

SECTION 1. PURCHASE PRICE; PAYMENT

1.1 TOTAL PURCHASE PRICE. Buyer agrees to pay Seller the sum of \$ 44,000.00, 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 \$ 2,200.00 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 \$ 41,800.00 shall be paid in payments beginning on the first day of

February, 1989

The initial payments shall be \$ 351.00 each, including interest. In addition to that amount,

Buyer shall pay an amount estimated by Seller to be sufficient to pay taxes, when due. Buyer also shall pay to Seller on demand any additional amounts which may be 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 25 year Contract and the final payment is due

January 1, 2014

(month, day) (year)

The initial annual interest rate shall be 9.0 percent per annum.

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).

1.5 RESERVATION OF MINERAL RIGHTS. Mineral Rights are not being retained. Mineral Rights are being retained. The property secured by this

contract is 10 acres or more, or is 3 acres or more, and located in Clatsop or Columbia County, so the Division of State Lands is withholding mineral rights. The legal

description is amended to include the following reservation of mineral rights:

"Excepting and reserving to itself, its successors, and assigns all minerals, as defined in ORS 273.775(1), including soil, clay, stone, sand, and gravel, and all geothermal

resources, as defined in ORS 273.775(2); together with the right to make such use of the surface as may be reasonably necessary for prospecting for, exploring for, mining,

extracting, reinjecting, storing, drilling for, and removing, such minerals, materials, and geothermal resources. In the event use of the premises by a surface rights owner

would be damaged by one or more of the activities described above, then such owner shall be entitled to compensation from state's lessee to the extent of the diminution in

value of the real property, based on the actual use by the surface rights owner at the time the state's lessee conducts any of the above activities."

1.6 RIGHT OF REDEMPTION. Subject to the right of redemption arising from a Decree of Foreclosure in Case Number 88-70CV in the Circuit

Court of the State of Oregon for the County of Klamath. Said redemption period ends in accordance with ORS 23.560.

In the case of such redemption, seller shall refund buyer the purchase price, plus interest at the rate of 9.0 percent per annum. This amount will be reduced by

\$ 450.00 per month as a reasonable rental for the use of the property.

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

1.8 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.

1.9 WARRANTY DEED. Upon payment of the total purchase price for the property as provided 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 1 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

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.

13 copies

C-21409

CONTRACT NO.

21541

ADDENDUM TO CONTRACT OF SALE

LEGAL

1. Regulations, including levies, assessments, water and irrigation rights and easements for ditches and canals, of Klamath Irrigation District.
2. Regulations, including levies, liens, assessments, rights of way and easements of the South Suburban Sanitary District, and as per Ordinance No. 29, recorded May 24, 1983 in Book M-83 at page 8062 and as per Ordinance No. 30, recorded May 30, 1986 in Book M-86 at page 9346.
3. Rights of way, including the terms and provisions thereof, to United States of America, dated March 16, 1909, recorded March 16, 1909 in Book 25 at page 68, Deed Records.
4. Easement, restrictions, set back lines and irrigation ditches as shown on the plat and in the dedication of First Addition to Summers Lane Homes and conditions and restrictions, imposed by instrument, including the terms and provisions thereof, recorded in Book 307 at page 441.
5. Easement, including the terms and provisions thereof:
Granted to : California Oregon Power Company, a California Corporation
Dated : April 12, 1961
Recorded : July 14, 1961
Book : 331
Page : 24
6. A .7 foot encroachment of set back line as disclosed by Survey as stated in Deed recorded November 25, 1968 in M-68 at page 10404, Microfilm Records.

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CONTRACT NO.

21542

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:
- 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.
 - 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.

6.2 REMEDIES ON DEFAULT.

- In the event of a default, Seller may take any one or more of the following steps:
- Declare the entire balance due on the Contract, including interest, immediately due and payable;
 - Foreclose this Contract by suit in equity;
 - Specifically enforce the terms of this Contract by suit in equity;
 - 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;
 - 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;
 - 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 by Buyer may be kept by Seller as reasonable rental of the property up to the time of default;
 - 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:
 - 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;
 - Collect all rents, revenues, income, issues, and profits from the property and apply such sums to the necessary expenses of use, operation, and management;
 - 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 expenses 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.

 - Select 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 that may be available to Seller.

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. SUCCESSOR 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.

C-21409

CONTRACT NO.

STATE OF OREGON

County of Klamath

) ss

December 19

19 88

21544

Personally appeared the above named Robert DiGiacomo and Susan DiGiacomo and acknowledged the foregoing Contract to be his (their) voluntary act and deed.

Before me,

My Commission Expires:

Notary Public For Oregon

STATE OF OREGON
NOTARY PUBLIC
DIRECTOR OF VETERANS' AFFAIRS
DEPARTMENT OF STATE

SELLER:
Director of Veterans' Affairs

By

Bill Loman
Manager

Title

STATE OF OREGON

County of Marion

) ss

December 14, 1988

Personally appeared the above named

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.

NOTARY PUBLIC
DIRECTOR OF VETERANS' AFFAIRS
DEPARTMENT OF STATE

Before me,

My Commission Expires

Notary Public For Oregon

CONTRACT OF SALE

FOR COUNTY RECORDING INFORMATION ONLY

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 20th day of Dec. A.D. 1988 at 9:37 o'clock AM., and duly recorded in Vol. M88 of Deeds on Page 21539.

FEE \$33.00

Evelyn Biehn County Clerk

By *Darlene Millendore*

AFTER RECORDING RETURN TO:

Department of Veterans' Affairs
Oregon Veterans Building

700 Summer Street, NE, Suite 100
Salem, OR 97310-1239

C-21409

CONTRACT NO.

PKP/mka/bcp