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11861

MORTGAGE

DATED: August 21, 1975

FROM: John Mosby and Marilyn Mosby,
husband and wife,
whose address is 526 Mercury
Street, Lompoc, California
93436,

as Mortgagors

TO: Security Pacific National Bank,
whose address is P.O. Box 2097,
Terminal Annex, Los Angeles,
California 90051,
Attn: F.W. Smalley, H13-4,

as Mortgagee

Mortgagors are the owners of the real property
described on attached Exhibit A (the Real Property).

Under a Letter of Inducement dated of even date
hereof between Mortgagors and Mortgagee, Mortgagee has
agreed to lend to Mortgagors certain sums on certain terms
and conditions contained therein. Mortgagors' indebtedness
secured hereby will be evidenced by a Note which with any
notes given in renewal of or substitution for the note
originally issued are called "the Notes." The Note will
mature not later than September 1, 1977. The Note, of even date
hereof evidences a debt of \$150,000.00 as principal, plus inter-
est at the rate of 10% per annum.

To secure payment by Mortgagors of the indebtedness
to be evidenced by the Notes with interest thereon in
strict accordance with the terms of the Notes and performance
by Mortgagors of the covenants contained in this Mortgage
and the Letter of Inducement, Mortgagors mortgage and
convey to Mortgagee the Real Property with all appurtenances,
and all existing or future improvements, all of which
is called the "Mortgaged Property," and presently assign
to Mortgagee all rents, revenues, income, issues and
profits from the Mortgaged Property, whether now or hereafter
due, on the following terms and conditions:

1. Payment and Performance.

Mortgagors will pay to Mortgagee promptly when due
all amounts payment of which is secured by this Mortgage and
will strictly perform all obligations imposed upon Mortgagors
by this Mortgage and the Loan Agreement.

2. Possession.

Until in default, Mortgagors may remain in possession
and control of and operate and manage the Mortgaged Property
and collect the rents, revenues, income, issues and profits.

3. Warranties of Mortgagor.

3.1 Title. Mortgagors warrant that they hold
marketable title to the Mortgaged Property subject only to the
defects or encumbrances stated on Exhibit A. Mortgagors shall
defend Mortgagee's rights against the claims and demands of all
persons or entities, except on account of the defects and
encumbrances set forth in Exhibit A.

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3.2 Compliance with Laws. Mortgagors warrant that their use of the Mortgaged Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

4. Maintenance and Alterations.

4.1 Duty to Maintain. Mortgagors shall maintain the Mortgaged Property in first class condition and promptly perform all repairs and maintenance necessary to preserve its value.

4.2 Waste; Nuisance. Mortgagors shall neither conduct or permit any nuisance nor commit or suffer any strip or waste in the Mortgaged Property.

4.3 Removal of Improvements. Mortgagors shall not demolish or remove any improvements from the Mortgaged Property without the prior written consent of Mortgagee, which will not be withheld if Mortgagors make arrangements satisfactory to Mortgagee to replace any improvement which Mortgagors propose to remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures and parking facilities.

4.4 Mortgagee's Right to Enter and Inspect. Mortgagee and its agents and representatives may enter upon the Mortgaged Property at all reasonable times to attend to Mortgagee's interest and to inspect the Mortgaged Property, upon reasonable advance notice.

4.5 Compliance with Governmental Requirements. Mortgagors shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Mortgaged Property. Mortgagors may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Mortgagee's interest in the Mortgaged Property is not jeopardized.

5. Taxes and Assessments; Liens and Claims.

5.1 Payment. Mortgagors shall pay when due all taxes and assessments against the Mortgaged Property and all claims and demands arising from Mortgagors' use or occupancy of the Mortgaged Property.

5.2 Protection of the Mortgaged Property; Performance of First Mortgage. Mortgagors shall not permit any lien prior or equal to the lien of this Mortgage to be imposed upon the Mortgaged Property, except those certain mortgages listed on Exhibit A attached hereto. Mortgagors covenant that Mortgagors will perform each and every obligation required by such first mortgage or any instrument secured by the same.

5.3 Mortgagors' Right to Contest. Mortgagors may withhold payment of any taxes, assessments, claims or demands or may elect to contest any lien if Mortgagors are in good faith conducting appropriate proceedings to contest the obligation to pay and so long as Mortgagee's interest in the Mortgaged Property is not jeopardized. If the Mortgaged Property is subjected to a lien which is not discharged within 15 days,

Mortgagors shall deposit with Mortgagee cash, a sufficient corporate surety bond or other security satisfactory to Mortgagee in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale. In any contest Mortgagors shall defend themselves and Mortgagee and shall satisfy any final adverse judgment before enforcement against the Mortgaged Property. Mortgagors shall name Mortgagee as an additional obligee under any surety bond furnished in the contest proceedings.

5.4 Evidence of Payment of Taxes or Assessments. Mortgagors shall upon demand furnish to Mortgagee evidence of payment of the taxes or assessments and shall authorize the appropriate county official to deliver to Mortgagee at any time a written statement of the taxes and assessments against the Mortgaged Property.

5.5 Notice to Mortgagee. Mortgagors shall notify Mortgagee at least 15 days before the commencement of any work, the furnishing of any services or the supplying of any materials to the Mortgaged Property the cost of which is to exceed \$1,000.00. Mortgagors will on request furnish to Mortgagee advance assurances satisfactory to Mortgagee that it can and will pay the cost of such improvements.

6. Casualty Insurance.

6.1 Maintenance of Casualty Insurance. Mortgagors shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all improvements on the Mortgaged Property in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Mortgagee. Policies shall be written by insurance companies reasonably acceptable to Mortgagee. Mortgagors shall deliver to Mortgagee certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of 10 days' written notice to Mortgagee.

6.2 Mortgagors' Report on Insurance. Within 60 days after the close of its fiscal year, Mortgagors shall furnish to Mortgagee a report on each existing policy of insurance showing:

- (a) the name of the insurer;
- (b) the risks insured;
- (c) the amount of the policy;
- (d) the property insured, the then current replacement cost of the property, and the manner of determining that cost; and
- (e) the expiration date of the policy.

Mortgagors shall upon request have an independent appraiser satisfactory to Mortgagee determine the replacement cost of the Mortgaged Property.

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6.3 Application of Proceeds. Mortgagors shall promptly notify Mortgagee of any loss or damage to the Mortgaged property. Mortgagee may make proof of loss if Mortgagors fail to do so within 15 days of the casualty. All proceeds of any insurance on the Mortgaged Property shall be held by Mortgagee as part of the Mortgaged Property. If Mortgagors elect to repair or replace the damaged or destroyed improvements in a manner satisfactory to Mortgagee, Mortgagee shall, upon satisfactory proof of expenditure, pay or reimburse Mortgagors from the proceeds for the reasonable cost of repair or restoration. If Mortgagors elect not to restore the Mortgaged Property, Mortgagee shall retain a sufficient amount of the proceeds to pay all amounts due under this Mortgage, and shall pay the balance to Mortgagors. Any proceeds which have not been paid out within 180 days after their receipt and which Mortgagors have not committed to the repair or restoration of the Mortgaged Property shall be used to prepay first accrued interest and then principal of Mortgagors' indebtedness.

7. Imposition of Tax by State.

7.1 This section shall apply to the following state taxes:

(a) A specific tax on mortgages or any part of the secured indebtedness.

(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 Property chargeable against the Mortgagee or 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 Mortgagors.

7.2 If any state tax to which this section applies is enacted after the date of this Mortgage this shall constitute an event of default unless the following conditions are met:

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

(b) Mortgagors pay or offer to pay the tax or charge within 30 days after notice from Mortgagee that the tax law has been enacted.

8. Transfer.

Mortgagors shall not transfer or agree to transfer the Mortgaged Property without the prior written consent of Mortgagee, which consent shall not be unreasonably withheld. Consent by Mortgagee to one transfer shall not constitute consent to other transfers or a waiver of this section. Mortgagee may, as a condition to consenting to any transfer, impose an assumption fee of 1 percent of the outstanding indebtedness and increase the interest rate on the indebtedness by an amount not to exceed 2 percent per annum.

9. Event of Default.

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The following shall constitute events of default:

- (a) Failure of Mortgagors to make any payment required under this Mortgage when due.
- (b) Failure of Mortgagors to perform any other obligation contained in this Mortgage or the Letter of Inducement within 20 days after notice from Mortgagee specifying the nature of the default or, if the default cannot be cured within 20 days, failure within such time to commence and pursue with reasonable diligence curative action. No notice of default and no opportunity to cure shall be required if during the same calendar year Mortgagee has already sent a notice to Mortgagors concerning default in performance of the same obligation.
- (c) A default is declared by the Mortgagee under the mortgages or encumbrances described in Exhibit A attached hereto.
- (d) A default under the Letter of Inducement.
- (e) Dissolution, insolvency, business failure, or discontinuance of Mortgagors as a going business (except for labor disputes); appointment of a receiver of any of the property of, assignment for the benefit of creditors by, or commencement of any proceedings under any bankruptcy or insolvency laws by Mortgagors; failure of Mortgagors to obtain dismissal or deny the contents of any petition filed against it under any bankruptcy or insolvency laws within the time required to answer.

10. Mortgagee's Rights Upon Default.

10.1 Remedies. On default Mortgagee may exercise any one or more of the following rights and remedies in addition to any other remedy which may be available at law, in equity or otherwise.

- (a) Mortgagee may declare the entire amount owed by Mortgagors.
- (b) Mortgagee may have a receiver appointed as a matter of right or may exercise all rights of a receiver as a mortgagee-in-possession.
- (c) Mortgagee may, either through a Receiver or as a mortgagee-in-possession, take possession of all or any part of the Mortgaged Property, which shall be peaceably surrendered by Mortgagor.
- (d) Mortgagee may revoke Mortgagors' right to collect the rents and revenues from the Mortgaged Property, and may, either itself or through a receiver, collect the same. To facilitate collection, Mortgagee may notify Mortgagors' tenants to pay rents directly to it. Mortgagee shall not be deemed a mortgagee-in-possession solely by reason of exercise of the rights contained in this subparagraph.

(e) Mortgagee may obtain a decree foreclosing Mortgagors' interest in all or any part of the Mortgaged Property.

(f) If permitted by applicable law, Mortgagee may foreclose Mortgagors' interest in all or any part of the Mortgaged Property by nonjudicial sale.

(g) If permitted by applicable law, Mortgagee may obtain a judgment for any deficiency remaining in the indebtedness due to Mortgagee after application of all amounts received from the exercise of the rights provided in this section.

(h) With respect to any part of the Mortgaged Property that is personal property, Mortgagee may exercise the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the property is located.

10.2 Receiver. Mortgagee shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Mortgaged Property exceeds the amount of the secured indebtedness, and any receiver appointed may serve without bond. Employment by Mortgagee shall not disqualify a person from serving as receiver.

10.3 Rights of Receiver or Mortgagee-in-Possession. Upon taking possession of all or any part of the Mortgaged Property the receiver or Mortgagee may:

(a) Use, operate, manage, control and conduct business on the Mortgaged Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect all rents, revenues, income, issues and profits from the Mortgaged Property and apply such sum to the expenses of use, operation and management;

(c) At Mortgagee's option, complete any construction in progress on the Mortgaged Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Mortgagee deems appropriate.

If the revenues produced by the Mortgaged Property are insufficient to pay expenses, the receiver may borrow, from Mortgagee or otherwise, or Mortgagee may borrow or advance such sums as it deems necessary for the purposes stated in this paragraph, and repayment of such sums shall be secured by this Mortgage. The amounts borrowed or advanced shall bear interest at the highest rate then being charged on any of the Notes from the date of expenditure until repaid and shall be payable by Mortgagors to Mortgagee on demand.

10.4 Manner of Nonjudicial Sale. In exercising the remedies provided in paragraphs 10.1(f) and (h), Mortgagee may sell all or any part of the Mortgaged Property as a whole or in parcels. Mortgagee may bid at any public sale on all or any

portion of the Mortgaged Property Mortgagee shall give Mortgagors reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of the time after which any private sale or other disposition of the Mortgaged Property is to be made, and notice given at least 10 days prior to the time of the sale or other disposition shall be conclusively presumed to be reasonable. A public sale conducted in the following fashion shall be conclusively presumed to be reasonable:

(a) Notice is given at least 10 days prior to the date of sale by publication once in a newspaper of general circulation published in the county in which the sale is to be held;

(b) The sale is held in a county in which the Mortgaged Property or any part is located or in a county in which Mortgagors have a place of business;

(c) Payment is required to be in cash or by certified check immediately following the close of the sale, except that if Mortgagee bids it need not actually make payment;

(d) The sale is by auction, but it need not be by a professional auctioneer;

(e) The Mortgaged Property is sold as is and without any preparation for sale by Mortgagee.

10.5 Election of Remedies. Election by Mortgagee to pursue one remedy shall not exclude resort to any other remedy, and all remedies of Mortgagee under this Mortgage are cumulative and not exclusive. An election to make expenditures or to take action to perform an obligation under paragraph 11.7 shall neither prejudice Mortgagee's right to declare a default or constitute a waiver of the breached term or of any of the remedies provided in this section.

10.6 Application of Proceeds from Mortgaged Property. All proceeds realized from the exercise of Mortgagee's rights and remedies shall be applied as follows:

(a) To pay the costs of exercising such rights remedies, including the costs of any sale, the costs and expenses of any receiver or mortgagee-in-possession, and the costs and expenses provided for in paragraph 11.3;

(b) To pay all amounts owed by Mortgagors payment of which is secured by this Mortgage;

(c) The overplus, if any, shall be paid to the clerk of the court in the case of a foreclosure by a judicial proceeding, otherwise to the person or persons legally entitled thereto.

11. Miscellaneous.

11.1 Notices. Any notice under this Mortgage shall be in writing. Any notice to be given or document to be delivered under this Mortgage shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address

specified in this Mortgage. Either party may by notice to the other designate a different address.

11.2 Financial Reports. Financial reports shall be made in the manner specified in the Letter of Inducement.

11.3 Expenses. In the event that Mortgagee shall take any action, judicial or otherwise, to enforce the Notes or any provision of this Mortgage or the Letter of Inducement or if Mortgagee shall be required to appear in any proceeding to protect and maintain the priority of this Mortgage, Mortgagee shall be entitled to recover from Mortgagors all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and reasonable attorneys' fees, whether incurred in a suit or action or appeal from a judgment or decree therein or in connection with nonjudicial action. Mortgagors shall reimburse Mortgagee for expenses so incurred on demand with interest thereon at the highest rate then being paid on any of the Notes from the date of expenditure until repaid.

11.4 Waiver. A waiver by Mortgagee of a breach of any provision of this Mortgage shall not constitute a waiver of that provision or of any succeeding breach of or prejudice Mortgagee's right otherwise to demand strict compliance with the same or any other provision.

11.5 Mortgage Binding Upon Successors and Assigns. Subject to Section 8, this Mortgage shall be binding on and inure to the benefit of the successors and assigns of both Mortgagors and Mortgagee. If ownership of the Mortgaged Property becomes vested in a person other than Mortgagors, Mortgagee, without notice to Mortgagors, may deal with Mortgagors' successor with reference to this Mortgage and the Notes by way of forbearance or extension without releasing Mortgagors from the obligations of this Mortgage or liability under the Notes.

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

11.7 Mortgagee's Right to Perform Obligations of Mortgagors. If Mortgagors fail to perform any obligation required of it under this Mortgage, Mortgagee without notice make take any steps necessary to remedy such failure. Mortgagors shall reimburse Mortgagee for all amounts expended in so doing on demand with interest at the highest rate then being paid on any of the Notes from the date of expenditure until repaid. Such action by Mortgagee shall not constitute a waiver of the default or any other right or remedy which Mortgagee may have on account of Mortgagors' default.

11.8 Security Agreement; Financing Statements. This instrument shall constitute a security agreement under the Uniform Commercial Code with respect to any personal property included in the Mortgaged Property (the Collateral), to the extent that such personal property is not on the date of this Mortgage validly encumbered. Mortgagors shall promptly

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execute the necessary financing statements in the form required by the Uniform Commercial Code in effect in the state in which the Collateral is located and shall file the statements at Mortgagors' expense in all public offices where filing is reequired to perfect the security interest of Mortgagee in the Collateral. Mortgagee may, at any time and at its option without further authorization from Mortgagors, file copies of this instrument as financing statements. Upon default Mortgagors shall, within three days after receipt of written demand from Mortgagee, assemble the Collateral and make it available to Mortgagee at a place designated by Mortgagee.

11.9 Release on Full Performance. If Mortgagors pay the full indebtedness when due and performs all obligations under this Mortgage, Mortgagee shall, if requested, execute and deliver to Mortgagors a suitable satisfaction of this Mortgage.

11.10 Applicable Law. The law of the State of Oregon shall be applicable for the purpose of construing and determining the validity of this Mortgage and, to the fullest extent permitted by the law of any state in which any of the Mortgaged Property is located, determining the rights and remedies of Mortgagee on default. The law of the state where the Mortgaged Property is located shall control whether the property may be sold without judicial foreclosure.

11.11 Multiple Parties. If there is more than one mortgagor the obligations imposed upon Mortgagors under this Mortgage shall be joint and several.

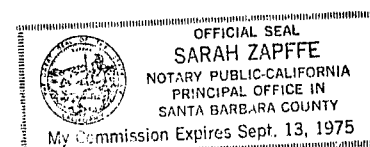
John Mosby
Mortgagor

Marilyn Mosby
Mortgagor

STATE OF CALIFORNIA)
County of Santa Barbara) ss.

On this 21st day of August, 1975, before me, a notary public in and for the said county and state, residing therein, duly commissioned and sworn, personally appeared John Mosby and Marilyn Mosby, husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Sarah W. Zapffe
Notary in and for said County
and State.

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(EXHIBIT "A")
(Bar "Y")

The following described real property in Klamath County, Oregon:
Township 31 South, Range 8 East of the Willamette Meridian:

- Section 5: SW1/4
- Section 7: NE1/4, E1/2NW1/4, Lots 1 and 2, BUT EXCEPTING from said Lots 1 and 2 the portion thereof lying West of a line parallel to and 50 feet Easterly from the located center line of the Southern Pacific Company right of way,
- Section 15: SW1/4, N1/2SE1/4
- Section 17: N1/2, SW1/4
- Section 20: All
- Section 21: S1/2 NW1/4, SW1/4
- Section 28: W1/2
- Section 29: All
- Section 30: E1/2, SE1/4SW1/4
- Section 31: E1/2, E1/2NW1/4, E1/2SE1/4 of Lot 1, E1/2E1/2 of Lot 2, E1/2NW1/4SW1/4, E1/2SW1/4SW1/4, E1/2SW1/4
- Section 32: All
- Section 33: S1/2NE1/4, NW1/4, S1/2
- Section 34: S1/2N1/2, N1/2S1/2, SW1/4SW1/4

Township 32 South, Range 8 East of the Willamette Meridian:

- Section 4: Lots 3 and 4, SW1/4NW1/4
- Section 5: Lots 1 and 2, S1/2NE1/4, those portions of Lots 3 and 4, S1/2NW1/4, SW1/4 which lies Southerly and Easterly from the center line or thread of Williamson River; W1/2SE1/4
- Section 6: Lots 1 and 2, S1/2NE1/4, Lot 3, Lot 4, BUT EXCEPTING from said Lot 4 a parcel 417.42 feet by 208.71 feet described as Parcel 2 in Deed Book 331 at page 173, S1/2NW1/4, Lots 6 and 7, that part of the E1/2SE1/4 lying Southerly and Easterly of the center line or thread of Williamson River.
- Section 8: SW1/4NE1/4, NW1/4, N1/2SW1/4, NW1/4SE1/4

SUBJECT TO:

Items Nos. 1 through 19, inclusive only, as shown on Preliminary Title Report No. 28-8206, dated June 16, 1975, issued by Transamerica Title Insurance Co.

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of Transamerica Title

this 30 day of Sept A D 1975 at 10:53
duly recorded in Vol. M. 75, of Mortgage on Page 11861
30.00 W. D. MILNE, County Clerk

By *[Signature]*