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Vol. 77 Page 5810

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LEASEHOLD MORTGAGE

THIS INDENTURE, made this 6th day of April 1977 between  
HARRY R. WAGGONER AND NORMA E. WAGGONER, HUSBAND AND WIFE, hereinafter  
called the "Mortgagor", and the FIRST NATIONAL BANK OF OREGON, a national  
banking association, hereinafter called the "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 of its right, title and interest in  
and to that certain real property situate in Klamath County, Oregon,  
described on Exhibit A which is attached hereto and made a part hereof,  
together with the tenements, hereditaments and appurtenances now or  
hereafter thereunto belonging or in any wise appertaining; also all appar-  
atur, equipment and fixtures now or hereafter situate on said premises,  
including, but not exclusively, all fixtures and personal property used  
or intended for use for plumbing, lighting, heating, cooling, ventilation,  
floor coverings attached to floors, and shelving, counters, and other  
trade fixtures; also the rents, issues and profits arising from or in con-  
nection with the said real and personal property or any part thereof.

TO HAVE AND TO HOLD the same unto the Mortgagee, its suc-  
cessors and assigns, forever.

And the Mortgagor does hereby covenant to and with the Mort-  
gagee that it is lawfully in possession of the said real property under  
lease from OREGON, CALIFORNIA AND EASTERN RAILWAY COMPANY, as Lessors,  
to Harry R. Waggoner and Norma E. Waggoner, as Lessee, recorded  
April 4, 1977.

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That no default in the performance of the terms of the said lease has been made or will be made or suffered while this mortgage continues in effect, that the said Lessors are lawfully seized in fee simple of the said real property, that the Mortgagor is the absolute owner of all personal property and certain of the improvements located on said property, that the said real and personal property is free from encumbrances of every kind and nature, and that the Mortgagor will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.

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 ONE-HUNDRED THOUSAND AND NO/100 - - - - - and interest thereon in accordance with the tenor of a certain promissory note executed by the Mortgagor, dated April 6, 1977 payable to the order of the Mortgagee in instalments commencing on May 15, 1977 with the balance of principal and interest payable in full on April 15, 1982.

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

1. That it will pay, when due, the indebtedness hereby secured, with interest, as prescribed by the said note, and all taxes, liens and utility charges upon said premises or for services furnished thereto, and the rentals and all sums required by the said lease.
2. That it will not commit or permit strip or waste of the said premises or any part thereof; that it will keep the real and personal property hereinabove described in good order and repair and in tenantable



condition; that it 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, it 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 it will, at its 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 five (5) days prior to the expiration of any policy or policies it 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 provisions by which the insurer may be liable for less than the full amount of the loss sustained, it 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 it will execute or procure such further assurance of its interest in or 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 rentals and other sums required under said lease, 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 Nine and One-Half percent per annum and shall be secured hereby.

6. 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.

7. That, in the event of the institution of any suit or action to foreclose this mortgage, the Mortgagor will pay such sum as the 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 its covenants or agreements herein



contained, it may remain in possession of the mortgaged property and retain all rents actually paid to and received by it prior to such default.

8. All of the covenants of the Mortgagor shall be binding upon its 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, extend the time of payment, 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.



5816

IN WITNESS WHEREOF, said Mortgagor has executed this  
indenture the day and year first above written.

HARRY R. WAGGONER  
HARRY R. WAGGONER

NORMA E. WAGGONER  
NORMA E. WAGGONER

STATE OF Oregon )  
COUNTY OF Klamath ) ss  
April 6, 1977

Personally appeared the above named  
Harry R. Waggoner & Norma E. Waggoner

and acknowledged the foregoing instrument to be their  
voluntary act and deed.

Before me:

Clara Wilson  
Notary Public for Oregon  
My commission expires: April 8, 1980



5817

EXHIBIT "A"

THE FOLLOWING DESCRIBED PROPERTY SITUATE IN KLAMATH COUNTY, OREGON:

That portion of Tract 50, ENTERPRISE TRACTS, lying Northeasterly of the Oregon, California and Eastern Railway Co. right-of-way, according to the official plat thereof filed in the office of the County Clerk, Klamath County, Oregon, SAVING AND EXCEPTING any portion thereof lying within the right-of-way of Washburn Way.

Return and Tax Statements to:  
First National Bank  
601 Main St.-City

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of KLAMATH COUNTY TITLE CO  
this 7th day of APRIL 1977 at 12:05 o'clock PM, AND

duly recorded in Vol. 587, of MORTGAGES on Page 5810

FEE \$ 24.00

Wm D. MILNE, County Clerk

By Wm D. Milne