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RECORDATION REQUESTED BY:

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Vol. 1799 Page 6622

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CH 1001

PNC BANK, FSB
ONE PNC PLAZA
FIFTH AVENUE & WOOD STREET
PITTSBURGH, PA 15222

WHEN RECORDED MAIL TO:

PNC BANK, FSB
ATTN: COLLATERAL CONTROL
2730 LIBERTY AVENUE
PITTSBURGH, PA 15222

SEND TAX NOTICES TO:

DAVID JAMES LENNINGER and MICHELLE R LENNINGER
5016 GATEWOOD DRIVE
KLAMATH FALLS, OR 97603

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MORTGAGE

THIS MORTGAGE IS DATED OCTOBER 23, 1998, between DAVID JAMES LENNINGER and MICHELLE R LENNINGER, whose address is 5016 GATEWOOD DRIVE, KLAMATH FALLS, OR 97603 (referred to below as "Grantor"); and PNC BANK, FSB, whose address is ONE PNC PLAZA, FIFTH AVENUE & WOOD STREET, PITTSBURGH, PA 15222 (referred to below as "Lender").

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, located in KLAMATH County, State of Oregon (the "Real Property"):

Real Estate at 5016 GATEWOOD DRIVE, KLAMATH FALLS, OR 97603

The Real Property or its address is commonly known as 5016 GATEWOOD DRIVE, KLAMATH FALLS, OR 97603. The Real Property tax identification number is R570769.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

DEFINITIONS. The following words shall have the following meanings when used in this Mortgage. Terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

Existing Indebtedness. The words "Existing Indebtedness" mean the indebtedness described below in the Existing Indebtedness section of this Mortgage.

Grantor. The word "Grantor" means DAVID JAMES LENNINGER and MICHELLE R LENNINGER. The Grantor is the mortgagor under this Mortgage.

Guarantor. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with the Indebtedness.

Indebtedness. The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Lender to enforce obligations of Grantor under this Mortgage, together with interest on such amounts as provided in this Mortgage. The lien of this Mortgage shall not exceed at any one time \$30,000.00.

Note. The word "Note" means the promissory note or credit agreement dated October 23, 1998, in the original principal amount of \$30,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. The maturity date of the Note is November 28, 2008. The rate of interest on the Note is subject to indexing, adjustment, renewal, or renegotiation.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the property, interests and rights described above in the "Grant of Mortgage" section.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ALL OBLIGATIONS OF GRANTOR UNDER THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all amounts secured by this Mortgage as they become due, and shall strictly perform all of Grantor's obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until in default, Grantor may remain in possession and control of and operate and manage the Real Property and collect the Rents. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

Duty to Maintain. Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

DUE ON SALE - CONSENT BY LENDER. Lender may, at its option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without the Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of Real Property interest. If any Grantor is a corporation, partnership or limited liability company, transfer also

been applied for, considered, approved and made in the Commonwealth of Pennsylvania.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all indebtedness secured by this Mortgage.

COMPLIANCE WITH ALL LAWS. Grantor shall comply with all laws respecting ownership or use of the Property. If the Property is a condominium or planned unit development, Grantor shall comply with all by-laws, regulations and restrictions of record.

LENDER'S RIGHT TO INSPECT. Lender may make reasonable entries upon and inspections of the Property after giving Grantor prior notice of any such inspection.

EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND EACH GRANTOR AGREES TO ITS TERMS.

GRANTOR:

x David James Lenninger (SEAL)
DAVID JAMES LENNINGER

x Michelle R Lenninger (SEAL)
MICHELLE R LENNINGER

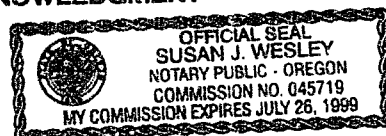
Signed, acknowledged and delivered in the presence of:

x Nadine F. Erlei Nadine F. Erlei
Witness

x Susan A. Cahill Susan A. Cahill
Witness

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon) ss
COUNTY OF Klamath)



On this day before me, the undersigned Notary Public, personally appeared DAVID JAMES LENNINGER and MICHELLE R LENNINGER, to me known to be the individuals described in and who executed the Mortgage, and acknowledged that they signed the Mortgage as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 2nd day of November, 1998.

By Susan J. Wesley
Notary Public in and for the State of OR

Residing at 961 Vista Way, K. Falls, OR
My commission expires 7-26-99

Legal Description

All that certain parcel of land situated in CITY OF KLAMATH FALLS being known as LOT 5, BLOCK 4, TRACT 1035, GATEWOOD and being more fully described in Deed Book M93 Page 20677 recorded on 08/19/1993 among the land records of KLAMATH County, OR.

STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of PNC Bank the 25th day
of February A.D., 1999 at 2:24 o'clock P. M., and duly recorded in Vol. M99
of Mortgages on Page 6622.

Linda Smith, County Clerk

FEE \$25.00

by Kathleen Ross