

NOTE AND MORTGAGE

THE MORTGAGOR JACK H. PETERSON and SHIRLEY A. PETERSON, husband and wife,

mortgage to the STATE OF OREGON, represented and sold 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 situate in Klamath County, Oregon: PARCEL 1: A tract of land situated in the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., more particularly described as follows: Beginning at an iron pin which lies North 89°40' East along the 40 line a distance of 780.0 feet and North 1°02' West a distance of 426.8 feet from the iron pin which marks the intersection of 4th Avenue and 4th Street of Altamont Acres, which point of intersection is also the Southwest corner of the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., and running thence: North 89°40' East a distance of 216.7 feet to an iron pin which lies on the Western right of way line of the U.S.R.S. Drain Ditch; thence North 4°22' West along the said Western right of way line of the U.S.R.S. Drain a distance of 107.0 feet to an iron pin; thence South 89°40' West a distance of 210.5 feet to an iron pin; thence South 1°02' East a distance of 106.6 feet, more or less, to the point of beginning. PARCEL 2: A tract of land situated in the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., more particularly described as follows: Beginning at an iron pin on the Western right of way line of Summers Lane which lies South 89°40' West a distance of 70.0 feet and North 1°12' West a distance of 545.9 feet from an iron pin in the center of Summers Lane which marks the Southeast corner of the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., and running thence: continuing North 1°12' West along the Western right of way

line of Summers Lane a distance of 70.5 feet to an iron pin; thence South 89°40' West a distance of 242.5 feet to an iron pin which lies on the Easterly right of way line of the U.S.R.S. Drain; thence South 4°22' East along said Easterly right of way line of the U.S.R.S. Drain a distance of 70.6 feet to an iron pin; thence North 89°40' East a distance of 238.6 feet, more or less, to the point of beginning. PARCEL 3: A tract of land situate in the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., more particularly described as follows: Beginning at an iron pin which lies North 89°40' East along the 40 line a distance of 780.0 feet and North 1°02' West a distance of 533.4 feet from the iron pin which marks the intersection of 4th Avenue and 4th Street of Altamont Acres, which point of intersection is also the Southwest corner of the NE 1/4 of Section 10, Township 39 South, Range 9 E.W.M., and running thence North 89°40' East a distance of 210.5 feet to an iron pin which lies on the Western right of way line of the U.S.R.S. Drain Ditch; thence North 4°22' West along the said Western right of way line of the U.S.R.S. Drain Ditch a distance of 85 feet to an iron pin; thence continuing North 30°38' West along said right of way line a distance of 382.4 feet to an iron pin which marks the intersection of the Western right of way line of the U.S.R.S. Drain and the Southerly line of a 60 foot road; thence South 89°40' West along the Southerly right of way line of the 60 foot road a distance of 16.9 feet to an iron pin which lies on the Easterly right of way line of Derby Street; thence South 1°02' East along the Easterly right of way line of Derby Street a distance of 415 feet, more or less, to the point of beginning.

and ad valorem taxes for each successive year on the principal amount of the principal, interest and advances shall be fully paid. Such payments to be applied first as interest and then as principal, the remainder on the principal.

February 1, 2000

The due date of the last payment shall be on or before February 1, 2000. 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.

Klamath Falls, Oregon

January 13

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

The mortgage is given in conjunction with and supplementary to all certain mortgages by the mortgagor.

dated May 5, 1971, and recorded in Book 472, page 420, Mortgage Records.

Klamath County, Oregon, which was given to secure the payment of a note in the amount of \$18,250.00 and

as security for an additional advance in the amount of \$1,785.00, together with the balance of 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, and that he will warrant and defend same forever against the claims and demands of all persons.

The mortgage shall not be extinguished by foreclosure, but shall run with the land and demands of all persons.

MORTGAGOR'S FURTHER COVENANTS AND AGREES:

1. The mortgagor covenants that he will keep the premises in good repair and condition, and will

maintain the same in good repair and condition, and will keep the same in good repair and condition,

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Mortgages 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.

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

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 407.770 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, issue and execute 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 407.020.

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 13th day of January, 1975.

Jack H. Peterson (Seal)
Shirley A. Peterson (Seal)
 (Seal)

ACKNOWLEDGMENT

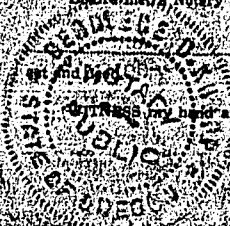
STATE OF OREGON

County of Klamath

Before me, a Notary Public, personally appeared the within named JACK H. PETERSON and SHIRLEY A. PETERSON

his wife and acknowledged the foregoing instrument to be their voluntary

act and deed, and I have hereunto set my hand and official seal the day and year last above written.



Dennis D. Knapp
 Notary Public for Oregon

My Commission expires 3-13-76

MORTGAGE

M20555-P

STATE OF OREGON

County of Klamath

Subscribed and sworn to before me this 13 day of January, 1975, at LaGrange, Clatsop County, Oregon.

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

Jack Peterson (Seal)
 (Seal)

Filed Jan 13, 1975 at 3:00 P.

County Clatsop

After recording return to
 DIRECTOR OF VETERANS' AFFAIRS
 1615 COMMERCIAL BUILDING
 SEASIDE, OREGON 97138