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K-39139
MODIFICATION OF NOTES, ASSIGNMENT AND
MORTGAGE AND DEED OF TRUST AND ASSUMPTIONVol. M87 Page 1473DATED: December 5, 1986BETWEEN: FIRST INTERSTATE BANK OF OREGON, N.A.
Klamath Falls Branch
601 Main Street
P.O. Box 608
Klamath Falls, Oregon 97601 "Bank"AND: KLAMATH RESTORATION GROUP,
a partnership
2250 Ranch Road
Ashland, Oregon 97520 "KRG"

RECITALS:

Walter A. Dietz, as seller, sold the real property described in Exhibit A which is attached hereto and is by this reference incorporated herein ("Real Property") to David L. Doud, as buyer, pursuant to Contract of Sale dated March 18, 1977 and recorded April 11, 1977 in Volume M77 page 6053 records of Klamath County, Oregon.

By Assignment of Contract, recorded June 13, 1980, in Volume M80 page 10893, David L. Doud, assigned his interest in said Contract to Robert Mullen as to a 52.6%, Gordon Malcomb as to a 12.5%, John Robert as to a 12.5%, Richard Herrera as to a 10.4%, Denis Crain as to a 7.2% and Charles Fisher as to a 4.8%.

By Warranty Deed recorded September 16, 1980, in Volume M80 Page 17506, records of Klamath County, Oregon, Charles Fisher deeded his undivided 4.8 interest to Robert Mullen Sr. as to an undivided 2.4% and Richard Herrera as to an undivided 2.4%.

By Warranty Deed recorded January 15, 1981, in Volume M81 page 740, records of Klamath County, Oregon, Robert Mullen and Gordon Malcomb and John Roberts and Richard Herrera and Denis Crain deeded their interest to KRG.

On or about October 1, 1982, KRG made, executed and delivered to Bank its certain Assignment and Mortgage ("Assignment") assigning and mortgaging all of its right, title and interest in and to the Contract of Sale and the Real Property. Assignment was recorded October 4, 1982, in Volume M82 page 13259, records of Klamath County, Oregon. Assignment was given to secure the payment of KRG's \$62,956.02 promissory note ("Note 1") to Bank together with interest thereon and any and all renewals or extensions thereof and as security for the payment of any and all other indebtedness now or at any time hereafter owing by Assignor to Bank, whether absolute, contingent, due or to become due, primary or secondary, and however evidenced. The maturity date of Note 1 is October 5, 1986.

Assignment was modified pursuant to Modification of Mortgage between KRG and Bank dated May 3, 1984, recorded May 4, 1984, in Volume M84 page 7578, Mortgage records of Klamath County, Oregon.

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On or about March 8, 1985, KRG made, executed and delivered to Bank its certain Deed of Trust ("Deed of Trust") covering Real Property which was recorded March 29, 1985, in Volume M85 page 4608, records of Klamath County, Oregon. Deed of Trust was given to secure the payment of KRG's \$5,494.24 promissory note ("Note 2") to Bank together with interest thereon, all renewals or extensions thereof and repayment of future advances made by Bank to KRG, together with interest thereon.

Note 1 and Note 2 are also secured by KRG's September 13, 1982 Security Agreement in favor of Bank ("KRG Security Agreement").

CBH, Inc. is related by common ownership to KRG. CBH, Inc. is indebted to Bank pursuant to a \$40,400.00 promissory note ("Note 3") to Bank dated September 13, 1982 and maturing September 10, 1986. Note 3 is secured by CBH, Inc.'s September 13, 1982 Security Agreement in favor of Bank ("CBH Security Agreement").

There is now due and owing on Note 1 the principal sum of \$ 34,218.85 together with interest thereon from 9-5-86, 1986.

There is now due and owing on Note 2 the principal sum of \$ 5,494.24 together with interest thereon from 3-1-85, 1986.

There is now due and owing on Note 3 the principal sum of \$ 21,412.43 together with interest thereon from 8-6-86, 1986.

KRG has asked Bank to extend the maturity dates of Note 1 and Note 2.

Bank is willing to do this if KRG assumes Note 3, assumes CBH, Inc.'s obligations on the CBH Security Agreement, agrees to a different interest rate on Note 2 and confirms that the Assignment and Deed of Trust and KRG's Security Agreement secure Note 1, Note 2 and Note 3.

It is of business benefit to KRG to assume Note 3.

AGREEMENT:

In consideration of the foregoing and of the agreements herein, it is agreed:

1. KRG assumes and agrees to pay the indebtedness evidenced by Note 3 and agrees to perform all of the covenants of the CBH Security Agreement. By accepting KRG as an assuming obligor on Note 3 and the CBH Security Agreement, Bank is not releasing CBH, Inc. therefrom.
2. KRG agrees that the interest rate on Note 2 is Bank's prime rate in effect from time to time plus 2.5%. Each change in Bank's prime rate is to be effective on the effective date of each change announced by Bank. Interest shall be computed on the basis of a 365 day year or a 366 day year, as applicable, and actual days elapsed. Bank's prime rate refers to Bank's publicly announced prime rate which is a base rate used to price some loans. It may not be the lowest rate at which Bank makes any loan.
3. Bank and KRG agree that the balance now due and owing on Note 1, Note 2 and Note 3 is payable in consecutive monthly instalments of not less than \$1,273.48 in any one

instalment, together with the full amount of interest due at the time of payment of each instalment. The first payment of principal and interest shall be made on December 16, 1986 and a like payment shall be made on the 16th day of each month thereafter until November 16, 1990, when the whole sum of principal and interest then unpaid shall be paid.

4. Bank may apply principal payments to Note 1, Note 2 and Note 3 in such order of preference as Bank desires.

5. KRG agrees and confirms that the Deed of Trust, Assignment and KRG Security Agreement all secure Note 1, Note 2 and Note 3, together with any and all renewals or extensions or revisions thereof.

6. The interest rate provided for in Note 1, Note 2 and Note 3 is a variable rate which is not subject to any ceiling.

7. Except as herein modified in the manner and on the terms and conditions hereinafter stated, the Deed of Trust, Assignment, CBH Security Agreement, KRG Security Agreement, Note 1, Note 2 and Note 3 shall be and remain in full force and effect, and KRG agrees to comply with all of the terms and conditions in the same manner and to the same extent as though the provisions thereof were in all respects incorporated herein and made a part of this agreement.

IN WITNESS WHEREOF, KRG and Bank have caused this agreement to be executed on their behalf by their duly authorized representatives this day and year first hereinabove written.

FIRST INTERSTATE BANK OF
OREGON, N.A.

By [Signature]
Title: Vice President & Manager

KLAMATH RESTORATION GROUP,
a partnership

By [Signature]
Title: Partner

By [Signature]
Title: Partner

State of Oregon)
County of Klamath) ss:

The foregoing instrument was acknowledged before me this 5th day of December, 1986, by J. Dennis Roach, a Vice President & Manager of FIRST INTERSTATE BANK OF OREGON, N.A., a national banking association, on behalf of the association.

[Signature]
Notary Public for the State of Oregon
My commission expires: April 8, 1988

State of Oregon)
County of Klamath) ss:

The foregoing instrument was acknowledged before
me this 5th day of December, 1986, by _____
Robert Mullen and Gordon Malcomb
on behalf of KLAMATH RESTORATION GROUP.

Alana Oakes
Notary Public for the State of Oregon
My commission expires: April 8, 1988



State of Oregon)
County of _____) ss:

The foregoing instrument was acknowledged before
me this _____ day of _____, 1986, by _____
on behalf of KLAMATH RESTORATION GROUP.

Notary Public for the State of Oregon
My commission expires:

The undersigned guarantors of indebtedness of KRG to
Bank hereby consent to the terms of the foregoing agreement.

Robert J. Mullen
ROBERT J. MULLEN

Date: 12-5-86

RICHARD HERRERA

Date: _____

Gordon Malcomb
GORDON MALCOMB

Date: 12-5-86

J. ROBERTS

Date: _____

1580

EXHIBIT "A"

1477

All of Lot 5 in Block 36 of the ORIGINAL TOWN OF LINKVILLE, (now City of Klamath Falls), EXCEPTING THEREFROM a strip of land 1 foot in width off the Easterly side of said Lot 5 and a strip of land 8 feet in width off the rear end of said Lot 5 reserved as an alley, Klamath County, Oregon.

Return to:
First Interstate Bank
P.O. Box 608
Klamath Falls, Or. 97601

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the 29th day
of January A.D., 19 87 at 2:12 o'clock P M., and duly recorded in Vol. M87
of _____ Mortgages on Page 1473.

Evelyn Biehn, County Clerk
By Ann Smith

FEE \$21.00