

March 27, 1986

James A. Kurth and Sandra Jean Kurth

1115 Maple St., Klamath Falls, OR 97601

U.S. National Bank of Oregon

PO Box 789 740 Main St. Klamath Falls, OR 97601

Mortgagor

Address

Mortgagee ("Lender")

Address

* (Borrower)

The Lender has loaned money or extended credit to _____
 which is repayable with interest according to the terms of the following described promissory note(s):

Rate Date	Original Principal Balance	Current Principal Balance	Date Final Payment is Due
03/27/86	\$7,200.00	\$7,200.00	03/20/89

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 amended, 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,
 Lots 13A and 13B, Block 4, Railroad Addition to the City of Klamath Falls.

which has the address of 1335 Oak Street.

Together with all appurtenances, all existing or subsequently enacted or affirmed 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 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

10.2.1 The mortgagee shall maintain a reserve for such purposes in the same manner as for taxes and property insurance, and subject to the same terms and conditions.

10.2.2 The mortgagee shall carry a package plan of insurance that includes coverage of the property for the full term of the mortgage. If payment by the mortgagee is not made, the mortgagee shall be deemed to have waived its right to recover the cost of such insurance. The mortgagee shall be deemed to have waived its right to recover the cost of such insurance if it fails to maintain such insurance for the full term of the mortgage.

10.2.3 The mortgagee shall not charge a service charge for collecting reserves and paying taxes and insurance premiums. The reserves shall not constitute a trust. The mortgagee shall not use the reserves for the benefit of the mortgagee or any other person.

11. Expenses by Lender.

11.1 The mortgagee shall be responsible for all expenses incurred in connection with the mortgage, including the cost of the mortgage, the cost of the insurance, and the cost of the taxes.

12. Late Payment Charges.

12.1 The mortgagee shall be responsible for all expenses incurred in connection with the mortgage, including the cost of the mortgage, the cost of the insurance, and the cost of the taxes.

13. Warranty; Defense of Title.

13.1 The mortgagee warrants that he holds merchantable title to the Property in the whole, free of all encumbrances other than (a) those enumerated in the title policy, if any, issued for the benefit of the Lender in connection with this mortgage, and (b) the encumbrances described in the title policy.

14. Release on Full Performance.

14.1 The mortgagee shall release the Property from all liens and encumbrances when the mortgage is paid in full.

15. Rights and Remedies on Default.

15.1 Upon the occurrence of any event of default and at any time thereafter, the Lender may exercise any one or more of the following rights and remedies:

- (a) The right at its option by notice to Borrower to declare the entire indebtedness immediately due and payable.
- (b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by judicial foreclosure in accordance with applicable law.
- (c) With respect to all or any part of the Property that constitutes personally, the rights and remedies of a secured party under the Uniform Commercial Code.
- (d) The right, without notice to Mortgagee, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above the Lender's costs, against the indebtedness. In furtherance of this right the Lender may require any tenant or other user to make payments of rent or use fees directly to the Lender, and payments by such tenant or user to the Lender in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.
- (e) The right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the indebtedness.

10.2.3 The mortgagee shall carry a package plan of insurance that includes coverage of the property for the full term of the mortgage. If payment by the mortgagee is not made, the mortgagee shall be deemed to have waived its right to recover the cost of such insurance. The mortgagee shall be deemed to have waived its right to recover the cost of such insurance if it fails to maintain such insurance for the full term of the mortgage.

(a) Mortgagee may lawfully pay the tax or charge imposed by the state tax, and

(b) Mortgagee pays or offers to pay the tax or charge within 30 days after notice from the Lender that the tax law has been enacted.

11. Due on Sale Clause.

Mortgagee agrees that Lender may, at Lender's option, declare the entire indebtedness immediately due and payable if all or any part of the Property, or an interest therein, is sold, transferred, further encumbered, or alienated. If Lender exercises the option to declare the entire indebtedness immediately due and payable, Mortgagee agrees that Lender may use any default remedies permitted under this Mortgage and under applicable law. Mortgagee agrees that Lender may exercise Lender's rights under this Due-On-Sale provision each time all or any part of the Property, or an interest in the Property, is sold, transferred, further encumbered, or alienated whether or not Lender previously exercised Lender's rights under this or any other Due-On-Sale provision.

12. Security Agreement; Financing Statements.

12.1 This instrument shall constitute a security agreement with respect to any personal property included within the description of the Property.

12.2 Mortgagee shall join with the Lender in executing one or more financing statements under the Uniform Commercial Code and shall file the statement at Mortgagee's expense in all public offices where filing is required to perfect the security interest of the Lender in any personal property under the Uniform Commercial Code.

13. Default.

The following shall constitute events of default:

13.1 Any portion of the Indebtedness is not paid when it is due.

13.2 Failure of Mortgagee within the time required by this Mortgage to make any payment for taxes, insurance, or mortgage insurance premiums or for reserves for such payments, or any payment necessary to prevent filing of or discharge any lien.

13.3 Failure of Mortgagee to perform any other obligation under this Mortgage within 20 days after receipt of written notice from the Lender specifying the failure.

13.4 If this Mortgage secures a construction loan, any failure of Mortgagee or builder or any other person or entity to comply with or perform any provision of any construction loan agreement executed in connection with the loan within 20 days after receipt of written notice from Lender specifying the failure.

13.5 Default in any obligation secured by a lien which has or may have priority over this Mortgage, or the commencement of any action to foreclose any prior lien.

13.6 Either Mortgagee or Borrower become insolvent, file a voluntary petition in bankruptcy, become subject of an involuntary petition in bankruptcy, make an assignment for the benefit of creditors, or consent to the appointment of a receiver or trustee for any portion of the Property or all or a substantial part of Mortgagee's or Borrower's assets.

13.7 Default by Mortgagee or any predecessors in title of Mortgagee, as lessee or sublessee, under the terms of any lease or sublease of the Property to which Mortgagee is a party or through which Mortgagee's interest in the Property is derived.

14. Release on Full Performance.

If the Indebtedness is paid when due and Mortgagee otherwise performs all of its obligations under this mortgage and the notes, the Lender shall execute and deliver to Mortgagee a suitable release and satisfaction of this mortgage and suitable statements of termination of any financing statements on file evidencing the Lender's security interest in personal property.

15. Rights and Remedies on Default.

15.1 Upon the occurrence of any event of default and at any time thereafter, the Lender may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to Borrower to declare the entire indebtedness immediately due and payable.

(b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by judicial foreclosure in accordance with applicable law.

(c) With respect to all or any part of the Property that constitutes personally, the rights and remedies of a secured party under the Uniform Commercial Code.

(d) The right, without notice to Mortgagee, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above the Lender's costs, against the indebtedness. In furtherance of this right the Lender may require any tenant or other user to make payments of rent or use fees directly to the Lender, and payments by such tenant or user to the Lender in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

(e) The right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the indebtedness.

receiver may be without bond if permitted by law. The Lender's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the indebtedness by a substantial amount.

(7) The right to obtain a deficiency judgment in the event the net sale proceeds of any foreclosure sale are insufficient to pay the entire unpaid indebtedness.

(8) Any other right or remedy provided in this mortgage, the promissory notes evidencing the indebtedness, any construction loan agreement, any other security document, or under the law.

15.2 In exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately or to sell certain portions of the Property and refrain from selling other portions. The Lender shall be entitled to bid at any public sale on all or any portion of the Property.

15.3 The Lender shall give Mortgagee reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the Property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

15.4 A waiver by either party of a breach of a provision of this agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by the Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Mortgagee under this Mortgage after failure of Mortgagee to perform shall not affect the Lender's right to declare a default and exercise its remedies under this paragraph 15.

15.5 In the event suit or action is instituted to enforce any of the terms of this Mortgage the Lender shall be entitled to recover from Mortgagee such sum as the court may adjudge reasonable as attorneys' fees at trial and on

any appeal. All reasonable expenses incurred by the Lender that are necessary at any time in the Lender's opinion for the protection of its interest or the enforcement of its rights, including without limitation, the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions or title insurance, whether or not any court action is involved, shall become a part of the indebtedness payable on demand and shall bear interest at the highest rate as provided in any note from the date of expenditure until paid.

16. Notice.

Any notice under this Mortgage shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this Mortgage. Either party may change the address for notices by written notice to the other party.

17. Succession; Terms.

17.1 Subject to the limitations stated in this Mortgage on transfer of Mortgagee's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns.

17.2 In construing this Mortgage the term Mortgage shall encompass the term security agreement when the instrument is being construed with respect to any personal property.

17.3 Attorneys' fees. "Attorneys' fees," as that term is used in the note and in this Mortgage, shall include attorneys' fees, if any, which may be awarded by an appellate court.

James A. Kurth
James A. Kurth
Sandra Jean Kurth
Sandra Jean Kurth

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON)

County of Klamath) ss.

3/27, 19 96

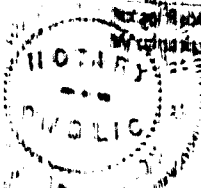
Personally appeared the above-named James A. Kurth and Sandra Jean Kurth and acknowledged the foregoing instrument to be a voluntary act.

Before me

Robert L. Owen

Notary Public for Oregon

My commission expires Oct 30, 1999



CORPORATE ACKNOWLEDGEMENT

STATE OF OREGON)

County of _____) ss.

Personally appeared _____, 19 _____

stated that _____, who, being sworn,

is a _____ and _____ he, the said

_____ is a _____

of Mortgagee corporation and that the seal affixed hereto is its seal and that

this Mortgage was voluntarily signed and sealed in behalf of the corporation

by Authority of its Board of Directors.

Before me:

Notary Public for Oregon

My commission expires:

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF OREGON)

County of _____) ss.

On this _____ day of _____, 19 _____, personally appeared before me, the undersigned, a Notary Public in

and the said County and State, the within named _____

known to me to be the person _____ and who executed the foregoing instrument and who _____ known to me to be _____

acknowledged to me that _____ and who executed said instrument freely and voluntarily for the purposes and use therein mentioned, on behalf of said partnership.

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

Before me:

Notary Public for Oregon

My commission expires:

MORTGAGE

Mortgagor

TO

Mortgagee

STATE OF OREGON

County of Klamath

ss.

I certify that the within instrument was received for
the record on the 28th
day of March, 19 86
at 4:06 o'clock P. M. and recorded
in Book 486 on page 5153 Record
of Mortgages of said County.

Witness my hand and seal of County affixed.

Evelyn Biehn, County Clerk

County Clerk (Recorder)

By

[Signature]

Fee: \$17.00

Deputy

AFTER RECORDING RETURN TO

US NATIONAL BANK OF OREGON
P. O. BOX 789

KLAMATH FALLS, OR 97601, Lender

Branch

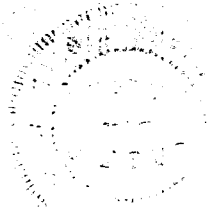
Address

for the attention of: _____, Oregon

91-849 6/84

Department

5156



197C 846.57