

Filed for and Return to:
North Cascades National Bank
P.O. Box 1648
Chelan, WA 98816-1648

MTC 45332
MORTGAGE

For value received the undersigned, THOMAS J. PURTZER and REGINA M. PURTZER, husband and wife ("Mortgagor" or "Borrower"), mortgages to NORTH CASCADES NATIONAL BANK, a national banking association, and its successors and assigns (the "Mortgagee" or "Lender") the following described property situated in the County of Klamath, Oregon (the "property"), to wit:

SEE ATTACHED EXHIBIT "A"

together with all interest and estate in such property that Mortgagor may hereafter acquire and together with all tenements, hereditaments, improvements, fixtures, and appurtenances, now or hereafter belonging or in anyway appertaining to the property, royalties, mineral, oil and gas rights and profits, water and water rights appertaining to or associated with the property, and all replacements and additions thereto, and the rents, issues and profits thereof, and Mortgagor hereby grants a security interest to Mortgagee in such tenements, hereditaments, appurtenances, rents, issues, profits, improvements, fixtures and other property and property rights.

Secured Obligations. This Mortgage is for the purpose of securing performance of each agreement of Mortgagor herein contained, and payment of the sum of Seven Hundred Fourteen Thousand and no/100 Dollars (\$714,000.00), with interest from the date Lender disburses principal in accordance with the terms of a Promissory Note of even date herewith payable to Mortgagee or order, and made by Mortgagor, and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced in the future by Mortgagee to Mortgagor, or any of their successors or assigns, whether pursuant to the Promissory Note or any other note or agreement, together with interest thereon at such rate as shall be agreed on. The final maturity date of the Promissory Note is January 1, 2004; however, the Promissory Note is subject to the terms and conditions of a Promissory Note Addendum which may result in a final maturity date of January 1, 2014. This Mortgage also secures any advances made by the Holder of the Promissory Note to protect such Holder's interest in the property from loss of value, plus interest thereon at the DEFAULT RATE of interest, as defined in the Promissory Note, together with costs and fees for collection of such sums advanced, and reasonable attorneys' fees of the Holder of the Promissory Note.

Mortgagor Commitments. To protect the security of this Mortgage, Mortgagor represents, warrants and agrees as follows:

Payment. Mortgagor shall pay and perform all of the obligations secured by this Mortgage when due. All of Mortgagor's obligations shall be joint and several.

Ownership. That Mortgagor owns the mortgaged property in fee simple, unless otherwise specifically set forth above; that Mortgagor has a lawful right to mortgage the property and that the property is free of adverse claims, encumbrances, limitations, liens and charges of any type whatsoever except as specifically set forth below:

Repair; Waste; No Illegal Use. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure, or improvement being built or about to be built thereon within two years after the beginning of construction; to restore promptly any building, structure, or improvement on the property that may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.

Taxes, Assessments, Encumbrances. To pay before delinquent all lawful taxes and assessments on the property; and to keep the property free and clear of all other charges, liens, or encumbrances impairing the security of this Mortgage.

Insurance. To keep all improvements now existing or hereafter erected on the property described herein insured against loss by fire or other hazards with a fire and extended coverage policy, as may be designated by Mortgagee in an amount not less than the full insurable value up to at least the total debt secured by this Mortgage, and to name Mortgagee as loss payee on any such policy.

All policies shall include a standard mortgagee clause. Mortgagor shall provide proof of payment of insurance to Mortgagee not later than five (5) days prior to the expiration of the policy renewed. Mortgagor shall provide Mortgagee with a certificate of insurance providing that no insurance called for under this Mortgage may be cancelled without at least thirty (30) days prior written notice to Mortgagee. Mortgagor specifically understands that failure to provide the insurance and failure to provide proof of the insurance to Mortgagee, as provided above, are defaults under the Mortgage.

Unless Mortgagee and Mortgagor otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the property damaged, provided such restoration, or repair is economically feasible and the security of this Mortgage is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Mortgage would be impaired, the insurance proceeds shall be applied to the sums secured by this Mortgage, with the excess, if any, paid to the Mortgagor.

Unless Mortgagee and Mortgagor otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the next payment or change the amount of such payment.

Attorney Fees. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee, and to pay all expenses, including cost of title search and attorney's fees in a reasonable amount in any such action or proceedings, and should Mortgagee retain the services of an attorney to enforce this Mortgage, or if suit is brought by Mortgagee to foreclose this Mortgage, to pay all costs and reasonable attorney's fees incurred by Mortgagee. Costs and attorneys' fees include attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services.

Reimbursement of Other Expenses. Mortgagor agrees to reimburse Mortgagee upon demand for any expenses incurred by Mortgagee in exercising any of its rights under this agreement, or taking any steps reasonable and necessary to protect the collateral and the property, which expenses shall be added to and be part of the debt secured by this Mortgage.

Cure by Mortgagee. Should Mortgagor fail to pay when due, any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property hereinabove described, Mortgagee may pay the same, and the amount so paid, with interest at the DEFAULT RATE set forth in the Note secured hereby, shall be added hereto and become a part of the debt secured in this Mortgage, and shall be due and payable at the same time as the next payment on the Note secured by this Mortgage.

WARNING

Unless Borrower provides Lender with evidence of the insurance coverage required by this Mortgage, Lender may purchase insurance at Borrower's expense to protect Lender's interest. This insurance may, but need not, also protect Borrower's interest. If the property becomes damaged, the

coverage Lender purchases may not pay any claim Borrower makes or any claim made against Borrower. Borrower may later cancel this coverage by providing evidence that Borrower has obtained property coverage elsewhere.

Borrower is responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to Borrower's loan balance. If the cost is added to Borrower's loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date Borrower's prior coverage lapsed, or the date Borrower failed to provide proof of coverage.

The coverage Lender purchases may be considerably more expensive than insurance Borrower can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

Protect Mortgage. To protect and defend the interest of Mortgagee and the mortgaged property against adverse claims of any nature whatsoever.

Inspection. To permit the inspection by Mortgagee of the mortgaged property at any time and as often as Mortgagee may desire.

Recovery of Costs and Fees. To pay, if any obligation secured by this Mortgage is referred to an attorney for collection in whole or in part, a reasonable attorneys' fee, whether or not suit is instituted on such obligation, and to pay all other expenses incurred by Mortgagee in such collection or in realization upon this Mortgage, including but not limited to expenses of title search. Costs and attorneys' fees include attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services.

Release of Property. That Mortgagee may at any time, without notice, release parts or all of the mortgaged property from the lien of this Mortgage without thereby effecting the personal liability of any person whomsoever for the payment of any obligation secured by this Mortgage.

No Transfer or Assignment. Not to Assign or Transfer any right, title or interest of the Mortgagor in any of the rents or profits of the mortgaged premises, or in the property itself, without the prior written consent of the Mortgagee.

Payments by Mortgagee. If the real property described herein is subject to an existing contract, mortgage, or any other obligation, which Mortgagee is to pay, Mortgagee agrees to make such payments in accordance with the terms thereof and upon default the Mortgagor shall have the right to make any payments necessary to remove the defect and any payments so made shall be applied to the payments next falling due the Beneficiary under the Note secured by this Mortgage.

Hazards: Taking or Destruction of Property. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion thereof as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Mortgagee to be applied to the obligations secured by this Mortgage.

Default and Remedies. On default in the payment of any indebtedness or other amounts secured hereby or in the performance of any agreement contained herein, in the Promissory Note secured hereby, or in any other agreement executed to secure the Promissory Note referred to above, or in the event Mortgagee deems itself to be insecure, all sums secured by this Mortgage shall immediately become due and payable

without notice, at the option of the Mortgagee. In addition, Mortgagee shall have all other remedies provided by law.

Representation, Warranties and Indemnity Regarding Hazardous Substances.

Mortgagor hereby represents, warrants and certifies to Lender and agrees as follows: Mortgagor has duly investigated the present and past uses of the property and has made due inquiry as to whether the property or any property in the immediate vicinity has been or is the site of storage or contamination by any hazardous substances. Upon Mortgagee's request, Mortgagor will provide Mortgagee with a summary of its investigations and copies of all inquiries and responses.

Mortgagor represents that as of the date of execution of this Mortgage it has no knowledge, after due investigation, of any failure to comply with applicable Local, State and Federal environmental laws, regulations, ordinances and administrative or judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any hazardous substances, on or involved in or associated with the use of the property.

Mortgagor has no knowledge, after due investigation, of the presence of any hazardous substances or toxic substances or hazardous or toxic emissions, or of any spills, releases, discharge or disposal of any hazardous substances that have occurred or are presently occurring on the property.

For purposes of this agreement, "hazardous substances", "toxic substances" or "hazardous" or "toxic" emissions shall mean any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, hazardous, toxic or radioactive substance or other similar term by any federal, state or local environmental statute, regulation or ordinance presently in effect or that may be promulgated in the future, and shall include petroleum or petroleum based products.

Mortgagor agrees to immediately notify Mortgagee if Mortgagor becomes aware of any hazardous substance or other environmental problem related to the property.

At its own cost, Mortgagor will take all actions which are necessary or desirable to clean up any hazardous substances effecting the property including removal, containment or other remedial action.

Mortgagor shall and hereby agrees to indemnify and hold Mortgagee harmless from and against any and all claims, demands, damages, losses, liens, liabilities, penalties, fines, lawsuits and other proceedings and costs and expenses (including attorneys' fees and disbursements) which accrue to or are incurred by Lender on or after transfer of the property, pursuant to foreclosure proceedings or in lieu thereof, and arise directly or indirectly from or out of, or in any way connected with (a) the inaccuracy of the certifications contained herein, (b) any activities on the property during Mortgagor's ownership, possession or control of the property which directly or indirectly result in the property or any other property becoming contaminated with hazardous substances, (c) the discovery of hazardous substances on the property or any other property and (d) the clean-up after such a transfer of hazardous substances from the property or any other property. Mortgagor acknowledges that it will be solely responsible for all costs and expenses relating to the clean-up of hazardous substances from the property or from any other property.

Time of Essence; Remedies; Deficiency Judgment. That time is of the essence of this Mortgage and of every obligation secured by it, that all rights and remedies conferred by this Mortgage upon Mortgagee are cumulative and are not exclusive of any other rights or remedies or powers which Mortgagee may have by law or by contract; that Mortgagee may take a personal deficiency judgment for the debts and obligations secured hereby so that said debts and obligations may be paid in full irrespective of this

security. Mortgagor agrees that Mortgagee is not obligated to proceed to collect on the security before proceeding to collect personally from the Mortgagor.

Zoning and Use. Mortgagor represents that the property is in compliance with applicable zoning and use rules and regulations and that such rules and regulations allow the use of the property for the purposes contemplated and as represented by Mortgagor to Mortgagee.

Unenforceable Provision. Mortgagor agrees that if any provision, clause or portion of this Mortgage is judged unlawful or unenforceable for any reason, the provision or clause so judged shall be deemed stricken and the balance of the Mortgage shall be unaffected thereby and shall remain in full force and effect.

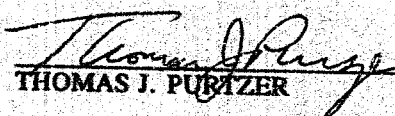
Due on Sale. If all or any part of the property described herein or an interest therein is sold or transferred by Mortgagor without Mortgagee's prior written consent, Mortgagee may, at Mortgagee's option, declare all the sums secured by this Mortgage to be immediately due and payable.

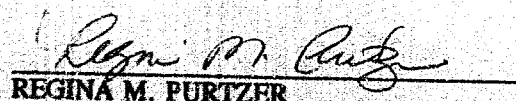
Benefit and Burden. This Mortgage applies to, inures to the benefit of and is binding not only on the parties hereto, but on their heirs, successors and assigns. The term "Mortgagee" shall mean the holder and owner of the Note secured hereby, whether or not named as Mortgagee herein.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

Under Oregon law, most agreements, promises and commitments made by Lender after October 3, 1989, concerning loans and other credit extensions which are not for personal, family or household purposes or secured solely by the Borrower's residence must be in writing, express consideration and be signed by Lender to be enforceable.

DATED effective the 7th day of January, 1999.


THOMAS J. PURTZER

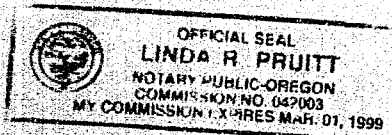

REGINA M. PURTZER

STATE OF OREGON

County of Jackson

This instrument was acknowledged before me on Jan 11, 1999 by
THOMAS J. PURTZER.

Linda R. Pruitt
(printed name)
NOTARY PUBLIC, State of Oregon
My appointment expires 3-1-99

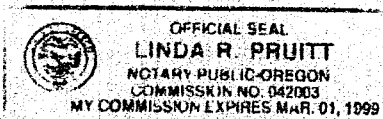


STATE OF OREGON

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REGINA M. PURTZER.

Linda R. Pruitt
(printed name)
NOTARY PUBLIC, State of Oregon
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**BALLOON NOTE EXTENSION/MODIFICATION RIDER TO
SECURITY INSTRUMENT**

(Conditional Right to Extend/Modify)

**THIS BALLOON NOTE EXTENSION/MODIFICATION RIDER TO
SECURITY INSTRUMENT** is made this 7th day of January,
1999, and is incorporated into and shall be deemed to amend and supplement the
Mortgage to secure debt dated the same date as this Rider (the "Security Instrument")
made by THOMAS J. PURTZER and REGINA M. PURTZER, husband and wife, (the
"Borrowers") in favor of NORTH CASCADES NATIONAL BANK, and its successors,
assigns and transferees (the "Lender"), to secure Borrower's obligations under a
Promissory Note of even date (the "Note").

The provisions of the Security Instrument are amended and supplemented as
follows:

1. Conditional Right to Extend/Modify. Pursuant to the terms of a Balloon
Note Addendum (Conditional Right to Extend/Modify) (the "Note Addendum"), the
Borrower has two conditional options to extend/modify the term of the Note for an
additional period of 60 months each, and to reset the interest rate equal to the Federal
Agricultural Mortgage Corporation's required net yield for 5-year fixed rate mortgages
subject to a 60-day mandatory delivery commitment, plus .400 % in effect on the date
and time of day that the Note Holder receives notice of Borrower's election to exercise a
conditional option to extend/modify. The conditions for the exercise of such option are
set forth in the Note Addendum. The Security Instrument shall continue to secure
Borrower's obligations under the Note and any extensions/modifications of the Note
(each such extension/modification being a "Modification Note" under the Note
Addendum).

2. Miscellaneous. Except as specifically modified by this Rider, the Security
Instrument shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower has identified this Rider as a part of
the Security Instrument and has executed this Rider as of the date set forth above.

WITNESS/ATTEST:

[Signature]
WITNESS

[Signature]
WITNESS

By: [Signature]
THOMAS J. PURTZER

By: [Signature]
REGINA M. PURTZER

EXHIBIT "A" **LEGAL DESCRIPTION**

PARCEL 1

A parcel of land located in portions of Sections 31 and 32, Township 38 South, Range 11 1/2 East of the Willamette Meridian, and Section 5, Township 39 South, Range 11 1/2 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at a point on the West line of Section 32, Township 38 South, Range 11 1/2 East of the Willamette Meridian, Klamath County, Oregon from which point the Southwest corner of said Section 32 bears South 0 degrees 39' 08" West 173.01 feet distant; thence North 0 degrees 30' 08" East 1130.97 feet to the South 1/16 corner common to Sections 31 and 32; thence North 89 degrees 23' 45" West 1324.66 feet to the Southeast 1/16 corner of Section 31; thence along the 1/16 Section line North 0 degrees 31' 29" East 1821.16 feet to the Southerly right of way line of the O.C. & E. Railroad; thence along said right of way line South 89 degrees 51' 30" East 1323.97 feet to its intersection with the West line of Section 32; thence North 0 degrees 30' 08" East 100.00 feet to the Northerly right of way line of the O.C. & E. Railroad; thence along said right of way line South 89 degrees 51' 30" East 238.48 feet; thence, leaving said right of way line, North 0 degrees 58' 27" West 663.55 feet to a point on the Southerly right of way line of State Highway 140; thence along said right of way line North 87 degrees 48' 03" East 74.28 feet; thence 233.07 feet along the arc of a 5699.58 foot radius curve to the right, the long chord of which bears North 88 degrees 58' 20" East 233.04 feet; thence South 89 degrees 51' 22" East 793.02 feet; thence North 89 degrees 57' 40" East 3972.46 feet to a point on the East line of Section 32; thence, leaving said highway right of way line, South 0 degrees 38' 57" West along the East line of Section 32 3388.87 feet to a point; thence, along an existing fence line, South 79 degrees 47' 33" West 451.44 feet; thence South 69 degrees 53' 43" West 797.73 feet; thence South 40 degrees 15' 25" West 236.92 feet; thence South 5 degrees 08' 47" West 253.49 feet to a point in an existing fence line; thence, along said fence line, South 22 degrees 34' 24" West 384.64 feet; thence South 51 degrees 14' 35" West 528.50 feet; thence South 74 degrees 03' 10" West 284.95 feet; thence North 76 degrees 10' 34" West 256.59 feet; thence North 52 degrees 15' 26" West 201.63 feet; thence North 84 degrees 32' 50" West 574.37 feet; thence leaving said fence line, North 50 degrees 17' 38" West 319.51 feet; thence North 77 degrees 13' 10" West 222.13 feet; thence South 87 degrees 22' 56" West 173.85 feet to a point in a North-South fence line; thence along said North-South fence line, North 0 degrees 16' 05" East 711.54 feet to the center of an East-West ditch; thence along the center line of said ditch and the Westerly extension thereof, North 89 degrees 34' 20" West 1472.26 feet to the point of beginning. EXCEPTING THEREFROM that portion lying within the right of way of the O.C. & E. Railroad.

PARCEL 2:

A portion of Section 32, Township 38 South, Range 11 1/2 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point on the West line of Section 32 at its intersection with the Northerly right of way line of the O.C. & E. Railroad, from which point the 1/4 corner common to Sections 31 and 32 bears South 0 degrees 30' 08" West, 627.87 feet distant; thence along the section line North 0 degrees 30' 08" East 654.38 feet to a point on the Southerly right of way line of Highway 140; thence along said right of way line North 87 degrees 48' 03" East 221.63 feet; thence leaving said right of way line South 0 degrees 58' 27" East 663.55 feet to a point on the Northerly right of way line of the O.C. & E. Railroad; thence along said right of way line North 89 degrees 51' 30" West 238.48 feet to the point of beginning.

EXHIBIT 'A'
LEGAL DESCRIPTION (continued)

PARCEL 3:

That portion of the SE1/4 NE1/4 of Section 32, Township 38 South, Range 11 1/2 East of the Willamette Meridian, Klamath County, Oregon, described as follows:

Commencing at the intersection of the East line of said Section 32 with the Northerly line of Grantor's 100 foot railroad right of way ("Northerly right of way line"); thence run Northerly along the East line of said Section 32 a distance of 25 feet to the True Point of Beginning; thence run Westerly along a line that is 25 feet Northerly of, and parallel with, said Northerly right of way line a distance of 526 feet; thence run Northerly, at right angles to said Northerly right of way line, a distance of 150 feet; thence run Easterly, parallel with said Northerly right of way line, a distance of 466 feet, more or less, to a point 60 feet Westerly of said East line of said Section 32; thence run Northerly, parallel with the East line of said section 32, a distance of 500 feet, more or less, to the Southerly right of way line of the Klamath Falls-Lakeview Highway; thence run Easterly along said Southerly highway right of way line to the East line of said Section 32; thence run Southerly along said East line of said Section 32 to the True Point of Beginning and the end of this description.

Including all water rights included in Abstract of Permit No.: U-243,
 Application No.: U-271, Certificate No.: 28200.

STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 12th day
 of January A.D. 99 at 3:35 o'clock P. M., and duly recorded in Vol. M99
 of Mortgages on Page 1023.

FEE \$50.00

Linda Smith, County Clerk

by Kathleen Rosa