

Paul M. Addy

6726 Eberlein St., Klamath Falls, OR 97603

U.S. National Bank of Oregon - Klamath Falls Branch

740 Main St., P.O. Box 789, Klamath Falls, OR 97601

The Lender has loaned money or extended credit to Paul M. Addy

which is repayable with interest according to the terms of the following described promissory note(s)

Mortgagor

Address

Mortgagee ("Lender")

Address

(Borrower)

Note Date

Original Principal
Balance

Current Principal
Balance

Date Final Payment
Is Due

1-23-86

20,737.45

20,737.45

7-5-90

The term "indebtedness" as used in this Mortgage shall mean (a) the principal and interest payable under the note(s) and under any number of extensions and renewals of the note(s); (b) any future amounts, (except any sums owed on a Visa account incurred for a personal family or household purpose) together with interest, that the Lender may in its discretion loan to Borrower or Mortgagor and any number of extensions and renewals, whether or not the future advances are related to any indebtedness currently secured by this Mortgage by class or kind, whether or not the future advances are currently contemplated by the parties, or whether or not any note or other evidence of debt states that it is secured hereby; and (c) any sums paid or advanced by the Lender to discharge obligations of Mortgagor as permitted under this Mortgage, with interest. The interest rate, payment terms and balance due under the note(s) may be indexed, adjusted, renewed or renegotiated in accordance with the terms of the note(s) and on account of any extensions and renewals of the note(s).

To secure payment of the indebtedness and performance of all obligations of Mortgagor under this Mortgage, Mortgagor, hereby mortgages to the Lender on the terms set out below the following property in the County of Klamath State of Oregon,

Lot 24 in block 5 of TRACT 1003, known as THIRD ADDITION TO MOYINA, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

which has the address of 6726 Eberlein St., Klamath Falls, OR 97603

Together with all appurtenances, all existing or subsequently erected or affixed improvements or fixtures, and unless this Mortgage is being given to secure an extension of consumer credit requiring disclosures under the Federal Truth-in-Lending Act, Mortgagor also hereby grants to Lender a Uniform Commercial Code security interest in all equipment, furnishings and other articles of personal property now or subsequently located on or used in connection with the property, all of the foregoing is collectively referred to as the Property. Mortgagor hereby assigns to Lender as additional security for the indebtedness all present and future rents, leases, and profits from the Property.

1 Maintenance of the Property.

1.1 The Property shall be maintained in good condition at all times. Mortgagor shall promptly make all necessary repairs, replacements and renewals so that the value of the Property shall be maintained and Mortgagor shall not commit or permit any waste on the Property. Mortgagor shall comply with all laws, ordinances, regulations and private restrictions affecting the Property.

1.2 To the extent that the Property constitutes commercial property, Mortgagor shall operate the Property in such manner as to prevent deterioration of the land and improvements including fences, except for reasonable wear and tear from proper use.

1.3 Mortgagor shall not demolish or remove any improvements from the Property without the written consent of Lender.

2 Completion of Construction.

If some or all of the proceeds of the loan creating the indebtedness are to be used to construct or complete construction of any improvement on the Property, Mortgagor agrees:

2.1 To commence construction promptly and in any event within 30 days from the date of this instrument, and complete the same in accordance with any agreements relating to construction and plans and specifications satisfactory to Lender within 8 months of the date of this instrument.

2.2 To allow Lender to inspect said property at all times during construction.

2.3 To replace any work or materials unsatisfactory to Lender within 15 calendar days after written notice to the Mortgagor of such fact.

2.4 That work shall not cease on the construction of such improvements for any reason whatsoever for a period of 15 consecutive days.

3 Taxes and Liens.

3.1 Mortgagor shall pay before they become delinquent all taxes and assessments levied against or on account of the Property, and shall pay as due all claims for work done on or for services rendered or material furnished to the Property. Special assessments shall be paid currently without deferral, unless the lien for deferred assessments is subordinate to the interest of Lender under this Mortgage, or Lender gives its prior written consent to the deferral. Mortgagor shall maintain the Property free of any liens having priority over or equal to the interest of the Lender under this Mortgage, except for "Permitted Encumbrances" as defined in 8.1, the lien of taxes and assessments not delinquent, and except as otherwise provided in 3.2.

3.2 Mortgagor may withhold payment of any tax, assessment or claim in connection with a good faith dispute over the obligation to pay, so long as the Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Mortgagor shall, within 15 days after the lien arises or, if a lien is filed, within 15 days after Mortgagor has notice of the filing, secure the discharge of the lien or deposit with the Lender cash or a sufficient corporate surety bond or other security satisfactory to the Lender in an amount sufficient to discharge the lien plus any costs, attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien.

3.3 The assessor or tax collector of the county in which the Property is located is authorized to deliver to the Lender a written statement of the property taxes assessed or owing at any time.

4 Insurance.

4.1 Mortgagor shall carry such insurance as the Lender may reasonably require. This shall include insurance on the Property against fire, additional risks covered by a standard endorsement for extended coverage, and such other risks as may be specified by the Lender, including without limitation flood and war risks. Insurance on the Property shall be carried in companies and under policies approved by the Lender and shall be for an amount equal to the remaining unpaid portion of the indebtedness or the full insurable value of the Property, whichever is less, and an amount sufficient to comply with any co-insurance provision in any policy.

4.2 All policies of insurance on the Property shall bear an endorsement in a form satisfactory to the Lender making loss payable to the Lender and shall be deposited with the Lender. In the event of loss, Mortgagor shall immediately notify the Lender, who may make proof of loss if it is not made promptly by Mortgagor. Proceeds shall be paid directly to the Lender who may compromise with any insurance company and make a final settlement which shall be binding upon Mortgagor. The Lender may at its election apply the proceeds to the reduction of the indebtedness or the restoration or repair of the Property.

4.3 At least 30 days prior to the expiration of any policy, a satisfactory renewal or substitute policy shall be secured by Mortgagor.

5 Reserves; Mortgage Insurance Premiums.

5.1 If allowed by law and if Mortgagor and Lender do not otherwise expressly agree in writing, Lender may require Mortgagor to maintain reserves for payment of taxes (including special assessments and other charges against the Property by governmental or quasi-governmental bodies) or premiums on property insurance or both. The reserves shall be created by payment each month to the Lender of an amount determined by the Lender to be sufficient to produce by the date they are due amounts equal to the estimated taxes and insurance premiums to be paid. If at the time that payments are to be made the reserve for either taxes or insurance premiums is insufficient, Mortgagor shall upon demand pay such additional sum as the Lender shall determine to be necessary to cover the required payment.

5.2 If the Lender carries mortgage (default) insurance covering the repayment of all or any part of the indebtedness, the premiums for such insurance shall be paid by the Mortgagor, and if allowed by law, the Lender