

MORTGAGE

May 15, 1972

28-200-5

GARTER ENTERPRISES, INC. * * * * * Mortgagor
 2636 Biehn Street, Klamath Falls, Oregon 97601 * * * Address
 United States National Bank of Oregon, Klamath Falls Branch
 740 Main Street, Klamath Falls, Oregon Address
 The Bank has loaned Mortgagor * (Borrower)
 THIRTY SEVEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS * * * * *
 \$37,500.00 * * * * * which is repayable with interest according to the terms of a promissory note dated the same as this
 mortgage, under which the final payment of principal and interest is due on or before ten years from date. The term
 "Indebtedness" as used in this mortgage shall mean (a) the principal and interest payable under the note, (b) any future amounts that the Bank
 may in its discretion loan to Borrower or Mortgagor, and (c) any sums paid or advanced by the Bank to discharge obligations of Mortgagor as
 permitted under this mortgage.

To secure payment of the Indebtedness and performance of all obligations of Mortgagor under this mortgage, Mortgagor mortgages to the Bank
 on the terms set out below the following property in Klamath County, Oregon.

That portion of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette
 Meridian, described as follows: Beginning at a point 1280 feet East and 1080 feet North from
 the section corner common to Section 19, 20, 29, and 30, Township 38 South, Range 9 East of
 the Willamette Meridian, and running thence North 261.7 feet; thence West 271 feet; thence
 South 261.7 feet; thence East 271 feet to the place of beginning; being all of vacated blocks
 3 and 4 of Highway Addition to the City of Klamath Falls, Oregon, and portions of streets
 adjacent thereto.

Also, all furniture, furnishings, fixtures, machinery and equipment owned by the Mortgagor
 and now installed or to be installed, in the building on the above described real property,
 known as the Red Garter, 2636 Biehn Street, Klamath Falls, Oregon, together with all additions,
 substitutions and replacements thereof, and the Mortgagor will upon request, execute a
 further mortgage on all of such after-acquired property in terms similar to these presents,
 to the intent that all such after-acquired property shall be effectively held as security
 for the payment of the debt hereby secured. Including but not limited to the property
 described as follows: All tables, chairs, stools, pool tables, refrigeration, ice machine,
 heating and air conditioning, and carpeting installed in the building at 2636 Biehn Street.

together with all appurtenances, all existing or subsequently erected
 or affixed improvements or fixtures, and all equipment, furnishings and
 other articles of personal property now or subsequently located on or
 used in connection with the property, all of which is collectively referred
 to as the Property.

1. Possession and Maintenance of the Property.

1.1 Until in default, Mortgagor shall remain in possession and control
 of the Property and to the extent that the Property consists of commercial
 improvements shall be free to operate and manage the Property and receive the proceeds of operation. The Property shall be maintained
 in good condition at all times, Mortgagor shall promptly make all
 necessary repairs, replacements and renewals so that the value of the
 Property shall be maintained, and Mortgagor shall not commit or permit
 any waste on the Property. Mortgagor shall comply with all laws, ordi-
 nances, regulations and private restrictions affecting the Property.

1.2 To the extent that the Property constitutes commercial property
 or a farm or orchard, Mortgagor shall operate the Property in such
 manner as to prevent deterioration of the land and improvements includ-
 ing fences, except for reasonable wear and tear from proper use, and
 to the extent that the land is under cultivation, shall cultivate or other-
 wise operate the Property according to good husbandry.

1.3 Mortgagor shall not demolish or remove any improvement from
 the Property without the written consent of Bank.

2. Completion of Construction.

If some or all of the proceeds of the loan creating the Indebtedness
 are to be used to construct or complete construction of any improve-
 ment on the Property, the improvement shall be completed on or before
 six months from the date of this mortgage and Mortgagor shall pay in
 full all costs and expenses in connection with the work.

3. Taxes and Liens.

3.1 Mortgagor shall pay before they become delinquent all taxes
 and assessments levied against or on account of the Property, and shall

pay as due all claims for work done on or for services rendered or
 material furnished to the Property. Mortgagor shall maintain the Prop-
 erty free of any liens having priority over or equal to the interest of the
 Bank under this mortgage, except for the lien of taxes and assessments
 not delinquent and except as otherwise provided in 3.2.

3.2 Mortgagor may withhold payment of any tax, assessment, or
 claim in connection with a good faith dispute over the obligation to
 pay, so long as the Bank's interest in the Property is not jeopardized.
 If a lien arises or is filed as a result of nonpayment, Mortgagor shall
 within 15 days after the lien arises or, if a lien is filed, within 15 days
 after Mortgagor has notice of the filing, secure the discharge of the lien
 or deposit with the Bank cash or a sufficient corporate surety bond or
 other security satisfactory to the Bank in an amount sufficient to dis-
 charge the lien plus any costs, attorneys' fees or other charges that could
 accrue as a result of a foreclosure or sale under the lien.

3.3 The assessor or tax collector of the county in which the Property
 is located is authorized to deliver to the Bank a written statement of the
 property taxes assessed or owing at any time.

4. Insurance.

4.1 Mortgagor shall carry such insurance as the Bank may reason-
 ably require. This shall include insurance on the Property against fire,
 additional risks covered by a standard endorsement for extended cov-
 erage, and such other risks as may be specified by the Bank including
 without limitation war risks. Insurance on the Property shall be carried
 in companies and under policies approved by the Bank and shall be
 for an amount equal to the remaining unpaid portion of the Indebted-
 ness or the full insurable value of the Property, whichever is less, and
 an amount sufficient to comply with any co-insurance provision in any
 policy.

4.2 All policies of insurance on the Property shall bear an endorse-
 ment in a form satisfactory to the Bank making loss payable to the Bank
 and shall be deposited with the Bank. In the event of loss, Mortgagor
 shall immediately notify the Bank, who may make proof of loss if it is

*Insert "Mortgagor" or the name of the borrower if different from the Mortgagor.

not made promptly by Mortgagor. Proceeds shall be paid directly to the Bank who may compromise with any insurance company and make a final settlement which shall be binding upon Mortgagor. The Bank may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration or repair of the Property.

4.3 At least 30 days prior to the expiration of any policy, a satisfactory renewal or substitute policy shall be secured by Mortgagor.

5. Reserves; Mortgage Insurance Premiums.

5.1 The Bank may require Mortgagor to maintain reserves for payment of taxes (including special assessments and other charges against the Property by governmental or quasi-governmental bodies) or premiums on insurance or both. The reserves shall be created by payment each month to the Bank of an amount determined by the Bank to be sufficient to produce, at least 30 days before they are due, amounts equal to or in excess of the taxes or insurance premiums to be paid. If at the time that payments are to be made the reserve for either taxes or insurance premiums is insufficient, Mortgagor shall upon demand pay such additional sum as the Bank shall determine to be necessary to cover the required payment.

5.2 If the Bank carries insurance covering the repayment of all or any part of the Indebtedness, the premiums for such insurance shall be paid by Mortgagor, and the Bank may require Mortgagor to maintain a reserve for such purpose in the same manner as for taxes and insurance.

5.3 If Mortgagor desires to carry a package plan of insurance that includes coverage in addition to that required under this mortgage, the Bank may at its option establish and administer a reserve for that purpose. In such event the premium attributable to the required insurance coverage shall be quoted separately, and the Bank may permit Mortgagor to furnish a certificate of insurance rather than deposit the policy as required in 4.2. If at any time the Bank holds an insufficient amount in the insurance reserve to cover the premium for the entire package policy, the Bank may, at its discretion, pay only that portion of the premium attributable to the required insurance coverage. If the blanket policy does not permit such partial payment, the Bank may use the reserve funds for the premium on a new, separate policy providing the required insurance coverage and allow the package policy to lapse. The Bank may from time to time establish reasonable service charges for the collection and disbursement of premiums on package plan insurance.

6. Expenditures by the Bank.

If Mortgagor shall fail to comply with any provision of this mortgage, the Bank may, at its option, on Mortgagor's behalf take the required action and any amount that it expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest at the rate of ten percent per annum from the date of expenditure. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which the Bank may be entitled on account of the default, and the Bank shall not by taking the required action cure the default so as to bar it from any remedy that it otherwise would have had.

7. Late Payment Penalty.

If any payment under the note is late by 15 days or more, the Bank may charge a penalty up to two cents for each dollar of payment so in arrears to cover the extra expense involved in handling delinquent payments. Collection of a late payment charge shall not constitute a waiver of or prejudice, the Bank's right to pursue any other right or remedy available on account of the delinquency.

8. Warranty; Defense of Title.

8.1 Mortgagor warrants that he holds merchantable title to the Property in fee simple free of all encumbrances other than those enumerated in the title policy, if any, issued for the benefit of the Bank in connection with this transaction and accepted by the Bank.

8.2 Subject to the exceptions in 8.1 above, Mortgagor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Mortgagor's title or the interest of the Bank under this mortgage, Borrower shall defend the action at his expense.

9. Condemnation.

9.1 If all or any part of the Property is condemned, the Bank may at its election require that all or any portion of the net proceeds of the award be applied on the Indebtedness. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Mortgagor and the Bank in connection with the condemnation.

9.2 If any proceedings in condemnation are filed, Mortgagor shall promptly take such steps as may be necessary to defend the action and obtain the award.

10. Imposition of Tax by State.

10.1 The following shall constitute state taxes to which this paragraph applies:

(a) A specific tax upon mortgages or upon all or any part of the Indebtedness secured by a mortgage.

(b) A specific tax on the owner of mortgaged property which the taxpayer is authorized or required to deduct from payments on the mortgage.

(c) A tax on mortgaged premises chargeable against the mortgagee or the holder of the note secured.

(d) A specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by a mortgagor.

10.2 If any state tax to which this paragraph applies is enacted subsequent to the date of this mortgage, this shall have the same effect as a default, and the Bank may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

(a) Mortgagor may lawfully pay the tax or charge imposed by the state tax, and

(b) Mortgagor pays or offers to pay the tax or charge within 30 days after notice from the Bank that the tax law has been enacted.

11. Transfer by Mortgagor.

11.1 Mortgagor shall not, without the prior written consent of the Bank, transfer Mortgagor's interest in the Property, whether or not the transferee assumes or agrees to pay the Indebtedness. If Mortgagor or a prospective transferee applies to the Bank for consent to such a transaction, the Bank may require such information concerning the transferee as would normally be required from a new loan applicant. The Bank shall not unreasonably withhold its consent.

11.2 As a condition of its consent to any transfer, the Bank may in its discretion impose a service charge not exceeding one percent of the original amount of the Indebtedness, any may increase the interest rate of the Indebtedness by not more than one percent per annum.

11.3 No transfer by Mortgagor shall relieve Mortgagor of liability for payment of the Indebtedness. Following a transfer, the Bank may agree to any extension of time for payment or modification of the terms of this mortgage or the promissory note or waive any right or remedy under this mortgage or the promissory note without relieving Mortgagor from liability. Mortgagor waives notice, presentment and protest with respect to the Indebtedness.

12. Security Agreement; Financing Statements.

12.1 This instrument shall constitute a security agreement with respect to any personal property included within the description of the Property.

12.2 Mortgagor shall join with the Bank in executing one or more financing statements under the Uniform Commercial Code and shall file the statement at Mortgagor's expense in all public offices where filing is required to perfect the security interest of the Bank in any personal property under the Uniform Commercial Code.

13. Release on Full Performance.

If Mortgagor pays all of the Indebtedness when due and otherwise performs all of its obligations under this mortgage and the note, the Bank shall execute and deliver to Mortgagor a suitable release and satisfaction of this mortgage and suitable statements of termination of any financing statements on file evidencing the Bank's security interest in personal property.

14. Default.

The following shall constitute events of default:

14.1 Failure of Mortgagor to pay any portion of the Indebtedness when it is due.

14.2 Failure of Mortgagor within the time required by this mortgage to make any payment for taxes, insurance, or mortgage insurance premiums or for reserves for such payments, or any payment necessary to prevent filing of or discharge any lien.

14.3 Failure of Mortgagor to perform any other obligation under this mortgage within 20 days after receipt of written notice from the Bank specifying the failure.

15. Rights and Remedies on Default.

15.1 Upon the occurrence of any event of default and at any time thereafter, the Bank may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to Borrower to declare the entire Indebtedness immediately due and payable.

(b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by judicial foreclosure in accordance with applicable law.

(c) With respect to all or any part of the Property that constitutes personally, the rights and remedies of a secured party under the Uniform Commercial Code.

(d) The right, without notice to Mortgagor, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above the Bank's costs, against the Indebtedness. In furtherance of this right the Bank may require any tenant or other user to make payments of rent or use fees directly to the Bank, and payments by such tenant or user to the Bank in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

(e) The right in connection with any legal proceedings to have a receiver appointed to take possession of any or all of the

(b) A specific tax on the owner of mortgaged property which the taxpayer is authorized or required to deduct from payments on the mortgage.

or not any proper grounds for the demand existed.

(e) The right in connection with any legal proceedings to have a receiver appointed to take possession of any or all of the

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Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. The Bank's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount.

(f) Any other right or remedy provided in this mortgage or the promissory note evidencing the Indebtedness.

15.2 In exercising its rights and remedies, the Bank shall be free to sell all or any part of the Property together or separately or to sell certain portions of the Property and refrain from selling other portions. The Bank shall be entitled to bid at any public sale on all or any portion of the Property.

15.3 The Bank shall give Mortgagor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

15.4 A waiver by either party of a breach of a provision of this agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by the Bank to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Mortgagor under this mortgage after failure of Mortgagor to perform shall not affect the Bank's right

to declare a default and exercise its remedies under this paragraph 15.

15.5 In the event suit or action is instituted to enforce any of the terms of this mortgage, the Bank shall be entitled to recover from Mortgagor such sum as the court may adjudge reasonable as Attorneys' fees at trial and on any appeal. All reasonable expenses incurred by the Bank that are necessary at any time in the Bank's opinion for the protection of its interest or the enforcement of its rights, including without limitation, the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions or title insurance, whether or not any court action is involved, shall become a part of the Indebtedness payable on demand and shall bear interest at the rate of ten percent per annum from the date of expenditure until repaid.

16. Notice.

Any notice under this mortgage shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this mortgage. Either party may change the address for notices by written notice to the other party.

17. Succession; Terms.

17.1 Subject to the limitations stated in this mortgage on transfer of Mortgagor's interest, this mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns.

17.2 In construing this mortgage the term mortgage shall encompass the term security agreement when the instrument is being construed with respect to any personal property.

GARTER ENTERPRISES, INC.

Gabby D. Gaborik President
Merle A. Hatch First Vice President
Quinton D. Million Second Vice President

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON, County of _____) ss.

_____, 19____

Personally appeared the above-named _____

and acknowledged the foregoing instrument to be voluntary act.

Before me:

Notary Public for Oregon

My commission expires: _____

(SEAL)

CORPORATE ACKNOWLEDGEMENT

STATE OF OREGON, County of Klamath) ss.

May 15, 1972

Personally appeared Gabby D. Gaborik, Merle A. Hatch, and Quinton Million, who, being sworn, stated that he, the said ~~XXXXXXX~~ Gabby D. Gaborik is a President and he, the said Merle A. Hatch is a First Vice President of Grantor corporation and that the seal annexed hereto is the seal and that this deed was voluntarily signed and sealed in behalf of the corporation by authority of its Board of Directors.

Before me:

Stephen E. Lyner
Notary Public for Oregon

My commission expires: April 12, 1975

(SEAL)

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF OREGON,

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of TRANSAMERICA TITLE INS. CO

this 16th day of May A. D., 1972 at 10:49 o'clock AM., and duly recorded in Vol. M 72, of MORTGAGES on Page 5195.

Fee \$6.00

My commission expires _____

WM. D. MILNE, County Clerk

By Hazel Dwyer

Notary Public and for said County and State.