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K-37231

SECOND MORTGAGE ON REAL PROPERTY

DATE:

August 28, 1984

PARTIES:

RON J. JERNIGAN and PAULETTE M. JERNIGAN, husband and wife (hereafter referred to as "Mortgagor");

and

ELSO deJONG (hereafter referred to as "Mortgagee").

1. Property. Mortgagor hereby mortgages to Mortgagee real property situated in Klamath County, Oregon, more particularly described as follows (hereafter "the Property"), including all buildings and improvements thereon and all lighting, heating, ventilating, air-conditioning equipment or other fixtures installed in or used in connection with the Property:

Lots 11 through 20, Block 59, Grandview Addition to Bonanza, Klamath County, Oregon.

2. Promissory Note. This Mortgage is intended to secure the payment of the promissory note, 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 June 26, 1985. *PJ Ed.*

3. Prior Mortgage. Mortgagor warrants that they have a valid unencumbered title to the Property, subject to a mortgage made by Mortgagor to South Valley State Bank, as Mortgagee, dated Aug. 28, 1984. Said mortgage secures a promissory note in the principal amount of \$20,000, on which a balance of \$20,000.00 is owing as of August 28, 1984.

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

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(a) Pay said note according to its terms;

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

(c) Pay the first mortgage described in Paragraph 3 according to its terms and 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 any 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 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.

(d) Keep the buildings and other improvements now existing or which may hereafter be placed on the Property insured against fire and other casualties with extended coverage endorsements. The policy shall be written to the full replacement value with loss payable to Mortgagee and Mortgagor as their interests may appear. Certificates evidencing the policies shall be delivered to Mortgagee within ten days of the date hereof and shall contain a stipulation providing that coverage will not be cancelled or diminished without a minimum of ten days written notice to Mortgagee.

(e) Keep the building and improvements on the Property in good repair and not commit or suffer any waste thereof.

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 covenant of this Mortgage, Mortgagee shall give Mortgagor written notice specifying said default. If, within ten days after receipt of such notice, Mortgagor fails to make such 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.

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 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.

8. Insurance Proceeds. If the Property is damaged because of fire or other risk covered by insurance, Mortgagor shall apply the proceeds of said insurance against the costs of repair. Any amount not required for said purpose shall be paid to Mortgagee and applied against the payments last becoming due on the note. If said insurance proceeds shall be insufficient for such repairs, Mortgagor shall pay the difference. If damage to the improvements is so extensive as to constitute total destruction so that repair is not feasible, the insurance proceeds shall be paid to Mortgagee and applied against the payments last becoming due on the note, and any excess over the balance thereof shall be paid to Mortgagor.

In the event that Mortgagor shall fail to file any proof of loss or to endorse any check, draft or warrant payable to Mortgagor arising from such loss, Mortgagor hereby names and constitutes Mortgagee their attorney-in-fact to make such proof of loss and to endorse such check, draft or warrant and apply the proceeds as provided herein.

9. Waiver. Mortgagor agrees that failure of Mortgagee at any time to require performance of 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 of any breach of any provision hereof be held to be a waiver of the provision itself or any other provision.

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10. Benefit. All of the covenants and agreements herein shall apply to and bind the heirs, successors and assigns of Mortgagor and Mortgagee.

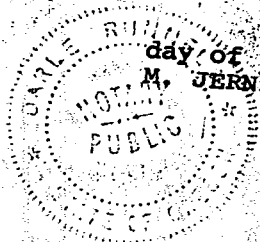
Mortgagor has signed this Mortgage Agreement on the day and year first above written.

Ron J. Jernigan
RON J. JERNIGAN

Paulette M. Jernigan
PAULETTE M. JERNIGAN

STATE OF OREGON)
COUNTY OF KLAMATH) ss.

This instrument was acknowledged before me on the 28 day of August, 1984, by RON J. JERNIGAN and PAULETTE M. JERNIGAN.



Darle Rummels
Notary Public for Oregon

My Commission Expires: 9/23/87

STATE OF OREGON,)
County of Klamath)
Filed for record at request of

on this 29 day of August A.D. 19 84
at 8:48 o'clock A M, and duly
recorded in Vol. M84 of Mortgages
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EVELYN BIEHN, County Clerk

By Pam Smith Deputy

Fee 16.00

Ret:
Elio de Jong
Rte 1 Box 202
Bonanza, OR 97623