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SECTION 1. PURCHASE PRICE; PAYMENT

4722

1.1 TOTAL PURCHASE PRICE. Buyer agrees to pay Seller the sum of \$ 66,000.00 as the total purchase price for the property.

1.2 PAYMENT OF TOTAL PURCHASE PRICE. The total purchase price shall be paid as follows:  
Seller acknowledges receipt of the sum of \$ 6,600.00 from Buyer, as down payment on the purchase price.

Buyer shall make improvements to the property in accordance with the Property Improvement Agreement, Form 590-M, signed this date. Completion of the agreed-upon improvements will satisfy the equity requirements of ORS 407.375(3). The value of the improvements will not be subtracted from the purchase price nor subtracted from the contract balance.

The balance due on the Contract of \$ 59,400.00 shall be paid in payments beginning on the first day of May 19 88. The initial payments shall be \$ 535.00 each, including interest. In addition to that amount, necessary for payment of the taxes or assessments.

The total monthly payments on this Contract shall change if the interest rate changes or if the taxes and assessments change. The money paid by Buyer to Seller for the payment of taxes and assessments will not be held in reserve by Seller. When Buyer pays Seller for taxes and assessments, that payment will be subtracted from the balance due on the Contract. When Seller pays the taxes or assessments, that amount will be added to the balance due on the Contract.

1.3 TERM OF CONTRACT. This is a 20 year Contract and the final payment is due April 1, 2008  
(month, day) (year)

1.4 INTEREST RATE. The annual interest rate during the term of this Contract is variable; it cannot increase by more than one (1) percent except to maintain the solvency of the Department of Veterans' Affairs. The Seller may periodically change the interest rate by Administrative Rule pursuant to the provisions of ORS 407.375 (4). The initial annual interest rate shall be 9.0 percent per annum.

1.5 PRE-PAYMENTS. Buyer may prepay all or any portion of the balance due on the Contract at any time without penalty.

1.6 PLACE OF PAYMENTS. All payments to Seller shall be made to Department of Veterans' Affairs at 700 Summer Street, N.E., Salem, Oregon 97310-1201, unless Seller gives written notice to Buyer to make payments at some other place.

1.7 WARRANTY DEED. Upon payment of the total purchase price for the property as provided for by this Contract and performances by Buyer of all other terms, conditions, and provisions of the Contract, Seller shall deliver to Buyer a Warranty Deed. Such Warranty Deed shall warrant marketable title, except for those liens and encumbrances referred to on page one of this Contract and those placed upon the property or suffered by Buyer after the date of this Contract.

SECTION 2. POSSESSION; MAINTENANCE

2.1 POSSESSION. Buyer shall be entitled to possession of the property from and after the date of this Contract. It is understood, and agreed, however, that Buyer will permit Seller and its agents to enter the property at reasonable times, to inspect the property. Buyer shall not permit the premises to be vacant for more than thirty (30) consecutive days.

2.2 MAINTENANCE. Buyer shall keep all buildings, other improvements, and landscape now existing, or which shall be placed on the property, in good condition and repair. Buyer shall not permit any waste or removal of the improvements, nor make any substantial improvements or alterations without the prior written consent of Seller. Except for domestic use, Buyer shall not permit the cutting or removal of any trees, nor removal of any sand and gravel, without prior written consent of Seller.

2.3 COMPLIANCE WITH LAWS. Buyer shall promptly comply with all laws, ordinances, regulations, directions, rules, and other requirements of all governmental authorities applicable to the use or occupancy of the property. In this compliance, Buyer shall promptly make all required repairs, alterations, and additions. Buyer may jeopardize contest in good faith any such requirements and withhold compliance during any proceeding, including appropriate appeals, so long as Seller's interest in the property is not jeopardized.

SECTION 3. INSURANCE

3.1 PROPERTY DAMAGE INSURANCE. Buyer shall get and keep policies of fire insurance with standard extended coverage endorsements (and any other endorsements required by Seller) on an actual cash value basis covering all improvements on the property. Such insurance shall be in an amount sufficient to avoid application of any co-insurance clause. Insurance shall be made with loss payable to Seller and Buyer, as their respective interests may appear. In the event of loss, Buyer shall give immediate notice to Seller. Seller may make proof of loss if Buyer fails to do so within fifteen (15) days of the loss. If Buyer fails to keep insurance in force, Seller may obtain insurance, and add the cost to the balance due on the Contract. The insurance cost shall be payable to Seller on demand.

3.2 APPLICATION OF PROCEEDS. All proceeds of any insurance on the property shall be held by Seller. If Buyer chooses to restore the property, Buyer shall repair or replace the damaged or destroyed portion of the property in a manner satisfactory to Seller. Upon satisfactory proof of restoration, Seller shall pay or reimburse Buyer from the insurance proceeds for the reasonable cost of repair or restoration. If Buyer chooses not to restore the property, Seller shall keep a sufficient amount of the proceeds to pay all amounts due under this Contract, and shall pay the balance of the insurance proceeds to Buyer. Any proceeds which have not been paid out within 180 days after their receipt, and which Buyer has not committed to the repair or restoration of the property, shall be used to pay first accrued interest and then the principal balance due on the Contract.

SECTION 4. EMINENT DOMAIN

If a condemning authority takes all or any portion of the property, Buyer and Seller shall share in the condemnation proceeds in proportion to the values of their respective interests in the property. Sale of the property in lieu of condemnation shall be treated as a taking of the property.

SECTION 5. SECURITY AGREEMENT

This instrument shall constitute a security agreement within the meaning of the Uniform Commercial Code with respect to any personal property included within the description of the property. Upon request of Seller, Buyer shall execute any necessary financing statements in the form required by the Uniform Commercial Code and shall file the statements at Buyer's expense. Without further authorization from Buyer, Seller may at any time file copies of the Contract as financing statements. Upon default under the terms of this Contract, Buyer shall, within three (3) days of receipt of written demand from Seller, assemble the personal property and make it available to Seller.

SECTION 6. DEFAULT

6.1 EVENTS OF DEFAULT. Time is of the essence of this Contract. A default shall occur under any of the following circumstances:

- (a) Failure of Buyer to make any payment when payment is due. No notice of default and no opportunity to cure shall be required if during any twelve (12)-month period Seller has already sent three (3) notices to Buyer concerning non-payment or late payment under this Contract.
- (b) Failure of Buyer to perform any other obligation in this Contract in addition to payment. Buyer must perform obligation within thirty (30) days after receiving Notice of Default from Seller. Such Notice shall specify the nature of the default.

C-20328

CONTRACT NO.

ADDENDUM TO CONTRACT OF SALE

4723

LEGAL

A portion of the NE1/4 SE1/4 of Section 36, Township 24 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the Northeast corner of the Southeast quarter of Section 36, Township 24 South, Range 8 East of the Willamette Meridian; thence West along the center line of Section 36, 407 feet, more or less, to the East right of way line of the Dalles-California Highway; thence in a Southerly direction along said right of way line 500 feet to the point which is the true point of beginning; thence Easterly at right angles to said right of way line 536 feet; thence Southerly at right angles 300 feet; thence Westerly at right angles 536 feet to the East right of way line of the Dalles-California Highway, thence along said right of way line 300 feet to the point of beginning, and beginning at the Northeast corner of the Southeast quarter of Section 36, Township 24 South, Range 8 East of the Willamette meridian; thence West along the center line of Section 36, 407 feet, more or less, to the East right of way line of the Dalles-California Highway; thence in a Southerly direction along said right of way line 400 feet; to a point which point is the true point of beginning. Thence Easterly at right angles to said right of way line 536 feet; thence Southerly at right angles 100 feet; thence Westerly at right angles 536 feet to the East right of way line of the Dalles-California Highway; thence along said right of way line 100 feet to the point of beginning.

Less a parcel of land lying in the Northeast quarter of the Southeast quarter of Section 36, Township 24 South, Range 8 East of the Willamette Meridian, Klamath County, and being a portion of that property conveyed by those deeds to Willis C. Jorstad and Mabel Jorstad, recorded in Book 218, page 493 and Book 185, page 95 of Klamath County Records and Deeds. The said parcel being that portion of said property included in a strip of land 100 feet in width, lying on the Easterly side of the center line of the Dalles-California Highway as said highway has been relocated which center line is described as follows: Beginning at Engineer's center line 47+00, said station being 325 feet South and 515 feet West of the East quarter corner of said Section 36; thence South 25 degrees 50' West 500 feet to Station 52+00, the Easterly line of said strip of land crossing the Northerly and Southerly lines of said property approximately opposite stations 47+26 and 51+26 respectively.

Tax Account No.: 2408 036DA 00500

ADDENDUM TO CONTRACT OF SALEENCUMBRANCES

1. Rights of the public in and to any portion of the herein described premises lying within the limits of streets, roads or highways.

2. Limited access provisions contained in Deed to the State of Oregon, by and through its State highway Commission, which provides that no right or easement of right of access to, from or across the State Highway other than expressly therein provided for shall attach to the abutting property.

Recorded: March 20, 1952

Volume: 253, page 523, Deed Records of Klamath County, Oregon

3. An easement created by instrument, subject to the terms and provisions thereof,

Dated: June 27, 1963

Recorded: August 7, 1963

Volume: 347, page 221, Deed Records of Klamath County, Oregon

In Favor of: Cascade Natural Gas Corporation

For: Gas pipeline

4. Indenture of Access, subject to the terms and provisions thereof,

Dated: September 14, 1965

Recorded: September 20, 1965

Volume: M65, page 1780, Microfilm Records of Klamath County, Oregon

From: State of Oregon, by and through its State Highway Commission

5. Subject to a discrepancy in boundary lines as evidenced by Survey No. 3017 filed in Klamath County Surveyors Office. Said discrepancy is also indicated by Bargain and Sale Deed from John H. Speck and C. Joyce Speck to M. Dean Gardner, Inc., a California corporation recorded March 8, 1982 in Volume M82, page 2909, Microfilm Records of Klamath County, Oregon in which the description is different than that described herein.

OSTA  
6.2 REMEDIES ON DEFAULT. In the event of a default, Seller may take any one or more of the following steps:

- 4725
- (a) Declare the entire balance due on the Contract, including interest, immediately due and payable;
  - (b) Foreclose this Contract by suit in equity;
  - (c) Specifically enforce the terms of this Contract by suit in equity;
  - (d) Exercise the rights and remedies of a secured party as provided by the Uniform Commercial Code. Seller may exercise these rights and remedies with respect to any part of the property which constitutes personal property in which Seller has a security interest.
  - (e) Choose to impose a late charge. The charge will not exceed five (5) cents per dollar of the payment in the event Buyer fails to make any payment within 10 days after it is due.
  - (f) Declare this Contract to be void thirty (30) or more days after Seller gives written notice to Buyer of Seller's intention to do so, unless the performance then due under this Contract is tendered or accomplished prior to the time stated. At the end of the thirty (30) days, all of Buyer's rights under this Contract shall cease without further act by Seller. Seller shall then be entitled to immediate possession of the property. All payments previously made to Seller by Buyer may be kept by Seller as reasonable rental of the property up to the time of default.
  - (g) Appoint a receiver. Seller shall be entitled to the appointment of a receiver as a matter of right. It does not matter whether or not the apparent value of the property exceeds the amount of the balance due on the Contract. Any receiver appointed may serve without bond. Employment by Seller shall not disqualify a person from serving as a receiver. Upon taking possession of all or any part of the property, the receiver may:
    - (i) Use, operate, manage, control, and conduct business on the property and make necessary expenditures for all maintenance and improvements that in the receiver's judgement are proper;
    - (ii) Collect all rents, revenues, income, issues, and profits from the property and apply such sums to the necessary expenses of use, operation, and management;
    - (iii) Complete any construction in progress on the property, at Seller's option. To complete that construction, receiver may pay all bills, borrow funds, employ contractors, and make any changes in plans and specifications that Seller deems appropriate.If the revenues produced by the property are insufficient to pay expenses, the receiver may borrow, from Seller or otherwise, such sums as receiver deems necessary. These sums shall be used for the purposes stated in this paragraph. Repayment of such sums shall be secured by this Contract. Amounts borrowed from or advanced by Seller shall bear interest at the same rate as the balance on this Contract. Interest shall be charged from the date the amount is borrowed or advanced until the amount is repaid. Any amount borrowed shall be paid by Buyer on demand.
  - (h) Elect to collect all rents, revenues, income, issues, and profits (the "Income") from the property, whether due now or later. Prior to default, Buyer may operate and manage the property and collect the income from the property. In the event of default and at any time hereafter, Seller may revoke Buyer's right to collect the income from the property. Seller may collect the income either through itself or a receiver. Seller may notify any tenant or other user to make payments of rents or use fees directly to Seller. If the income is collected by Seller, then Buyer irrevocably designates Seller as Buyer's attorney-in-fact and gives Seller permission to endorse rent or fee checks in Buyer's name. Buyer also gives Seller permission to negotiate and collect such rents or fees. Payments by tenants or other users to Seller in response to Seller's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Seller shall apply the Income first to the expenses of renting or collection and the balance (if any) to payment of sums due from Buyer to Seller under this Contract.

6.3 REMEDIES NONEXCLUSIVE. The remedies provided above shall not exclude any other remedies provided by law. They are in addition to any other such remedies.

SECTION 7. SELLER'S RIGHT TO CURE

If Buyer fails to perform any obligation required of it under this Contract, Seller may, without notice, take any steps necessary to remedy such failure. Buyer shall reimburse Seller for all amounts expended in so doing on demand. Such action by Seller shall not constitute a waiver of the default or any other right or remedy which Seller may have on account of Buyer's default.

SECTION 8. WAIVER

Failure of either party at any time to require performance of any provision of this Contract shall not limit the party's right to enforce the provision. If a party waives a breach of any provision of this Contract, the waiver applies only to that specific breach. It does not apply to the provision itself.

SECTION 9. INDEMNIFICATION

Buyer shall forever defend, indemnify, and hold Seller harmless from any claim, loss, or liability arising out of or in any way connected with Buyer's possession or use of the property. Buyer's conduct with respect to the property, or any condition of the property. In the event of any litigation or proceeding brought against Seller and arising out of or in any way connected with any of the above events or claims, against which Buyer agrees to defend Seller, Buyer shall, upon notice from Seller, vigorously resist and defend such actions or proceedings through legal counsel reasonably satisfactory to Seller.

SECTION 10. SUCCESSION INTERESTS

This Contract shall be binding upon and for the benefit of the parties, their successors, and assigns. But no interest of Buyer shall be assigned, subcontracted, or otherwise transferred, voluntarily or involuntarily, without the prior written consent of Seller. Consent by Seller to one transfer shall not constitute consent to other transfers or waiver of this section.

As a condition to such consent, Seller may increase the interest rate under this Contract from the date of the transfer. Any increase in the interest rate under this Contract shall entitle the Seller to increase monthly payments. Monthly payments may be increased to the amount necessary to retire the obligation within the time provided for in Section 1, 1.2, in this Contract. Any attempted assignment in violation of this provision shall be void and of no effect with respect to Seller. Buyer hereby waives notice of and consent to any and all extensions and modifications of this Contract granted by Seller. Any other person at any time obligated for the performance of the terms of this Contract also hereby waives such notice and consent. Any such extensions or modifications will not in any way release, discharge, or otherwise affect the liability of any person at any time obligated under this Contract.

SECTION 11. TRANSFER FEE

If any interest of the Buyer under this Contract is assigned, subcontracted, or otherwise transferred, a fee to cover administrative costs will be immediately due and payable to Seller. The amount of the fee shall be prescribed by Seller's duly adopted Oregon Administrative Rule 274-20-440.

SECTION 12. NOTICE

Any notice under this Contract shall be in writing and shall be effective when actually delivered in person or ten (10) days after being deposited in the U.S. mail, postage prepaid and addressed to the party at the address stated in this Contract or such other address as either party may designate by written notice to the other.

**SECTION 13. COSTS AND ATTORNEY FEES**

Events truly occur that would cause Seller or Buyer to take some action, judicial or otherwise, to enforce or interpret terms of this Contract. Should such actions be taken, the prevailing party shall be entitled to recover from the other party all expenses reasonably incurred in taking such action. Such expenses shall include, but are not limited to the following costs:

- Cost of searching records,
- Cost of title reports,
- Cost of surveyors' reports,
- Cost of foreclosure reports,
- Cost of attorney fees,

whether incurred in a suit or action, in an appeal from a judgement or decree therein, or in connection with nonjudicial action.

**SECTION 14. SURVIVAL OF COVENANTS**

Any covenants, the full performance of which is not required prior to the closing or final payment of the purchase price, shall survive the closing and the final payment of the purchase price. Such covenants shall be fully enforceable thereafter in accordance with their terms.

**SECTION 15. GOVERNING LAW; SEVERABILITY.**

This Contract shall be governed by the laws of the State of Oregon. In the event that any provision or clause of this Contract conflicts with applicable law, such conflict shall not affect any other provision and, to this end, the provisions of this Contract are severable.

**SECTION 16. REPRESENTATIONS; CONDITION OF PROPERTY**

Buyer accepts the land, buildings, improvements, and all other aspects of the property, and any personal property sold under this Contract, in their present condition, AS IS. Present condition includes latent defects, without any representations or warranties, expressed or implied, unless they are expressly set forth in this Contract or are in writing signed by Seller. Buyer agrees that Buyer has ascertained, from sources other than Seller, the applicable zoning, building, housing, and other regulatory ordinances and laws. Buyer also agrees to accept the property with full awareness of these ordinances and laws as they may affect the present use or any intended future use of the property. Buyer agrees that Seller has made no representations with respect to such laws or ordinances.

NONE

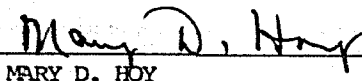
THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

This document is the entire, final, and complete agreement of the parties pertaining to the sale and purchase of the property. The document supersedes and replaces all prior or existing written and oral agreements (including any sale or earnest money agreement) between the parties or their representatives relating to the property.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed in duplicate as of the first day and year above written.

BUYER(S):

  
 DWIGHT L. HOY

  
 MARY D. HOY

STATE OF OREGON

County of Klamath

ss

March 29, 1988

4727

Personally appeared the above named Dwight L. Hoy and Mary D. Hoy  
and acknowledged the foregoing Contract to be his (their) voluntary act and deed.

Before me:

Alfred Conrad

My Commission Expires: 9-27-91

Notary Public For Oregon

SELLER:

Director of Veterans' Affairs

By:

Cliff Jones

Supervising Loan Officer

Title

STATE OF OREGON

County of Union

ss

March 25, 1988

Personally appeared the above named Cliff Jones  
and, being first duly sworn, did say that he (she) is duly authorized to sign the foregoing Contract on behalf of the Department of Veterans' Affairs by  
authority of its Director.

Before me:

Peggy Peters

My Commission Expires: 3-2-90

Notary Public For Oregon

STATE OF OREGON,

County of Klamath

ss.

FORM NO. 23 — ACKNOWLEDGMENT  
STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 29 day of March, 1988,  
before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within  
named Dwight L. Hoy and Mary D. Hoy

known to me to be the identical individual 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.

Alfred Conrad

Notary Public for Oregon.

My Commission expires 9-27-91

Return. Dept of Veterans Affairs  
Oregon Veterans Bldg  
700 Summer ST NE Suite 200  
Salem, OR 97310-1239  
C-20328  
CONTRACT NO.  
PKP/mka/bao

Page 5 of 5

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company the 1st day  
of April, A.D., 19 88 at 2:27 o'clock PM., and duly recorded in Vol. M88  
of Deeds on Page 4721

FEE \$35.00

Evelyn Biehn, County Clerk  
By Pat Smith