chip loader and appurtenances in a manner
in all respects satisfactory with the Portland Division Superintendent.

SAVING AND RESERVING to Lessor, its successors and assigns, the right to construct, maintain and
operate a railroad track or tracks or to construct, maintain and use or permit others to construct, maintain and use
buildings or other structures for railroad purposes located or to be located upon any part of the above-described
premises not occupied by the buildings and structures hereinafter mentioned; to construct, maintain and use or
permit to be constructed, maintained and used by others any existing or additional pipe, telephone, telegraph or
power transmission line, or water or sewer system, or other such facilities, over, on or beneath the said premises; to
make any change in grade or location of its railroad or any of its tracks, or to rearrange its station facilities, or to
use the said premises or any part thereof for railroad purposes; to allow the placement of signs and signboards for
commercial or other purposes upon the leased premises so long as the placement of such signs or signboards does
not interfere with the operation of Lessee's business on said premises; and further saving and reserving to Lessor or
its agent the right to enter thereon for any one or more of such purposes without payment to Lessee of any sum
for damage of any nature which may be caused thereby.

Lessee hereby leases said premises from Lessor for the indefinite term hereof subject to the covenants and
promises following, which Lessee agrees to observe and perform, to wit:

1. Lessee shall use and occupy said premises for the sole and exclusive purpose of ~~constructing~~,
maintaining, and operating thereon a storage site together with conveyor, blower, overhead chip
loader and car puller..

No other buildings, structures, additions, alterations or improvements shall be erected or made on the premises by
Lessee or at the direction of Lessee, save with the express permission of Lessor in writing and at the sole cost of
Lessee.

2. Lessee shall pay annually, in advance, as rental for said premises the sum of Eight Hundred and
No/100 Dollars (\$800.00).

The billing or acceptance by Lessee of any advance rental hereunder shall not imply any definite term to this lease nor will it serve to extend this lease for the period of time covered by such rental payment or otherwise operate to restrict either party hereto from terminating this lease in accordance with the provisions of paragraph 15. 21572

3. Lessor reserves the right to change the rental stipulated herein at any time while this lease remains in effect.

4. (a) Lessee shall pay all taxes, license fees and other charges (see paragraph 4 (b) below) for payment of special assessments for public improvements) which may become due or which may be assessed against said premises, against Lessee, against the business conducted on said premises or against any and all improvements placed thereon during or for the period of the actual term hereof, even though such taxes, license fees or other charges may not become due and payable until after expiration or cancellation of this lease. Lessee shall reimburse Lessor for any such taxes, license fees or other charges which may be paid by Lessor promptly upon the presentation by Lessor of bills for the amount thereof, and in default of such reimbursement, all sums so paid by Lessor shall be deemed to be and shall be treated as additional rental and recoverable as such hereunder.

(b) In the event the premises hereby demised, or any part thereof, shall be subject to any special assessment for any public improvement or improvements and said assessment is in the amount of Five Hundred Dollars (\$500.00) or less, Lessee shall reimburse Lessor in full, promptly upon the presentation by Lessor of bills for the amount thereof. In the event the amount of said assessment exceeds Five Hundred Dollars (\$500.00), the rental herein reserved and stipulated to be paid by Lessee shall be automatically increased by an amount equal to thirteen percent (13%) per annum of the total amount of said assessment.

5. Lessee shall not place, or permit to be placed, or to remain, any material, structure, pole or other obstruction within 8½ feet laterally of the center line or within 23 feet vertically from the top of the rail of any track; provided that if by statute or order of competent public authority greater clearances shall be required than those provided for in this paragraph 5, then Lessee shall strictly comply with such statute or order. However, vertical or lateral clearances which are less than those hereinbefore required to be observed but are in compliance with statutory requirements will not be or be deemed to be a violation of this clause. Lessee agrees to indemnify Lessor and save it harmless from and against any and all claims, demands, expenses, costs and judgments arising or growing out of loss of or damage to property or injury to or death of persons occurring directly or indirectly by reason of any breach of the foregoing or any other covenant contained in this agreement.

Should either or both the lateral and vertical clearances hereinbefore required to be observed be permitted to be reduced by order of competent public authority, Lessee hereby agrees to strictly comply with the terms of any such order and indemnify and hold harmless Lessor from and against any and all claims, demands, expenses, costs and judgments arising or growing out of loss of or damage to property or injury to or death of persons occurring directly or indirectly by reason of or as a result of any such reduced clearance.

Lessor's operations over the track with knowledge of an unauthorized reduced clearance shall not be or be deemed to be a waiver of the foregoing covenants of Lessee contained in this clause or of Lessor's right to recover for such damages to property or injury to or death of persons that may result therefrom.

6. Lessee, at Lessee's sole cost and expense, shall install and maintain adequate facilities for fire protection in all buildings and structures upon said premises. Lessee also, at Lessee's sole cost and expense, shall observe and comply with all the rules, regulations and orders of any duly constituted authority and of any board of fire underwriters having jurisdiction of said premises and all provisions of any fire insurance policy covering said premises.

7. Lessee shall not permit the existence of any nuisance on said premises; shall maintain and keep the same in proper, clean, safe and sanitary condition and free and clear of any explosive, flammable or combustible material which would increase or tend to increase the risk of fire, except for such material as may be necessary to Lessee's business; and further, Lessee shall keep, observe and comply with all federal, state and local regulations, ordinances and laws, and with the regulations of any duly constituted legal authority having jurisdiction of the premises, and at Lessee's sole cost shall make any and all improvements, alterations, repairs and additions and install all appliances required on said premises by or under any such regulations, ordinances or laws. If, as a result of Lessee's occupancy of the premises and its operations hereunder, any such regulation, ordinance or law is violated, Lessee shall protect, save harmless, defend and indemnify Lessor from and against any penalties, fines, costs and expenses, including legal fees and court costs incurred by Lessor, caused by, resulting from, or connected with such violation or violations. Lessee shall not place or permit to be placed any advertising matter upon any part of said premises or upon any improvements thereon except such as is necessary to advertise Lessee's own business.

8. Lessee shall comply with all applicable laws and ordinances and all rules, regulations and requirements of any governmental authority promulgated thereunder controlling environmental standards and conditions on the premises. If, as a result of Lessee's occupancy of the premises and its operations hereunder, any such law, ordinance, rule, regulation or requirement is violated, Lessee shall protect, save harmless, defend and indemnify Lessor from and against any penalties, fines, costs and expenses, including legal fees and court costs incurred by Lessor, caused by, resulting from or connected with such violation or violations.

9. Lessee, at Lessee's sole cost and expense, shall keep the premises hereby demised in good condition and shall make all repairs and renewals that from time to time may be necessary to keep any improvements which may be located thereon in good condition and repair and ready and fit for occupancy.

10. (a) It is understood by the parties that said premises are in dangerous proximity to the tracks of Lessor and that property on said premises will be in danger of injury or destruction by fire incident to the operation, maintenance or improvement of the railway, and Lessee accepts this lease subject to such dangers. It is therefore

agreed, as one of the material considerations of this lease without which the same would not be granted, that Lessee assumes all risk of loss, damage or destruction by fire to building, or contents or to any other property brought upon or in proximity to said premises by Lessee, or by any other person with the consent or knowledge of Lessee, without regard to whether such fire be the result of negligence or misconduct of any person in the employ or service of Lessor or of defective appliances, engines or machinery, except to the premises of Lessor and to rolling stock belonging to Lessor or to others, and to shipments of third parties in the course of transportation. Lessee hereby indemnifies and agrees to protect Lessor from all such loss, damage or destruction to property, including claims and causes of action asserted against Lessor by any insurer of said property.

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(b) Lessee also agrees to indemnify and hold harmless Lessor for loss, damage, injury or death from any act or omission of Lessee, Lessee's invitees, licensees, employees, or agents, to the person or property of the parties hereto and their employees, and to the person or property of any other person or corporation while on or near said premises; and if any claim or liability, other than from fire, shall arise from the joint or concurring negligence of both parties hereto, it shall be borne by them equally.

11. It is agreed that the provisions of paragraphs 5 and 10 are for the equal protection of any other railroad company or companies, including National Railroad Passenger Corporation (Amtrak), heretofore or hereafter granted the joint use of Lessor's property, of which said premises are a part.

12. (a) Without the written consent of Lessor, Lessee shall not assign this lease or any interest therein, or sublet, and no heir, executor, administrator, receiver, master, sheriff, trustee in bankruptcy, or other assignee by operation of law shall assign or sublet without such written consent.

(b) In the event of assignment of this lease, Lessor, having no advice to the contrary, shall at such time credit all unearned rental hereunder to the assignee. Any other disposition of unearned rental will be made by Lessor only upon the joint written request of both Lessee and Lessee's assignee at the time of submitting said assignment to Lessor for its consent.

13. If, because of any act or omission of Lessee, any mechanic's lien or other lien, charge or order for the payment of money shall be filed against Lessor or any portion of the demised premises, Lessee shall, at its own cost and expense, cause the same to be discharged of record within thirty (30) days after written notice from Lessor to Lessee of the filing thereof; and Lessee shall indemnify and save harmless Lessor against and from all costs, liabilities, suits, penalties, claims and demands, including legal fees and court costs, resulting therefrom.

14. Each and all of the covenants and promises made by Lessee herein are material considerations herefor, and upon the breach or non-performance by Lessee of any of the said covenants or promises, Lessor, at its option, may re-enter said premises, or any part thereof in the name of the whole, upon ten (10) days' written notice to Lessee, and may have, repossess and enjoy the same as of its former estate, and may terminate this lease and all rights hereby granted. A waiver by Lessor of a default shall not be deemed a waiver of any subsequent default of Lessee. If the default shall consist of nonpayment of rental or taxes, or other charges, at the time of termination of this lease in accordance with the provisions of this clause, such nonpayment of rental and taxes shall, until paid, constitute a lien upon said structures, improvements and property owned by Lessee and the lien may be foreclosed according to law. Lessee shall not remove said structures, improvements or property until said rental, taxes or other charges are paid, unless directed to do so by Lessor.

15. Notwithstanding any requirement herein for payment of rental in advance for a period in excess of one month, it is further agreed that either party may terminate this lease at any time for any reason upon giving the other party not less than thirty (30) days' written notice of such termination; provided, however, that rent shall be paid by said Lessee to the date of termination fixed by said notice. Upon the date of termination of this lease, Lessee shall, at its own sole cost and expense, remove or cause to be removed all buildings, structures, foundations, footings, materials, signs or signboards, debris or other articles or facilities owned or used by Lessee or placed on, above or below the surface of the premises by Lessee or by any person, firm or corporation or former Lessee. Lessee agrees to restore and level the premises to a condition satisfactory to Lessor.

It is expressly understood by Lessee that until such time as the premises are surrendered to Lessor free and clear of all buildings, structures, foundations, footings, materials, signs or signboards, debris or other articles or facilities not belonging to Lessor and the premises are restored to a neat and orderly condition satisfactory to Lessor, Lessee shall be liable to Lessor for such rental, including taxes, as Lessor may from time to time determine. Lessee shall also be liable to Lessor for any and all losses and/or damages which Lessor may sustain or become liable for resulting from the failure of Lessee to restore the premises to a neat and orderly condition. Lessor may at its own sole election appropriate any property or improvements remaining on the demised premises for its own use without compensation to Lessee, or may dispose of any such property or improvements without any liability whatsoever to Lessee and charge Lessee for all cost and expense incidental to such removal.

16. All notices hereunder to be given by Lessor to Lessee may be effectually given by letter from Lessor or its agent or attorney forwarded by Certified Mail-Return Receipt Requested, postage prepaid, addressed to Lessee at Lessee's post office address above stated or at such address as Lessee may later give Lessor in writing.

17. All notices hereunder to be given by Lessee to Lessor may be effectually given by letter from Lessee or Lessee's agent or attorney forwarded by Certified Mail-Return Receipt Requested, postage prepaid, addressed to Lessor's Industrial Development and Property Management Department at 176 East Fifth Street, St. Paul, Minnesota 55101.

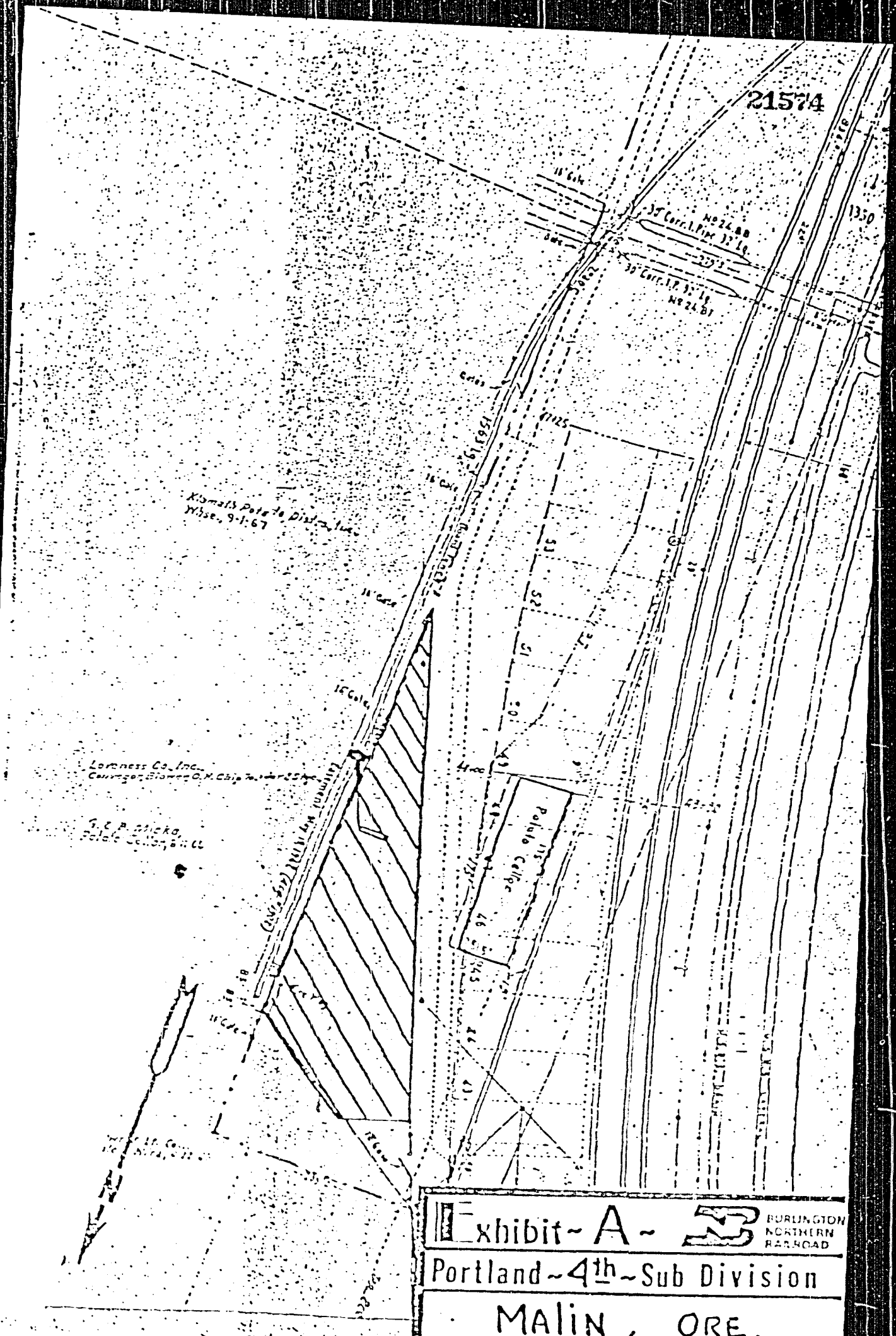


Exhibit-A-3 BURLINGTON
NORTHERN
RAILROAD

Portland-4th-Sub Division

MALIN, ORE.

Engineering SCALE 1-In TO 100 ft

EXHIBIT "1"

18. Nothing herein contained shall imply or import a covenant on the part of Lessor for quiet enjoyment.

19. Lessee accepts the leased premises subject to any and all existing permits, licenses, leases, easements, railroad facilities, pipelines, telephone, telegraph, communication, power and signal lines or any other similar facilities, together with any future installations thereof provided such future installations do not unreasonably interfere with Lessee's use of the leased premises.

20. The invalidity or unenforceability of any provision of this lease shall not affect or impair any other provision.

Subject to the foregoing provisions, this lease and all of the covenants and promises thereof shall inure to the benefit of and be binding upon the parties hereto and their executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this lease, in duplicate, the day and year first hereinabove written.

In Presence of:

BURLINGTON NORTHERN RAILROAD COMPANY

Berla M. Hodgson

By A. W. Drael
General Manager Leases

UNITED STATES NATIONAL BANK OF OREGON

Stanley C. Gray
John D. Bell

By [Signature]
Title Vice President and Manager

WHEN RECORDED MAIL TO:

21576

MAIL TAX STATEMENTS TO:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

WARRANTY DEED

UNITED STATES NATIONAL BANK OF OREGON, A National Banking Association, GRANTOR, conveys to CLYDE E. LANG and LAURA A. LANG, husband and wife, as to an undivided one-half interest, and D. CLAYTON GANGNES and DONNA L. GANGNES, husband and wife, as to an undivided one-half interest, as tenants in common, GRANTEE, the following described real property situate in Klamath County, Oregon, to-wit:

The SE1/4NW1/4 and Government Lot 4, Section 19, Township 41 South, Range 13 East of the Willamette Meridian.

SUBJECT TO:

1. Rights of the public in and to any portion of the herein described premises lying within the limits of streets, roads or highways.

2. The premises herein described are within and subject to the statutory powers, including the power of assessment, of Langell Valley Irrigation District.

3. Reservations, restrictions and easements as contained in patent recorded August 8, 1900, in Vol. 13, Page 138, Deed Records of Klamath County, Oregon, to-wit: "Subject to any vested and accrued water rights for mining, agricultural, manufacturing or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts, and also subject to the right of the proprietor of a vein or lode to extract and remove his ore therefrom, should the same be found to penetrate or intersect the premises hereby granted, as provided by law, and there is reserved from the lands hereby granted a right of way thereon for ditches or canals constructed by authority of the United States".

4. An Easement, including the terms and provisions thereof, granted to The Pacific Telephone and Telegraph Company, recorded August 1, 1942, in Vol. 149, Page 60, Deed Records of Klamath County, Oregon.

5. An Easement created by instrument, including the terms and provisions thereof, recorded December 20, 1963, Vol. 350, Page 31, Deed Records of Klamath County, Oregon, in favor of United States of America for fire control lookout station and access road.

6. All prior, current, and future Klamath County real property taxes and assessments.

7. Lease with Holl Logging, an Oregon corporation, recorded in Vol. M-81, Page 15000, Microfilm Records of Klamath County, Oregon.

8. Lease to R. H. & L. Loveness Lumber Company, an Oregon corporation, pertaining to Chisum Industries, Inc. site improvements evidenced by instrument recorded in Vol. M-82, Page 15006, Microfilm Records of Klamath County, Oregon.

9. Occupancy of the real property by persons thereon.

10. Requirements and provisions of law pertaining to the registration and transfer of any mobile home located upon the real property and rights and claims arising therefrom.

21577

11. All applicable zoning laws, ordinances, rules and regulations of any governmental entity.
12. Easements and rights of way apparent thereon.

GRANTOR warrants to GRANTEE as follows: the real property is free from encumbrances, except those set forth above; GRANTOR has not created or suffered any encumbrance; and GRANTOR will defend title to the real property against all persons who may lawfully claim by, through, or under GRANTOR.

THIS INSTRUMENT DOES NOT GUARANTEE THAT ANY PARTICULAR USE MAY BE MADE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT. A BUYER SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

In construing this Deed and where the context so requires, the singular includes the plural.

DATED this _____ day of _____, 1984.

UNITED STATES NATIONAL BANK OF OREGON,
a National Banking Association

By: _____

STATE OF OREGON, County of _____) ss: _____, 1984

Personally appeared before me the above named _____, who stated he is _____ of the grantor corporation, and acknowledged the foregoing instrument to be the grantor corporation's voluntary act and deed.

(SEAL)

NOTARY PUBLIC FOR OREGON
My Commission Expires: _____

STATEMENT OF CONSIDERATION PURSUANT TO ORS 93.030

The true and actual consideration paid for this transfer, stated in terms of dollars, is \$150,000.00.

DATED: _____, 1984.

CLYDE E. LANG _____

LAURA A. LANG _____

D. CLAYTON GANGNES _____

DONNA L. GANGNES _____

STATE OF OREGON, County of _____) ss: _____, 1984
Personally before me appeared the above named CLYDE E. LANG, LAURA A. LANG, D. CLAYTON GANGNES, and DONNA L. GANGNES and acknowledged the foregoing statement of consideration to be their voluntary act and deed.

(SEAL)

NOTARY PUBLIC FOR OREGON
My Commission Expires: _____

BILL OF SALE

21578

UNITED STATES NATIONAL BANK OF OREGON, a National Banking Association, Seller, for the sum of \$1,200,000.00, receipt of which is hereby acknowledged, does, by these presents, grant, bargain, sell and convey unto CLYDE E. LANG and LAURA A. LANG, husband and wife, as to an undivided one-half interest, and D. CLAYTON GANCNES and DONNA L. GANCNES, husband and wife, as to an undivided one-half interest, as tenants in common, Buyer, their respective executors, administrators, successors or assigns, the following described personal property situate in Klamath County, Oregon, to-wit:

Sawmill
Small Lumber Shed
Large Lumber Shed
Dry Kiln

Office
Shop
Planer
Power Plant

Fuel Bins

30'x24' 4-strand heavy-duty live log deck with steel races, 8" H-beam supports, 4-pin operated log stop, 28' link chain with flights and steel through log haul, forward and reverse drive

All steel control house w/SALEM SET WORKS air and electric operated console w/all steel H-beam supports

20 hp electric hyd 7' chain cutoff saw

48' steel through w/link chain and flights log haul

3-arm single hyd-air cylinder log kicker and electric sensor log stop to 7'x24' 2-strand chain log holding deck; steel supports; races and log stop

All steel decking w/catwalk and steps 32'x40'

4-strand log transfer deck w/38 chain steel races

Combination wood and steel support deck w/steel H-beam supports

4-arm cradle log stop to PORTLAND MACHINE hyd-log turner, w/power pack, to KLAMATH 3-dog automatic carriage w/rails and stops

250 hp electric AC-DC GENCO motor, fluid set works, air actuated, electronics and pantograph

KLAMATH IRON WORKS 8' head rig band saw, 200 hp electric AC-DC drive

Set saw guides

All steel control house

12-chain slat bed off-bearer fully computerized PROCESSOR CONTROL SYSTEM & SALEM SET WORKS override

60'x54' power roll off-feed to 26" rolls, 4-arm jump chain transfer deck w/steel drop aprons to 6-strand, lumber incline conveyor, steel races, teflon lined

4-arm lumber drop to 3 double wheel w/lugs timber selector to 5-strand lumber infeed

10 roll power roll infeed section to horizontal, PRESCOTT 60" mdl. 50 resaw and C & H electric controls air operated 100 hp electronic solid state drive

28" slat bed infeed section and outfeed roll out off bearer

Approximate 65'30" power roll lumber transfer conveyor to 5-strand drop table w/steel apron roof top chain to SCHURMAN full power roll infeed section S/N 1277A

SCHURMAN 8 saw Edger mdl. 6TA54, S/N 1277 w/150 hp AC-DC electric drive full electric set works, all steel control house, all steel cat walks, stairs and support sections

New constructed millwright control house w/air operated 4-arm jump chain transfer section w/merry-go-round transfer conveyors (all steel constructed), and supports

24' SCHURMAN power roll off bearer transfer to drop aprons, 5-strand to 3-strand transfer conveyor w/jump chain transfer unit to power roll infeed w/KLAMATH IRON WORKS #9 2-set saw edger S/N 4X24R w/25 hp electric motor control station

Full and complete under-house refuse conveyors, all steel trough, drop aprons, combination link chain, box chain, Belt and vibrating conveyors approx. 1,248' w/elec. gear head drives

40' chip belt conveyor to BUSH ROTO FLOW 6'x6' 2" deck screen Mdl. 77, S/N 036814

Chip and sawdust transfer system to RADER PNEUMATICS blower transfer feeder, size 16x20, S/N 2064 w/electric drive

SUTORBILT 10x18x202 blower, electric drive, with All pipe and steel support structure

Steel trough box chain chip conveyor to 17 unit PEERLESS chip bin, air operated gates

Vibrating conveyor to SUMNER 45 HOGG S/N 1854, with electric drive

100' steel trough w/link chain and flights to 35 unit sawdust bin, Hyd-gates and steel beam supports

12'x60' 5-strand #70 chain lumber transfer w/wood decking steel support to 5-strand roof top chain drop apron to all steel 12'x20' 5-strand w/dogs incline

Lumber transfer to grade section

Electric over air controls lumber stop stations

11 saw trim saw w/50 hp arbor drive

Air operated saws

Full selector switches

Thickness gauge (shop made) 2-arm fully computerized PROCESSOR CONTROL SYSTEM and readout bank

Control station to house to 420' 2 station drop sorter w/single flat chain conveyor steel side races, all set on 8" tube steel supports

Automatic steel sort babbits and steel drop aprons w/nylon runners

LUNDEEN INDUSTRIES Automatic Lumber Travel stacker w/automatic sticker placer

Two (2) 5 hp drive motors

7 1/2 hp main drive motor

5 hp electric chain drive and approx. 420' of rail

Two (2) saw trim saw tie stations

Drop chain to 74' 3-strand tie conveyor

#74 chain w/steel races, electric drive, wood construction and supports

Hyd-operated tie picker w/2-clamp cradle

15 hp electric motor

9'x12' diamond plate steel deck

Full and complete saw filing room w/ARMSTRONG Circle Saw Sharpener #25, S/N 10201

ARMSTRONG Stretcher rolls

Benches and tables

21580

ARMSTRONG Band saw sharpener, Md. 2LH S/N 4426 w/all related equipment
30'x30' power roll off feed conveyor w/steel support sections (off
horizontal saw rolls)

WELLONS fuel system complete w/42 unit silo, S/N 9751B w/3 hp gear head
drive on 12' auger

15' auger to WELLONS BOILER, 15 lb. low pressure, S/N 9751BP w/TIERNEY
ELECTRIC PAN-A-TROL controls w/gauge valves water purification system

FEDERAL BOILER 463HP mdl. FBV 4250, S/N 80098B

130 GPH 15 lb steam system

Valves

All steel catwalks

Electric motors

Pumps

Hagen recorder

Approx. 30'x33' all steel building

MOORE ORE recorders

WELLONS all metal constructed dry kilns 72'x72' 4 doors, S/N 9752 DK-1,
w/wood constructed fan and control room approx. 71' long and 10' wide,
w/40 hp fan system, electrical panel, full and complete Transformers

All steam pipe from boiler w/steel supports

INGERSOL RAND 3 hp compressor

Approx. 80 lumber carts

2-strand Box Chain Infeed Conveyor w/steel races to 3-arm breakdown hoist

5-strand lumber transfer deck to power roll infeed w/1 pineapple roll feed
to YATES 15" AMERICAN

12-knife 4-head planer, S/N B5623

Power roll out feed

4-strand, chain transfer conveyor to power roll infeed w/1 pineapple roll
to WOODS 414M 20" planer, S/N 62214 10-knife 20 hp electric motors

Belt main drive w/electric motor

55'x14' 4-strand H138 roof top chain lumber conveyor to IRVINGTON 20-saw
trim saw

Wood construction deck and transfer, Md. 66, S/N 5406L 5x4 strand chain
green end, w/power roll off bearer stations

YATES V60 resaw, S/N B26480

60 hp electric drive manifold and duct works

Power roll off feed section and 2-arm breakdown hoist w/roll infeed

All cyclones

Duct work and fan systems

150 hp electric compressor

Scaling Shack

Pile Bottoms & Stickers

Mill sprinkler fire system

TO HAVE AND TO HOLD the same unto Buyer, their respective executors,
administrators, successors and assigns forever.

Seller agrees to and with Buyer, and Buyer's respective executors,
administrators, successors and assigns, to warrant and defend the sale of
said personal property hereby made unto Buyer against all and every person
or persons whomsoever lawfully claiming, or to claim the same, by, through,

21581

or under Seller, except for ad valorem taxes levied or assessed upon the personal property.

In construing this Bill of Sale, and where the context so requires, the singular includes the plural.

DATED this 14th day of December, 1984.

UNITED STATES NATIONAL BANK OF OREGON,
a National Banking Association

By: [Signature] **VOID**

STATE OF OREGON, County of Klamath) ss: December 14, 1984

Personally appeared before me the above named Robert L. Mason, who stated he is Assistant Manager of the Seller corporation, and acknowledged the foregoing instrument to be the Seller corporation's voluntary act and deed.

(SEAL)

[Signature] **VOID**
NOTARY PUBLIC FOR OREGON

My Commission Expires: 2-28-85

ASSIGNMENT OF LEASE

21582

KNOW ALL MEN BY THESE PRESENTS That CLYDE E. LANG and LAURA A. LANG, husband and wife, and D. CLAYTON GANGES and DONNA L. GANGES, husband and wife (hereinafter called "Assignor"), in consideration of the making of that certain Contract of Sale, recorded in Vol. M-84, Page _____, Microfilm Records of Klamath County, Oregon (herein called "Contract"), and other good and valuable considerations, by UNITED STATES NATIONAL BANK OF OREGON, a national banking association (hereinafter called "Assignee"), hereby assigns unto Assignee the entire lessee's interest in and to that certain lease wherein Burlington Northern Railroad Company, a Delaware corporation, is lessor and Assignor is lessee dated _____, 1984, under its No. _____ [a true copy of which is attached hereto as Exhibit "A" and thereby made a part hereof as though fully set forth hereat], together with all rents, income, and profits arising from the lease and its renewals and together with all rents, income, and profits for the use and occupation of the premises subject to said lease (hereinafter called "Premises").

A. This Assignment is made to secure:

1. The payment of all of the indebtedness of Assignor due, or to become due, to Assignee under the Contract.
2. Performance and discharge of each and every obligation and agreement of Assignor under this Assignment or under the Contract.

B. Assignor agrees:

1. To observe and perform all obligations imposed upon the lessee under the assigned lease.
2. Not to execute any other assignment of lessee's interest in the lease or assignment of rents, income, or profits accruing under the lease or from the Premises.
3. Not to modify the terms of the lease or give any consent or exercise any option required or permitted by the terms of the lease without the prior written consent of Assignee.
4. Not to cancel, terminate, or accept a surrender of the lease, or convey, transfer, or permit a conveyance or transfer of the Premises so as to effect, directly or indirectly, a termination or diminution of the interest of the lessee.
5. At Assignee's request to assign to Assignee any subsequent lease upon any part of the Premises and to execute and deliver to Assignee such further assurances and assignments in the Premises as Assignee shall from time to time require.

C. This Assignment is made on the following terms and conditions:

1. Until default by Assignor in payment of the indebtedness secured by the Contract, or in performance of any obligation or agreement under this Assignment or the assigned lease, Assignor may use and occupy the Premises and may collect at the time of, but not before, the date provided for payment, all rents, income, and profits arising under the lease or from the Premises and retain use and enjoy the same.
2. Upon or at any time after such default, Assignee may, at its option, without notice and without regard to the adequacy of the security, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, take possession of the Premises and hold, manage, lease, and operate the same on such terms and for such period of time as Assignee may deem proper and, with or without taking possession of the Premises demand, sue for, or otherwise collect all rents, income, and profits of the Premises, including those past due and unpaid, with full power to make from time to time all such alterations, renovations, repairs, and replacements as may seem proper to Assignee, and apply such rents, income, and profits to payment of all expenses of managing, operating, and maintaining the Premises, all expenses incident to taking and retaining possession of the Premises, and the principal, interest, and other indebtedness secured by the Contract, together with all costs and attorney fees, in such order of priority as to any of the items mentioned in this paragraph as Assignee in its sole discretion may determine, any statute, law, custom, or use to the contrary notwithstanding. Exercise or nonexercise by Assignee of the options granted in this paragraph, or collection and application of rents, income, and profits, shall not be considered a waiver of any default by Assignor under the Contract or under the lease or this Assignment.
3. Assignee shall not be liable for any loss sustained by Assignor resulting from Assignee's failure to let the Premises or from any other act or omission of Assignee in managing the Premises. Nor shall Assignee be obligated to perform or discharge, nor does the Assignee undertake to perform or discharge, any obligation, duty, or liability under the lease or under or by reason of this Assignment and Assignor agrees to indemnify Assignee for, and to hold Assignee harmless from, any liability, loss, or damage which may be incurred under the lease or under or by reason of this Assignment and from any claims and demands which may be asserted against Assignee by reason of any alleged obligations or undertakings to perform or discharge any of the terms, covenants or agreements contained in the lease. Should Assignee incur any such liability under the lease or under or by reason of this Assignment or in defense of any such claims or demands, the amount thereof, including costs, expenses, and reasonable attorney fees shall be secured by this

Assignment, and Assignor shall reimburse Assignee therefor immediately upon demand and upon the failure of Assignor to do so Assignee may, at its option, declare all sums secured by this Assignment or by the Contract immediately due and payable. And it is further understood that this Assignment shall not operate to place responsibility for the control, care, management, or repair of the Premises upon Assignee; nor shall it operate to make Assignee responsible or liable for any waste committed on the Premises by Assignor, the tenants, or any other parties, or for any dangerous or defective condition of the Premises, or for any negligence in the management, upkeep, repair, or control of the Premises.

4. Upon payment in full of the indebtedness secured by the Contract, or by this Assignment, this Assignment shall cease and be of no further effect. Assignor hereby authorizes and directs any sublessee of the Premises, or any other or future lessee or occupancy of the Premises, upon receipt of written notice from the holder of the Contract that a default exists thereunder, or under this Assignment, to pay to the holder all rents, income and profits accruing from the Premises, and to continue to do so until otherwise notified by the holder.

5. Assignee may take or release other security for payment of the indebtedness, may release any party primarily or secondarily liable, and may apply any other security held by it to the satisfaction of the indebtedness without prejudice to any rights under this Assignment or the Contract.

6. "Lease" or "the lease" as used in this Assignment means the lease hereby assigned and, at the option of the Assignee, any extension or renewal of it and any lease subsequently executed during the term of this Assignment covering the Premises or any part of the same.

7. "Indebtedness", as used in this Assignment, means all obligations, debts, and liabilities of Assignor to Assignee, including, without limiting the generality of the foregoing, all existing and future obligations of Assignor to Assignee, arising out of, or in connection with, the Contract or this Assignment.

8. Nothing contained in this Assignment and no act done or omitted by Assignee pursuant to its terms shall be deemed a waiver by Assignee of any rights or remedies under the Contract, and this Assignment is made and accepted without prejudice to any rights or remedies possessed by Assignee under the terms of the Contract. The right of Assignee to collect the indebtedness, and to enforce any other security, may be exercised by Assignee prior to, simultaneously with, or subsequent to any action taken under this Assignment. In addition, all rights and remedies described herein are in addition to, and not in any limitation of, the rights and remedies of Assignee under the Contract, or any security rights created by additional documents or instrument pursuant to the Contract.

DATE

SIGNATURES

CLYDE E. LANG

LAURA A. LANG

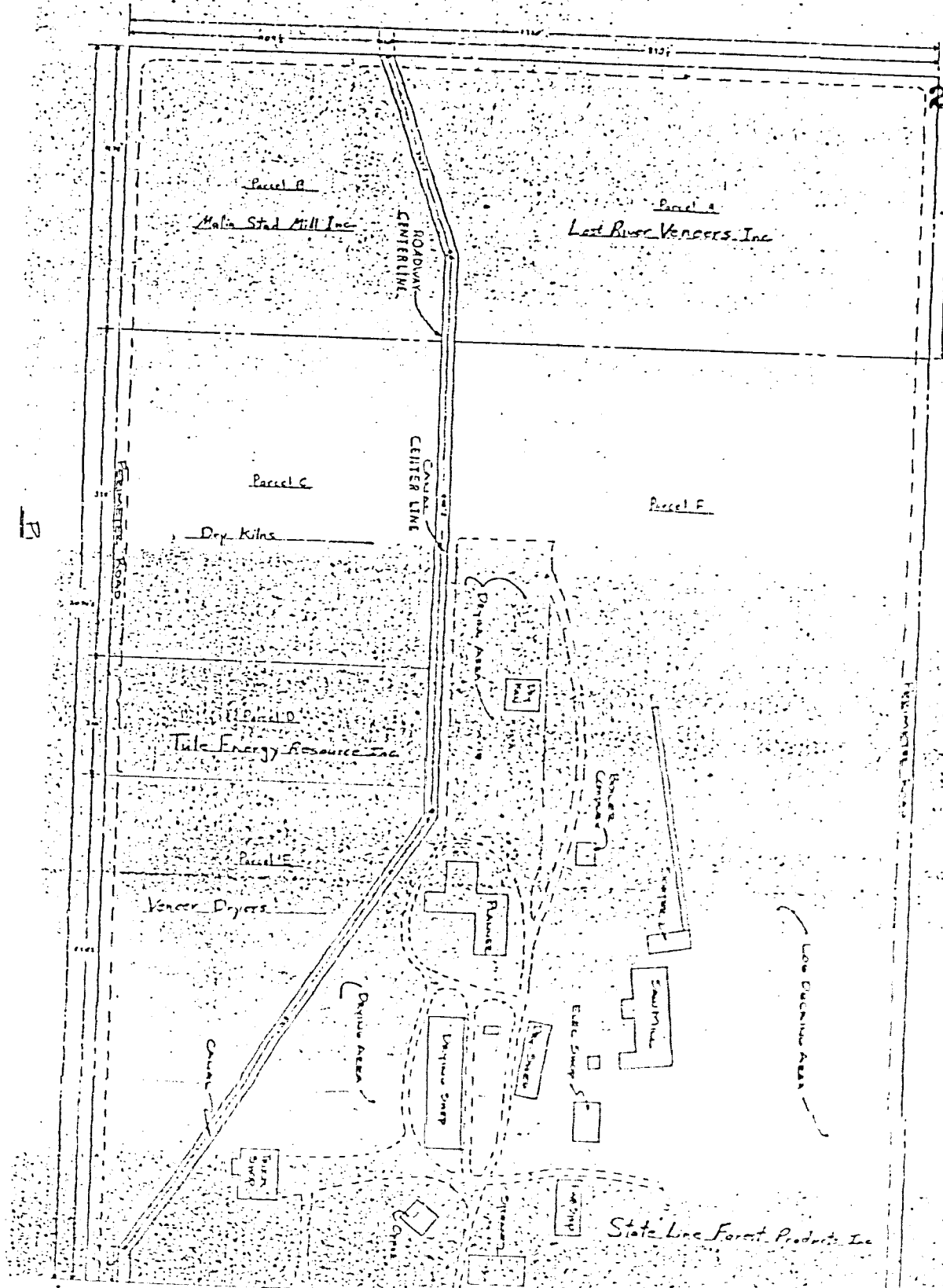
D. CLAYTON GANONES

DONNA L. GANONES

LANG & GANONES CORPORATION, an Oregon corporation, dba MEDPLY

By: _____

21584



Return;
NITC
After
Panda
Still

STATE OF OREGON: COUNTY OF KLAMATH:ss
I hereby certify that the within instrument was received and filed for
record on the 28th day of December A.D., 19 81 at 2:33 o'clock P M,
and duly recorded in Vol w31, of Panda on page 21560.

Fee: \$ 101.00

EVELYN BIEHN, COUNTY CLERK
by: Alan Smith, Deputy