

UNITED STATES NATIONAL BANK OF OREGON
MORTGAGE & ASSIGNMENT OF SELLER'S INTEREST
UNDER LAND SALE CONTRACT

July 17, 1985

1. Grant of Assignment and Mortgage. David C. Elliott("Seller"), whose address is 616 Conger, Klamath Falls, OR 97601, hereby assigns to UNITED STATES NATIONAL BANK OF OREGON ("Bank"), whose address is P.O. Box 789, Klamath Falls, OR 97601

all of Seller's right, title and interest in the following-described contracts ("Contracts"):

CONTRACT DATE	ORIGINAL SELLER	PURCHASER	PRINCIPAL AMOUNT OWING	COUNTY	RECORDED BOOK	PAGE
1-8-21-80	David C. Elliott	James L. & Margaret L. Lawson	120,000.00	Klamath	M-80	15854

and mortgages to Bank all of Seller's rights and interest in the real and personal property that is the subject of the Contracts ("Property" or "Properties"), which Properties are more fully described as follows:

See attached Exhibit A

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THIS INSTRUMENT IS BEING RE-RECORDED TO ADD CORRECT EXHIBIT A.

on Exhibit A which may be attached to this Mortgage and Assignment.

2. **Indebtedness.** This Mortgage and Assignment ("Agreement") secures the payment of the principal and interest on, and the performance of, (1) the following promissory notes ("Notes") executed by Seller, or by the persons or entities named below as "Debtor":

NAME OF DEBTOR (insert "Seller" or name of other Debtor, as appropriate)	DATE	ORIGINAL AMOUNT	PRINCIPAL AMOUNT OWING	DATE FINAL PYMT. ON NOTE IS DUE
David C. Elliott	7-17-85	50,000.00	45,484.31	7-17-90

(2) any future loans Bank in its discretion may make to Seller or Debtor, (3) any sums Bank may pay, or costs Bank may incur, in discharging obligations of the Seller or Debtor under this Agreement or under the Contracts, all costs of collecting the Notes or other amounts owed, whether or not litigation is commenced, and attorneys' fees incurred in any litigation or on appeal, including costs and fees incurred in representing the interest of the Bank as a creditor in any insolvency proceedings, and (4) all other liabilities and obligations of Seller or Debtor to Bank of every kind and description, whether direct or indirect, primary or secondary (including any as guarantor or surety), absolute or contingent, due or to become due, joint or several, and whether now existing or hereafter incurred. The foregoing is "the Indebtedness" referred to in this Agreement.

3. **Encumbrances.** Seller warrants and will forever defend title to the Properties against the lawful claims of all persons, subject only to the contractual rights of each contract purchaser under the particular Contract to which that purchaser is a party, and warrants that the Properties are subject to no other interest or encumbrance materially and adversely affecting the use of the Property or its value as security, except for the following:

Exceptions noted in Lot Book Report #11362, dated 6-4-82

The foregoing interests, encumbrances, and rights are herein called "Permitted Encumbrances".

Bank in its discretion may pay and/or discharge any encumbrances, and Seller shall pay Bank on demand amounts disbursed for this purpose, together with interest at the highest lawful rate provided under any of the Notes.

4. **Bank Not Liable.** The Bank, in accepting this Agreement, or in its discretion performing any of Seller's obligations hereunder, does not assume any liability or responsibility to continue to perform, or to perform any of Seller's other obligations under the Contracts.

5. **Seller's Warranties.** Seller represents and warrants to Bank that (1) Seller is the sole owner of the Contracts, free of any security interest, lien or other encumbrances, and has the right to assign the Contracts and mortgage the Property without violating any legal or contractual obligation; (2) each Contract is a valid, legal and binding contract for the sale of the Property described therein, not subject to any offset, discount, or deduction not stated in the Contract, and that no defense exists on the part of any purchaser, guarantor, or other person represented as obligated on the Contract; (3) no Contract is now delinquent or in default and that all taxes and assessments on the Property are now current; and (4) the principal amount owing on each Contract as of the date of this Agreement is as stated in Section 1.

6. **Seller's Covenants.** Seller covenants that (1) Seller shall deliver and pledge the signed original of each Contract to Bank concurrently with this Agreement, or upon demand by Bank; (2) Seller shall promptly upon request execute and give Bank financing statements, memorandums of this Agreement, or any other document that Bank considers advisable to protect its interest under this Agreement, which may be filed or recorded at Seller's expense; (3) Seller shall perform all obligations of Seller under the Contracts, prevent waste of the Property, and do all things necessary to prevent events or conditions that would adversely affect the value of the Contracts and Property as security; (4) if any Contract requires the purchaser to obtain Seller's consent to a sale of the Property or other transfer of purchaser's interest, then Seller, five days before giving its consent, shall notify Bank of the identity of the proposed transferee, and

shall withhold its consent except to a person who Seller has reasonably determined, after adequate inquiry, to be creditworthy; and (5) Seller shall do all in its power to collect payments under the Contract when due, and shall notify Bank in writing within 48 hours of discovery that a purchaser has failed to make any payment within ten days following the date it is due under a Contract, or of discovering a default under a Contract or an event or condition that would be, or justify, a declaration of a default after a lapse of time or the giving of notice; and (6) Seller shall keep records reasonably satisfactory to Bank respecting the Contracts and payments on the Contracts, and shall allow Bank access to the records at all times.

7. **Insurance** Seller shall be responsible for seeing that the Property is kept insured with an insurer acceptable to Bank against fire, extended coverage and other risks specified by Bank, in an amount equal to the lesser of the insurable value of all Improvements on the Properties or the amount of the Indebtedness, and shall give Bank the policies or other evidence of insurance satisfactory to Bank. If Bank requests, Seller shall have the insurance made payable to Bank or; at Bank's option, secure an endorsement acceptable to Bank making the insurance payable to Bank only and providing Bank notice prior to lapse or cancellation.

8. **Substituted Performance.** If Seller fails to keep the Property insured or fails to perform any other obligation, or fails to comply with any requirement of Seller under this Agreement or under any Contract, if taxes or assessments are not paid, or liens or encumbrances (other than Permitted Encumbrances) affect the Property or Contracts, or if any other event or condition affects or threatens the value of the Property or the Contracts, then Bank shall have the right to take any action which in its discretion it considers necessary to cure or prevent such failure or condition or protect its security; expenses so incurred shall be a part of the Indebtedness, payable on demand at the highest lawful interest rate charged on any of the Notes.