

MORTGAGE

DATE: August 5, 1988

PARTIES: L. Q. DEVELOPMENT, OREG. LTD.
an Oregon Limited Partnership
4426 Anderson
Klamath Falls, OR 97603

MORTGAGOR

BRANDSNESS, BRANDSNESS & DAVIS, P.C.
411 Pine Street
Klamath Falls, OR 97601

MORTGAGEE

SECTION 1. CONVEYANCE

For value received by Mortgagor from Mortgagee, Mortgagor hereby mortgages, grants, bargains, sells and conveys to Mortgagee, its successors and assigns, the following-described real property, situated in the County of Klamath, State of Oregon, to-wit:

Block 1; Lots 1 thru 8
Block 2; Lots 1, 2, 3, 4, 3, 19, 20,
21, 22, and 23.

Lockford Subdivision Tract #1228 all according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon

together with the appurtenances now or hereafter belonging to the property, and all the rents, issues and profits arising or to arise therefrom. All property subject to this Mortgage is hereinafter referred to as the (Mortgaged Premises). Until default, Mortgagor may remain in possession of the Mortgaged Premises and may manage and collect all rents and revenues from the Mortgaged Premises.

SECTION 2. PURPOSE

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained and all monies due and payable as a result of the Attorney Fee Agreement dated August 2, 1988 and for the further sum of any and all ad valorem taxes paid by the Mortgagee on behalf of the Mortgagor. Any person having an interest in the above-mentioned real estate should contact the office of the Mortgagee to ascertain the amount due under this Mortgage and the additions to that amount through the terms of this Mortgage and the provisions of ORS 312.160.

SECTION 3. WARRANTY OF TITLE

At the time of execution and delivery of this Mortgage, Mortgagor is the owner of the Mortgaged Premises in fee simple, Mortgagor has the right and authority to mortgage the Mortgaged Premises as provided in this Mortgage, and the Mortgaged Premises are free and clear of liens and encumbrances, except 1) unpaid ad valorem taxes due to Klamath County, Oregon; 2) that Deed of Trust dated September 11, 1985. Mortgagor will defend Mortgagee's right against any liens and encumbrances other than those listed in this Mortgage.

SECTION 4. PAYMENT AND PERFORMANCE

Mortgagor will pay, when due, the indebtedness secured by this Mortgage in accordance with the terms thereof. Mortgagor will strictly perform all obligations of this Mortgage and of the Attorney Fee Agreement executed in connection with the indebtedness secured by this Mortgage.

SECTION 5. LOT RELEASES

Mortgagor may obtain releases from Mortgagee of individual lots secured by this Mortgage by payment to the Mortgagee of \$1,000 or a proportionate share of the attorney fees then due, whichever is larger, plus accrued interest, based upon the Attorney Fee Agreement/Note dated August 2, 1988. The proportionate share is to be determined by multiplying the attorney fees due by the ratio of one over the number of lots remaining unsold.

This lot release and payment procedure will be repeated until all lots are released or all matters for which the Attorney Fee Agreement/Note was established are complete and the debt is discharged.

SECTION 6. CHARGES AGAINST MORTGAGED PREMISES

6.1 Taxes and Utilities. Mortgagor will pay when due all taxes, assessments, water and other charges for utility services that may be levied, assessed or charged upon or against the mortgaged premises, or any part thereof.

6.2 Failure to Pay. In case of default in payment of any charges Mortgagor is required to pay pursuant to this Mortgage, Mortgagee, its successors and assigns, may at its option pay any taxes and/or assessments due or claimed to be due under any legislative power of authority or under any valid contract; and any amounts so paid by Mortgagee shall become part of the principal debt; and amounts so paid by Mortgagee shall bear interest at the rate of 12% from the date of payment.

SECTION 7. DEFAULT

7.1 Events of Default. The occurrence of any one or more of the following events shall constitute a default hereunder (a Default):

- (a) Mortgagor's default in the timely payment of any indebtedness to Mortgagee when due;
- (b) Mortgagor's failure to perform or observe all the provisions of this Mortgage;
- (c) The happening of an event of default under any other agreement or security instrument between Mortgagor and Mortgagee;
- (d) Mortgagor's insolvency or inability to pay its debts as they mature or Mortgagor's assignment for the benefit of creditors or filing of a voluntary petition in bankruptcy, or a voluntary petition seeking reorganization, or effecting a plan or other arrangement with creditors, or filing an answer consenting to or taking any other action indicating acquiescence in any involuntary petition pursuant to, or

purporting to be pursuant to, any bankruptcy, reorganization or insolvency laws of any jurisdiction, or adjudication of Mortgagor as bankrupt or insolvent by a court of competent jurisdiction or appointment of a receiver for any substantial portion of Mortgagor's property.

7.2 Remedies on Default. If any default occurs, Mortgagee may, at its option, declare the entire unpaid balance of principal and accrued interest secured by this Mortgage immediately due and payable, together with any prepayment penalties imposed by any agreement or security agreement between Mortgagor and Mortgagee, and foreclosure proceedings may be immediately commenced. All rights and remedies of Mortgagee shall be cumulative and nonexclusive and in addition to any other right or remedy contained in this Mortgage or otherwise available under applicable law. The failure of Mortgagee to exercise any option given hereunder shall not be taken or deemed a waiver of its right to exercise its option as to any past or subsequent violation of any covenants or stipulations.

SECTION 8. ATTORNEY FEES AND OTHER COSTS

In the event suit or action is begun to foreclose this Mortgage, Mortgagor will pay, in addition to the costs and disbursements allowed by law, such sum as the Court may adjudge reasonable attorney fees in such suit or action or upon any appeal or petition for review. Mortgagor will also pay such sum as the Court may adjudge reasonable for the necessary examination and search of the public records respecting the title to the mortgaged premises.

SECTION 9. MISCELLANEOUS

9.1 Nonwaiver. No condition of this Mortgage shall be deemed waived unless expressly waived in writing by Mortgagee.

9.2 Notices. Whenever any notice, demand or request is required by the terms of this Mortgage or by any law now in existence or hereafter enacted, the notice, demand or request shall be sufficient if enclosed in a postpaid envelope addressed to Mortgagor at the last address actually furnished to Mortgagee, and deposited in any post office station or letter box.

9.3 Transfer. Mortgagor shall have the right to transfer the mortgaged premises or any lot thereof, at any time, with or without Mortgagee's consent as long as the terms of Section 5 above are complied with.

9.4 Time of Essence. Time is of the essence of this Mortgage.

9.5 Applicable Law. This Mortgage shall be governed by the law of the State of Oregon, and any question arising hereunder shall be construed or determined according to such law.

9.6 Disclaimer. This Mortgage has been prepared by William P. Brandsness of Brandsness, Brandsness & Davis, P.C. on behalf of Brandsness, Brandsness & Davis, P. C. The Mortgagor is advised to seek his own legal and financial advice and the Mortgagor hereby acknowledges that he is not depending upon said attorneys for legal or financial advice.

The parties have executed this agreement as of the date first written above.

L. Q. DEVELOPMENT, OREG. LTD., an
Oregon Limited Partnership

By: [Signature]
Mortgagor

By: [Signature]
Mortgagor

STATE OF OREGON)
County of Klamath) ss. Aug 5, 1988.

Personally appeared the above-named REGINALD R. LeQUIEU and ALBERT LeQUIEU, who being duly sworn, stated that they are the General Partners of L. Q. Development, Oreg. Ltd. and acknowledged the foregoing instrument to be their voluntary act. Before me:

[Signature]
Notary Public for Oregon

My Commission expires: 8-14-89

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Brandsness, Brandsness & Davis the 8th day
of Aug. A.D. 19 88 at 3:58 o'clock P.M., and duly recorded in Vol. M88,
of Mortgages on Page 12775.

Evelyn Biehn County Clerk

By [Signature]

FEE \$23.00

Return: Brandsness, Brandsness & Davis
411 Pine St.
Klamath Falls, Or. 97601