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Vol. m89 Page 7875

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MODIFICATION OF NOTE, MORTGAGE AND ASSIGNMENTS

DATED: April 28, 1989

AMONG: FIRST INTERSTATE BANK OF OREGON, N.A.,
formerly known as First National Bank
of Oregon
Commercial Real Estate Division
P. O. Box 10566
Eugene, Oregon 97440 "Bank"

DALE M. ZERULL and LESLEY M. ZERULL
3585 Agate Street
Eugene, Oregon 97405 "Zerulls"

AND: SWAN LAKE MOULDING COMPANY, an
Oregon corporation
3226 South Sixth Street
Klamath Falls, Oregon "Swan Lake"

(Zerulls and Swan Lake collectively are
sometimes referred to as the "Mortgagors")

RECITALS:

On or about May 12, 1978, Mortgagors made, executed and delivered to Bank their certain real property mortgage ("Mortgage") on and covering the real property ("Property") situate in Klamath County, Oregon, and more particularly described in Exhibit A which is attached hereto and is by this reference incorporated herein. The Mortgage was recorded on May 16, 1978 in Volume M78, Pages 10173 through 10179, in Mortgage Records of Klamath County, Oregon, as document No. 48312. The Mortgage was given to secure Zerulls' promissory note ("Note") dated May 12, 1978 in the amount of \$99,338.00 maturing on December 1, 1998 and any renewals or extensions or modifications thereof.

Exhibit B to the Mortgage provides, among other provisions, that Swan Lake assumes no liability for payment of the Note or any part thereof nor for payment of any other sums which Mortgagors agree to pay by the terms of the Mortgage, and that Swan Lake, by executing the Mortgage, pledged only its interest in the Property for payment of the Note, and that Bank, upon foreclosure, would not be entitled to any judgment against Swan Lake for payment of the Note.

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On or about May 12, 1978, Zerulls made, executed and delivered to Bank their certain assignment ("Assignment No. 1") assigning all of their right, title and interest in and to all rents, issues, income and profits then existing or thereafter arising out of or in any way connected with the Property and recorded on May 16, 1978 in Volume M78, Pages 10180 through 10184, as document No. 48313 in the Records of Klamath County, Oregon. The Assignment No. 1 secures the same indebtedness as the Mortgage.

On or about May 12, 1978, the Zerulls made, executed and delivered to Bank their certain assignment of lessor's interest in lease ("Assignment No. 2") assigning all of their right, title and interest in and to any and all leases then or thereafter existing covering all or a portion of the Property, including, but not limited to, that certain lease executed on or about April 15, 1978 between the Zerulls, as lessor, and Home Fabrics, Inc., an Oregon corporation, as lessee, and recorded on May 16, 1978 in M78, Pages 10185 through 10188, as document No. 48314. Assignment No. 2 secures the same indebtedness as the Mortgage.

There is now due and owing on the indebtedness secured by and specifically described in the Mortgage, Assignment No. 1, and Assignment No. 2 the principal sum of \$71,107.90, together with accrued interest thereon, and Mortgagors desire a modification of the terms of payment thereof to which Bank is agreeable on the terms and conditions hereinafter stated and not otherwise.

AGREEMENT:

In consideration of the premises and of the promises and agreements hereinafter contained, Mortgagors and Bank agree:

1. Incorporation of Recitals. The recitals in this Modification are incorporated herein.

2. The balance now due and owing on the Note, Mortgage, Assignment No. 1, and Assignment No. 2 is payable as follows:

Interest, only, at the rate of 10 percent
per annum on the outstanding principal
balance shall be payable monthly

commencing on May 1, 1989, and a like payment shall be due and payable on the first day of each month thereafter until January 1, 1990. Thereafter, the balance shall be payable in monthly installments of \$958.63 principal and interest commencing on February 1, 1990 and on the first day of each month thereafter until December 1, 1993 when the whole sum of principal and interest then unpaid shall be paid.

3. Modification Fee. Mortgagors agree to pay \$100.00 upon the execution of this Modification.

4. Consent by Swan Lake. Swan Lake is executing this Modification to evidence its consent to the Modification and not to assume liability for payment of the Note.

5. Effect of This Modification. Except as herein modified in the manner and on the terms and conditions hereinabove stated, the Note, Mortgage, Assignment No. 1, and Assignment No. 2 shall be and remain in full force and effect, with all the terms and conditions of which Mortgagors do hereby agree to comply 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, Mortgagors and Bank have caused this Modification to be executed on their behalf by their duly authorized representative this day and year first hereinabove written.

SWAN LAKE MOULDING COMPANY

By Lesley M. Zerull
Title President

Lesley M. Zerull
DALE M. ZERULL

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FIRST INTERSTATE BANK OF
OREGON, N.A., fka First
National Bank of Oregon

By Lesley M. Zerull
Title Vice President

Lesley M. Zerull
LESLEY M. ZERULL

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STATE OF OREGON

County of Lane

) : ss.

The foregoing instrument was acknowledged before me
this 28 day of April, 1989 by Dale M. Zerull and
Lesley M. Zerull.

Dorothy V. Collier
Notary Public for Oregon

My Commission expires: 10-5-89

STATE OF OREGON

County of Lane

) : ss.

The foregoing instrument was acknowledged before
me this 5th day of May, 1989 by Leonard J. Witt
a President of First Interstate Bank of Oregon, N.A.,
on behalf of the association.

Dorothy V. Collier
Notary Public for Oregon

My Commission expires: 10-5-89

STATE OF OREGON

County of Klamath

) : ss.

The foregoing instrument was acknowledged before
me this 2nd day of May, 1989 by Dorothy V. Collier,
the President of Swan Lake Moulding Company, on
behalf of the corporation.

Ronald J. Ferguson
Notary Public for Oregon

My Commission expires: 11-16-1990

AFTER RECORDING, RETURN TO:

First Interstate Bank of Oregon, N.A.
Commercial Real Estate Division
P. O. Box 10566
Eugene, Oregon 97440

Attention: Leonard Witt

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(ZERULL.MOD)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co.
of May A.D. 19 89 at 4:08 o'clock P.M., and duly recorded in Vol. M89
of Mortgages on Page 7875

FEE \$23.00

Evelyn Biehn
By Dorothy V. Collier County Clerk