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THE MORTGAGOR PAUL H. FAIRCLO and ANN S. FAIRCLO, 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

The following described real property in Klamath County, Oregon:

PARCEL 1: A parcel of land lying within the NE¼ of the SW¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon:

Beginning at a point 30 feet South of the Northeast corner of the SW¼ of said Section 12; thence West along the South boundary of the county road 810 feet; thence South 24° 00' East 265 feet; thence South 38° 00' East, 310 feet; thence South 49° 00' East 335 feet; thence South 75° 00' East 273 feet; thence due North 778 feet to the point of beginning.

PARCEL 2: The W½ of the NE¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, EXCEPTING THEREFROM that part of the above described tract lying within the county road and within the "B" Canal right of way.

PARCEL 3: The E½ of the NW¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, EXCEPTING THEREFROM the following described tracts:

TOGETHER

A. Beginning at a point that bears North 26° 26' 28" East 4289.79 feet from the Section corner common to Sections 11, 12, 13 and 14 in Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon; thence South 38° 09' 43" West 96.19 feet; thence South 42° 34' 06" West 757.45 feet to the East line of a road; thence Northerly along said East line of a road to a point that is North 04° 10" 32" West 60.40 feet; thence North 01° 28' 23" West 347.02 feet; thence North-easterly along the Klamath Irrigation District Canal right of way to a point that is North 32° 17' 45" West 160.44 feet from the point of beginning; thence South 32° 17' 45" East a distance of 160.44 feet to the point of beginning.

B. Commencing at the Southwest corner of said Section 12; thence North 26° 26' 28" East, 4289.79 feet to a 5/8" iron pin for the true point of beginning; thence South 38° 09' 43" West, 96.19 feet; thence South 42° 34' 06" West, 757.45 feet to the Easterly boundary of Highway No. 140; thence North 78° 19' 50" East 347.66 feet; thence North 37° 59' 30" East, 97.00 feet; thence North 44° 07' 00" East, 607.68 feet; thence North 23° 39' 40" West, 333.83 feet to the Southerly boundary of the Klamath Irrigation District "E" Canal; thence Southwesterly along said boundary to a point that is North 32° 17' 45" West, 160.44 feet from the true point of beginning; thence South 32° 17' 45" East, 160.44 feet to the true point of beginning.

C. Beginning at the Northwest corner of the NE¼NW¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, and running thence due South to the Northerly right of way line of Klamath Irrigation District "E" Canal; thence Northeasterly along said right of way line 500 feet; thence Northeasterly to a point on the Northern boundary line of the NE¼NW¼, which point lies due East 990 feet from the point of

04° 10' 22" West 60.40 feet; thence North 0° 20' 29" West 347.02 feet; thence Northeasterly along the Klamath Irrigation District Canal right of way to a point that is North 32° 17' 45" West 160.44 feet from the point of beginning; thence South 32° 17' 45" East a distance of 160.44 feet to the point of beginning.

B. Commencing at the Southwest corner of said Section 12; thence North 26° 26' 28" East, 4289.79 feet to a 5/8" iron pin for the true point of beginning; thence South 38° 09' 43" West, 96.19 feet; thence South 42° 34' 06" West, 757.45 feet to the Easterly boundary of Highway No. 140; thence North 78° 19' 50" East 347.66 feet; thence North 37° 59' 30" East, 97.00 feet; thence North 44° 07' 00" East, 607.68 feet; thence North 23° 39' 40" West, 333.83 feet to the Southerly boundary of the Klamath Irrigation District "E" Canal; thence Southwesterly along said boundary to a point that is North 32° 17' 45" West, 160.44 feet from the true point of beginning; thence South 32° 17' 45" East, 160.44 feet to the true point of beginning.

C. Beginning at the Northwest corner of the NE¼NW¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, and running thence due South to the Northerly right of way line of Klamath Irrigation District "E" Canal; thence Northeasterly along said right of way line 500 feet; thence Northeasterly to a point on the Northern boundary line of the NE¼NW¼, which point lies due East 990 feet from the point of beginning; thence due West 990 feet to the point of beginning.

D. That part of the above described tract lying within Highway No. 140, North Poe Valley Road and within the "E" Canal right of way.

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PARCEL 4: Section 8, Township 36 South, Range 12 East of the Willamette Meridian:
Government Lots 19, 20, 21, 22, 27, 28, 29, 30 (SW¼)
Section 17, Township 36 South, Range 12 East of the Willamette Meridian:
Government Lots 1, 2, 7, 8, 9, 10, 15, 16 (NE¼)
Government Lots 3, 4, 5, 6, 11, 12, 13, 14 (NW¼)
Government Lots 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28.

PARCEL 5: All that portion of the SE¼ and the NE¼SW¼ of Section 30, Township 39 South, Range 10 East of the Willamette Meridian, lying Northeasterly from the most Northeasterly right of way line of the C-G Cut-off as described in Book 54 at pages 296 and 561, Deed Records of Klamath County, Oregon, and Northerly from the most Northerly right of way line of the Lost River Diversion Channel as described in Book 257 at page 345 of Deed Records of Klamath County, Oregon, EXCEPTING THEREFROM the following described parcel, to wit: Beginning at the quarter corner common to Sections 30 and 29, Township 39 South, Range 10 East of the Willamette Meridian; thence West along the South line of the NE¼ of said Section 30, 1595.2 feet; thence South 30 feet; thence East and parallel to the South line of said NE¼ a distance of 1343.2 feet; thence South 182 feet; thence East 252 feet; thence North 212 feet, more or less, to the point of beginning. ALSO EXCEPTING THEREFROM a tract of land in the Southeast one-quarter of Section 30, Township 39 South, Range 10 East of the Willamette Meridian, more particularly described as follows: Commencing at the one-quarter corner common to Sections 29 and 30 of said Township; thence South 0° 18' 51" West along the East boundary of said Section 30, 883.90 feet; thence South 89° 22' 40" West, 30.00 feet to a point on the West boundary of Reeder Road for the true point of beginning; thence South 88° 52' 20" West, 2152.85 feet to a point on the East boundary of the C-G cutoff; thence South 36° 18' East along the East boundary of the C-G cutoff; 952.10 feet to a 5/8" iron pin; thence North 47° 50" East 510.67 feet to a 5/8" iron pin; thence North 82° 28' 30" East, 1072.00 feet to a 5/8" iron pin; thence South 34° 30' East, 37.23 feet to a 5/8" iron pin; thence North 89° 42' East, 124.45 feet to a 5/8" iron pin on the West boundary of Reeder Road; thence North 0° 18' 51" East along said Road Boundary 356.52 feet to the true point of beginning.

PARCEL 6: A parcel of land situate in the SW¼ of Section 12, Township 39 South, Range 10 East of the Willamette Meridian, being more particularly described as follows: Beginning at a point 1120 feet North and 230 feet East of the Southwest corner of Section 12, running thence East 320 feet to the Westerly line of Highway 140; thence Northerly along West line of Highway 140, 115 feet; thence West 395 feet; thence South 110 feet to the point of beginning.

PARCEL 7: A portion of the SE¼ and the SE¼ of SW¼ of the said Section 36, Township 39 South, Range 9 East of the Willamette Meridian, and more particularly described as follows: Beginning at a point on the line marking the boundary between Section 36, Township 39 South, Range 9 East of the Willamette Meridian, and Section 1, Township 40 South, Range 9 East of the Willamette Meridian, from which the corner common to Section 36, Township 39 South, Range 9 East of the Willamette Meridian, Section 31, Township 39 South, Range 10 East of the Willamette Meridian, Section 6, Township 40 South, Range 10 East of the Willamette Meridian, and Section 1, Township 40 South, Range 9 East of the Willamette Meridian, bears South 89° 52' East 1505.5 feet distant, and running thence North 0° 14' East parallel to the line marking the boundary between the said Sections 36 and 31, 1773.1 feet; thence North 89° 57' West 760.5 feet, more or less, to a point in the line marking the Southeasterly boundary of the right of way for the U. S. Reclamation Service "South Branch" or "C" Canal, and I-B Drain; thence South 23° 27½' West, along the said right of way line, 1930.1 feet, more or less, to the line marking the boundary between the said Sections 36 and 1; thence South 89° 52' East along the said section line 1521.5 feet, more or less to the place of beginning.

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together with the tenements, hereditaments, rights, privileges, and appurtenances including roads and easements used in connection with the premises; electric wiring and fixtures; furnace and heating system, water heaters, fuel storage receptacles; plumbing, ventilating, water and irrigating systems; screens, doors; window shades and blinds, shutters; cabinets, built-ins, linoleums and floor coverings, built-in stoves, ovens, electric sinks; air conditioners, refrigerators, freezers, dishwashers; and all fixtures now or hereafter installed in or on the premises; and any shrubbery, flora, or timber now growing or hereafter planted or growing thereon; and any replacements of any one or more of the foregoing items, in whole or in part, all of which are hereby declared to be appurtenant to the land, and all of the rents, issues, and profits of the mortgaged property;

to secure the payment of Thirty thousand and no/100---------- Dollars ($ 30,000.00---) and interest thereon, and as additional security for an existing obligation upon which there is a balance owing of Fourty two thousand five hundred nineteen and 33/100---------- Dollars ($ 42,519.33) evidenced by the following promissory note:

> I promise to pay to the STATE OF OREGON
> Fourty two thousand five hundred nineteen and 33/100--- Dollars ($ 42,519.33---), with interest from the date of initial disbursement by the State of Oregon, at the rate of 4 percent per annum,
> ---------- Dollars ($ ----------), with interest from the date of initial disbursement by the State of Oregon, at the rate of ---------- percent per annum,
> Thirty thousand and no/100---------- Dollars ($ 30,000.00---), 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: $ 4,347.00------ on or before December 15, 1974---------- and $ 4,347.00 ANNUALLY---------- thereafter, plus ----------
> the ad valorem taxes for each successive year on the premises described in the mortgage, and continuing until the full amount of the principal, interest and advances 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 December 15, 2008----------
> 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.
> Dated at Klamath Falls, Ore, + Paul H. Faircloth
> Oct 18 19 74 Ann L. Faircloth

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 January 29 1968, and recorded in Book M-68 page 673 Mortgage Records for Klamath County, Oregon, which was given to secure the payment of a note in the amount of $ 46,285.62 and this mortgage is also given as security for an additional advance in the amount of $ 30,000.00 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 owns the premises in fee simple, has good right to mortgage same, that the premises are free from encumbrance, 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 hereto;
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 the use of the premises for any objectionable or unlawful purpose;
5. Not to permit any tax, assessment, lien, or encumbrance to exist at any time;
6. Mortgagee is authorized to pay all real property taxes assessed against the premises and add same to the principal, such of the advances to bear interest as provided in the note;
7. To keep all buildings unceasingly insured during the term of the mortgage against loss by fire and such other hazards in such company or companies and in such an amount as shall be satisfactory to the mortgagee; to deposit with the mortgagee all such policies with receipts 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;

9. The 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.

8. 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 407.070 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 407.210 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 407.080.

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 18 day of October, 19 74.

Paul H. Fairclo (Seal)

Ann S. Fairclo (Seal)

(Seal)

ACKNOWLEDGMENT

STATE OF OREGON,
County of Klamath } ss.

Before me, a Notary Public, personally appeared the within named PAUL H. FAIRCLO and ANN S. FAIRCLO 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.

Susan Kay Way
Susan Kay Way
Notary Public for Oregon
My commission expires 6/4/1977

My Commission expires

MORTGAGE

FROM To Department of Veterans' Affairs

x M-17362

STATE OF OREGON,
County of KLAMATH } ss.

I certify that the within was received and duly recorded by me in KLAMATH County Records, Book of Mortgages,

No. M 74 Page 13711 on the 21 day of OCTOBER 1974 WM.D.MILNE KLAMATH County CLERK

By Hazel Drazil Deputy

Filed OCTOBER 21st 1974 at o'clock 11:18 A.M.
Klamath Fals, Oregon
County Clerk By Hazel Drazil Deputy

After recording return to
DEPARTMENT OF VETERANS' AFFAIRS
General Services Building
Salem, Oregon 97310

FEE $ 6.00

Form L-4A (Rev. 9-70)