

THIS INDENTURE made this 25th day of September 1987 between Klamath Falls Brick & Tile Company, an Oregon corporation, as to parcels 1, 2, 3 and 4; and Western Bank, Inc., aka Klamath Falls Brick & Tile Company, an Oregon corporation, as to parcels 5 and 6

For value received by the Mortgagor from the Mortgagee, the Mortgagor does hereby grant, bargain, mortgage and convey unto the Mortgagee all the following described property situated in Klamath County, Oregon, to-wit: the property described in the attached Exhibit A for legal description

including but not limited to roads and appurtenances now or hereafter thereunto belonging or in anywise appertaining, buildings, structures, fixtures, furniture and heating system, water heaters, fuel storage receptacles, plumbing, ventilating, water and irrigating systems, screens, doors, window shades and blinds, shutters, cabinets, built-ins, linoleums and floor coverings, built-in stoves, ovens, garbage disposals, air conditions, refrigerators, freezers, dishwashers; and all other fixtures, now or hereafter installed in or on the premises; and any and all replacements of any one or more of the foregoing items, in whole or in part, all of which are hereby declared to be appurtenant to the land; and all the rents, issues and profits arising from the mortgaged property.

TO HAVE AND TO HOLD the same unto the Mortgagee, its successors and assigns forever. The Mortgagor does hereby covenant to and with the Mortgagee that the Mortgagor is lawfully seized in fee simple of the said real property, that it is the absolute owner of all items of property described hereinabove, that the said property is free from all encumbrances of every kind and nature, and that it will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained, to be by the Mortgagor kept and performed and to secure the payment of the sum of \$488,285.14 and interest thereon in accordance with the tenor of a certain promissory note executed by Klamath Falls Brick & Tile Company dated September 25, 1987, payable to the order of the Mortgagee in installments of not less than \$6,495.00 each, including interest, on the 1st day of each month commencing November 1, 1987, until October 1, 1992, when the balance then remaining unpaid shall be paid.

This Mortgage is also given as security for the payment of any and all other indebtednesses, obligations or liabilities of the Mortgagor (to the Mortgagee now existing or hereafter arising, matured or to mature, absolute or contingent and wherever payable, including but not limited to such as may arise from endorsements, guarantees, acceptances, bills of exchange, promissory notes, or other paper discounted by the Mortgagee or held by the Mortgagee, or taken as security for any loans or advances of any kind, sort or description whatsoever.

description of premises... of the mortgage of said property... The Mortgagee does hereby covenant and agree to and with the Mortgagee, its successors and assigns...

1. That Mortgagor will pay, when due, the indebtedness hereby secured, with interest as prescribed by said note, and will pay, when due, all other sums secured hereby, and all taxes, liens and utility charges upon said premises, or for services furnished thereto. In addition thereto, it will pay, at the time of payment of each installment of principal and interest, such amount as Mortgagee shall estimate to be sufficient to produce, at least one month prior to the time when payment thereof shall become due, the amount of (a) taxes, assessments and other governmental rates and charges against said premises (herein all called "taxes") and (b) premiums upon insurance against loss or damage to said premises (said amounts being referred to hereinafter as "loan trust funds"). If the sums so paid shall be less than sufficient for said purposes, Mortgagee will also pay upon demand, such additional sum as Mortgagee shall deem necessary therefor. If Mortgagee desires a "package" plan of insurance which includes coverage in addition to that required under this mortgage, Mortgagee may, at its option, establish and administer a reserve for that purpose. If the package plan reserve is not sufficient to pay the renewal premium on a package plan policy, then Mortgagee may use such reserve to pay premiums on a policy covering only risks required to be insured against under this mortgage and allow the package plan policy to lapse. Mortgagee shall, upon the written direction of Mortgagor, and may, without such direction, apply sums paid by Mortgagor and held by Mortgagee to the purposes aforesaid; but the receipt of such sums shall not, in the absence of such direction, impose any duty upon Mortgagee to disburse the same or relieve Mortgagor from its covenants to pay said obligations or to keep the premises insured. Mortgagee may, from time to time, establish reasonable service charges for the collection and disbursement of premiums on package-type insurance policies. Mortgagee shall not, whether or not service charges are imposed, be subject to any liability for failure to transmit any premiums to any insurer or by reason of any loss growing out of any defect in any insurance policy. At Mortgagee's option, Mortgagee may apply all loan trust funds directly to the payment of the principal balance then unpaid on the indebtednesses secured hereby; if Mortgagee elects so to do, Mortgagee is authorized to pay taxes, insurance premiums on the mortgaged property and all other charges which would otherwise be payable from the loan trust funds, when the same become due and payable, and Mortgagee may then add the amount of any such payment to the principal balance then unpaid on the indebtednesses secured hereby, each such payment to bear interest as provided in the promissory note mentioned hereinabove.

2. That Mortgagor will not commit or permit strip or waste of the said premises, or any part thereof; that Mortgagor will keep the real and personal property hereinabove described in good order and repair and in tenantable condition; that Mortgagor will promptly comply with any and all municipal and governmental rules and regulations with reference thereto; that Mortgagor will not cut or permit the cutting or removal of any timber without the written consent of Mortgagee, that if any of the said property be damaged or destroyed by any cause, Mortgagor will immediately reconstruct or repair the same so that, when completed, it shall be worth not less than the value thereof at the time of such loss or damage; provided, that if such loss or damage shall be caused by a hazard covered by insurance payable to Mortgagee, the obligation of the Mortgagor to repair or reconstruct shall not arise unless the Mortgagee shall consent to the application of the insurance proceeds to the expense of such reconstruction or repair.

3. That it will, at its own cost and expense, keep the building or buildings now or hereafter upon said premises, together with all personal property covered by the lien hereof, insured against loss by fire and against loss by such other hazards as the Mortgagee may from time to time require, in one or more insurance companies satisfactory to or designated by the Mortgagee, in an aggregate amount not less than the amount of the indebtedness hereby secured (unless the full insurable value of such building or buildings is less than the amount hereby secured, in which event the Mortgagee shall insure to the amount of the full insurable value); that all policies of insurance upon said premises, including policies in excess of the amount hereinabove mentioned and policies against other hazards than those required, shall contain such provisions as the Mortgagee shall require and shall provide, in such form as the Mortgagee may prescribe, that loss shall be payable to the Mortgagee; that all such policies and receipts showing full payment of premiums therefor shall be delivered to and retained by the Mortgagee during the existence of this mortgage; that at least 5 days prior to the expiration of any policy or policies it will deliver to the Mortgagee satisfactory renewals thereof together with premium receipts in full; that if any policy or policies shall impose any condition upon the liability of the insurer or shall contain any "average clause" or other provision by which the insurer may be liable for less than the full amount of the loss sustained, it will, as often as the Mortgagee may require, provide the Mortgagee with all such evidence as it may request concerning the performance of such condition or the existence of any facts or the value of the property insured and, if it shall appear to the Mortgagee that the insurance is prejudiced by the acts or omissions of the Mortgagor or that the coverage is inadequate, the Mortgagor will do such acts and things and obtain such further insurance as the Mortgagee may require; that the Mortgagee may, at its option, require the proceeds of any insurance policies upon the said premises to be applied to the payment of the indebtedness hereby secured or to be used for the repair or reconstruction of the property damaged or destroyed.

4. That it will execute or procure such further assurance of its title to the said property as may be requested by the Mortgagee.

5. That in case the Mortgagor shall fail, neglect or refuse to do or perform any of the acts or things herein required to be done or performed, the Mortgagee may, at its option, but without any obligation on its part so to do, and without waiver of such default, procure any insurance, pay any taxes or liens or utility charges, make any repair, or do any other of the things required, and any expenses so incurred and any sums so paid shall bear interest at 8% per annum, or at the rate of interest set forth in the note mentioned above, whichever is greater, and shall be secured hereby.

6. That it will not, without the prior written consent of Mortgagee, transfer its interest in said premises or any part thereof, whether or not the transferee assumes or agrees to pay the indebtedness hereby secured. Upon any application for Mortgagee's consent to such a transfer, Mortgagee may require from the transferee such information as would normally be required if the transferee were a new loan applicant. Mortgagee shall not unreasonably withhold its consent. As a condition of its consent to any transfer, Mortgagee may, in its discretion, impose a service charge not exceeding one percent of the original amount of the indebtedness hereby secured and may increase the interest rate on the indebtedness hereby secured by not more than one percent per annum.

7. That, if any default be made in the payment of the principal or interest of the indebtednesses hereby secured or in the performance of any of the covenants or agreements of this mortgage, the Mortgagee may, at its option, without notice, declare the entire sum secured by this mortgage due and payable and foreclose this mortgage.

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MOBLOVE
111-1550

10/1/12

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8. That, in the event of the institution of any suit or action to foreclose this mortgage, the Mortgagor will pay such sum as the trial court and any appellate court may adjudge reasonable as attorney's fees in connection therewith and such further sums as the Mortgagee shall have paid or incurred for costs and disbursements in such suit or action, extensions of abstracts or title searches or examination fees in connection therewith, whether or not final judgment or decree therein be entered and all such sums are secured hereby and shall bear interest from the date paid or incurred by Mortgagee or from the date of judgment, whichever occurs first, at the rate set forth in the promissory note mentioned above; that in any such suit, the court may, upon application of the plaintiff and without regard to the condition of the property or the adequacy of the security for this indebtedness hereby secured and without notice to the Mortgagor or any one else, appoint a receiver to take possession and care of all said mortgaged property and collect and receive any or all of the rents, issues and profits which had theretofore arisen or accrued or which may arise or accrue during the pendency of such suit; that any amount so received shall be applied toward the payment of the debt secured hereby, after first paying therefrom the charges and expenses of such receivership; but until a breach or default by the Mortgagor in one or more of its covenants or agreements herein contained, it may remain in possession of the mortgaged property and retain all rents actually paid to and received by him prior to such default.

9. The word "Mortgagor", and the language of this instrument shall, where there is more than one mortgagor, be construed as plural and be binding jointly and severally upon all mortgagors and the word "Mortgagee" shall apply to any holder of this mortgage. Masculine pronouns include feminine and neuter. All of the covenants of the Mortgagor shall be binding upon its heirs, executors, administrators, successors and assigns and inure to the benefit of the successors and assigns of the Mortgagee. In the event of any transfer of the property herein described or in part thereof or any interest therein, whether voluntary or involuntary or by operation of law, the Mortgagee may, without notice to the Mortgagor or any one else, once or often, extend the time of payment or grant renewals of indebtedness hereby secured for any term, execute releases or partial releases from the lien of this mortgage or in any other respect modify the terms hereof without thereby affecting the personal primary liability of the Mortgagor for the payment of the indebtedness hereby secured. No condition of this mortgage shall be deemed waived unless the same be expressly waived in writing by the Mortgagor. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, such notice, demand or request shall be sufficient if personally served on one or more of the persons who shall at the time hold record title to the property herein described or if enclosed in a postpaid envelope addressed to one or more of such persons or to the Mortgagor at the last address actually furnished to the Mortgagee or at the mortgaged premises and deposited in any post office, station or letter box.

KLAMATH FALLS BRICK & TILE COMPANY

By Harold Derrah President
By R. G. Wendt Secretary

BY Harold Derrah President
BY R. G. Wendt Secretary
(Corporate Seal)

STATE OF OREGON

County of Klamath } ss.

September 25

A. D. 19 87

Personally appeared Harold Derrah

who being duly sworn, did say that they are President and R. G. Wendt
and Secretary

respectively of Klamath Falls Brick & Tile Company

and that the seal affixed to the foregoing instrument, if any, is the corporate seal of said corporation and that said instrument was signed in behalf of said corporation by authority of its board of directors and they
acknowledged said instrument to be its voluntary act and deed.



Return to:
Western Bank
P. O. Box 669
Klamath Falls, OR 97601

Nicholas J. Horner
Notary Public for Oregon.
My Commission Expires: 4/16/89

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

Beginning at a point which is West 1330 feet and North 350 feet from the corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian, Klamath county, Oregon; thence North and parallel to the line between Sections 19 and 20, 480 feet; thence East and parallel to the Section line between Sections 19 and 30, 332 1/2 feet; thence South and parallel to the Section line between Sections 19 and 20, 480 feet; thence West and parallel to the section line between Sections 19 and 30, 332 1/2 feet to the point of beginning being a portion of the SE1/4 of the Section 19, Township 38 South, Range 9 East of the Willamette Meridian. ALSO,

Beginning at a point which is 89 degrees 30' West a distance of 550 feet from the Southeast corner of Section 19; thence North and parallel to the East line of said Section, 350 feet to a point; thence West 622 feet parallel with South line of Section to a point; thence South 350 feet parallel with East line of Section to a point; thence East 622 feet on South line of Section to place of beginning, all in Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. ALSO,

Lots 1, 2, 3, 8, 9, 10, Block 34, BUENA VISTA ADDITION TO THE CITY OF KLAMATH FALLS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 12 and 13 of Block 32; Lots 8 and 11 of Block 33 of BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 1, 2, 3, 4 and 10, in Block 33 of BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 4 and 5, Block 34, BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 11 and 12, Block 34, BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 5 and 9, Block 33, BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Portion of SE1/4 SE1/4 of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, described as follows:

Beginning at a point 860 feet North of corner common to Sections 19, 20, 29 and 30 in Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and 617 feet Westerly and parallel to Section line between Sections 19 and 30, same township and range; thence Northerly and parallel to line between Sections 19 and 20 a distance of 468 feet, more or less; thence Easterly and parallel to line between Sections 19 and 30 a distance of 100 feet, thence Southerly and parallel to Section line between Sections 19 and 20 a distance of 468.5 feet, more or less; thence Westerly and parallel to line between Sections 19 and 30 a distance of 100 feet to the place of beginning, all in Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. ALSO,

A tract of land 230 feet wide being 80 feet wide on the Westerly side and 150 feet wide on the Easterly side of the following described centerline: Beginning at an iron pin which lies North along the Section line a distance of 1907.5 feet and West a distance of 839.55 feet from the iron axle with pinion which marks the Southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, and running thence; North 1 degree 34' East a distance of 211 feet to an iron pin which is the point of curvature of 10 degree curve to the left; thence in a Northwesterly direction following the arc of 10 degree curve to the left a distance of 359 feet more or less to an iron pin which lies on the Southerly right of way line of the Pelican City Road, 30' Southerly at right angles from its centerline (the long chord of this curve bears North 16 degrees 23' West a distance of 353.2 feet). ALSO,

Beginning at a point which is the center of the SE1/4 of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, or 30 feet Easterly from the Northeast corner of Block 28 of BUENA VISTA ADDITION to the City of Klamath Falls, Oregon; thence North on the 16th line between the NE1/4 of the SE1/4 and the NW1/4 of the SE1/4 of Section 19 a distance of 581 feet to a point; thence Easterly and parallel to Section line between Sections 19 and 30 a distance of 726 feet to a point; thence South and parallel to Section line between sections 19 and 20 a distance of 577 feet to a point; thence Westerly along the 16th line between the NE1/4 of SE1/4 and the SE1/4 of SE1/4, Section 19, a distance of 726 feet to the place of beginning. ALSO, beginning at a point which is distant 726 feet Easterly from center of the Southeast quarter of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, along the 16th line; thence North and parallel to Section line between Sections 19 and 20 a distance of 577 feet to a point; thence Easterly a distance of 181 feet to a point; thence Southerly and parallel to Section line between Sections 19 and 20 a distance of 575.5 feet to a point; thence Westerly and parallel to Section line between Sections 19 and 30 and along 16th line a distance of 181 feet to a point of beginning. ALSO,

Beginning at a point which is 860 feet Northerly and 817' Westerly from the corner common Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian; thence Westerly and parallel to Section line between Sections 19 and 30, 150 feet to a point; thence North 277.5 feet to a point; thence East 150 feet to a point thence South 278 feet to a place of beginning, being a portion of the SE1/4 SE1/4 of Section 19, Township 38 South, Range 9 East of the Willamette Meridian. ALSO,

Beginning at a point 860 feet North of corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian and 817 feet Westerly and parallel to Section line between Sections 19 and 30, same Township an Range; thence Northerly and parallel to line between Sections 19 and 20 a distance of 467 feet, more or less, thence Easterly and parallel to line between Sections 19 and 30 a distance of 100 feet; thence Southerly and parallel to Section line between Sections 19 and 20, a distance of 467.5 feet more or less; thence Westerly and parallel to line between Sections 19 and 30 a distance of 100 feet to the place of beginning. ALSO,

Beginning at a point which is 1137.5 feet North and 817 feet West from the corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian; thence Westerly and parallel to the Section line between Sections 19 and 30, 150 feet; thence North 189 feet; thence East 150 feet; thence South 189 feet to the place of beginning, being a portion of the SE1/4 SE1/4 of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, ALSO,

Beginning at a point which is the southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, thence Westerly along the Southerly line of Section 19 a distance of 558 feet to a point; thence Northerly and parallel with the Easterly line of Section 19 a distance of 350 feet to a point; thence Easterly and parallel with the Southerly line of Section 19 a distance of 558 feet to a point; thence Southerly along the Easterly line of Section 19 a distance of 350 feet to the point of beginning.

EXCEPTING THEREFROM THE FOLLOWING:

A tract of land situated in the Southeast quarter of the Southeast quarter of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, as follows:

Beginning at a point South 89 degrees 38' West a distance of 10 feet from the Southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence South 89 degrees 38' West along Buena Vista Addition 283.53 feet; thence North 311.80 feet; thence East 278.53 feet; thence South 00 degrees 55' 30" East 310.04 feet to the point of beginning, bearings based on Survey of March 8, 1962, as recorded in the Klamath County Surveyor's Office.

PARCEL 2:

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Beginning at a point which is West 997 1/2 feet North 350 feet distant from corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence North and parallel with Section line between Section 19 and 20 said Township and Range 480 feet to a point; thence Easterly and parallel with Section line between Section 19 and 20 a distance of 332 1/2 feet to a point; thence Southerly parallel with Section line between Section 19 and 20 a distance of 480 feet; thence Westerly and parallel to Section line between Section 19 and 20 a distance of 332 1/2 feet to the point of beginning, being located in the SE1/4 SE1/4 of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 3:

The Northeasterly portion of Lot 11, Block 32, BUENA VISTA ADDITION, Klamath Falls, Oregon, described as follows:

Beginning at a 3/4" pipe located in the SE corner of said Lot 11, thence along Easterly line of Lot 11 North 15 degrees 03' 30" East 58.0 feet to true point of beginning a 1/2" iron rebar; thence along said line North 15 degrees 03' 30" East to a point which is the Northeasterly corner of Lot 11. Thence North 74 degrees 56' 30" West 50.0 feet to a 5/8" rebar also the Northwesterly corner of Lot 11; thence South 15 degrees 3' 30" West along Westerly said Lot line 8.3 feet to a 1/2" rebar; thence South 19 degrees 05' 30" East 89.05 feet to the true point of beginning.

PARCEL 4:

Lots 6 and 7, Block 33 and Lots 6 and 7, Block 34, BUENA VISTA ADDITION to the City of Klamath Falls.

PARCEL 5:

A parcel of land situate in the SW1/4 SW1/4 of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, more particularly described as follows:

Beginning at a point 200 feet North of a point which is 30 feet East of the Southwest corner of Section 20, thence Easterly and parallel with the South line of Section 20 a distance of 100 feet; thence Southerly and parallel with the West line of Section 20 a distance of 100 feet; thence Easterly and parallel with the South line of Section 20 a distance of 128 feet; thence Southerly and parallel with the West line of Section 20 a distance of 100 feet; thence Westerly and parallel with the South line of Section 20 a distance of 228 feet; thence Northerly and parallel with the West line of Section 20 a distance of 200 feet to the place of beginning, all in Section 20, Township 38 South, Range 9 East of the Willamette Meridian.

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EXCEPTING THEREFROM that portion lying within the boundaries of U.S. Highway 97 as conveyed to the State of Oregon by and through its State Highway Commission.

PARCEL 6:

The N1/2 of vacated Van Ness Street, lying between the West line of Highway 97 known as West Side Bypass, and the East line of Montelius Street, in the County of Klamath, State of Oregon.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company the 5th day
of October A.D., 19 87 at 3:34 o'clock P M., and duly recorded in Vol. M87,
of Mortgages on Page 18070.

FEE \$40.00

Evelyn Biehn, County Clerk
By [Signature]