

87286

Account Number	Home Number	Date of Note	Due Date	Principal Amount
101	1808181-7004	7/9/80	8/8/80	\$1,026.00

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MORTGAGE

Borrower: RONALD LEE RICHARDS
STEPHANIE L. RICHARDS
P. O. BOX 329
GILCHRIST, OREGON 97737

Bank: HIGH LAKES COMMUNITY BANK
51366 SOUTH HIGHWAY 97
LA PTNE, OREGON 97239

Borrower is the owner of the following-described real property located in KLAMATH County, Oregon (the Real Property):

SE 1/4 NE 1/4 OF SECTION 36, TOWNSHIP 24 SOUTH, RANGE 9
EAST OF THE WILLAMETTE MERIDIAN, IN KLAMATH COUNTY, OREGON.

Bank has agreed to lend to Borrower \$ 1,026.00 on certain terms and conditions. Borrower's indebtedness will be evidenced by a promissory note or notes which with any notes given in renewal of or substitution for the notes originally issued are called "the Notes." The Notes will mature not later than AUGUST 8, 1980. The "Related Documents" shall mean that certain (check which applies)

- ☐ loan agreement dated _____
☒ security agreement dated JULY 9, 1980

which are executed in connection with this Mortgage.

To secure payment by Borrower of the Indebtedness to be evidenced by the Notes with interest thereon in strict accordance with the terms of the Notes and performance by Borrower of the covenants contained in this Mortgage, and other Related Documents, Borrower mortgages and conveys to Bank the Real Property with all appurtenances, all existing or future improvements, and all equipment, furnishings and fixtures owned by Borrower now or hereafter located on or used in connection with the Real Property, all of which is called the "Mortgaged Property," and presently assigns to Bank 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.**

Borrower will pay to Bank promptly when due all amounts payment of which is secured by this Mortgage and will strictly perform all obligations imposed upon Borrower by this Mortgage.

2. **Late Charge.**

If the Mortgaged Property consists of a single-family, owner-occupied dwelling, then the following rule shall apply with respect to late charges. A late charge may be charged on any payment that is more than 15 days late (excluding Saturday, Sunday, and legal holidays that fall on the 15th day). The late charge will be in the amount of 5 percent of the sum of principal and interest of the delinquent installment payment then due.

If the Mortgaged Property does not consist of a single-family, owner-occupied dwelling, then the late charge will be calculated at the rate of 14.50% percent per annum on the delinquent installment.

3. **Possession.**

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

4. **Warranties of Borrower.**

4.1 **Title:** Borrower warrants that Borrower holds merchantable title to the Mortgaged Property in fee simple, free of all encumbrances other than (a) 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; and (b) the encumbrances described as:

4.2 **Defense of Title.** Borrower warrants and will forever defend the title against the lawful claims, other than Permitted Encumbrances, of all persons. In the event any action or proceeding is commenced that questions Borrower's title or the interest of the Bank under this Mortgage, Borrower shall defend the action at Borrower's expense.

4.3 **Liens.** If any Permitted Encumbrance is a lien, Borrower shall pay any sums and do any other acts necessary to prevent a default or prevent any action or condition which, with the lapse of time, the giving of notice, or any other action of a creditor, would be a default or enable any creditor to declare a default or foreclose any Permitted Encumbrance which is a lien.

4.4 **Compliance with Laws.** Borrower warrants that its use of the Mortgaged Property complies with all existing applicable laws, ordinances and regulations of governmental authorities.

5. **Maintenance and Alterations.**

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

5.2 **Waste; Nuisance.** Borrower shall neither conduct or permit any nuisance nor commit or suffer any strip or waste on the Mortgaged Property.

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

5.4 **Bank's Right to Enter and Inspect.** Bank and its agents and representatives may enter upon the Mortgaged Property at all reasonable times to attend to Bank's interest and to inspect the Mortgaged Property.

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

6. **Taxes and Assessments; Liens and Claims.**

6.1 **Payment.** Borrower shall pay when due all taxes and assessments against the Mortgaged Property and all claims and demands arising from Borrower's use or occupancy of the Mortgaged Property.

6.2 **Protection of the Mortgaged Property.** Borrower shall not permit any lien prior or equal to the lien of this Mortgage to be imposed upon the Mortgaged Property.

6.3 **Borrower's Right to Contest.** Borrower may withhold payment of any taxes, assessments, claims or demands or may elect to contest any lien if Borrower is in good faith conducting appropriate proceedings to contest the obligation to pay and so long as Bank'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, Borrower shall deposit with Bank cash, a sufficient corporate surety bond or

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other security satisfactory to Bank 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 Borrower shall defend itself and Bank and shall satisfy any final adverse judgment before enforcement against the Mortgaged Property. Borrower shall name Bank as an additional obligee under any surety bond furnished in the contest proceedings.

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

6.5 Tax Reserves. Subject to any limitations set by applicable law, Bank may require Borrower to maintain with Bank reserves for payment of taxes and assessments, which reserves shall be created by advance payment or monthly payments of a sum estimated by Bank to be sufficient to produce, at least 15 days before due, amounts at least equal to the taxes and assessments to be paid. If 15 days before payment is due the reserve funds are insufficient, Borrower shall upon demand pay any deficiency to Bank. The reserve funds shall be held by Bank as a general deposit from Borrower and shall constitute a noninterest bearing debt from Bank to Borrower which Bank may satisfy by payment of the taxes and assessments required to be paid by Borrower as they become due. Bank does not hold the reserve funds in trust for Borrower, and Bank is not the agent of Borrower for payment of the taxes and assessments required to be paid by Borrower.

6.6 Notice to Bank. Borrower shall notify Bank 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 \$5,000, and the nature of which is such that a mechanic's lien might be asserted on account of the work, services or materials. Borrower will on request furnish to Bank advance assurances satisfactory to Bank that it can and will pay the cost of such improvements.

7. Casualty Insurance.

7.1 Maintenance of Casualty Insurance. Borrower shall procure and maintain policies of fire insurance with standard extended coverage endorsements on (check which applies)

- ☐ a replacement cost
☒ an actual cash value

basis covering all improvements on the Mortgaged Property in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Bank. Policies shall be written by insurance companies reasonably acceptable to Bank. Borrower shall deliver to Bank 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 Bank.

7.2 Borrower's Report on Insurance. If the property secured by this mortgage is intended for commercial use, the Borrower shall within 60 days after the close of its fiscal year, furnish to Bank 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 (check which applies) ☐ cash value of the property, and the manner of determining that value; ☐ replacement cost of the property, and the manner of determining that cost; and
 (e) the expiration date of the policy.

Borrower shall upon request have an independent appraiser satisfactory to Bank determine the (check which applies) ☒ cash value ☐ replacement cost of the Mortgaged Property.

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

7.4 Insurance Reserves. Subject to any limitations set by applicable law, Bank may require Borrower to maintain with Bank reserves for payment of insurance premiums which reserves shall be created by monthly payments of a sum estimated by Bank to be sufficient to produce, at least 15 days before due, amounts at least equal to the insurance premiums to be paid. If 15 days before payment is due the reserve funds are insufficient, Borrower shall upon demand pay any deficiency to Bank. The reserve funds shall be held by Bank as a general deposit from Borrower and shall constitute a non-interest bearing debt from Bank to Borrower which Bank may satisfy by payment of the insurance premiums required to be paid by Borrower as they become due. Bank does not hold the reserve funds in trust for Borrower, and Bank is not the agent of Borrower for payment of the insurance premiums required to be paid by Borrower.

8. Imposition of Tax by State.

8.1 State Taxes Covered. 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.

8.2 Effect of Taxes. 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) Borrower may lawfully pay the tax or charge imposed by the state tax, and
 (b) Borrower pays or offers to pay the tax or charge within 30 days after notice from Bank that the tax law has been enacted.

9. Transfer of the Property; Assumption.

If all or any part of the Mortgaged Property or an interest therein is sold or transferred by Borrower without Bank's prior written consent, excluding (a) the creation of a lien or encumbrance subordinate to this Mortgage, (b) the creation of a purchase money security interest for household appliances, (c) a transfer by devise, descent or by operation of law upon the death of a joint tenant, or (d) the grant of any leasehold interest of three years or less not containing an option to purchase, Bank may, at Bank's option, declare the Notes immediately due and payable. Bank shall have waived such option to accelerate if, prior to the sale or transfer, Bank and the person to whom the Mortgaged Property is to be sold or transferred reach agreement in writing that the credit of such person is satisfactory to Bank and that the interest payable on the Notes shall be at such rate as Bank shall request. If Bank has waived the option to accelerate provided in this paragraph 9, and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Bank, Bank shall release Borrower from all obligations under this Mortgage and the Notes.

Consent by Bank to one transfer shall not constitute consent to other transfers or a waiver of this section.

10. Events of Default.

The following shall constitute events of default:

- (a) Failure of Borrower to make any payment required under this Mortgage when due.
 (b) Failure of Borrower to perform any other obligation contained in this Mortgage or Related Documents within 30 days after notice from Bank specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue with reasonable diligence curative action. No notice of default and no op-

portunity to cure shall be required if during the same calendar year Bank has already sent a notice to Borrower concerning default in performance of the same obligation.

- (c) Dissolution, insolvency, business failure or discontinuance of Borrower 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 Borrower; failure of Borrower 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.

11. Bank's Rights upon Default.

11.1 Remedies. On default Bank 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:

- Bank may declare the entire amount owed by Borrower, including any prepayment penalty which Borrower would be required to pay, immediately due and payable.
- Bank may have a receiver appointed as a matter of right or may exercise all rights of a receiver as a bank-in-possession.
- Bank may, either through a receiver or as a bank-in-possession, take possession of all or any part of the Mortgaged Property, which shall be peaceably surrendered by Borrower.
- Bank may revoke Borrower's 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, Bank may notify Borrower's tenants to pay rents directly to it. Bank shall not be deemed a bank-in-possession solely by reason of exercise of the rights contained in this subparagraph.
- Bank may obtain a decree foreclosing Borrower's interest in all or any part of the Mortgaged Property.
- If permitted by applicable law, Bank may foreclose Borrower's interest in all or any part of the Mortgaged Property by nonjudicial sale.
- If permitted by applicable law, Bank may obtain a judgment for any deficiency remaining in the Indebtedness due to Bank after application of all amounts received from the exercise of the rights provided in this section.
- With respect to any part of the Mortgaged Property that is personal property, Bank may exercise the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the property is located.

11.2 Receiver. Bank 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 Bank shall not disqualify a person from serving as receiver.

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

- 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;
- Collect all rents, revenues, income, issues and profits from the Mortgaged Property and apply such sums to the expenses of use, operation and management;
- At Bank'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 Bank deems appropriate.

If the revenues produced by the Mortgaged Property are insufficient to pay expenses, the receiver may borrow, from Bank or otherwise, or Bank 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 Borrower to Bank on demand.

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

- 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;
- The sale is held in a county in which the Mortgaged Property or any part is located or in a county in which Borrower has a place of business;
- Payment is required to be in cash or by certified check immediately following the close of the sale, except that if Bank bids it need not actually make payment;
- The sale is by auction, but it need not be by a professional auctioneer;
- The Mortgaged Property is sold as is and without any preparation for sale by Bank.

11.5 Election of Remedies. Election by Bank to pursue one remedy shall not exclude resort to any other remedy, and all remedies of Bank under this Mortgage are cumulative and not exclusive. An election to make expenditures or to take action to perform an obligation under paragraph 12.7 shall neither prejudice Bank's right to declare a default nor constitute a waiver of the breached term or of any of the remedies provided in this section.

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

- To pay the costs of exercising such rights and remedies, including the costs of any sale, the costs and expenses of any receiver or bank-in-possession, and the costs and expenses provided for in paragraph 12.3;
- To pay all amounts owed by Borrower payment of which is secured by this Mortgage;
- 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.

12. Miscellaneous.

12.1 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.

12.2 Annual Reports. If the property secured by this Mortgage is intended for commercial use, Borrower shall within 60 days following the close of each fiscal year of Borrower, furnish to Bank a statement of net operating income received from the Mortgaged Property during Borrower's previous fiscal year in such detail as Bank shall require. "Net operating income" shall mean all cash receipts from the Mortgaged Property less all cash expenditures made in connection with the operation of the Mortgaged Property.

12.3 Expenses. In the event that Bank shall take any action, judicial or otherwise, to enforce the Notes or any provision of this Mortgage, the Loan Agreement or the Security Agreement or if Bank shall be required to appear in any proceeding to protect and maintain the priority of this Mortgage, Bank shall be entitled to recover from Borrower 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 attorneys' fees, whether incurred in a suit or action or appeal from a judgment or decree therein or in connection with nonjudicial action. Borrower shall reimburse Bank 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.

12.4 Waiver. A waiver by Bank 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 Bank's right otherwise to demand strict compliance with the same or any other provision.

12.5 Mortgage Binding upon Successors and Assigns. Subject to section 9, this Mortgage shall be binding on and inure to the benefit of the successors and assigns of both Borrower and Bank. If ownership of the Mortgaged Property becomes vested in a person other than Borrower, Bank, without notice to Borrower, may deal with Borrower's successor with reference to this Mortgage and the Notes by way of forbearance or extension without releasing Borrower from the obligations of this Mortgage or liability under the Notes.

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

12.7 Bank's Right to Perform Obligations of Borrower. If Borrower fails to perform any obligation required of it under this Mortgage, Bank without notice may take any steps necessary to remedy such failure. Borrower shall reimburse Bank 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 Bank shall not constitute a waiver of the default or any other right or remedy which Bank may have on account of Borrower's default.

12.8 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 and the rents, revenues, income, issues and profits therefrom (the Collateral). Borrower shall promptly 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 Borrower's expense in all public offices where filing is required to perfect the security interest of Bank in the Collateral. Bank may, at any time and at its option without further authorization from Borrower, file copies of this instrument as financing statements. Upon default Borrower shall, within three days after receipt of written demand from Bank, assemble the Collateral and make it available to Bank at a place designated by Bank.

12.9 Release on Full Performance. If Borrower pays the full indebtedness when due and performs all obligations under this Mortgage, Bank shall, if requested, execute and deliver to Borrower a suitable satisfaction of this Mortgage.

12.10 Applicable Law. This Mortgage has been executed and delivered to Bank in the State of Oregon and all payments are to be made to Bank in the State of Oregon. 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 Bank on default. The law of the state where the Mortgaged Property is located shall control whether the property may be sold without judicial foreclosure.

12.12 Multiple Parties. If there is more than one borrower the obligations imposed upon Borrower under this Mortgage shall be joint and several.

Ron L. Richards
Borrower

Stephanie L. Richards
Borrower

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON

County of DESCHUTES

) ss

JULY 9,

1980

Personally appeared the above-named RON L. RICHARDS AND STEPHANIE L. RICHARDS

and acknowledged the foregoing instrument to be THEIR voluntary act.

By

Notary Public for Oregon

My commission expires: 1-7-84

CORPORATE ACKNOWLEDGMENT

STATE OF OREGON

County of _____

) ss

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Personally appeared _____

who being duly sworn, stated that, the said _____, is a _____

and, the said _____, is a _____

of Borrower corporation and that the seal affixed hereto is its seal and this this Mortgage was voluntarily signed and sealed in behalf of the corporation by Authority of its Board of Directors.

By

Notary Public for Oregon

My commission expires:

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF OREGON

County of _____

) ss

THIS CERTIFIES that on this _____ day of _____, 19____, personally appeared before me the undersigned, a Notary Public in and for said County and State, the within named _____

known to me to be the person _____ named in and who executed the foregoing instrument and who _____

known to me to be _____ member _____ of the partnership of _____

acknowledged to me that _____ he _____ executed said instrument freely and voluntarily for the purposes and use therein mentioned, on behalf of said partnership.

IN TESTIMONY WHEREOF, I have hereunto set my hand and notarial seal the day and year last above written.

Before me:

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 23rd day of

July A.D., 19 80 at 1:22 o'clock P M., and duly recorded in Vol. M80

of Mortgages on Page 13718.

FEE \$14.00

WM. D. MILNE, County Clerk

By *Bernetha Heloach* Deputy