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MORTGAGE
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This indenture, made this 28 day of May, 19 85, between REBECCA CANADAY, an estate in fee simple as to an undivided 1/2 interest, JERRY CANADAY AND REBECCA CANADAY, Conservators for Sephora Ann Canaday and Derek Edward Canaday, minors, 1/2 interest. hereinafter called "Mortgagor", and FIRST INTERSTATE BANK OF OREGON, N.A., a national banking association, hereinafter called "Mortgagee";

For value received by the Mortgagor from the Mortgagee, the Mortgagor has bargained and sold and does hereby grant, bargain, sell and convey unto Mortgagee, all the following described property situate in Klamath County, Oregon, to wit:

The Northerly 65.4 feet of the following described tract of land to wit:
Beginning at the intersection of the East line of the land running North and South through the center of Section 2, Township 39 South, Range 9 E.W.M., and the North line of the Dalles-California Highway through said center of section; thence East along the North line of said Highway 76 feet; thence North and parallel with said land 189.4 feet; thence West and parallel with Highway 76 feet; thence South along the East line of said land 189.4 feet to the place of beginning.

together with the buildings, improvements and fixtures now or hereafter situate on said premises, including, but not exclusively, all personal property used or intended for use for plumbing, lighting, heating, cooking, cooling, ventilating or irrigating, linoleum and other floor coverings attached to floors.

To Have and To Hold the same unto the Mortgagee, its successors and assigns, forever.

And the Mortgagor does hereby covenant to the Mortgagee that Mortgagor is lawfully seized in fee simple of the said real property, that Mortgagor is the absolute owner of the said personal property and that Mortgagor will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained to be by the Mortgagor kept and performed, and to secure the payment of the sum of \$ 7280.00 and interest thereon in accordance with the tenor of a certain promissory note executed by Mortgagor dated May 28, 1985 payable to the order of Mortgagee in installments of not less than \$ 186.70 each including interest on the 1st day of each month commencing July 1, 19 85, until June 1, 1990, when the balance then remaining unpaid shall be paid.

The Mortgagor does hereby covenant and agree to and with the Mortgagee, its successors and assigns:

1. That Mortgagor will pay, when due, the indebtedness hereby secured, with interest, as prescribed by said note, and all taxes, liens and utility charges upon said premises or for services furnished thereto.

2. That Mortgagor will keep the real and personal property hereinabove described in good order and repair and that if any of the said property be damaged or destroyed by any cause, Mortgagor will immediately reconstruct or repair the same so that, when completed, it shall be worth not less than the value thereof at the time of such loss or damage; provided, that if such loss or damage shall be caused by a hazard against which insurance is carried, the obligation of the Mortgagor to repair or reconstruct shall not arise unless the Mortgagee shall consent to the application of insurance proceeds to the expense of such reconstruction or repair.

3. That Mortgagor will, at Mortgagor's own cost and expense, keep the mortgaged property insured under an Oregon standard fire insurance policy or equivalent, issued by an insurer acceptable to Mortgagee, with extended coverage, to the full insurable value of the property, with loss payable to Mortgagee as its interest may appear. At least five (5) days prior to expiration of any policy, Mortgagor will deliver to Mortgagee satisfactory evidence of the renewal or replacement of the policy. The insurance or a certificate of coverage shall be delivered to Mortgagee. Mortgagee may, at its option, require the proceeds of any insurance policies upon the said premises to be applied to the payment of the indebtedness hereby secured or to be used for the repair or reconstruction of the property damaged or destroyed.

4. That Mortgagor will execute or procure such further assurance of his title to the said property as may be requested by the Mortgagee.

5. That Mortgagor will pay when due all amounts required to be paid under the terms and conditions of any other mortgage(s) or deed(s) of trust on the property described herein and the note(s) secured thereby.

6. That Mortgagor will not transfer his interest in the mortgaged property, or any part thereof, whether or not the Transferee agrees to assume or pay the indebtedness secured hereby.

7. That in case the Mortgagor shall fail to perform any of the acts herein required to be performed, the Mortgagee may, at its option, but without any obligation on its part to do so, and without waiver of such default, procure any insurance, pay any taxes or liens or utility charges, make any repairs, or do any other of the things required, and any expenses so incurred and any sums so paid for any said purposes shall: (i) bear interest from the day the same were incurred to the date of payment at the rate of the loan which was evidenced by the promissory note described above, or any renewals or extensions thereof; (ii) at mortgagee's option be payable on demand or be added to the balance on the loan described above and be apportioned among and payable with installment payments to become due during either the term of the applicable policy or the remaining term of said loan or be due and payable at said loan's maturity.

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8. That, if any default be made in the payment of the principal or interest of the indebtedness hereby secured or in the performance of any of the covenants or agreements of this mortgage, the Mortgagee may, at its option, without notice, declare the entire sum secured by this mortgage due and payable and foreclose this mortgage.

9. That, in the event of the institution of any suit or action to foreclose this mortgage, the Mortgagor will pay such sum as the trial court and any appellate court may adjudge reasonable as attorney fees in connection therewith and such further sums as the Mortgagee shall have paid or incurred for title searches or examination fees in connection therewith, whether or not final judgment or decree therein be entered and all such sums are secured hereby; that in any such suit, the court may, upon application of the plaintiff and without regard to the condition of the property or the adequacy of the security for the indebtedness hereby secured and without notice to the Mortgagor or any one else, appoint a receiver to take possession and care of all said mortgaged property and collect and receive any or all of the rents, issues and profits which had theretofore arisen or accrued or which may arise or accrue during the pendency of such suit; that any amount so received shall be applied toward the payment of the debt secured hereby, after first paying therefrom the charges and expenses of such receivership; but until a default by the Mortgagor in one or more of his covenants or agreements herein contained, Mortgagor may remain in possession of the mortgaged property and retain all rents actually received by Mortgagor prior to such default.

10. The word "Mortgagor", and the language of this instrument shall, where there is more than one mortgagor, be construed as plural and be binding jointly and severally upon all mortgagors and the word "Mortgagee" shall apply to any holder of this mortgage. All of the covenants of the Mortgage shall be binding upon Mortgagors, heirs, executors, administrators, successors and assigns and inure to the benefit of the successors and assigns of the Mortgagee. In the event of any transfer of the property herein described or any part thereof or any interest therein, whether voluntary or involuntary or by operation of law, the Mortgagee may, without notice to the Mortgagor or any one else, once or often, extend the time of payment or grant renewals of indebtedness hereby secured for any term, execute releases or partial releases from the lien of this mortgage or in any other respect modify the terms hereof without thereby affecting the personal primary liability of the Mortgagor for the payment of the indebtedness hereby secured. No condition of this mortgage shall be deemed waived unless the same be expressly waived in writing by the Mortgagee. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, such notice, demand or request shall be sufficient if personally served on one or more of the persons who shall at the time hold record title to the property herein described or if enclosed in a postpaid envelope addressed to one or more of such persons or to the Mortgagor or the last address actually furnished to the Mortgagee or at the mortgaged premises and deposited in any post office, station or letter box.

as of
IN WITNESS WHEREOF, said Mortgagor has executed this indenture the day and year first above written.

STATE OF ~~Oregon~~ California

County of Santa Clara, ss.

May 30, 19 85

Personally appeared the above named _____

Jerry Canaday

and acknowledged the foregoing instrument to be

his voluntary act and deed.

Before me:

(SEAL) Jane Loer

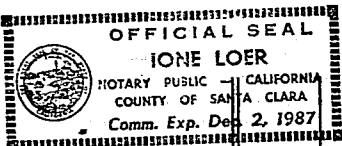
Notary Public for ~~Oregon~~ California
My commission expires: December 1, 1987

Rebecca Canaday
Rebecca Canaday

Rebecca Canaday
Rebecca Canaday, Conservator for
Sephora Ann Canaday and Derek Edward Canaday,
minors.

Jerry Canaday, Conservator for
Sephora Ann Canaday and Derek Edward Canaday,
minors.

Jerry Canaday
Jerry Canaday



MORTGAGE

AFTER RECORDATION RETURN TO:
FIRST INTERSTATE BANK OF OREGON, N.A.

601 Mian St.
Klamath Falls, Or. 97601

STATE OF OREGON,

County of Klamath

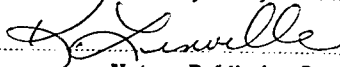
} ss.

FORM NO. 23 — ACKNOWLEDGMENT
STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 28 day of May, 19 85,
before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within
named Rebecca Canaday, Conservator for Sephora Ann Canaday
and Derek Edward Canaday, minors

known to me to be the identical individual described in and who executed the within instrument and
acknowledged to me that she executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed
my official seal the day and year last above written.



Notary Public for Oregon.

My Commission expires 11-4-85

STATE OF OREGON,

County of Klamath

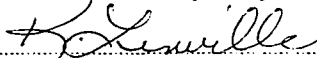
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my official seal the day and year last above written.



Notary Public for Oregon.

My Commission expires 11-4-85

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record

this 4th day of June A. D. 1985 at 2:13 o'clock P M., and
duly recorded in Vol. N85, of Mortgages on Page 8220

EVELYN BIEHN, County Clerk
By Evelyn Biehn