

THIS MORTGAGE, Made this 1st day of May, 1986, by Rex H. Ervin and Beverly Ervin, Mortgagor, to the Rex H. Ervin, D.D.S., P.C. Profit Sharing and Pension Plan and Trust, Mortgagee,

WITNESSETH, That said mortgagor, in consideration of Sixty Thousand and no/100, \$60,000.00 Dollars, to them paid by said mortgagee, do hereby grant, bargain sell and convey unto said mortgagee, its successors and assigns, that certain real property situated in Klamath County, State of Oregon, bounded and described as follows, to-wit:

SE1/4 NE1/4; all of NE1/4 SE1/4 except that portion lying Southwesterly of the right of way of the Great Northern Railway; and Lots 8 and 9 all in Section 17, Township 40 South, Range 10 East of the Willamette Meridian.

SAVING AND EXCEPTING those portions conveyed to the United States of America by Volume 37 page 401, Volume 45 page 233, Dead records of Klamath County, Oregon.

ALSO SAVING AND EXCEPTING those portions conveyed to the Great Northern Railway by Volume 95 page 346, and Volume 95 page 352, Dead records of Klamath County, Oregon.

Together with a 75 HP G.E. electric motor, with a Berkeley centrifugal pump, and 2,200 feet of sizes 6 inch through 10 inch buried Steel mainline, and any replacements thereof, all of which are hereby declared to be appurtenant thereto.

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and which may hereafter thereto belong or appertain, and the rents, issues and profits therefrom, and any and all fixtures upon said premises at the time of the execution of this mortgage or at any time during the term of this mortgage.

TO HAVE AND TO HOLD the said premises with the appurtenances unto the said mortgagee, its successors and assigns forever.

This mortgage is intended to secure the payment of two promissory notes, copies of which are attached hereto as Exhibits A & B and by this reference made a part hereof.

The date of maturity of the debts secured by this mortgage is the date on which the last schedule principal payment becomes due, to-wit: May 1, 1991.

The mortgagor warrants that the proceeds of the loans represented by the above described notes and this mortgage are

primarily for mortgagor's personal, family, household or agricultural purposes.

This mortgage is inferior, secondary and made subject to prior mortgages on the above described real estate described as follows:

1. Made by Rex H. Ervin and Beverly Ervin, husband and wife to the Federal Land Bank of Spokane dated April 28, 1981, and recorded in the mortgage records of the above named county in Volume M81, at page 7807 thereof, reference to said mortgage records hereby being made; the said first mortgage was given to secure a note for the principal sum of \$231,000.00; said prior mortgage and the obligations secured thereby hereinafter, for brevity, are called simply "first mortgage".

2. Made by Rex H. Ervin and Beverly Ervin, husband and wife to Federal Land Bank of Spokane dated October 25, 1982, and recorded in the mortgage records of the above named county in Volume M82, at page 15346 thereof, reference to said mortgage records hereby being made; the said first mortgage was given to secure a note for the principal sum of \$17,800.00; said prior mortgage and the obligations secured thereby hereinafter are called simply "second mortgage".

The mortgagor covenants to and with the mortgagee, its successors and assigns, that they are lawfully seized in fee simple of said premises; that the same are free from all encumbrances except said first and second mortgages and that they will warrant and forever defend the same against all persons; further, that they will do and perform all things required of them and pay all obligations due or to become due under the terms of said first and second mortgages as well as the notes secured hereby, principal and interest, according to the terms thereof; that while any part of the notes secured hereby remain unpaid they will pay all taxes, assessments and other charges of every nature which may be levied or assessed against said property, or this mortgage or the notes secured hereby, when due and payable and before the same become delinquent; that they will promptly pay and satisfy any and all liens or encumbrances that are or may become liens on the premises or any part thereof superior to the lien of this mortgage.

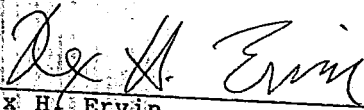
Now, therefore, it said mortgagor shall keep and perform the covenants, herein contained and shall pay all obligations secured by said first and second mortgages as well as the notes secured hereby according to their terms, this conveyance shall be void, but otherwise shall remain in full force as a mortgage to secure the performance of all of said covenants and the payments of the notes secured hereby; if being agreed that a failure to perform any covenant herein, or if a proceeding of any kind be taken to foreclose any lien on said premises or any part thereof, the mortgagee shall have the option to declare the whole amount

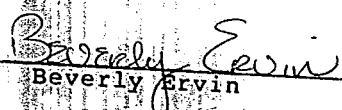
unpaid on said notes or on this mortgage at once due and payable, and this mortgage may be foreclosed at any time thereafter. And if the mortgagor shall fail to pay any taxes or charges or any lien or encumbrance as above provided for, or fail to do or perform anything required of them by said first or second mortgages, the mortgagee herein, at its option, shall have the right to make such payments and to do and perform the acts required of the mortgagor under said mortgages; and any payment so made, together with the cost of such performance shall be added to and become a part of the debts secured by this mortgage, and shall bear interest at the same rate as the notes secured hereby without waiver, however, of any right arising to the mortgagee for breach of covenant. And this mortgage may be foreclosed for principal, interest and all sums paid by the mortgagee at any time while the mortgagor neglects to repay any sums so paid by the mortgagee. In the event of any suit or action being instituted to foreclose this mortgage, the mortgagor agrees to pay all reasonable costs incurred by the mortgagee for title reports and title search, all statutory costs and disbursements and such further sum as the trial court may adjudge reasonable as plaintiff's attorney's fees in such suit or action, and if an appeal is taken from any judgment or decree entered therein, mortgagor further promises to pay such sum as the appellate court shall adjudge reasonable as plaintiff's attorney's fees on such appeal, all such sums to be secured by the lien of this mortgage and included in the decree of foreclosure.

Each and all of the covenants and agreements herein contained shall apply to and bind the heirs, executors, administrators and assigns of said mortgagor and of said mortgagee respectively.

In construing this mortgage, it is understood that the mortgagor or mortgagee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and include the plural, the masculine, the feminine and neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to trusts, corporations and to individuals.

IN WITNESS WHEREOF, said mortgagor has hereunto set his hand the day and year first above written.


Rex H. Ervin


Beverly Ervin

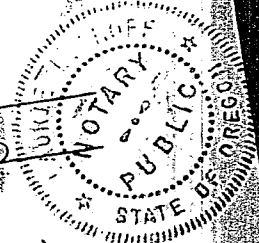
7818

STATE OF OREGON,)
County of Klamath) ss.

BE IT REMEMBERED, That on this 1st day of May, 1986, before me, the undersigned, a notary public in and for said county and state, personally appeared the within named Rex H. Ervin and Beverly Ervin known to me to be the identical individuals described in and who executed the within instrument and acknowledge to me that they executed the same freely and voluntarily.

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

Haurie J. Hoff
Notary Public for Oregon
My Commission expires: 3-3-90



SECOND MORTGAGE

Rex H. Ervin and
Beverly Ervin

to

Rex H. Ervin, D.D.S., P.C.
Profit Sharing and Pension
Plan and Trust

After Recording Return To:

Ray R. Benner, P.C.
1010 First Farwest Building
400 S.W. Sixth Avenue
Portland, Oregon 97204

STATE OF OREGON)
County of) ss.

I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ M and _____ on page _____ recorded in book _____ or as file/reel number _____, Record of _____

Mortgages of said County.
Witness my hand and seal of _____ County affixed.

By _____ Title _____
Deputy _____

EXHIBIT A

7819

PROMISSORY NOTE

\$50,000.00

May 1, 1986
Klamath Falls, Oregon

For value received, I hereby promise to pay to the Rex H. Ervin, D.D.S., P.C. Profit Sharing and Pension Plan and Trust the sum of \$50,000.00 Dollars, in five annual installments as hereinafter set forth, with interest on the unpaid principal at the rate of 8 percent per annum from the date hereof until paid. The annual installments shall be not less than the interest owing on the unpaid principal balance, commencing on May 1, 1987, and subsequent installments to be paid on or before the 1st May of each year thereafter until the entire note, including both principal and interest, is paid in full on or before May 1, 1991. Any part hereof may be paid at any time.

Upon default in the payment of any such installment interest when due, the whole of the principal sum then remaining unpaid and all interest accrued hereon shall, at the option of the holder hereof, become immediately due and payable, without demand or notice. If this note is placed in the hands of an attorney for collection, I promise and agree to pay holder's reasonable attorney's fees and collection costs, even though no suit or action is filed hereon; if a suit or an action is filed, the amount of such reasonable attorney's fees shall be fixed by the court or courts in which the suit or action, including any appeal therein, is tried, heard or decided.


Rex H. Ervin

EXHIBIT B

PROMISSORY NOTE

\$10,000.00

May 1, 1986
Klamath Falls, Oregon

For value received, I hereby promise to pay to the Rex H. Ervin, D.D.S., P.C. Profit Sharing and Pension Plan and Trust the sum of \$10,000.00 Dollars, in five annual installments as hereinafter set forth, with interest on the unpaid principal at the rate of 8 percent per annum from the date hereof until paid. The annual installments shall be not less than the interest owing on the unpaid principal balance, commencing on May 1, 1987, and subsequent installments to be paid on or before the 1st May of each year thereafter until the entire note, including both principal and interest, is paid in full on or before May 1, 1991. Any part hereof may be paid at any time.

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Beverly Ervin
Beverly Ervin

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ day
of May A.D. 19 86 at 2:59 o'clock P.M. and duly recorded in Vol. M86
of _____ on Page 7815
Morrigan

FEE \$25.00

Evelyn Biehn, County Clerk
By [Signature]