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MORTGAGE ON REAL PROPERTY

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THIS MORTGAGE is made this 1 day of April, 1980, by MICHAEL J. CULLINAN and ANITA M. CULLINAN, husband and wife (Mortgagor), and JAMES M. HUBBARD and MARJORIE A. HUBBARD, husband and wife (Mortgagee).

1. Property: Mortgagor hereby mortgages to Mortgagee certain real property situated in Klamath County, Oregon (hereafter the Property) described as follows:

Township 39 South, Range 12 East of the Willamette Meridian. Section 17: All SW 1/4. Section 20: All that portion of the N 1/2 NW 1/4, SE 1/4 NW 1/4, NE 1/4 SW 1/4 and W 1/2 SE 1/4 lying Northerly and Easterly of Lost River.

2. Promissory Note: This Mortgage is intended to secure the payment of a promissory note in the amount of \$67,500, a true copy of which is attached hereto as Exhibit "A". The final payment of principal and interest on said promissory note, if not sooner paid, is due and payable on April 1, 2000.

3. Warranty of Title: Mortgagor warrants that Mortgagor has a valid, unencumbered title to the Property and agrees to defend the same against all persons.

4. Covenants of Mortgagor: Mortgagor promises that Mortgagor will:

a) Pay the note secured by this Mortgage according to its terms;

b) Pay all taxes, assessments and other charges which may be levied or assessed against the Property when due;

c) Promptly discharge any liens against the Property which are superior to the lien of this Mortgage. In the event that Mortgagor shall fail to pay any sum due upon such prior lien promptly when due, Mortgagee may pay the same and Mortgagor shall reimburse Mortgagee the amount thereof upon demand. As an alternative, Mortgagee may

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add the amount thereof to the debt secured by this Mortgage and the same shall bear interest at the rate specified in the note. However, the exercise of either of these options by Mortgagee shall not be deemed a waiver of any right arising by reason of Mortgagor's breach of this Mortgage.

5. Default: Time is of the essence of this Mortgage. In the event Mortgagor shall default in the payment of any sum due under the terms of the note or in the performance of any other covenant of this Mortgage, Mortgagee shall give Mortgagor written notice specifying said default. If, within 10 days after receipt of such notice, Mortgagor fails to make said payment or perform or commence performance of such covenant, Mortgagee shall have the right to declare the entire unpaid balance of the note immediately due and payable and pursue all available remedies provided by law. In the event a suit is instituted to foreclose this Mortgage, Mortgagor consents to the appointment by the court of a receiver to collect the rents, royalties and other payments due with respect to said property, without notice to the Mortgagor, upon the giving of such receiver's bond and upon such terms and conditions as may be fixed by the court.

6. Costs and Attorney Fees: In the event suit or action is instituted to foreclose this Mortgage, Mortgagor agrees to pay such sum as the court may adjudge reasonable as attorney fees at trial or on appeal of such suit or action in addition to all other reasonable costs incurred by Mortgagee for title search and reports and all other sums provided by law.

7. Eminent Domain: In the event that all or any portion of said Property shall be taken by eminent domain, Mortgagee shall have the right to require that all or any portion of the moneys payable as compensation for such taking, in excess of the amount required to pay reasonable costs and attorney fees incurred by Mortgagor in such proceedings, shall be paid to Mortgagee and applied first to any costs and expenses necessarily paid or incurred by Mortgagee in such proceedings. The balance shall be applied against the payments last becoming due on the note secured by this Mortgage.

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8. Waiver: Mortgagor agrees that failure of Mortgagee at any time to require performance by Mortgagor of any provision of this Mortgage or note, shall in no way affect Mortgagee's right hereunder to enforce the same, nor shall any waiver by Mortgagee or any breach of any provision hereof be held to be a waiver of the provision itself or any other provision.

9. Benefit: All of the covenants and agreements herein shall apply to and bind the personal representative, heirs, successors, and assigns of Mortgagee and Mortgagor.

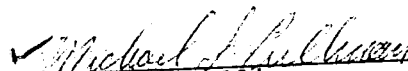
10. Use of Words: Whenever the context so requires, the masculine includes the feminine and/or neuter, and the singular includes the plural.

11. Notice: Any notice in connection with this Mortgage shall be in writing and shall be effective when actually delivered or when deposited in the mail, registered or certified, addressed to the parties at the addresses set forth below or such other addresses as either party may designate by written notice to the other:

Mortgagor:  
Route 1, Box 411  
Gardnerville, Nevada  
89410

Mortgagee:  
Route 1, Box 123  
Bonanza, Oregon  
97623

IN WITNESS WHEREOF, Mortgagor has signed this Mortgage on the day and year first above written.

  
Michael J. Cullinan

  
Anita M. Cullinan

STATE OF Nevada )  
County of Douglas ) ss.

On this 28<sup>th</sup> day of March, 1980, before me appeared the within named MICHAEL J. CULLINAN who is known to me to be the identical individual described in the within instrument and who

