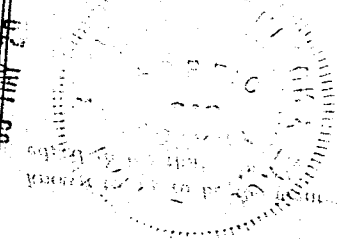


61888 K-38649 Vol. M86 Page 9211
THIS MORTGAGE, Made this 28th day of May, 1986,
by LARRY MILES and BETTY MILES
to JAMES E. WYATT, SR. and JAMES E. WYATT, JR. Mortgagor,

WITNESSETH, That said mortgagor, in consideration of One Hundred Twenty Five Thousand Dollars (\$125,000) Dollars, to him paid by said mortgagee, does hereby grant, bargain, sell and convey unto said mortgagee, his heirs, executors, administrators and assigns, that certain real property situated in Klamath County, State of Oregon, bounded and described as follows, to-wit:

Lots 31, 32, 33, 34 and 35 in Block 18 of Second Railroad Addition to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

88 MAY 29 AM 9 23



Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and which may hereafter thereto belong or appertain, and the rents, issues and profits therefrom, and any and all fixtures upon said premises at the time of the execution of this mortgage or at any time during the term of this mortgage. TO HAVE AND TO HOLD the said premises with the appurtenances unto the said mortgagee, his heirs, executors, administrators and assigns forever. This mortgage is intended to secure the payment of a promissory note, of which the following is a substantial copy:

See Exhibit "A" attached hereto and incorporated by this reference

The date of maturity of the debt secured by this mortgage is the date on which the last scheduled principal payment becomes due, to-wit: May 20, 2006.

The mortgagor warrants that the proceeds of the loan represented by the above described note and this mortgage are:
(a) primarily for mortgagor's personal, family, household or agricultural purposes (see Important Notice below);
(b) for an organization, (even if mortgagor is a natural person) are for business or commercial purposes other than agricultural purposes.

This mortgage is inferior, secondary and made subject to a prior mortgage on the above described real estate made by LARRY MILES and BETTY MILES to South Valley State Bank

1986, and recorded in the mortgage records of the above named county in book/leaf/volume No. M86, at page 9209 thereof, or as document/fee/title/instrument/microfilm No. 61887, (indicate which), reference to said mortgage records hereby being made; the said first mortgage was given to secure a note for the principal sum of \$ 35,000; the unpaid principal balance thereof on the date of the execution of this instrument is \$ 35,000 and no more; interest thereon is paid to May 28, 1986; said prior mortgage and the obligations secured thereby hereinafter, for brevity, are called simply "first mortgage."

The mortgagor covenants to and with the mortgagee, his heirs, executors, administrators and assigns, that he is lawfully seized in fee simple of said premises; that the same are free from all encumbrances except said first mortgage and further except None

and that he will warrant and forever defend the same against all persons; further, that he will do and perform all things required of him and pay all obligations due or to become due under the terms of said first mortgage as well as the note secured hereby, principal and interest, according to the terms thereof; that while any part of the note secured hereby remains unpaid he will pay all taxes, assessments and other charges of every nature which may be levied or assessed against said property, or this mortgage or the note secured hereby, when due and payable and before the same become delinquent; that he will promptly pay and satisfy any and all liens or encumbrances that are or may become liens on the premises or any part thereof superior to the lien of this mortgage; that he will keep the buildings now on or which hereafter may be erected on the said premises continuously insured against loss or damage by fire

and such other hazards as the mortgagee may from time to time require, in an amount not less than \$125,000 in a company or companies acceptable to the mortgagee herein, with loss payable, first to the holder of the said first mortgage; second, to the mortgagee named herein and then to the mortgagor as their respective interests may appear; all policies of insurance shall be delivered to the holder of the said first mortgage as soon as insured and a certificate of insurance executed by the company in which said insurance is written, showing the amount of said coverage, shall be delivered to the mortgagee named in this instrument. Now if the mortgagor shall fail for any reason to procure any such insurance and to deliver said policies as aforesaid at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on said buildings, the mortgagee may procure the same at mortgagor's expense; that the mortgagor will keep the buildings and improvements on said premises in good repair and will not commit or suffer any waste of said premises. In the event any personal property is part of the security for this mortgage, then at the request of the mortgagee, the mortgagor shall join with the mortgagee in executing one or more financing statements pursuant to the Uniform Commercial Code, in form satisfactory to the mortgagee, and will pay for filing the same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the mortgagee.

Now, therefore, if said mortgagor shall keep and perform the covenants herein contained and shall pay all obligations secured by said first mortgage as well as the note secured hereby according to its terms, this conveyance shall be void, but otherwise shall remain in full force as a mortgage to secure the performance of all of said covenants and the payments of the note secured hereby; it being agreed that a failure to perform any covenant herein, or if a proceeding of any kind be taken to foreclose any lien on said premises or any part thereof, the mortgagee shall have the option to declare the whole amount unpaid on said note or on this mortgage at once due and payable, and this mortgage may be foreclosed at any time thereafter. And if the mortgagor shall fail to pay any taxes or charges or any lien, encumbrance or insurance premium as above provided for, or fail to do or perform anything required of him by said first mortgage, the mortgagee herein, at his option, shall have the right to make such payments and to do and perform the acts required of the mortgagor under said first mortgage; and any payment so made, together with the cost of such performance shall be added to and become a part of the debt secured by this mortgage, and shall bear interest at the same rate as the note secured hereby without waiver, however, of any right arising to the mortgagee for breach of covenant. And this mortgage may be foreclosed for principal, interest and all sums paid by the mortgagee at any time while the mortgagor neglects to repay any sums so paid by the mortgagee. In the event of any suit or action being instituted to foreclose this mortgage, the mortgagor agrees to pay all reasonable costs incurred by the mortgagee for title reports and title search, all statutory costs and disbursements and such further sum as the trial court may adjudge reasonable as plaintiff's attorney's fees in such suit or action, and if an appeal is taken from any judgment or decree entered therein, mortgagor further promises to pay such sum as the appellate court shall adjudge reasonable as plaintiff's attorney's fees on such appeal, all such sums to be secured by the lien of this mortgage and included in the decree of foreclosure.

Each and all of the covenants and agreements herein contained shall apply to and bind the heirs, executors, administrators and assigns of said mortgagor and of said mortgagee respectively.

In case suit or action is commenced to foreclose this mortgage, the Court may, upon motion of the mortgagee, appoint a receiver to collect the rents and profits arising out of said premises during the pendency of such foreclosure, and apply the same, after first deducting all of said receiver's proper charges and expenses, to the payment of the amount due under this mortgage.

In construing this mortgage, it is understood that the mortgagor or mortgagee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and include the plural, the masculine, the feminine and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, said mortgagor has hereunto set his hand the day and year first above written.

Larry Miles
LARRY MILES

Betty Miles
BETTY MILES

*IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is not applicable. If warranty (c) is applicable and if the mortgagee is a creditor, as such word is defined in the Truth-in-Lending Act and Regulation Z, the mortgagee MUST comply with the Act and Regulation by making required disclosures; for this purpose, use Stevens-Ness Form No. 1306 or similar.

STATE OF OREGON,

County of Klamath

ss.

BE IT REMEMBERED, That on this 28 day of May, 1986, before me, the undersigned, a notary public in and for said county and state, personally appeared the within named LARRY MILES and BETTY MILES

known to me to be the identical individual(s) described in and who executed the within instrument and acknowledged to me that they 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.

Lynthe Moore
Notary Public for Oregon
My Commission expires 8/27/87

SECOND MORTGAGE

(FORM No. 925)

STEVENS NESS LAW PUB. CO., PORTLAND, ORE.

LARRY MILES and
BETTY MILES

TO

JAMES E. WYATT, SR. and
JAMES E. WYATT, JR.

AFTER RECORDING RETURN TO
James E. Wyatt, Sr.
4965 Laurelwood Drive
Klamath Falls, OR 97603

SPACE IS RESERVED
FOR
RECORDER'S USE

STATE OF OREGON,

ss.

County of

I certify that the within instrument was received for record on the day of 1986, at o'clock M., and recorded in book/reel/volume No. on page or as document/fee/file/instrument/microfilm No. Record of Mortgages of said County.

Witness my hand and seal of County affixed.

NAME

TITLE

By

Deputy

9213

PROMISSORY NOTE

\$125,000

Klamath Falls, Oregon

May 28, 1986

In the installments and at the times hereinafter stated, for value received, the undersigned ("Makers") promise to pay to JAMES E. WYATT, SR. and JAMES E. WYATT, JR., ("Payees"), or their order, at Klamath Falls, Oregon, the principal sum of ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000), with interest from this date on the amounts of principal remaining from time to time unpaid, until said principal sum is paid at the initial rate of interest at ten and one-fourth percent (10 1/4%) per annum. The initial rate of interest shall apply through May 31, 1987. On that date and on each May 31 of each and every year thereafter, the rate shall increase or decrease based upon the PRIME RATE (the base rate on Corporate loans at large US Money Center Commercial Banks) plus 2 percent. The rate as so determined shall remain in effect through May 31 of the following year when it shall again be subject to change. The parties shall consult The Wall Street Journal or similar daily financial publication to determine the next annual rate. The date of consultation shall be May 31 of each year or the last regular business day of May should May 31 of any particular year not be a business day. The principal and interest shall be paid in initial monthly installments of \$1,227.07 and shall be due on 20th day of each and every month beginning on July 20, 1986. The monthly installments shall be subject to change annually based on the increase or decrease in the interest rate as set forth above. The full amount of any unpaid principal and interest shall be due and payable on May 20, 2006.

AT ANY TIME, THE PRIVILEGE IS RESERVED TO PAY MORE THAN THE SUM DUE. Each payment shall be credited first, to interest then due and the remainder on the principal sum. Should default be made in the payment of any of the aforementioned installments when due, then the whole sum of principal and interest shall become due immediately and payable at the option of the holder of this note. Should suit be commenced to collect this note or any portion thereof, the Court shall award reasonable attorney's fees and costs of collection, including attorney fees in trial court and on the appeal therefrom to the prevailing party. This note is secured by a Second Mortgage, a Security Agreement and Financing Statement given on this date.

Larry Myles
LARRY MYLES

Betty Myles
BETTY MYLES

PROMISSORY NOTE
EXHIBIT "A"

03/RP5

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____
of May A.D., 19 86 at 9:23 o'clock A M., and duly recorded in Vol. M86
of Mortgages on Page 9211

FEE \$13.00

By Evelyn Biehn, County Clerk
[Signature]