

SIX (36), IN TOWNSHIP FOUR (4) NORTH OF RANGE SEVEN AND ONE-HALF ($7\frac{1}{2}$) EAST OF THE WILLAMETTE MERIDIAN;

TOGETHER WITH THE LOGGING RAILROAD, DONKEY ENGINES AND ALL MACHINERY, FIXTURES, EQUIPMENT, STRUCTURES AND IMPROVEMENTS OF EVERY DESCRIPTION LOCATED ON OR USED IN CONNECTION WITH OPERATIONS CONDUCTED ON THE ABOVE DESCRIBED PROPERTIES, OR ANY PART THEREOF.

THE ABOVE DESCRIBED PROPERTIES SHALL BE HELD BY THE "TRUSTEE" AS SECURITY FOR THE FOLLOWING DESCRIBED PURPOSES:

(1) TO SECURE THE REPAYMENT TO THE "TRUSTEE" OF A NOTE FOR THIRTY SEVEN THOUSAND SEVEN HUNDRED NINETY ^{THREE} DOLLARS AND EIGHTY CENTS (\$37,793.80), OF EVEN DATE HEREWITH, PAYABLE ON OR BEFORE ONE YEAR AFTER DATE, INCLUDING PRINCIPAL AND INTEREST AT THE RATE OF SEVEN PER CENT (7%) PER ANNUM, AND INCLUDING ANY RENEWAL OR EXTENSION OF SAID NOTE, OR ANY PART THEREOF.

(2) TO SECURE THE REPAYMENT TO THE "TRUSTEE" OF ANY PAYMENTS WHICH HE MAY MAKE TO PROTECT HIS SECURITY HEREUNDER, INCLUDING TAXES, LIENS, INSURANCE, REPAIRS, AND SIMILAR CHARGES FOR THE PROTECTION AND PRESERVATION OF THE PROPERTIES AND OF THE "TRUSTEE'S" SECOND MORTGAGE.

(3) TO SECURE THE FULL PERFORMANCE BY THE "COMPANY" OF ALL TERMS, COVENANTS AND CONDITIONS UNDERTAKEN BY IT HEREUNDER.

THE "COMPANY" COVENANTS AND AGREES THAT IT HOLDS TITLE TO THE ABOVE DESCRIBED PROPERTIES, FREE AND CLEAR OF ALL LIENS OR INCUMBRANCES PRIOR TO THE LIEN OF THIS MORTGAGE, EXCEPT A FIRST MORTGAGE, OF EVEN DATE HEREWITH, IN FAVOR OF LADD & TILTON BANK, AN OREGON CORPORATION, FOR \$154,809.99, BESIDES INTEREST; THAT IT WILL PAY ALL TAXES, ASSESSMENTS OR OTHER CHARGES LEVIED OR ASSESSED AGAINST SAID PREMISES DURING THE LIFE OF THIS MORTGAGE PROMPTLY AS THE SAME SHALL BECOME DUE AND PAYABLE; THAT IT WILL KEEP ALL IMPROVEMENTS LOCATED ON THE ABOVE PREMISES INSURED IN RELIABLE INSURANCE COMPANIES APPROVED BY THE "TRUSTEE", IN SUCH AMOUNT AS IT IS ABLE IN SOUND BUSINESS JUDGMENT TO PLACE THEREON, AT RATES NOT PROHIBITIVE, AND THAT IT WILL PAY ALL PREMIUMS NECESSARY TO KEEP THE POLICIES THEREOF IN FORCE. ALL POLICIES SHALL CONTAIN A CLAUSE MAKING THE LOSS PAYABLE FIRST TO LADD & TILTON BANK, TO THE MAXIMUM EXTENT OF THE INDEBTEDNESS OF THE "COMPANY" TO IT, AND IF THERE IS ANY SURPLUS, TO THE "TRUSTEE" TO THE EXTENT OF THE INDEBTEDNESS OF THE "COMPANY" TO HIM; THAT IT WILL KEEP THE IMPROVEMENTS LOCATED ON THE ABOVE DESCRIBED PROPERTIES AND THE EQUIPMENT USED IN CONNECTION THEREWITH IN GOOD ORDER AND REPAIR AND MAINTAIN SUFFICIENT WATCHMEN AND CARE-TAKERS TO PROTECT THE PROPERTIES AGAINST THEFT OR OTHER LOSS.

IN THE EVENT THAT THE "COMPANY" FAILS TO PAY TAXES OR OTHER CHARGES, AS PREVIOUSLY PROVIDED, OR IN THE EVENT THAT THE "COMPANY" FAILS TO MAINTAIN THE PROPERTIES OR PERFORM OTHER ACTS, AS HEREINABOVE REQUIRED, THE "TRUSTEE" MAY MAKE SUCH PAYMENTS OR PERFORM SUCH ACTS, ^{AND ANY PAYMENTS SO MADE} AND ANY EXPENSES OR COSTS INCURRED BY THE "TRUSTEE" FOR THE PURPOSES ABOVE PROVIDED, OR FOR THE PROTECTION OF HIS SECURITY, SHALL BE ADDED TO AND BECOME PART OF THE OBLIGATIONS SECURED HEREBY, AND TO BE REPAYED BY THE "COMPANY", TOGETHER WITH INTEREST THEREON AT SEVEN PER CENT (7%) PER ANNUM FROM THE DATE ON WHICH ANY SUCH PAYMENTS MAY BE MADE.

IN THE EVENT THAT THE "COMPANY" FAILS TO PAY ANY INSTALLMENT OF PRINCIPAL OR INTEREST DUE THE "TRUSTEE" PROMPTLY WHEN THE SAME SHALL BECOME DUE AND PAYABLE, OR, IN THE EVENT THAT THE "COMPANY" FAILS TO CARRY OUT ANY OTHER TERMS, COVENANT OR CONDITION TO BE PERFORMED BY IT HEREUNDER, OR, IN THE EVENT THAT THE "COMPANY" IS