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K-38655

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THIS MORTGAGE, made this 13th day of August, 1986, by FIRST AMERICAN FINANCIAL CORP., a California corporation, hereinafter called "Mortgagor", to LYLE D. BERGSTROM and PATRICIA A. BERGSTROM, husband and wife, hereinafter called "Mortgagee";

W I T N E S S E T H:
That Mortgagor, for valuable consideration, receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, mortgage and confirm unto Mortgagee, Mortgagee's heirs, executors, administrators, successors and assigns, the property situate in the County of Klamath, State of Oregon, and more particularly described in Exhibit "A", attached hereto.

TOGETHER WITH:

1. The tenements, hereditaments, and appurtenances now or hereafter used or usable in connection with the above described real property;
2. All leases, permits, licenses, privileges, rights-of-way, and easements, written or otherwise, now held by Mortgagor, or hereafter issued, extended or renewed;
3. All improvements now on or hereafter placed upon said real property during the term of this mortgage, including all fixtures, now or hereafter a part of, or used in connection with said improvements.

THIS MORTGAGE IS GIVEN TO SECURE THE FOLLOWING:

1. Performance by Mortgagor of the covenants and agreements of Mortgagor contained in this mortgage instrument;
2. The payment of that certain promissory note of even date in the principal sum of \$30,000.00, with interest as provided in said note, payable to the order of Mortgagee; and,
3. Payment of any sum or sums advanced, incurred, or paid by Mortgagee, to, for, or on account of Mortgagor as provided in this mortgage instrument.

TO HAVE AND TO HOLD the said mortgaged property to the said Mortgagee, its heirs, executors, administrators, successors and assigns until the obligations secured by this mortgage instrument have been fully discharged.

MORTGAGOR COVENANTS AND AGREES:

1. Warranty of Title: That Mortgagor is lawfully seized of the above described real property in fee simple, has good right and lawful authority to mortgage the same, and that said real property is free from all encumbrances, except as above set forth, and that Mortgagor will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever, and this covenant shall not be extinguished by any foreclosure of this mortgage instrument, but shall run with the land.

2. Prompt Performance and Payment: To perform all obligations and pay all sums of money (both principal and interest at the rates specified in the note or in this mortgage instrument) secured hereby promptly when due.

3. Protection of Security: To keep the mortgaged property free of any liens of every kind which are superior to the lien of this

MORTGAGE -1-

ZARSKY & BELCHER
ATTORNEYS AT LAW
SUITE 201 - 801 MAR STREET
KLAMATH FALLS, OREGON 97601
(503) 883-7781

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1 mortgage; not to commit nor permit any waste to or on the mortgaged
 2 property; and not to permit nor to commit anything which shall impair
 3 the security created by this mortgage instrument. If a notice of lien
 4 or of delivery of materials is served upon Mortgagee by any mechanic
 5 lienor, Mortgagee shall provide a bond therefor or an irrevocable
 6 letter of credit from a responsible financial institution and will
 7 defend Mortgagee and indemnify and hold Mortgagee harmless from such
 8 lien and any costs with relation thereto, including attorney fees
 9 incurred by Mortgagee or adjudged against Mortgagee, if any.

4. Payment of Taxes and Assessments: To pay regularly and
 6 seasonably when they first become payable and before they begin to bear
 7 interest, all taxes, assessments and charges of whatever nature levied
 8 and assessed against the mortgaged property, or any part thereof.

5. Condemnation: In the event any governmental agency or entity
 8 having the power of eminent domain acquires by eminent domain, or by
 9 negotiated sale in lieu of eminent domain, all, or any portion, of the
 10 real property described in this mortgage instrument, Mortgagee may
 11 require Mortgagor to apply all proceeds received by Mortgagor from
 12 such acquisition (remaining after payment by Mortgagor of attorney
 13 fees, appraiser fees, and related necessary and reasonable costs in
 14 connection with securing said proceeds), which proceeds are hereinafter
 15 called "net proceeds", toward the payment of the sums secured by this
 16 mortgage instrument. Upon receipt of said net proceeds, Mortgagor shall
 17 notify Mortgagee of the amount of said net proceeds and Mortgagee
 18 shall, within ten (10) days after such notification, notify Mortgagor
 19 if Mortgagee elects to have said net proceeds applied toward payment of
 20 the sums secured by this mortgage instrument. If Mortgagee fails to so
 21 notify Mortgagor of such election, Mortgagee shall conclusively be
 22 deemed to have elected not to require Mortgagor to apply said net
 23 proceeds toward the sums secured by this mortgage instrument. If
 24 Mortgagee elects to have said net proceeds applied toward payment
 25 toward the sums secured by this mortgage instrument, the amount to be
 26 received by Mortgagee shall not exceed the total of the principal
 secured by this mortgage instrument, plus accrued interest thereon to
 the date of receipt thereof by Mortgagee. Regardless of whether
 Mortgagee elects to have said net proceeds applied to the sums secured
 by this mortgage instrument, Mortgagee shall release from the lien of
 this mortgage instrument so much of the real property above described
 acquired by such governmental agency or entity by eminent domain, but
 that which is acquired by such governmental agency or entity. Mortgagee
 shall not be obligated to participate in any negotiations with such
 governmental agency or entity.

6. Expenses Incurred by Mortgagee to Protect Security: If
 23 Mortgagor fails to pay or discharge any taxes, assessments, liens,
 24 encumbrances, or charges to be paid by Mortgagor as provided in this
 25 mortgage instrument, Mortgagee, at her option and without waiver of
 26 default or breach of Mortgagor and without being obligated to do so,
 may pay or discharge all or any part thereof. Mortgagee may appear in
 or defend any action or proceeding at law, in equity, or in bankruptcy,
 affecting in any way the security hereof, and, in such event, Mortgagee

1 shall be allowed and paid, and Mortgagor hereby agrees to pay, all
 2 costs, charges and expenses, including costs of evidence of title or
 3 validity and priority of the security created by this mortgage
 4 instrument and reasonable attorney fees to be awarded by the court, at
 5 trial or on appeal, incurred by Mortgagee in any such action or
 6 proceeding in which Mortgagee may appear.

7. Time is Material and Of the Essence: Time is material and of
 8 the essence hereof; in the event of default of the payment of the
 9 indebtedness evidenced by the note referred to in this mortgage
 10 instrument, or any part thereof, or in the repayment of any
 11 disbursement authorized by the terms of this mortgage and actually
 12 made by Mortgagee, or in the repayment of any expense or obligation
 13 payable by the Mortgagor but paid by the Mortgagee, as provided in
 14 this mortgage instrument, or in the event of the breach of any of the
 15 covenants or agreements by Mortgagor, Mortgagee may at once proceed to
 16 foreclose this mortgage of the amount due, or in the case of default
 17 as aforesaid, or in the event of the violation, non-performance or
 18 breach of any of the covenants, conditions, agreements, or warranties
 19 herein or in the promissory note secured by this mortgage, the entire
 20 principal sum of the promissory note hereby secured and the whole
 21 amount of all indebtedness owing by or chargeable to Mortgagor under
 22 the provisions of this mortgage or intended to be secured hereby
 23 shall, at the election of Mortgagee, become immediately due and
 24 payable without notice although the time expressed in said note for
 25 the payment thereof shall not have arrived and suit may immediately be
 26 brought without notice to Mortgagor, and a decree be had to sell the
 mortgaged property, or any part or parts thereof, either together or
 in parcels, with all and every of the appurtenances, or any part
 thereof, in the manner prescribed by law, and out of the monies
 arising from said sale to repay said indebtedness, including both
 principal and interest, together with the costs and charges of making
 such sale and suit for foreclosure and also the amounts of all sums
 advanced or paid by Mortgagee to or for the account of Mortgagor, with
 interest thereon as provided, including such payments of liens, taxes,
 or other encumbrances as may have been made by Mortgagee by reason of
 provisions herein given, and inclusive of interest thereon, and the
 overplus, if any there be, shall be paid by the party making such sale,
 on demand, to Mortgagor. Mortgagor shall not be deemed to be in default
 of any covenant herein, other than payment, unless Mortgagee shall have
 first notified Mortgagor in writing of said default and Mortgagor shall
 not have cured said default within 45 days thereafter.

8. Costs of Title in the Event of Foreclosure: Upon the
 commencement of any suit to collect the indebtedness or disbursements,
 secured hereby, or any part hereof, or to enforce any provisions of
 this mortgage instrument, by foreclosure or otherwise, there shall
 become due, and Mortgagor agrees to pay to Mortgagee, in addition to
 all statutory costs and disbursements, any amount Mortgagee may incur
 or pay for any title report, title search, insurance of title, or
 other evidence of title subsequent to the date of this mortgage
 instrument on any of the real property above described in this

1 mortgage instrument and this mortgage instrument shall be security for
2 the payment thereof.

3 9. Attorney Fees to Prevailing Party: In the event any suit or
4 action is instituted to collect the indebtedness or disbursements
5 secured hereby, or any part thereof, or to enforce any provision of
6 this mortgage instrument by foreclosure, or otherwise, the prevailing
7 party, at trial or on appeal, shall be entitled to such reasonable
8 attorney fees as shall be fixed by the court having jurisdiction of
9 the case, in addition to statutory costs and disbursements.

10 10. Waiver: No waiver by Mortgagee of any breach of any
11 covenant or agreement of this mortgage instrument by Mortgagor shall
12 be construed as a continuing waiver of any subsequent breach of such
13 covenant, nor as a waiver of any breach of any other covenant, nor as
14 a waiver of the covenant itself, nor as a waiver of this provision.

15 11. Binding Effect of Mortgage Instrument: This mortgage
16 instrument contains a full understanding of the Mortgagor and the
17 Mortgagee with respect to the provisions set forth herein and no
18 modification of this mortgage instrument shall be given effect unless
19 the same is in writing, subscribed by the Mortgagor and the Mortgagee
20 (or Mortgagee's respective successor in interest) and made of record in
21 the same manner as this mortgage instrument is made of record.

22 12. Notices: Any notice or notices required to be given by
23 either Mortgagor to Mortgagee or Mortgagee to Mortgagor pursuant to
24 any provision of this mortgage instrument shall be in writing, and
25 shall be deemed given when the same is deposited in the United States
26 mail as registered mail, postage prepaid, addressed to the party to
whom notice is to be given at the last address of such party known by
the party giving such notice. In lieu of mailing such notice, such
notice may be delivered in person to the party to whom notice is to be
given and execution by the person to whom notice is to be given of a
receipt of such notice shall be conclusive of delivery of such notice.

13. Binding Effect and Construction of Mortgage Instrument: This
mortgage instrument shall bind and inure to the benefit of, as the
circumstances may require, the parties hereto, and their respective
heirs, executors, administrators, successors, and assigns. In
continuing this mortgage instrument, the singular shall include both
the singular and the plural and the masculine the masculine, the
feminine, and the neuter. This headings contained in this mortgage
instrument are for convenience only and are not to be construed as part
of this mortgage instrument. To the extent that an exhibit is attached
to this mortgage instrument, the same is hereby incorporated into this
mortgage instrument as though fully set forth at the place in this
mortgage instrument at which reference to said exhibit is made.

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24 /////

25 /////

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14486

1 WITNESS the hands and seals of the parties hereto the day and year
2 first above written.

3 THE FIRST AMERICAN FINANCIAL CORPORATION

4 By [Signature]

[Signature]
LYLE D. BERGSTROM, Mortgagee

5 By [Signature]

[Signature]
PATRICIA A. BERGSTROM, Mortgagee

6 STATE OF OREGON)
7 County of Klamath) ss.

8 On this _____ day of _____, 1986, personally appeared before me
9 did say that they are the _____, who being first duly sworn,
10 respectively, of First American Financial Corp., and they acknowledged
11 that the foregoing instrument is the voluntary act and deed of said
12 corporation.

13 (SEAL)

Notary Public for Oregon
My Commission expires: _____

14 STATE OF OREGON)
15 County of Klamath) ss.

16 On this 15th day of August, 1986, personally appeared before me
17 LYLE D. BERGSTROM and PATRICIA A. BERGSTROM, husband and wife, and
18 acknowledged the foregoing instrument to be their voluntary act and
19 deed.

20 (SEAL)

[Signature]
Notary Public for Oregon
My Commission expires: 8/27/87

ZANEKY & BELCHER
ATTORNEYS AT LAW
SUITE 204, 801 MAIN STREET
KLAMATH FALLS, OREGON 97601
(503) 885-7781

14487

EXHIBIT "A" to MORTGAGE

The following described real property situate in the County of
Klamath, State of Oregon:

Lot 2, EXCEPT the Easterly 809 feet thereof, and all of Lots 3, 4
and 5 of Riverside Tracts, according to the official plat thereof
on file in the office of the County Clerk of Klamath County, Oregon.

STATE OF CALIFORNIA }
COUNTY OF Orange } ss.

On August 13, 1986, before me, the undersigned, a Notary Public in and for
said State, personally appeared J.H. Derloshon and

Marion Bennett, personally known to me (or proved to me on the
basis of satisfactory evidence) to be the persons who executed the within instrument as

Vice President and Assistant Secretary, on behalf of

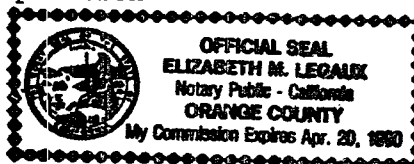
The First American Financial Corporation

the corporation therein named, and acknowledged to me that
such corporation executed the within instrument pursuant to its
by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature

Elizabeth M. Legaux



(This area for official notarial seal)

Return to:

Klamath County Title Company
Collection Escrow #

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ day
of August 1986 at 11:48 o'clock A M., and duly recorded in Vol. M86
of Mortgages on Page 14482

FEE \$25.00

Evelyn Biehn, County Clerk
By *Ann Smith*