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This Indenture, made this 2nd day of January, 1973, between

KLAMATH DEVELOPMENT CO., an Oregon corporation,

hereinafter

called "Mortgagor", and WESTERN BANK, KLAMATH FALLS BRANCH
hereinafter called "Mortgagee";

WITNESSETH:

For value received by the Mortgagor from the Mortgagee, the Mortgagor has bargained and sold and does hereby grant, bargain, sell and convey unto the Mortgagee, all the following described property situate in

Klamath

County, Oregon

DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon:

Beginning at an iron pin on the Westerly right of way line of Lakeport Boulevard as it is presently located, said point being North 89°54' West a distance of 78.32 feet and North 23°49' West a distance of 128.77 feet from the gas pipe monument on the Northwest corner of "Pelican City" subdivision, said gas pipe monument being North 89°54' West a distance of 1995.5 feet from the Southeast corner of said Section 18; thence South 79°40' West a distance of 182.53 feet to an iron pin on the Westerly line of the old Pelican Bay Lumber Company spur tract; thence Southerly and Westerly along the Westerly and Northerly line of said spur tract to an iron pin which is South 79°40' West a distance of 579.34 feet from the gas pipe monument on the Northwest corner of "Pelican City" subdivision; thence North 10°20' West a distance of 253.0 feet to an iron pin; thence South 79°40' West a distance of 860.36 feet; thence North 19°20' West a distance of 192.3 feet; thence South 79°40' West to the Westerly boundary of Lot 7, said Section 19; thence North 10°20' West along said lot line and the Westerly line of Lot 5, said Section 18 a distance of 100.0 feet; thence North 79°40' East to an iron pin on the point of intersection with the Southwesterly right of way line of the railroad spur tract known as "Wanks Spur"; thence Southeasterly parallel to and 50 feet distant at right angles from the center line of said spur tract to its intersection with the Westerly right of way line of Lakeport Boulevard as it presently is located; thence Southerly along said right of way line to the point of beginning.

EXCEPTING THEREFROM, the following described Tract of land: A tract of land situated in Lot 1, Section 18, Township 38 South, Range 9 East of the Willamette Meridian, more particularly described as follows: Beginning at an iron pin located North 89°54' West a distance of 78.32 feet; North 23°49' West a distance of 128.77 feet and North 73°10' West a distance of 151.55 feet from the gas pipe monument on the Northwest corner of "Pelican City" subdivision, said gas pipe monument being North 89°54' West a distance of 1995.5 feet from the Southeast corner of said Section 18; thence North 86°13'30" West along the Northerly line of a 20-foot roadway a distance of 57.90 feet to an iron pin; thence Northwesterly along the Northeasterly line of said roadway on a curve to the left a distance of 114 feet, more or less, to an iron pin (the long chord of said curve bears North 70°36'30" West a distance of 111.77 feet); thence North 9°48'30" West along the Easterly line of a roadway a distance of 208.40 feet to an iron pin; thence leaving said roadway at right angles thereto, North 80°11'30" East a distance of 52.00 feet to an iron pin; thence North 9°48'30" West a distance of 5.00 feet to an iron pin; thence North 80°11'30" East a distance of 111.60 feet; thence following the arc of a curved fence line to the right the following courses and distances: South 40°09' East 37.35 feet; South 21°33' East 64.7 feet; South 7°03' East 65.78 feet; South 3°58' West 72.4 feet; and South 13°39' West 54.45 feet, more or less, to the point of beginning.

connection with the said real and personal property or any part thereof.

To Have and To Hold the same unto the Mortgagee, its successors and assigns, forever.

And the Mortgagor does hereby covenant to and with the Mortgagee, that he is lawfully seized in fee simple of the said real property, that he is the absolute owner of the said personal property, that the said real and personal property is free from encumbrances of every kind and nature, and that he will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.

N-127X UB 2-70 - INDIVIDUAL - RESIDENTIAL OR BUSINESS (TAXES, INSURANCE, ETC., INCLUDED)

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained, to be by the Mortgagor kept and performed, and to secure the payment of the sum of \$ 200,000.00 and interest thereon in accordance with the tenor of a certain promissory note executed by

KLAMATH RIVER ACRES OF OREGON, LTD.

dated January 2, 1973, payable to the order of the Mortgagee in installments not less than \$ 1150.00, each, including interest, on the 1st day of each month commencing July 1, 1973, until June 1, 1977, when the balance then remaining unpaid shall be paid.

The Mortgagor does hereby covenant and agree to and with the Mortgagee, its successors and assigns:

1. That he will pay, when due, the indebtedness hereby secured, with interest, and all liens and utility charges upon said premises for services furnished thereto. In addition thereto, he will pay, at the time of payment of each installment of principal and interest, such amount as Mortgagee shall estimate to be sufficient to produce, at least one month prior to the time when payment thereof shall become due, the amount of (a) taxes, assessments and other governmental rates and charges against said premises and (b) premiums upon insurance against loss or damage to said premises. If the sums so paid shall be less than sufficient for said purposes, Mortgagee will also pay, upon demand, such additional sum as Mortgagee shall deem necessary therefor. If Mortgagor desires a "package" plan of insurance which includes coverage in addition to that required under this mortgage, Mortgagee may, at its option, establish and administer a reserve for that purpose. If the package plan reserve is not sufficient to pay the renewal premium on a package plan policy, then Mortgagee may use such reserve to pay premiums on a policy covering only risks required to be insured against under this mortgage and allow the package plan policy to lapse. Mortgagee shall, upon the written direction of Mortgagor, and may, without such direction, apply sums paid by Mortgagor and held by Mortgagee to the purposes aforesaid; but the receipt of such sums shall not, in the absence of such direction, impose any duty upon Mortgagee to disburse the same or relieve Mortgagor from his covenants to pay said obligations or to keep the premises insured. Mortgagee may, from time to time, establish reasonable service charges for the collection and disbursement of premiums on package type insurance policies. Mortgagee shall not, whether or not service charges are imposed, be subject to any liability for failure to transmit any premiums to any insurer or by reason of any loss growing out of any defect in any insurance policy.

2. That he will not commit or permit strip or waste of the said premises or any part thereof; that he will keep the real and personal property hereinabove described in good order and repair and in tenantable condition; that he will promptly comply with any and all municipal and governmental rules and regulations with reference thereto; that if any of the said property be damaged or destroyed by any cause, he will immediately reconstruct or repair the same so that, when completed, it shall be worth not less than the value thereof at the time of such loss or damage; provided, that if such loss or damage shall be caused by a hazard against which insurance is carried, the obligation of the Mortgagor to repair or reconstruct shall not arise unless the Mortgagee shall consent to the application of insurance proceeds to the expense of such reconstruction or repair.

3. That he will, at his own cost and expense, keep the building or buildings now or hereafter upon said premises, together with all personal property covered by the lien hereof, insured against loss by fire and against loss by such other hazards as the Mortgagee may from time to time require, in one or more insurance companies satisfactory to or designated by the Mortgagee in an aggregate amount not less than the amount of the indebtedness hereby secured (unless the full insurable value of such building or buildings is less than the amount hereby secured, in which event the Mortgagor shall insure to the amount of the full insurable value); that all policies of insurance upon said premises, including policies in excess of the amount hereinabove mentioned and policies against other hazards than those required, shall contain such provisions as the Mortgagee shall require and shall provide, in such form as the Mortgagee may prescribe, that loss shall be payable to the Mortgagee; that all such policies and receipts showing full payment of premiums therefor shall be delivered to and retained by the Mortgagee during the existence of this mortgage; that at least 5 days prior to the expiration of any policy or policies he will deliver to the Mortgagee satisfactory renewals thereof together with premium receipts in full; that if any policy or policies shall impose any condition upon the liability of the insurer or shall contain any "average clause" or other provision by which the insurer may be liable for less than the full amount of the loss sustained, he will, as often as the Mortgagee may require, provide the Mortgagee with all such evidence as it may request concerning the performance of such condition or the existence of any facts or the value of the property insured and, if it shall appear to the Mortgagee that the insurance is prejudiced by the acts or omissions of the Mortgagor or that the coverage is inadequate, the Mortgagor will do such acts and things and obtain such further insurance as the Mortgagee may require; that the Mortgagee may, at its option, require the proceeds of any insurance policies upon the said premises to be applied to the payment of the indebtedness hereby secured or to be used for the repair or reconstruction of the property damaged or destroyed.

4. That he will execute or procure such further assurance of his title to the said property as may be requested by the Mortgagee.

5. That in case the Mortgagor shall fail, neglect or refuse to do or perform any of the acts or things herein required to be done or performed, the Mortgagee may, at its option, but without any obligation on its part so to do, and without waiver of such default, procure any insurance, pay any taxes or liens or utility charges, make any repairs, or do any other of the things required, and any expenses so incurred and any sums so paid shall bear interest at 8% per annum and shall be secured hereby.

6. That he will not, without the prior written consent of Mortgagee, transfer his interest in said premises or any part thereof, whether or not the transferee assumes or agrees to pay the indebtedness hereby secured. Upon any application for Mortgagee's consent to such a transfer, Mortgagee may require from the transferee such information as would normally be required if the transferee were a new loan applicant. Mortgagee shall not unreasonably withhold its consent. As a condition of its consent to any transfer, Mortgagee may, in its discretion, impose a service charge not exceeding one percent of the original amount of the indebtedness hereby secured and may increase the interest rate on the indebtedness hereby secured by not more than one percent per annum.

6. (b) That this mortgage is given as security for the payment of any and all other indebtednesses, obligations or liabilities of the Mortgagor to the Mortgagee now or hereafter existing, matured or to mature, absolutely or contingent and wherever payable, including such as may arise from endorsements, guarantees, acceptances, bills of exchange, promissory notes, or other paper discounted by the Mortgagee or held by the Mortgagee or taken as security for any loans or advances of any kind, sort or description, whether or not the indebtedness hereby secured or

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6. (b) That this mortgage is given or security for the payment of any and all other indebtednesses, obligations or liabilities of the Mortgagor to the Mortgagee now or hereafter existing, matured or to mature, absolutely or contingently and whenever payable, including such as may arise from endorsements, guarantees, acceptances, bills of exchange, promissory notes, or other paper discounted by the Mortgagee or held by the Mortgagee or taken as security for any loans or advances of any kind, sort or description whatsoever of the indebtedness hereby secured or

7. That, if any default be made in the payment of the principal or interest of the indebtedness hereby secured or in the performance of any of the covenants or agreements of this mortgage, the Mortgagee may, at its option, without notice, declare the entire sum secured by this mortgage due and payable and foreclose this mortgage.

8. That, in the event of the institution of any suit or action to foreclose this mortgage, the Mortgagor will pay such sum as the trial court and any appellate court may adjudge reasonable as attorney's fees in connection therewith and such further sums as the Mortgagee shall have paid or incurred for extensions of abstracts or title searches or examination fees in connection therewith, whether or not final judgment or decree therein be entered and all such sums are secured hereby; that in any such suit, the court may, upon application of the plaintiff and without regard to the condition of the property or the adequacy of the security for this indebtedness hereby secured and without notice to the Mortgagor or any one else, appoint a receiver to take possession and care of all said mortgaged property and collect and receive any or all of the rents, issues and profits which had theretofore arisen or accrued or which may arise or accrue during the pendency of such suit; that any amount so received shall be applied toward the payment of the debt secured hereby, after first paying therefrom the charges and expenses of such receivership; but until a breach or default by the Mortgagor in one or more of his covenants or agreements herein contained, he may remain in possession of the mortgaged property and retain all rents actually paid to and received by him prior to such default.

9. The word "Mortgagor", and the language of this instrument shall, where there is more than one mortgagor, be construed as plural and be binding jointly and severally upon all mortgagors and the word "Mortgagee" shall apply to any holder of this mortgage. Masculine pronouns include feminine and neuter. All of the covenants of the Mortgagor shall be binding upon his heirs, executors, administrators, successors and assigns and inure to the benefit of the successors and assigns of the Mortgagee. In the event of any transfer of the property herein described or any part thereof or any interest therein, whether voluntary or involuntary or by operation of law, the Mortgagee may, without notice to the Mortgagor or any one else, once or often, extend the time of payment or grant renewals of indebtedness hereby secured for any term, execute releases or partial releases from the lien of this mortgage or in any other respect modify the terms hereof without thereby affecting the personal primary liability of the Mortgagor for the payment of the indebtedness hereby secured. No condition of this mortgage shall be deemed waived unless the same be expressly waived in writing by the Mortgagee. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, such notice, demand or request shall be sufficient if personally served on one or more of the persons who shall at the time hold record title to the property herein described or if enclosed in a postpaid envelope addressed to one or more of such persons or to the Mortgagor at the last address actually furnished to the Mortgagee or at the mortgaged premises and deposited in any post office, station or letter box.

In Witness Whereof, the Mortgagor ha..... hereunto set hand..... and seal the day and year first hereinabove written.

KLAMATH DEVELOPMENT CO.

By: *E. J. Shipsey* (SEAL)
President

..... (SEAL)

..... (SEAL)

..... (SEAL)

STATE OF OREGON

County of Klamath } ss.

January 2 A. D. 19 73.

Personally appeared the above-named E. J. Shipsey, President of
Klamath Development Co.,

and acknowledged the foregoing instrument to be his voluntary act and deed. Before me:

(Notary Seal)

Caroline H. Marshall
Notary Public for Oregon.

My Commission Expires: Feb. 9, 1974

STATE OF OREGON,
County of Klamath

Filed for record at request of
Klamath County Title

on this 3rd day of Jan. A. D. 19 73

at 4:29 o'clock P M, and duly

recorded in Vol. M73 of Mortgages

ago 99

Wm D. MILNE, County Clerk

By *Hazel Drazil* Deputy

Fee \$8.00

Return
Western Bank
P.O. Box 1149
Klamath Falls, Oregon
97601

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exceeding one percent of the original amount of the indebtedness hereby secured by not more than one percent per annum.

6. (b) That this mortgage is given as security for the payment of any and all other indebtednesses, obligations or liabilities of the Mortgagor to the Mortgagee now or hereafter existing, matured or to mature, absolutely or contingently and wherever payable, including such as may arise from endorsements, guarantees, acceptances, bills of exchange, promissory notes, or other paper discounted by the Mortgagee or held by the Mortgagee or taken as security for any loans or advances of any kind, sort or description whatsoever.

7. That, if any default be made in the payment of the principal or interest of the indebtedness hereby secured or in the performance of any of the covenants or agreements of this mortgage, the Mortgagee may, at its option, without notice, declare the entire sum secured by this mortgage due and payable and foreclose this mortgage.

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KLAMATH DEVELOPMENT CO.

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President

(SEAL)

(SEAL)

(SEAL)

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