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Vol. 1184 Page 6906

THIS INDENTURE, Made this 7th day of April
between K.R. Karey and William Ray
Ray

, 1987

as mortgagor, and the United States of America - Bureau of Indian Affairs

as mortgagee,

WITNESSETH, That the said mortgagor for and in consideration of the sum of Eighty-one thousand and no/100 Dollars (\$81,000.00) to him paid by the said mortgagee, does hereby grant, bargain, sell and convey unto the said mortgagee, his successors and assigns, those certain premises situated in the County of Klamath and State of Oregon, and described as follows:

Government lots 17, 18, 23, and 24, Section 5, Township 36 South, Range 7 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

K.R.
W.

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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 successors and assigns forever.

THIS CONVEYANCE is intended as a mortgage to secure the payment of the sum of Eighty-one thousand and no/100-----Dollars (\$ 81,000.00) in accordance with the terms of ----- certain promissory note of which the following is substantially a true copy, to-wit:

For value received the undersigned promises to pay to the order of the United States at Warm Springs Agency, P.O. Box 1239, Warm Springs, OR 97761, the sum of Eighty-one thousand and 00/100 dollars (\$81,000.00), with interest at 7 3/8 percent per annum payable annually from date of advance until paid in full according to the following repayment schedule (on or before): 15 annual payments of \$9,105.16 (includes principal and interest) beginning May 15, 1988 and ending May 15, 2002.

"A LATE CHARGE SHALL BE ASSESSED ON ANY PAYMENTS NOT MADE WHEN DUE AT THE RATE SET BY THE UNITED STATES TREASURY AND SHALL APPLY TO OVERDUE PAYMENTS FOR EACH 30-DAY PERIOD. THIS CHARGE WILL ACCRUE UNTIL PAYMENT IS RECEIVED EVEN THOUGH THE RATE WILL CHANGE QUARTERLY."

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 15, 2002.

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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 or (even if mortgagor is a natural person) are for business or commercial purposes other than agricultural purposes.

This indenture is further conditioned upon the faithful observance by the mortgagor of the following covenants hereby expressly entered into by the mortgagor, to-wit:

That mortgagor is lawfully seized of said premises, and now has a valid and unincumbered fee simple title thereto,

and that he will warrant and defend the same against the claims and demands of all persons whomsoever;

That he will pay the said promissory note and all installments of interest thereon promptly as the same become due, according to the tenor of said note;

That so long as this mortgage shall remain in force he will pay all taxes, assessments, and other charges of every nature which may be levied or assessed upon or against the said premises when due and payable, according to law, and before the same become delinquent, and will also pay all taxes which may be levied or assessed on this mortgage or the debt thereby secured, and will promptly pay and satisfy any mechanics' liens or other incumbrances that might by operation of law or otherwise become a lien upon the mortgaged premises superior to the lien of this mortgage;

That he will keep all the improvements erected on said premises in good order and repair and will not commit or suffer any waste of the premises hereby mortgaged. 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.

That so long as this mortgage shall remain in force he will keep the buildings now erected, or any which may hereafter be erected on said premises insured against loss or damage by fire, with extended coverage, to the extent of \$ _____ in some company or companies acceptable to said mortgagee and for the benefit of both parties hereto as their interests may appear, and will deliver all the policies and renewals thereof to said mortgagee.

NOW, THEREFORE, if the said mortgagor shall pay said promissory note and shall fully satisfy and comply with the covenants hereinbefore set forth, then this conveyance shall be void, but otherwise to remain in full force and virtue as a mortgage to secure the payment of said promissory note in accordance with the terms thereof and the performance of the covenants and agreements herein contained; it being agreed that any failure to make any of the payments provided for in said note or this mortgage when the same shall become due or payable, or to perform any agreement herein contained, shall give to the mortgagee the option to declare the whole amount due on said note, or unpaid thereon or on this mortgage, at once due and payable and this mortgage by reason thereof may be foreclosed at any time thereafter. And if the said mortgagor shall fail to pay any taxes or other charges or any lien or insurance premium as herein provided to be done, the mortgagee shall have the option to pay the same and any payment so made shall be added to and become a part of the debt secured by this mortgage, and draw interest at the rate of ten per cent per annum, without waiver, however, of any right arising from breach of any of the covenants herein.

In case a complaint is filed in a suit brought to foreclose this mortgage, the court shall, upon motion of the holder of the mortgage, without respect to the condition of the property herein described, appoint a receiver to collect the rents and profits arising out of said premises, and apply such rents and profits to the payment and satisfaction of the amount due under this mortgage, first deducting all proper charges and expenses of the receivership.

* IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) 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, if this instrument is to be a FIRST lien to finance the purchase of a dwelling, use Stevens-Ness Form No. 1305 or equivalent; if this instrument is NOT to be a first lien, use Stevens-Ness Form No. 1306, or equivalent.

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In the event of any suit or action being instituted to foreclose this mortgage, the losing party agrees to pay such sum as the trial court may adjudge reasonable as attorney's fees to be allowed the prevailing party in such suit or action and in the event of any appeal, the losing party agrees to pay such sum as the appellate court shall adjudge reasonable as the prevailing party's attorney's fees on such appeal; in any event the mortgagor agrees to pay all reasonable costs incurred by the mortgagee for title reports and title search, all such sums to be secured by the lien of this mortgage and included in the decree of foreclosure.

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 shall be taken to mean and include the plural, the masculine pronoun shall mean 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, the mortgagor has executed this instrument this 7th day of April, 1987; if a corporate mortgagor, it has caused its name to be signed and seal affixed by its officers, duly authorized thereto by order of its board of directors.

Karen M. Ray
William E. Ray

(If executed by a corporation,
affix corporate seal)

STATE OF OREGON,

County of _____

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Personally appeared the above named _____

and acknowledged the foregoing instrument to be voluntary act and deed.

(OFFICIAL SEAL)

Before me:

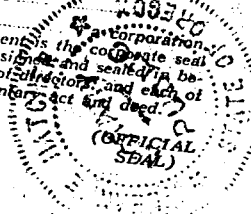
Notary Public for Oregon
My commission expires _____

STATE OF OREGON, County of Klamath, ss.
April 7, 1987

Personally appeared Karen M. Ray and William E. Ray, who, being duly sworn, each for himself and not one for the other, did say that the former is the president and that the latter is the secretary of _____

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed by a be- half of said corporation by authority of its board of directors, and each of them acknowledged said instrument to be its voluntary act and deed.

Before me:
Lianne Hatcher
Notary Public for Oregon
My commission expires: 3-24-91



MORTGAGE

TO

AFTER RECORDING RETURN TO

Klamath Field Office
P.O. Box 360
Chiloquin, OR 97624

SPACE RESERVED
FOR
RECORDER'S USE

STATE OF OREGON,
County of Klamath, ss.

I certify that the within instrument was received for record on the 23rd day of April, 1987, at 3:13 o'clock P.M., and recorded in book/reel/volume No. M87 on page 6906 or as document/fee/file/ instrument/microfilm No. 73805 Record of Mortgages of said County.

Witness my hand and seal of County affixed.

Evelyn Biehn, County Clerk
NAME
TITLE

Fee: \$17.00 By Ann Smith Deputy