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MORTGAGE
GIVE ME A
COUNTY DEPT

Kenneth L + Wendy J Johnston
133 Eulalena Ct
Klamath Falls, OR 97601

Mortgagor's Name and Address

Carl + Elaine Spencer
4835 NE Broadway
Portland, OR 97213

Mortgagee's Name and Address

After recording, return to (Name, Address, Zip):

Kenneth L. Johnston
133 Eulalena Ct
Klamath Falls, OR 97601

SPACE RESERVED
FOR
RECORDER'S USE

STATE OF OREGON,

County of _____ } ss.

I certify that the within instrument
was received for record on the _____ day
of _____, 19____, at

_____ o'clock _____ M., and recorded in
book/reel/volume No. _____ on page

_____ and/or as fee/file/instru-
ment/microfilm/reception No. _____

Record of Mortgages of said County.

Witness my hand and seal of County
affixed.

NAME

TITLE

By _____, Deputy.

THIS MORTGAGE, Made this 22nd day of November, 1996,
between Kenneth L. Johnston and Wendy J. Johnston,
as mortgagor, and Carl E. Spencer and R. Elaine Spencer,

WITNESSETH, That the mortgagor in consideration of Twenty-eight thousand
four hundred four Dollars (\$28,404.00)
paid to the mortgagor by the mortgagee, does hereby grant, bargain, sell and convey unto the mortgagee, and the mortgagee's per-
sonal representatives, successors and assigns, that real property situated in the County of Klamath
State of Oregon, described as follows:

The South 50 feet of Lot 4, Block 102, BUENA
VISTA ADDITION to the city of Klamath Falls, according
to the official plat thereof on file in the office
of the County Clerk of Klamath Falls, OR.

Tax Acct # 3809 03288 03600

Address: 769 California Ave.

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any way apper-
taining, and which may hereafter thereto belong or appertain, and the rents, issues and profits therefrom, and any and all fixtures
upon the 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 premises with the appurtenances unto the mortgagee and the mortgagee's personal repre-
sentative, successors and assigns forever.

This mortgage is intended to secure the payment of one (or more) promissory note(s), in substantially the following form(s):

One balloon payment due and payable on or before
January 1st, 1997 or upon sale of property.



OK
15-

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:

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

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

Mortgagor is lawfully seized of the premises and now has a valid and unencumbered fee simple title thereto, except as follows (if no exceptions, so state):

No exceptions.

and mortgagor will warrant and defend the same against the claims and demands of all persons whomsoever.

Mortgagor will pay the promissory note(s) and all installments of interest thereon promptly as the same become due, according to the tenor of the note(s). So long as this mortgage remains in force, mortgagor will pay all taxes, assessments, and other charges of every nature levied or assessed upon or against the premises when due and payable, according to law, and before the same becomes delinquent, and will also pay all taxes levied or assessed on this mortgage or the debt thereby secured, and will promptly pay and satisfy any mechanics' liens or other encumbrances that, by operation of law or otherwise, become a lien upon the mortgaged premises superior to the lien of this mortgage.

Mortgagor will keep the improvements erected on the premises in good order and repair and will not commit or suffer any waste of the premises. 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(s), as well as the cost of any lien search made by filing officers or searching agencies as may be deemed desirable by the mortgagee.

So long as this mortgage shall remain in force, mortgagor will keep the buildings now erected, or any which may hereafter be erected on the premises,

insured against loss or damage by fire, with extended coverage, to the extent of \$ 40,000 in some company or companies acceptable to the mortgagee and for the benefit of both parties hereto as their interests may appear, and will deliver all the policies and renewals thereof to the mortgagee.

WARNING: Unless mortgagor provides mortgagee with evidence of insurance coverage as required by the contract or loan agreement between them, mortgagee may purchase insurance at mortgagor's expense to protect mortgagee's interest. This insurance may, but need not, also protect mortgagor's interest. If the collateral becomes damaged, the coverage purchased by mortgagee may not pay any claim made by or against mortgagor. Mortgagor may later cancel the coverage by providing evidence that mortgagor has obtained property coverage elsewhere. Mortgagor is responsible for the cost of any insurance coverage purchased by mortgagee, which cost may be added to mortgagor's contract or loan balance. If it is so added, the interest rate on the underlying contract or loan will apply to it. The effective date of coverage may be the date mortgagor's prior coverage lapsed or the date mortgagor failed to provide proof of coverage. The coverage mortgagee purchases may be considerably more expensive than insurance mortgagor might otherwise obtain alone and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

NOW THEREFORE, if the mortgagor shall pay the promissory note(s) and shall fully satisfy and comply with the covenants hereinbefore set forth, then this conveyance shall be void, but otherwise it shall remain in full force and virtue as a mortgage to secure the payment of the promissory note(s) in accordance with the terms thereof and the performance of the covenants and agreements herein contained. Any failure to make any of the payments provided for in the note(s) 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 the note(s), 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. If the 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. Any payment so made shall be added to and become a part of the debt secured by this mortgage, and draw interest at the same rate as the note(s) without waiver, however, of any right arising from breach of any of the covenants herein. Time is of the essence with respect to all sums due hereunder, and the promissory note(s).

In case a suit or action is brought to foreclose this mortgage, the court may, upon motion of the holder of the mortgage, without respect to the condition of the property, appoint a receiver to collect the rents and profits arising out of the premises and direct the receiver to 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, including a reasonable charge for attorney fees.

In the event any suit or action to foreclose this mortgage is commenced, the losing party therein agrees to pay the attorney fees, costs and disbursements of the prevailing party, including statutory costs and disbursements and costs of title report(s) and/or title search. If any appeal is taken from any judgment or decree entered pursuant to such suit or action, the losing party on appeal therein promises to pay the attorney fees, costs and disbursements, including all statutory costs and disbursements, of the prevailing party. To the extent permitted by law, all such sums shall be and are secured by the lien of this mortgage and shall be included in the judgment or decree of foreclosure.

Each and all of the covenants and agreements herein contained shall apply to, inure to the benefit of, and bind the personal representatives, successors and/or assigns of the mortgagor and of the mortgagee respectively.

In construing this mortgage and related note(s), it is understood that the mortgagor or mortgagee may be more than one person. If the context so requires, the singular shall be taken to mean and include the plural. 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 the day and year first above written. If the mortgagor is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

*IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is inapplicable. 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, use Stovall-Hess Form No. 1319 or equivalent.

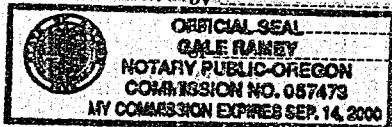
Kenneth L. Johnston
Wendy J. Johnston

STATE OF OREGON, County of Klamath

This instrument was acknowledged before me on November 22, 19 96

by Kenneth L. Johnston - Wendy J. Johnston

This instrument was acknowledged before me on _____, 19 _____



Gale Raney
Notary Public for Oregon
My commission expires 9-14-00

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Kenneth Johnston the 26th day of November A.D., 19 96 at 3:18 o'clock P.M., and duly recorded in Vol. M96 of Mortgages on Page 37156

FEE \$15.00

Bernetha G. Letsch, County Clerk
By *Kathleen Rose*