

AMENDMENT TO MORTGAGE

Amendment to Mortgage made as of this 8 day of July, 1988, by and between CHEYNE BROTHERS (aka Cheyne Bros.), a general partnership, VINCENT O. CHEYNE, DIANE L. CHEYNE (aka Diana L. Cheyne), JAMES C. CHEYNE, and LORETTA M. CHEYNE (hereinafter "Mortgagors"), and UNITED STATES NATIONAL BANK OF OREGON (hereinafter "Bank"), a national banking association,

W I T N E S S E T H :

WHEREAS, Mortgagors pursuant to that certain mortgage dated April 28, 1987, and recorded on April 30, 1987, in Volume M87 at Page 7311 of the mortgage records of Klamath County, Oregon (hereinafter the "Mortgage") have mortgaged unto Bank the real property legally described in the Mortgage in order to secure repayment of certain indebtedness owing by Cheyne Bros. to Bank; and

WHEREAS, Mortgagors and Bank desire to amend the terms of the Mortgage;

NOW, THEREFORE, it is hereby agreed:

1. The Mortgage is hereby amended such that the real property described on Exhibit D to the Mortgage as "Parcel 2 - West Shed," a legal description of which is attached hereto as Exhibit A, shall secure only the payment of the "Vince Cheyne Indebtedness" (as such term is defined below) and such that the real property described on Exhibit D to the Mortgage as "Parcel 1 - Malin Industrial Acreage," as "Parcel 3 - Tulanna Cellar" and as "Parcel 4 - East Shed," legal descriptions of which are attached hereto as Exhibit B, shall secure only payment of the "Jim Cheyne Indebtedness" (as such term is defined below).

2. As used herein, "Jim Cheyne Indebtedness" means all loans, advances, debts, liabilities, obligations, guarantees, covenants and duties owing by James C. Cheyne and/or Loretta M. Cheyne (the "Jim Cheynes") to Bank of any kind and description (regardless of whether evidenced by any note or other instrument, or any other agreement, and regardless of whether for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and all extensions, renewals, or modifications of the foregoing, including without limitation:

(a) indebtedness owing under that certain promissory note, known as the "1988 Note," of even date herewith, payable by the Jim Cheynes to Bank on or before December 31, 1988, in a principal amount of

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\$781,000, with interest thereon at a rate 225 basis points (2 1/4 percentage points) above Bank's publicly announced prime rate, as such rate may vary from time to time, including all future advances made thereunder and any and all modifications, renewals, or extensions thereof;

(b) indebtedness owing under that certain promissory note, known as the "Equipment Note," of even date herewith (which constitutes a renewal of the note listed in the Mortgage as having an original principal balance of \$37,373.75), payable by the Jim Cheynes to Bank on or before November 30, 1994, in a principal amount of \$37,373.75, with interest thereon at a rate 200 basis points (2 percentage points) above Bank's publicly announced prime rate, as such rate may vary from time to time, to be adjusted annually on each November 30th, including any and all modifications, renewals, or extensions thereof; and

(c) all amounts owing by the Jim Cheynes to Bank under that certain Loan Agreement of even date herewith among Bank, the Jim Cheynes, and related entities.

3. As used herein, "Vince Cheyne Indebtedness" means all loans, advances, debts, liabilities, obligations, guarantees, covenants, and duties owing by Vincent O. Cheyne and/or Diane L. Cheyne (the "Vince Cheynes"), to Bank of any kind and description (regardless of whether evidenced by any note or other instrument, or any other agreement, and regardless whether for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and all extensions, renewals, or modifications of the foregoing, including without limitation:

(a) indebtedness owing under that certain promissory note (which constitutes a renewal of the promissory notes listed in the Mortgage as having original principal balances of \$1,050,000, \$1,360,857, and \$1,509,583), known as the "Short Term Note," of even date herewith, payable by the Vince Cheynes to Bank on or before March 30, 1989, in a principal amount of \$1,333,973.37, with interest thereon at the rate of 9.5 percent per annum, together with accrued interest as of July 8, 1988, of \$85,672.05, including all extensions, modifications, and renewals thereof;

(b) indebtedness owing under that certain promissory note known as the "New River Ranch Note" of even date herewith payable by the Vince Cheynes to Bank on or before August 1, 1993, in a principal amount of \$74,082.73, with interest thereon at a

rate 3.25 basis points (3.25 percentage points) above Bank's publicly announced prime rate, as such rate may vary from time to time, to be adjusted as of the date of any change, including all extensions, modifications, and renewals thereof; and

(c) all amounts owing by the Vince Cheynes to Bank under that certain Loan Workout Agreement of even date herewith among Bank, the Vince Cheynes, and related entities.

4. All terms and provisions of the Mortgage not expressly modified herein shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

UNITED STATES NATIONAL BANK
OF OREGON

By [Signature]
Title Vice President

CHEYNE BROTHERS, a general
partnership

By [Signature]
James C. Cheyne

[Signature]
Vincent O. Cheyne

[Signature]
Diane L. Cheyne, aka Diana L.
Cheyne

[Signature]
James C. Cheyne

[Signature]
Loretta M. Cheyne

STATE OF OREGON)
COUNTY OF Klamath) SS

The foregoing instrument was acknowledged before me this 8th day of July, 1988, by Jeff Gardner who is Vice President of United States National Bank of Oregon, a national banking association, on behalf of said association.

David P. Weiner
Notary Public for Oregon
My commission expires: 7/1/89

STATE OF OREGON)
COUNTY OF Klamath) SS

The foregoing instrument was acknowledged before me this 8th day of July, 1988, by James C. Cheyne who is a Partner of Cheyne Brothers, a general partnership, on behalf of said partnership.

David P. Weiner
Notary Public for Oregon
My commission expires: 7/1/89

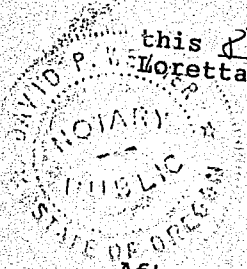
STATE OF OREGON)
COUNTY OF Klamath) SS

The foregoing instrument was acknowledged before me this 8th day of July, 1988, by Vincent O. Cheyne and Diane L. Cheyne, aka Diana L. Cheyne.

David P. Weiner
Notary Public for Oregon
My commission expires: 7/1/89

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STATE OF OREGON)
COUNTY OF Klamath) SS



this 27 day of July The foregoing instrument was acknowledged before me
Loretta M. Cheyne. , 1988, by James C. Cheyne and

David P. Hager
Notary Public for Oregon
My commission expires: 7/1/89

After recording, return to:
Jonathon L. Goodling
Miller, Nash, Wiener,
Hager & Carlsen
111 S.W. Fifth Avenue
Portland, Oregon 97204-3699

Parcel 2 - West Shed

That portion of the S 1/2 SW 1/4 of Section 16, Township 41 South, Range 12 East of the Willamette Meridian, described as follows:

Beginning at the intersection of the Northeasterly line of the Great Northern Railroad right of way, 300 feet wide, as described in Deed recorded in Volume 96, page 109, of Deed Records of Klamath County, Oregon, with the Northwesterly line of the Depot Road, 80 feet wide, as described in deed recorded in Volume 96, page 173 of Deed Records of said County; thence North 71°45' East along said Depot road a distance of 263.29 feet to the true point of beginning of this description; thence North 165.23 feet; thence West 549.60 feet to the Northeasterly line of said Railroad right of way; thence following the boundary line of said Railroad right of way to its intersection with the North line of the South half of the Southwest Quarter of Section 16, thence East along said North line to the Northeast corner of the Southeast quarter of the Southwest quarter; thence South along the East line of said Southeast Quarter of the Southwest Quarter, 277.90 feet, more or less to the intersection with the Northwesterly line of the Depot Road; thence Southwesterly along the Northwesterly line of the Depot Road to the point of beginning. EXCEPTING therefrom an additional portion conveyed to the Great Northern Railway by Deed recorded in Volume 105 page 209, records of Klamath County, Oregon.

Parcel 1 - Malin Industrial Acreage

11238

Those portions of Government Lots 3 and 6 lying South of the Merrill-Malin Highway in Section 16, Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon, Except the following described portions thereof:

That portion deeded to Klamath County, Oregon, for roadway, by Deeds recorded on pages 477 and 478 of Volume 35 of Deeds.

Also, that portion deeded to United States of America for irrigation canal, by deed recorded on page 205 of Volume 46 of Deeds,

Also, that portion conveyed to Modoc Northern Railway Company by Deed recorded on page 67 of Volume 35 of Deeds.

Also, that portion conveyed to Vaclav Rajnus, by Deed recorded on page 615 of Volume 48 of Deeds.

Also, that portion conveyed to the California Oregon Power Company by Deed recorded on page 224 of Volume 67 of Deeds.

Also that portion conveyed to Vaclav J. Spolek, by Deed recorded on page 180 of Volume 94 of Deeds.

And also that portion conveyed to Klamath County for roadway by Deed recorded on page 101 of Volume 96 of Deeds, all records of Klamath County, Oregon.

Also except those portions of said Lot 6 and Lot 3 included in the following described parcel:

Commencing at the Southwest corner of the SE 1/4 NE 1/4 of Section 16, Township 41, South, Range 12 East of the Willamette Meridian, which point is on the center line of the Merrill-Malin Highway; thence South to a point on the South right of way line of said Highway, which latter point is the true point of beginning; thence West along the South right of way line of said Highway 240 feet to a point; thence South at right angles 300 feet; thence East 240 feet, more or less to the East line of Government Lot 6 in said Section 16; thence North 300 feet, more or less to the true point of beginning; being a portion of Government Lots 3 and 6 in Section 16.

ALSO EXCEPTING "Tract 1181 situated in Government Lot 6, Section 16, Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows: Beginning at the initial point marked by a 2"x36" galvanized steel pipe, said point being at the intersection of the West line of the supplemental plat of the City of Malin and the South line of Railroad Avenue extended said point also being South 00°14'00" West 430.00 feet and North 89°46'00" West 1321.37 feet from the East 1/4 corner of said Section 16, as shown in said supplemental plat; thence South 00°11'40" West along the West line of said plat, 677.17 feet to the Northerly right of way of Depot Road, thence South 71°23'40" West along said right of way 253.53 feet; thence North 00°11'40" East 758.87 feet; thence South 89°48'20" East 240.00 feet to the point of beginning.

EXHIBIT B

Parcel 3 - Tulanna Cellar

11239

The East 250 feet of Government Lot 3, Section 30, Township 35 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon.

Parcel 4 - East Shed

A tract of land situated in Farm Unit "C" and Government Lot 6 being in the SE 1/4 of Section 16, Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the East 1/4 corner of said Section 16; thence South 00°14' West 1150.00 feet to the intersection of Broadway and Rosicky Avenue; thence North 89°46' West along the centerline of said Rosicky Avenue and its extension, 2087.16 feet to a point marking the true point of beginning; thence South 00°14' West 216 feet, more or less, to the Northerly right of way line of Depot Road; thence South 71°23'40" West along said right of way line 588 feet, more or less, to the West line of the SE 1/4 of said Section 16; thence Northerly along the West line of the said SE 1/4 406 feet, more or less, to a point which bears North 89°46' West from the true point of beginning; thence South 89°46' East 557 feet, more or less to the true point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Jonathon L. Goodling the 15th day
of July A.D., 19 88 at 12:56 o'clock P. M., and duly recorded in Vol. M88
of Mortgages on Page 11233

FEE \$43.00

Evelyn Biehn
By Pauline Mullendore County Clerk

Ret: Jonathon L. Goodling
111 S. W. Fifth Ave.
Portland, Or. 97204-3699

EXHIBIT B

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43.00