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MORTGAGE

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THIS INDENTURE, Made this 8th day of October, 1976,
between GENERAL BEARING CO., an Oregon corporation doing business in
Klamath County, Oregon, as Cascade Industrial Supply, and also the
surviving corporation pursuant to Articles of Merger with Cascade
Industrial Supply, Inc. filed September 7, 1976, as Mortgagor;
and HOWARD H. PERNELL and KENNETH E. SPENCER, collectively referred
to herein as Mortgagees,

WITNESSETH: That the said Mortgagor for good and valuable
consideration, does hereby grant, bargain, sell and convey unto the
said Mortgagees and assigns those certain premises situated in the
County of Klamath, and State of Oregon, and described as follows:

Lots 31A, 32A, 32B, 33B, 33A, 34A and 34B of Block 7,
RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS,
Klamath County, Oregon.

Subject to such liens and encumbrances as were
outstanding as of August 4, 1976.

Together with all and singular the tenements, hereditaments
and appurtenances thereunto belonging or in anywise appertaining,
and which may hereafter thereto belong or appertain, and the rents,
issues and profits therefrom, and any and all fixtures upon said
premises at the time of the execution of this Mortgage or at any time
during the term of this Mortgage.

TO HAVE AND TO HOLD the said premises with the appurtenances
unto the said Mortgagees and assigns forever.

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THIS CONVEYANCE is intended as a Mortgage and is substitute collateral to partially secure the payment of the Deferred Purchase Price of Three Hundred Thousand Dollars (\$300,000.00) to each of the Mortgagees, a total secured indebtedness of Six Hundred Thousand Dollars (\$600,000.00) by Mortgagor to Mortgagees in accordance with and subject to the terms and provisions of an Agreement of Purchase and Sale dated August 4, 1976 (herein the "Agreement of Purchase and Sale") wherein Mortgagor agreed to purchase from Mortgagees and Mortgagees agreed to sell to Mortgagor all the outstanding common capital stock of Cascade Industrial Supply, Inc. (the "Company").

This indenture is further conditioned upon the faithful observance by the Mortgagor of the following covenants hereby expressly entered into by the Mortgagor, to-wit:

That Mortgagor is lawfully seized of said premises, and now has a valid and unincumbered fee simple title thereto, subject only to such liens and encumbrances as were outstanding as of August 4, 1976, and that Mortgagor will forever warrant and defend the same against the claims and demands of all persons whomsoever, except as to such liens and encumbrances as may have been outstanding as of August 4, 1976.

That Mortgagor will pay the Deferred Purchase Price and all installments of interest thereon promptly as the same become due, according to and subject to said Agreement of Purchase and Sale.

That so long as this Mortgage shall remain in force Mortgagor will pay all taxes, assessments, and other charges of every nature

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which may be levied or assessed upon or against the said premises when due and payable, according to law, and before the same become delinquent, and will also pay all taxes which may be levied or assessed on this Mortgage or the debt thereby secured, and will promptly pay and satisfy any mechanics' liens or other encumbrances that might by operation of law or otherwise become a lien upon the mortgaged premises superior to the lien of this Mortgage.

That Mortgagor will keep all the improvements erected on said premises in good order and repair and will not commit or suffer any waste of the premises hereby mortgaged. At the request of the Mortgagees, the Mortgagor shall join with the Mortgagees in executing one or more financing statements pursuant to the Uniform Commercial Code, in form satisfactory to the Mortgagees, and will pay for filing the same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the Mortgagees.

That so long as this Mortgage shall remain in force Mortgagor will keep the buildings now erected or any which may hereafter be erected on said premises insured against loss or damage by fire, with extended coverage, to the extent of \$ 78,000 in some company or companies acceptable to said Mortgagees and for the benefit of said Mortgagees, and will deliver all the policies and renewals thereof or certificates of such insurance to said Mortgagees.

NOW, THEREFORE, if the said Mortgagor shall pay said Deferred Purchase Price, and shall fully satisfy and comply with the covenants hereinbefore set forth, then this conveyance shall be void,

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but otherwise to remain in full force and virtue as a mortgage to secure the payment of said Deferred Purchase Price in accordance with and subject to the terms of the Agreement of Purchase and Sale and the performance of the covenants and agreements herein contained.

Default by Mortgagor as Purchaser under the Agreement of Purchase and Sale shall constitute a default under this Mortgage. As to any obligation or requirement of Mortgagor under this Mortgage which is not also Mortgagor's obligation or requirement as Purchaser under the Agreement of Purchase and Sale, Mortgagor shall be in default if Mortgagor fails to perform such obligation or comply with such requirement within fifteen (15) days after receipt of written notice from Mortgagees of the alleged nonperformance or noncompliance, provided that Mortgagor will not be in default if having received such notice it has diligently undertaken to perform or comply but has not completed such performance or compliance within fifteen (15) days after receipt of such notice.

Mortgagees may foreclose this Mortgage at any time after Mortgagor becomes in default under the Agreement of Purchase and Sale or becomes in default of any agreement herein contained. And if the Mortgagor shall fail to pay any taxes or other charges or any lien or insurance premium as herein provided to be done, the Mortgagees shall have the option to pay the same and any payment so made shall be added to and become a part of the debt secured by this Mortgage, and draw interest at the rate of ten percent (10%) per annum, without waiver, however, of any right arising from breach of any of the

covenants herein.

In case a complaint is filed in a suit brought to foreclose this Mortgage, the court shall, upon motion of the holder of the Mortgage, without respect to the condition of the property herein described, appoint a receiver to collect the rents and profits arising out of said premises, and apply such rents and profits to the payment and satisfaction of the amount due under this Mortgage, first deducting all proper charges and expenses of the receivership.

In the event suit or action is brought to foreclose this Mortgage, the losing party in said suit or action agrees to pay all costs and disbursements allowed by law and such sum as the court may adjudge reasonable as attorney's fees in such suit or action, and if an appeal is taken from any judgment or decree entered therein, the losing party further promises to pay such sum as the appellate court shall adjudge reasonable as the prevailing party's attorney's fees on such appeal. If Mortgagor is the losing party then all such sums, together with the reasonable costs incurred by the Mortgagees for title reports and title search, shall be secured by the lien of this Mortgage and included in the decree of foreclosure.

Mortgagor and Mortgagees, as used in this Mortgage, include the successors and assigns of those parties.

The laws of the State of Oregon shall govern the construction of and the rights and duties of the parties to this Mortgage.

Any and all notice required by the terms of this Mortgage to be sent to Mortgagor shall be either personally delivered or sent

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by registered or certified mail, postage and special charges prepaid,
return receipt requested, and addressed as follows:

General Bearing Co.
1233 N. W. 12th
Portland, Oregon 97209
Attention: President

This Mortgage is entered into pursuant to and is to be
construed in accordance with the terms and provisions of the Agreement
of Purchase and Sale.

If any of the provisions of this Mortgage shall contravene
or be held invalid under the laws of any jurisdiction, the Mortgage
shall be construed as if not containing such provisions and the rights
and the obligations of the parties shall be construed and enforced
accordingly.

IN WITNESS WHEREOF, the parties have executed this Mortgage
as of this 8th day of October, 1976.

MORTGAGOR:

GENERAL BEARING CO.

By: [Signature] President

MORTGAGEES:

Howard H. Pernell
Howard H. Pernell

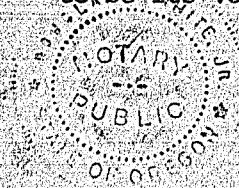
Kenneth E. Spencer

STATE OF OREGON)
) ss.
County of Multnomah)

October 8, 1976

Personally appeared Lester E. Anderson, who, being first duly sworn,
did say that he is the president of General Bearing Co., a corporation,
and that said instrument was signed in behalf of said corporation by
authority of its board of directors; and he acknowledged said instrument
to be its voluntary act and deed.

Before me:



Rev. Howard Pernell
324-Beverly
City

[Signature]
Notary Public for Oregon
My commission expires: 10-6-80

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STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 13th day of
OCTOBER 76 A.D., 1976 at 3:46 o'clock P M., and duly recorded in Vol. M 76,
of MORTGAGES on Page 16203.

FEE \$ 18.00

WM. D. MILNE, County Clerk

By: [Signature] Deputy