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NOTE AND MORTGAGE

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THE MORTGAGOR, CLARENCE HERBERT YOUNG and VIRGINIA M. YOUNG, husband and wife,

mortgages to the STATE OF OREGON, represented and acting by the Director of Veterans' Affairs, pursuant to ORS 407.030, the following described real property located in the State of Oregon and County of Klamath.

PARCEL 1: The following described real property in Klamath County, Oregon: The South 125 feet of the North 400 feet as measured along the East and West lines of the following described property: A tract of land situated in the SE 1/4 SE 1/4 of Section 14, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows: Beginning at a point on the East boundary of Homedale Road, said point being North 89° 48' East a distance of 30.0 feet and South 0° 10' East a distance of 822.0 feet from the Northwest corner of the SE 1/4 SE 1/4 of said Section 14; thence South 0° 10' East along the East boundary of Homedale Road a distance of 524.8 feet to the North boundary of Airway drive; thence South 89° 41' East along the North boundary of Airway Drive a distance of 350.0 feet; thence North 0° 10' West parallel with Homedale Road a distance of 527.8 feet; thence South 89° 48' West a distance of 350.0 feet, more or less to the point of beginning. **PARCEL 2:** The following described real property in Klamath County, Oregon: The South 125 feet of the North 275 feet as measured along the East and West lines of the following described property: A tract of land situated in the SE 1/4 SE 1/4 of Section 14, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows: Beginning at a point on the East boundary of Homedale Road; said point being

North 89° 48' East a distance of 30.0 feet and South 0° 10' East a distance of 822.0 feet from the Northwest corner of the SE 1/4 SE 1/4 of said Section 14; thence South 0° 10' East along the East boundary of Homedale Road a distance of 524.8 feet to the North boundary of Airway Drive; thence South 89° 41' East along the North boundary of Airway Drive a distance of 350.0 feet; thence North 0° 10' West parallel with Homedale Road a distance of 527.8 feet; thence South 89° 48' West a distance of 350.0 feet, more or less, to the point of beginning.

evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON:
Four Thousand Four Hundred Four and no/100 Dollars (\$4,404.00), with interest from the date of initial disbursement by the State of Oregon, at the rate of **5.9** percent per annum.
 interest from the date of initial disbursement by the State of Oregon, at the rate of _____ percent per annum.
Twenty Two Thousand Nine Hundred Seventy Five and 74/100 Dollars (\$22,975.74), with interest from the date of initial disbursement by the State of Oregon, at the rate of **5.9** percent per annum, until such time as a different interest rate is established pursuant to ORS 407.072.
 principal and interest to be paid in lawful money of the United States at the office of the Director of Veterans' Affairs in Salem, Oregon, as follows: **167.00** on or before **October 15, 1974**
107.00 on the 15th of each month thereafter, plus **ONE/100** thereafter.
 the ad valorem taxes for each successive year on the premises shall be fully paid, such payments to be applied first as interest on the unpaid principal, the remainder on the principal.
 The due date of the last payment shall be on or before **September 15, 2002**.
 In the event of transfer of ownership of the premises or any part thereof, I will continue to be liable for payment and the balance shall draw interest as prescribed by ORS 407.070 from date of such transfer.
 This note is secured by a mortgage, the terms of which are made a part hereof.

Signed at Klamath Falls, Oregon

August 28

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Clarence Herbert Young
Virginia M. Young

The mortgagor or subsequent owner may pay all or any part of the loan at any time without penalty.

This mortgage is given in conjunction with and supplementary to that certain mortgage by the mortgagors herein to the State of Oregon, dated **September 19, 1973**, and recorded in Book **B-73**, page **12727** (Microfilm) Klamath County, Oregon, which was given to secure the payment of a note in the amount of **\$22,950.00**, and this mortgage is also given as security for an additional advance in the amount of **\$4,404.00**, together with the balance of indebtedness covered by the previous note, and the new note is evidence of the entire indebtedness.

The mortgagor covenants that he will warrant and defend same forever against the claims and demands of all persons whomsoever, and this covenant shall not be extinguished by foreclosure, but shall run with the land.

MORTGAGOR FURTHER COVENANTS AND AGREES:

1. To pay all debts and moneys secured hereby;
2. Not to permit the buildings to become vacant or unoccupied; not to permit the removal or demolishment of any buildings or improvements now or hereafter existing; to keep same in good repair; to complete all construction within a reasonable time in accordance with any agreement made between the parties herein;
3. Not to permit the cutting or removal of any timber except for his own domestic use; not to commit or suffer any waste;
4. Not to permit any tax, assessment, lien, or encumbrance to exist at any time;
5. Mortgagee is authorized to pay all real property taxes assessed against the premises and add same to the principal, each of the advances to bear interest as provided in the note;
6. To keep all buildings, improvements, and contents insured against fire and theft by the mortgagor, and to cause the same to be insured in such policies with reliable, showing payment in full of all premiums; all such insurance shall be made payable to the mortgagee; insurance shall be kept in force by the mortgagor in case of foreclosure until the period of redemption expires;

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8. Mortgagee shall be entitled to all compensation and damages received under right of eminent domain, or for any security voluntarily released, same to be applied upon the indebtedness.

9. Not to lease or rent the premises or any part of same, without written consent of the mortgagee.

10. To promptly notify mortgagee in writing of a transfer of ownership of the premises or any part or interest in same, and to furnish a copy of the instrument of transfer to the mortgagee; a purchaser shall pay interest as prescribed by ORS 407.076 on all payments due from the date of transfer; in all other respects this mortgage shall remain in full force and effect.

The mortgagee may, at his option, in case of default of the mortgagor, perform same in whole or in part and all expenditures made in so doing including the employment of an attorney to secure compliance with the terms of the mortgage or the note shall draw interest at the rate provided in the note and all such expenditures shall be immediately repayable by the mortgagor without demand and shall be secured by this mortgage.

Default in any of the covenants or agreements herein contained or the expenditure of any portion of the loan for purposes other than those specified in the application, except by written permission of the mortgagee given before the expenditure is made, shall cause the entire indebtedness at the option of the mortgagee to become immediately due and payable without notice and this mortgage subject to foreclosure.

The failure of the mortgagee to exercise any options herein set forth will not constitute a waiver of any right arising from a breach of the covenants.

In case foreclosure is commenced, the mortgagor shall be liable for the cost of a title search, attorney fees, and all other costs incurred in connection with such foreclosure.

Upon the breach of any covenant of the mortgage, the mortgagee shall have the right to enter the premises, take possession, collect the rents, issues and profits and apply same, less reasonable costs of collection, upon the indebtedness and the mortgagee shall have the right to the appointment of a receiver to collect same.

The covenants and agreements herein shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

It is distinctly understood and agreed that this note and mortgage are subject to the provisions of Article XI-A of the Oregon Constitution, ORS 407.010 to 407.020 and any subsequent amendments thereto and to all rules and regulations which have been issued or may hereafter be issued by the Director of Veterans' Affairs pursuant to the provisions of ORS 407.020.

WORDS: The masculine shall be deemed to include the feminine, and the singular the plural where such connotations are applicable herein.

IN WITNESS WHEREOF, The mortgagors have set their hands and seals this 28 day of August, 1974

Clarence Herbert Young (Seal)
Virginia M. Young (Seal)
 _____ (Seal)

ACKNOWLEDGMENT

STATE OF OREGON,
 County of Klamath
 August 28, 1974

Before me, a Notary Public, personally appeared the within named Clarence Herbert Young and Virginia M. Young his wife and acknowledged the foregoing instrument to be their voluntary act and deed.

WITNESS my hand and official seal the day and year last above written.

Carl V. McDonald
 Notary Public for Oregon
 My Commission expires April 4, 1975

MORTGAGE

FROM
 STATE OF OREGON,
 County of Klamath

TO Department of Veterans' Affairs

1- K14807-P

I certify that this instrument was received and duly recorded by me in Klamath County Records, Book of Mortgages, No. M-24, Page 10555, on the 29th day of AUGUST 1974, at CLERMONT, Klamath County, OREGON.

Hazel D. Dyer
 Deputy
 August 29th 1974

Klamath Falls, Oregon

DEPARTMENT OF VETERANS' AFFAIRS
 General Services Administration
 Salem, Oregon 97331