

67739

K-39056

Account Number	Loan Number	Date of Note	Amount
(3) Lender of Mortgage to	10/23/86	11/10/91	25,054.00

MORTGAGE

Borrower: J. Gillis Hannigan
J. Ann Hannigan
2001 Fairmont Street
Klamath Falls, Oregon 97601
Borrower is the owner of the following-described real property located in Klamath County, Oregon

Return to:
The Commercial Bank
P.O. Box 428
Salem, Oregon 97308

(the Real Property):
Lots 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24 in Block 18 of Mountain View Addition to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Bank has agreed to lend to Borrower, or Borrower has agreed to offer the Property in support of an obligation, in the principal amount of \$ 25,054.00 on certain terms and conditions. The 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 November 10, 1991.
In addition to the Notes, Borrower may, from time to time, become indebted to the Bank by reason of loans, guarantees, or otherwise. The Notes, plus all other amounts owed the Bank by the Borrower are secured by this Mortgage and called the "Indebtedness."
The "Related Documents" shall mean that certain (check which applies)

- ☐ loan agreement dated
- ☐ security agreement(s) dated
- ☐ guaranty dated
- ☐ other: (specify)

which are executed in connection with this Mortgage to secure payment of the Indebtedness, and to secure performance by Borrower of the covenants contained in this Mortgage and Related Documents, Borrower mortgages and conveys to Bank the Real Property with all appurtenances, all existing or future improvements, all rights relating to the Real Property (including minerals, oil, gas, water, and the like), all ditch rights (including stock in entities with ditch or irrigation rights), 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:

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.
Late Charge: If the Mortgaged Property does not consist of a single-family, owner-occupied dwelling located in Oregon, then the late charge will be calculated at the rate of n/a percent per annum on the delinquent installment. An installment will be delinquent if not paid within n/a days of the due date.

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 Saturdays, Sundays and legal holidays that fall on the due date). 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, or \$5.00 whichever is greater.

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:

none (These are referred to, in this Mortgage, as "Permitted Encumbrances").

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 Mortgage Property complies with all existing applicable laws, ordinances and regulations of governmental authorities.

5. 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.

5.2 Borrower's Report on Insurance: If the Mortgaged Property is not a single-family residence or vacant land, 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, at Borrower's expense.

5.4 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.

6. Maintenance and Alterations

6.1 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.

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

6.3 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.

6.4 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.

6.5 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.

7. Taxes and Assessments; Liens and Claims

7.1 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.

7.2 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, other than the Permitted Encumbrances defined above in this Mortgage.

7.3 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 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.

7.4 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.

7.5 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.

7.6 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.

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 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 by the Mortgage.

(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, but including (without limitations) land sale contracts, this Mortgage shall be in default, and Bank may, at Bank's option, declare the indebtedness 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 indebtedness shall be at such rate as Bank shall request. Unless specifically agreed by Bank in writing, consent to a transfer shall not release Borrower from any obligations to Bank. If this provision is held unenforceable in whole or in part for any reason, Bank nonetheless shall have the right to impose all such conditions on transfer of the Mortgaged Property (as defined in this paragraph) as may be permitted under applicable law, including without limitation the right to increase the interest rate on the indebtedness to the rate then charged by the Bank on mortgage loans. 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 15 days after notice from Bank specifying the nature of the default or, if the default cannot be cured within 15 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 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 Borrower under any bankruptcy or insolvency laws within the time required to answer.

11. Bank's Rights upon Default.

- 11.1 Remedies. On default and thereafter 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:
- (a) Bank may declare the entire amount owed by Borrower, including any prepayment penalty which Borrower would be required to pay, immediately due and payable.
 - (b) Bank may have a receiver appointed as a matter of right or may exercise all rights of a receiver as a bank-in-possession.
 - (c) 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.
 - (d) 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 Bank. Bank shall not be deemed a bank-in-possession solely by reason of exercise of the rights contained in this subparagraph.

- (e) Bank may obtain a decree foreclosing Borrower's interest in all or any part of the Mortgaged Property.
- (f) If permitted by applicable law, Bank may foreclose Borrower's interest in all or any part of the Mortgaged Property by nonjudicial sale.
- (g) 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.
- (h) 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 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:

- (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 sums to the expenses of use, operation, and management;
 - (c) 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 Indebtedness 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:

- (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 Borrower has 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 Bank 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 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:

- (a) 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;
- (b) To pay all amounts owed by Borrower 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.

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 Mortgaged Property is not a single family residence, 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, other portions of the Indebtedness, or any provision of this Mortgage, 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, costs of appraisals, 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 Indebtedness 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 Indebtedness by way of forbearance or extension without releasing Borrower from the obligations of this Mortgage or liability under the Indebtedness.

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 Indebtedness from the date of expenditure until repaid. Such action by Bank shall not constitute a waiver of the default or of 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 and all payments are to be made to Bank. The law of the State in which Bank is located 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.

12.11. **Waiver of Homestead.** Borrower waives any rights under homestead or similar laws that may affect the Property, and Borrower agrees that the lien of this Mortgage is superior to any homestead exemption or similar right Borrower may have.

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

[Signature]
Borrower

[Signature]
Borrower

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF Oregon

County of Klamath

On this 27 day of October, 1986, before me personally appeared J. Gillis Hannigan and Jo Ann Hannigan, known to me to be the individual or individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this 27 day of October, 1986.

BY [Signature]
Notary Public in and for the State of OREGON

Residing at Klamath Falls
My commission expires 11-13-89

CORPORATE ACKNOWLEDGEMENT

STATE OF Oregon

County of Klamath

On this 27 day of October, 1986, before me personally appeared [Signature] and [Signature], known to me to be the authorized agent(s) for the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of the corporation; duly authorized by the corporation through its board of directors or otherwise, for the uses and purposes therein mentioned; and on oath stated that he was/were authorized to execute said instrument and that the seal affixed is the corporate seal of the corporation.

BY [Signature]
Notary Public in and for the State of OREGON

Residing at [Address]
My commission expires [Date]

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF Oregon

County of Klamath

THIS CERTIFIES that on this 27 day of October, 1986, personally appeared before me the undersigned, a Notary Public in and for said County and State, the within named [Signature] known to me to be the person named in and who executed the foregoing instrument and who be member of the partnership of [Name] executed the instrument freely and voluntarily, by authority of the partnership, for the purposes and use herein mentioned, on behalf of the 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.

Filed for record at request of [Name] the 4th day of November, A.D., 1986 at 11:20 o'clock A.M., and duly recorded in Vol. M86 of Mortgages on Page 19950.

Evelyn Biehn, County Clerk
By [Signature]