TA-38-M-12336-9 41082 Vol. m77 Page 25166

NOTE AND MORTGAGE

THE MORTGAGOR, CARL R. SMITH and SANDRA E. SMITH, 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 SW¼ of SW¼ of SW¼ of Section 8, Township 38 South, Range 11 East of the Willamette Meridian.

TOGETHER WITH an easement across the East 30 feet of the SW¼SW¼NW¼; an easement across the East 30 feet and the North 60 feet of the NW¼SW¼SW¼;

ALSO the East 30 feet of the following property:

The Northwest quarter of the Northwest quarter of the Southwest quarter (NW¼ of NW¼ of SW¼), the Northwest quarter of the Southwest quarter of the Southwest quarter (NW¼ of SW¼ of SW¼), and that portion of the Southwest quarter of the Northwest quarter of the Southwest quarter (SW¼ of NW¼ of SW¼) lying West of a line: Beginning at the Northeast corner of said subdivision; thence South 24° 30' West, 160.48 feet; thence South 05° 19' West, 216.42 feet; thence South 17° 19' East 237.16 feet; thence South 16° 10' East, 75.16 feet, more or less, to the Southeast corner of said subdivision, all in Section 8, Township 38 South, Range 11 East of the Willamette Meridian.

ALSO a 60 foot right of way along the North boundary and a 30 foot right of way along the east boundary and a 30 foot equalatenal triangle right of way attached to the Northeast corner of said rights of way.

ALSO the West 60 feet of the Northeast quarter of the Northeast quarter (NE¼ of NE¼) lying South of State Highway No. 140; The North 30 feet of the Southeast quarter of the Northeast quarter (SE¼ of NE¼); and that portion of said Southeast quarter of the Northeast quarter (SE¼ of NE¼) beginning on the East line thereof 60 feet South of the Northeast corner; thence North 30 feet; thence West parallel with North line, 120 feet; thence Southeasterly to point of beginning, all in Section 7, Township 38 South, Range 11 East of the Willamette Meridian.

AND ALSO the Southerly 30 feet of the NE¼NE¼, Section 7, Township 38 South, Range 11 East of the Willamette Meridian.

Beginning at the Southwest corner of the NW¼NW¼, Section 8, Township 38 South, Range 11 East of the Willamette Meridian; thence Northerly along the section line a distance of 30 feet; thence Southeasterly to a point on the Southerly line of the NW¼NW¼ of said Section 8, which lies 200 feet Easterly of the Southwest corner of the NW¼NW¼ of said Section 8; thence 200 feet Westerly to the point of beginning.

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and advance shall be fully ... principal.

The due date of the last payment shall be on or before January 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, OR 97601

December 30, 19 77

Carl R. Smith
Carl R. Smith

Sandra E. Smith
Sandra E. Smith

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

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, each 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;

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together with the tenements, heriditaments, 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 Forty Two Thousand Five Hundred and no/100---------------------- Dollars ($42,500.00-----), and interest thereon, evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON Forty Two Thousand Five Hundred and no/100-- Dollars ($42,500.00-------), 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:

$253.00------------ on or before February 15, 1978---------------- and $253.00 on the 15th of each month------ thereafter, plus one-twelfth of------------ 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 balance, the remainder on the principal.

The due date of the last payment shall be on or before January 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, OR 97601 — Carl R. Smith

December 30, 19 77 — Sandra E. Smith

Carl R. Smith

Sandra E. Smith

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

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, each 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;

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 407.070 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 407.020.

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 30th day of December 1977

C R Smith (Seal)
Carl R. Smith

(Seal)

Sandra E Smith (Seal)
Sandra E. Smith

ACKNOWLEDGMENT

STATE OF OREGON,
County of Klamath } ss.

Before me, a Notary Public, personally appeared the within named Carl R. Smith and Sandra E. Smith his wife, and acknowledged the foregoing instrument to be their voluntary act and deed.

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

Eileen S. Glaive
Notary Public for Oregon

My Commission expires 6-13-80

MORTGAGE

L- M66189

FROM TO Department of Veterans' Affairs

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. M77 Page 25167 on the 30th day of December, 1977 WM. D. MILNE Klamath County Clerk

By Bernetha G Letsch Deputy.

Filed December 30, 1977 at o'clock 3:36 P.M.
Klamath Falls, Oregon
County Klamath By Bernetha G Letsch Deputy.

Fee $6.00

After recording return to:
DEPA~~XXXXXXXXXXXXXXXXXXXXXXX~~ Transamerica Title
~~General Services Building~~
~~Salem, Oregon 97310~~

Form L-4 (Rev. 5-71)