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C91-38310

MORTGAGE

This Mortgage is made as of the 1st day of November, 1991, between J.B. JAMES, INC., a Nebraska corporation ("Mortgagor") and ALLEN F. KRAUSE and PATRICIA KRAUSE, husband and wife ("Mortgagee").

To secure the payment of the principal, interest, and any other sums payable under that certain Promissory Note dated November 1, 1991, in the principal amount of One Hundred Seventy Thousand and no/100 Dollars (\$170,000.00) in which the Mortgagor is Maker and the Mortgagee is Holder (the "Note"), according to its terms and any extensions and renewal thereof and secure the performance of all the covenants and conditions of this Mortgage, Mortgagor does hereby grant, mortgage and pledge to the Mortgagee, its successors, assigns, heirs and personal representatives, all of its estate, right, title, and interest in and to the following described real estate whether now owned by the Mortgagor or hereafter acquired by it:

Lots One (1) and Two (2) in Block One (1), East Campus Square First Addition, Lincoln, Lancaster County, Nebraska

together with all rents, easements, appurtenances, hereditaments, interest in adjoining roads, streets and alleys, improvements and buildings of any kind situated thereon and all personal property that may integrally belong to or hereafter become an integral part of such buildings and improvements (collectively the "Property").

Mortgagor covenants with Mortgagee and its successors in interest that:

- (i) Mortgagor holds title to the Property in fee simple and has lawful authority to mortgage the same;
- (ii) The Property is free of liens and encumbrances except zoning regulations, reservations, easements, licenses, restrictions, covenants and conditions of record and a certain Deed of Trust dated as of June 16, 1986, and recorded on June 18, 1986, as Instrument No. 86-18841, in the records of the Register of Deeds of Lancaster County, Nebraska (the "Trust Deed"), Uniform Commercial Code Financing Statement recorded June 27, 1986, as Instrument No. 86-20211 and a Continuation Statement recorded May 13, 1991, as Instrument No. 91-14157 in the records of the Register of Deeds of Lancaster County, Nebraska, and a Uniform Commercial Code Financing Statement filed July 3, 1986, as Financing Statement No. 9986347689 and a Continuation Statement filed June 5, 1991, as Financing Statement No. 9991519790 with the Nebraska Secretary of State (all of the referenced Financing Statements and

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Continuation Statements are referred to herein collectively as the "Financing Statement"); and

(iii) Mortgagor will defend the Property against the lawful claims of any person or entity.

NOW, THEREFORE, Mortgagor and Mortgagee agree as follows:

1. Payments. Mortgagor shall promptly make all payments required under the Note and any other instruments securing the Note.

2. Taxes. Mortgagor shall pay each installment of all taxes and special assessments, now or hereafter levied and assessed against the Property or any part thereof, before the same become delinquent, without notice or demand and shall provide Mortgagee of evidence of the payment of same. Mortgagor shall pay all taxes and assessments which may be levied upon Mortgagee's interest herein or upon the Mortgage or debt secured hereby without regard to any law that may be enacted imposing payment of the whole or any part thereof upon the Mortgagee.

3. Insurance and Repairs. Mortgagor shall maintain fire and extended coverage insurance insuring the improvements and buildings constituting part of the Property for an amount equal to the actual cash value of such improvements, but in no event for an amount less than the amount of the unpaid principal balance of the Note. Such insurance policy shall contain a standard mortgage clause in favor of Mortgagee and shall not be cancelable, terminable or modifiable without thirty (30) days written notice to Mortgagee. Mortgagor shall promptly repair, maintain and replace the Property or any part thereof so that, except for ordinary wear and tear, the Property shall not deteriorate. In no event shall the Mortgagor commit waste on or to the Property.

4. Optional advances. If the insurance required above is not properly obtained or maintained, or if the Property is not properly repaired or maintained, or if the taxes or special assessments levied and assessed against the Property shall become delinquent, Mortgagee (whether electing to declare the whole Mortgage due and collectible or not), may, but need not, obtain or maintain such insurance, effect such repairs or maintenance, and pay such taxes and special assessments, and all such payments shall accrue interest at the rate set forth in the Note from time of payment and shall be a lien against the Property.

5. Acceleration and Receivership. If default shall be made in the payment of the Note, or any part of the interest thereon, or any other advance or obligation which may be secured hereby, such as taxes, special assessments, insurance and repairs, or if Mortgagor shall suffer or commit waste on or to the Property, or if there shall be a failure to comply with any and every condition of

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this Mortgage, then, at the option of the Mortgagee, the Note and the whole of the indebtedness secured by this Mortgage, including all payment of taxes, assessments, repairs, or insurance premiums, shall become due and shall become collectible at once by foreclosure or otherwise after such default or failure, without notice of such default. At any time after the commencement of an action in foreclosure, or during the period of redemption, the Mortgagee shall have the right to have a receiver appointed to take immediate possession of the Property and of the rents and profits accruing therefrom.

6. Mortgagor Payment of Mortgagee Obligations. Mortgagee agrees that upon payment by the Mortgagor of the final payment of \$133,815.37 as set forth in the Note, Mortgagee shall apply such portions of the final payment to its obligations to Union Bank and Trust Company of Lincoln, Nebraska as evidenced by a Deed of Trust and Financing Statement (the "Mortgagee Obligations") as identified in Section 7 of that certain Purchase Agreement dated November 8, 1991, by and between Mortgagor, Mortgagee and Krause Investment Company, a Nebraska corporation. Mortgagee has agreed to satisfy and pay in a diligent and timely manner all of the Mortgagee Obligations. In the event of a default by Mortgagee in the Mortgagee Obligations, Mortgagor, at Mortgagor's option, may make such payment of Mortgagee due under the Mortgagee Obligations and deduct and offset such payments from the amounts owed to Mortgagee under the terms of the Note and this Mortgage.

7. Miscellaneous. The term "Mortgagor" and "Mortgagee" as used herein, includes successors in interest. This Mortgage shall be construed in accordance with the laws of the State of Nebraska. Each party signatory to this Mortgage hereby releases, waives, and relinquishes any dower, homestead, or statutory interest in the Property.

8. Satisfaction. This Mortgage shall become void and the Mortgagor entitled to a release in the acceptable form upon full payment of the Note, including any accrued interest, and all other payments made by the Mortgagee and secured by this Mortgage.

Mortgagor and Mortgagee have executed this Mortgage to be effective as of the day and year first above written.

J.B. JAMES, INC., a Nebraska corporation

By Scott A. Krause  
Scott A. Krause, President

By Curtis Carstens  
Curtis Carstens, Vice-President

