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T/A #M-38-20727-2
NOTE AND MORTGAGE

Page

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THE MORTGAGOR,

RICHARD L. MC HARGUE and SANDRA L. MC HARGUE, 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

A portion of NE 1/4 SE 1/4 Section 32, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, that lies North of the U.S. Reclamation Service Drain Ditch, EXCEPTING THEREFROM that portion deeded to the United States of America by Deed recorded in Deed Book 37, Page 438, and Deed Book 97 at page 488, Deed Records.

TOGETHER WITH THE FOLLOWING DESCRIBED MOBILE HOME WHICH IS FIRMLY AFFIXED TO THE PROPERTY: Year/1977, Make/Golden West, Serial Number/68243PKPD12900, Size/24x68.

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 Fifty Four Thousand Four Hundred Seven and no/100----- Dollars (\$54,407.00---), and interest thereon, and as additional security for an existing obligation upon which there is a balance owing of Thirty Thousand Eight Hundred Ninety Two and 08/100----- Dollars (\$30,892.08-), evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON:
Eighty Five Thousand Two Hundred Ninety Nine and 08/100 Dollars (\$85,299.08--), 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 ----- Dollars (\$-----), with ----- percent per annum,
interest from the date of initial disbursement by the State of Oregon, at the rate of ----- Dollars (\$-----), with ----- 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: \$545.00----- on or before June 15, 1980----- and \$545.00 on the 15th of every 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 principal, the remainder on the principal.
The due date of the last payment shall be on or before May 15, 2005-----
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, Oregon 97601
On this 30th day of April 1980
RICHARD L. MC HARGUE
SANDRA L. MC HARGUE

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 ~~note~~ security agreement

Oregon, dated August 9, 1977, ~~between the mortgagors herein to the State of~~ Klamath-----
County, Oregon, which was given to secure the payment of a note in the amount of \$31,450.00-- and this mortgage is also given as security for an additional advance in the amount of \$54,407.00-- 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 demolition 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.

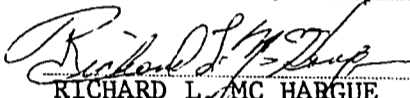
The covenants and agreements herein shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

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.

The mobile home described on the face of this document is a portion of the property secured by this Note & Mortgage.

IN WITNESS WHEREOF, The mortgagors have set their hands and seals this 30th day of April, 19 80


RICHARD L. MC HARGUE (Seal)


SANDRA L. MC HARGUE (Seal)

ACKNOWLEDGMENT

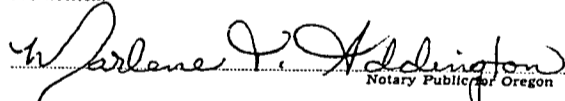
STATE OF OREGON,

County of Klamath } ss.

Before me, a Notary Public, personally appeared the within named Richard L. Mc Hargue and

Sandra L. Mc Hargue, 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.


Darlene P. Addington
Notary Public for Oregon

My Commission expires 3-22-81

MORTGAGE

FROM TO Department of Veterans' Affairs L P37875

STATE OF OREGON,

County of _____ } ss.

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

No. _____ Page _____, on the _____ day of _____, County _____

By _____, Deputy.

Filed _____ at o'clock _____ M.

County _____ By _____ Deputy

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

22 m70131 1075 0333 SECURITY AGREEMENT

August 9, 1977

1. Richard Leon McHargue and Lois Virginia McHargue (Husband and Wife)
(Name)
P.O. Box 81
(No. and Street)
Keno,
City
Klamath
County
Oregon 97627
State

(hereinafter called "Debtor"), hereby grants to the State of Oregon, represented and acting by the Director of Veterans' Affairs, (hereinafter called "Director"), a security interest in the following property and any and all additions, attachments and accessions thereto (hereinafter called the "Collateral"):

New or Used	Manufacturer	Year	Series Name	Color & Model	Serial Number	Length & Width
NEW		1977	Golden West	Yellow/White	6824	68x2

And special equipment listed: N/A

to secure the payment of Thirty One Thousand Four Hundred Fifty and No/100
Dollars (\$31,450.00-), and interest thereon, evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON Thirty One Thousand Four Hundred Fifty and No/100
Dollars (\$ 31,450.00-), with interest from the date of initial disbursement by the State of Oregon, at the rate of 7.9 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: \$ 224.00 on or before September 15, 1977, and \$ 224.00 on the 15th of each month thereafter, plus one/twelfth of the taxes for each successive year on the Collateral described in the security agreement 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 August 15, 1997.

In the event of transfer of ownership of the Collateral 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 security agreement, the terms of which are made a part hereof.

Dated at Klamath Falls, Oregon
August 9, 1977
MC HARGUE, Richard Leon
MC HARGUE, Lois Virginia

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

2. The Collateral will be located at Clover Creek Road
(No. and Street)
Klamath Falls,
City
Klamath
County
Oregon 97601
State

THIS COLLATERAL WILL NOT BE MOVED TO A LOCATION OUTSIDE THE STATE OF OREGON. THE COLLATERAL WILL NOT BE MOVED FROM THE FOREGOING ADDRESS TO ANY OTHER LOCATION WITHIN OREGON WITHOUT THE WRITTEN CONSENT OF THE DIRECTOR. A VIOLATION IN EITHER INSTANCE WILL RESULT IN THE ENTIRE INDEBTEDNESS BEING DECLARED DUE AND PAYABLE.

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3. Debtor warrants and covenants that except for the security interest granted hereby, Debtor is the owner of the Collateral free from any lien, security interest or encumbrance and will defend the Collateral against the claims and demands of any persons whomsoever.
4. Debtor further covenants and agrees:
- A. To pay all debts and monies secured hereby;
 - B. To maintain the Collateral in good condition and repair and preserve the same against waste, loss, damage or depreciation in value other than by reasonable wear;
 - C. Not to permit the use of the premises from any objectionable or unlawful purpose;
 - D. Not to permit any tax, assessment, lien or encumbrance to exist at any time;
 - E. The Secured Party is authorized to pay all taxes assessed against the Collateral and to add same to the principal, each of the advances to bear interest as provided in the note;
 - F. To keep the Collateral unceasingly insured during the life of the security agreement, against loss by fire and such other hazards in such company or companies and in such an amount as shall be satisfactory to the Secured Party;
 - G. Not to lease or rent the Collateral, or any part of same, without the written consent of the Secured Party;
 - H. To promptly notify the Secured Party in writing of a transfer of ownership of the Collateral or any part of interest in same, and to furnish a copy of the instrument of transfer to the Secured Party; a purchaser shall pay interest as prescribed by ORS 407.070 on all payments due from date of transfer; in all other respects, this security agreement shall remain in full force and effect;
 - I. Secured Party shall be entitled to all compensation received for any security voluntarily released, same to be applied on the indebtedness.
5. Debtor shall be in default under this agreement upon the happening of any of the following events or conditions:
- A. Debtor shall fail to pay, when due, any installment of principal, interest or taxes of any indebtedness owing by Debtor to the Secured Party;
 - B. If Debtor shall fail to perform promptly at the time and strictly in the manner provided by any covenant of the Debtor contained in this or any other agreement between him and the Secured Party;
 - C. If any warranty, representation or statement made by Debtor to Secured Party is false in any material respect.
6. This security agreement shall further secure the payment of such additional money, if any, as may be loaned hereafter by the Secured Party to the Debtor as evidenced by a note or notes. Any advances are limited to the amounts and percentages as set forth in ORS 407.040 and ORS 407.050, respectively.
7. Upon such default and at any time thereafter, Secured Party shall have each and all of the rights and remedies granted to him by the Uniform Commercial Code of Oregon or other applicable laws, by this agreement and by the promissory note or notes hereby secured, and the Secured Party may, without notice, declare any or all such promissory notes immediately due and payable. The Debtor agrees to pay all expenses, including reasonable attorney's fees, incurred by the Secured Party in taking, holding, preparing for sale and selling any of the Collateral or the collection on the note herein, as well as attorney's fees and costs.
- Upon the breach of any covenant of the security agreement, the Secured Party shall have the right to take possession of the Collateral, collect the rents, issues and profits, and apply same, less reasonable costs of collection, upon the indebtedness and the Secured Party 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 security agreement 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. The failure of the Secured Party to exercise any options herein set forth will not constitute a waiver of any right arising from a breach of the covenants.
- WORDS: The masculine shall be deemed to include the feminine, and the singular the plural where such connotations are applicable herein.

I HEREBY STATE THAT I WILL PERSONALLY OCCUPY THIS PROPERTY AS MY PRINCIPAL HOME UPON COMPLETION OF THE LOAN.

Signed in duplicate this 9th day of August, 1977.

Richard Leon McHargue Debtor
MC HARGUE, Richard Leon
+ Lois Virginia McHargue Spouse
MC HARGUE, Lois Virginia

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 2nd day of May A.D., 19 80 at 10:33 o'clock A M., and duly recorded in Vol M80 of Mortgages on Page 8111.

FEE \$14.00

WM. D. MILNE, County Clerk
By Bernetha Delbeck Deputy