



MTC 45573-KJ

ODVA Account Number 0003024486	(Reserved for Recording Purposes) Tax Account Number R506456
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IMPROVEMENT LOAN TRUST DEED

THIS IMPROVEMENT LOAN TRUST DEED ("Security Instrument") is made on SEPTEMBER 9, 1998. The grantor is KERRY A LOCKE AND SARA E LOCKE

("Borrower"). The Trustee is AmeriTitle

("Trustee"). The Beneficiary is State of Oregon, by and through the Director of the Oregon Department of Veterans Affairs, which is organized and existing under the laws of the State of Oregon, and whose address is 700 Summer Street NE, Salem, Oregon 97310-1201 ("Note Holder").

Borrower is indebted to Note Holder the principal sum of

THIRTY TWO THOUSAND SEVEN & 00/100

which indebtedness is evidenced by Borrower's Note of same date herewith ("Note") providing for monthly payments of principal and interest with the balance of the indebtedness, if not sooner paid, due and payable on

Dollars (U.S. \$ 32,007.00).

As a condition to the making of the loan to Borrower, Note Holder required and Borrower agreed to execute and deliver this Security Instrument.

10/01/2013 (Date of Maturity)

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 3 below, Borrower irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of Note Holder, with power of sale and right of entry and possession, the real property ("the Property") which has the address of 1905 CHINCHALLA WAY Klamath Falls OR 97063

Oregon and is located in

County, Oregon and more particularly described as:

Lot 5 in Block 6 of SECOND ADDITION TO WINEMA GARDENS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

AFTER RECORDING RETURN TO:

OREGON DEPARTMENT OF VETERANS' AFFAIRS
PROCESSING
700 SUMMER ST NE
SALEM OR 97310-1201

2269-W (10/97)

Until a change is requested, all tax statements shall be sent to the following address:

KERRY A LOCKE
1905 CHINCHALLA WAY
KLAMATH FALLS OR 97063

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TOGETHER WITH all interests, estates, and rights that Borrower has now or may acquire in 1) the Property; 2) any and all options, agreements and contracts for the purchase or sale of all or any part of the Property or interest in the Property; 3) all easements, right-of-way, and rights used in connection with the Property or as a means of access to the Property; 4) all tenements, hereditaments, rights, privileges, royalties and appurtenances in any manner belonging, relating, or appertaining to the Property including mineral (including sand and gravel) rights, or timber rights; and 5) all rents, issues and profits of the Property;

TOGETHER WITH all rights, titles and interests of the Borrower now owned or hereafter acquired in and to any buildings and other improvements of every nature now or hereafter located on the Property, and all appurtenances and additions, and substitutions and replacement of the Property (all of the foregoing being collectively referred to below as "Improvements");

TOGETHER WITH any and all mineral, oil and gas rights, air rights, development rights, water, water rights, water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds;

TOGETHER WITH all interests, estates, and rights of Borrower, now owned or hereafter acquired in and to any land lying within any street, sidewalk, alleys, strips, and gores adjacent to or used in connection therewith;

TOGETHER WITH all rights, interests, and claims that Borrower now has or may acquire with respect to any damage to or taking of all Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property or of the Improvements;

TOGETHER WITH all fixtures now or hereafter attached to or installed in the Property, including all machinery, equipment, appliances and fixtures for generating and distributing air, water, heat, electricity, light, fuel or refrigeration, or for ventilation, or for sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse or garbage; all wallbeds, wallsafes, built-in furniture or installations, shelving, lockers, partitions, door stops, vaults, elevators, dumb-waiters, awnings, window shades, venetian blinds, light fixtures, fire hoses and brackets and boxes for same, fire sprinklers, alarm systems, drapery rods and brackets, screens, linoleum, carpets, plumbing, laundry tubs and trays, ice boxes, refrigerators, heating units, stoves, water heaters, incinerators and communication systems;

TOGETHER WITH any shrubbery, flora or timber now growing or hereafter planted or growing thereon;

All of the above may be reference herein below as "Trust Property."

THE PARTIES COVENANT AND AGREE AS FOLLOWS:

1. **First Lien.** Borrower acknowledges that the Trust Property was also given as security by the Borrower for a Security Instrument in favor of the Director of the Oregon Department of Veterans' Affairs dated November 16, 1992 recorded in Volume M92, Page 27955 for Klamath County, Oregon, which was given to secure the payment of a Note in the amount of \$ 61,650.00 and a Security Instrument in favor of the Director of the Oregon Department of Veterans' Affairs dated , for County, and recorded in , for County, Oregon, which was given to secure the payment of a Note in the amount of \$, for County, and a Security Instrument in favor of the Director of the Oregon Department of Veterans' Affairs dated , for County, and recorded in , for County, Oregon, which was given to secure the payment of a Note in the amount of \$, for County, Borrower and Note Holder intend that these liens be collectively considered first liens upon the property as prescribed by ORS 407.225(1). A default on the Note or a default on the other outstanding note or notes shall constitute an event of default upon this Security Instrument and on all other outstanding security instruments in favor of Note Holder.

2. **Warranty of Fee Title.** Borrower warrants that Borrower holds good and marketable title to the Trust Property and is lawfully seized of the Trust Property and has the right to grant and convey the Trust Property, that the Trust Property is unencumbered and that Borrower will warrant and defend generally the title to the Trust Property against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Note Holder's interest in the Trust Property.

3. **Obligations Secured.** This Security Instrument secures the following, collectively referred to as the "Obligations":

A. The payment of all Indebtedness, including but not limited to principal and interest, and the performance of all covenants and obligations of Borrower, under the Note, whether such payment and performance is now due or becomes due in the future; and

B. The payment of all Indebtedness, including future advances, and the performance of all covenants and obligations in the Security Instrument, in any other outstanding notes, and in all other security instruments, notes, agreements, and undertakings now existing or hereafter executed by Borrower with or for the benefit of the Note Holder respecting this Trust Property.

4. **Payment of Indebtedness, Performance of Covenant.** Borrower shall duly and punctually pay and perform all of the Obligations.

5. **Other Representations and Warranties.** Borrower represents and warrants to Note Holder that:

A. **Preexisting Violations.** Neither the Trust Property nor Borrower is in violation of or subject to any existing, pending, or threatened investigation by an governmental authority under any environmental law.

B. **Permits or Licenses.** Borrower has not and is not required by an environmental law to obtain any permit or license other than those it has obtained to construct or use the Improvements.

C. **Past Use of Trust Property.** To the best of Borrower's knowledge, no hazardous substance has ever been used, generated, manufactured, produced, stored, released, discharged, or disposed of on, under, or about the Trust Property (including the use of lead-based paints, asbestos or the presence of underground storage tanks) in violation of any environmental law. If Borrower knows, or has reason to believe the Trust Property contains or may contain any hazardous substance(s) or item(s) in violation of any Environmental Requirement, Borrower shall provide Note Holder copies of all documents, reports, assessments, studies or other notices received or sent to or from any person, or notify Note Holder in writing of the presence of any hazardous substances.

6. **Funds for Taxes and Insurance.** If the Note Holder so elects, subject to applicable law, Borrower shall pay to Note Holder on or before the day payments of principal and interest are due under the Note, until the Note is paid in full, and at the Note Holder's option sums ("Funds") equal to: (a) one-twelfth of the yearly taxes and assessments which may attain priority over this Security Instrument, (b) ground rents on the Trust Property, if any, (c) one-twelfth of yearly premium for hazard or property insurance; (d) one-twelfth of yearly premium for flood insurance, if any, (e) any sums payable by Borrower to Note Holder, in accordance with provisions of Section 13, in lieu of the payment of mortgage insurance, (f) and any additional amounts which the Note Holder may deem necessary, all as reasonably estimated initially and from time to time by Note Holder. These items are called "Escrow Items." Note Holder may, at any time, collect and hold Funds in an amount not to exceed the maximum amount Note Holder is allowed by law.

Note Holder shall apply the Funds to pay the Escrow Items. Note Holder shall not be obligated to advance any additional Funds to pay the Escrow Items until the Funds previously advanced have been applied to the Escrow Items.

Note Holder shall apply the Funds to pay the Escrow Items. Note Holder may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Note Holder pays Borrower interest on the Funds and applicable law permits Note Holder to make such a charge. However, Note Holder may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Note Holder in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Note Holder shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Note Holder may agree in writing, however, that interest shall be paid on the Funds. Note Holder shall give to Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Note Holder exceed the amounts permitted to be held by Note Holder, Note Holder shall pay to Borrower the excess Funds in cash or by check, or by any other method permitted by law, at the time the excess Funds are received by Note Holder.

If the Funds held by Note Holder exceed the amounts permitted to be held by applicable law, Note Holder shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Note Holder at any time is not sufficient to pay the Escrow Items when due, Note Holder may so notify Borrower in writing, and, in such case Borrower shall pay to Note Holder the amount necessary to make up the deficiency. Borrower shall make up the deficiency immediately or, at Note Holder's sole discretion, deficiency shall be made up in no more than twelve equal monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Note Holder, if underwritten by a Trust, shall deliver to Borrower a copy of the Security Instrument, together with a copy of the Escrow Agreement, and the purpose for which each debit to the Funds was made. The Funds are

7. **Loan Cancellation Life Insurance (LCLI).** Loan Cancellation Life Insurance (LCLI) is an optional feature of this loan. If the Borrower elects to purchase LCLI, the Borrower shall pay to Note Holder the cost of LCLI in no more than twelve equal monthly payments. Upon payment in full of all sums secured by this Security Instrument, Note Holder shall promptly refund to Borrower any Funds held by Note Holder. If, under Section 27, Note Holder shall acquire or sell the Property, Note Holder, prior to the acquisition or sale of the Property, may apply any Funds held by Note Holder at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

7. **Loan Cancellation Life Insurance (LCLI).** Loan Cancellation Life Insurance (*LCLI*) is an optional program and no guarantees are given or implied that the Borrower will be accepted for this program because the Borrower was accepted under any other outstanding loan. If the Borrower applies and is accepted for this insurance, the Borrower shall pay the estimated premium to Note Holder with their regular payment as it becomes due. Any LCLI accrued, unpaid premiums are a principal obligation of the loan and are secured by this security document. Any changes in the premium may change the amount of the regular payment. The insurance contract may provide that LCLI will be canceled after payments on the loan become four months past due.

8. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Note Holder under Sections 4 and 6 shall be applied in an order determined from time to time by the Note Holder at the Note Holder's sole discretion. Payments are typically applied: first, to LCLCI; second, to amounts payable, if any, under Section 6; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

9. **Charges and Liens.** The Borrower shall pay all taxes, time

9. **Charges and Liens.** The Borrower shall pay all taxes, liens assessments and other charges, fines and impositions attributable to the Trust Property which may attain a priority over this Security Instrument, and ground rents, if any, when due. In the event that the Borrower has an existing loan with Note Holder through which taxes are being paid, those taxes shall continue to be paid in the manner provided in the other outstanding Security Instrument until all other outstanding Security Instruments are paid in full. At Note Holder's option real property taxes may be paid as provided under Section 6.

10. **Hazard and Flood Insurance.** Borrower shall keep the Trust Property insured against loss by fire, theft, vandalism, and flood, and shall maintain flood insurance on the Trust Property.

10. Hazard and Flood Insurance. Borrower shall keep the improvements now existing, or hereafter erected on the Trust Property, insured against loss by fire, hazards, included within the term "extended coverage," or floods where applicable, and such other hazards as Note Holder may require and in such amounts and for such periods as Note Holder may require.

If at any time it is determined that the Trust Property is located in whole or in part within a flood hazard area as defined by the National Flood Insurance Act, the Borrower will be required, and hereby agrees, to purchase flood hazard insurance acceptable to Note Holder, at no cost to Note Holder. If the required flood hazard insurance is not voluntarily purchased by Borrower within 45 days of written notice to Borrower, Note Holder may force-place the flood insurance. Note Holder will pay the cost of said force-placed insurance from the Borrower's escrow account or by adding said costs to the principal balance of the Borrower's loan. If said cost is added to the loan balance, interest will be collected thereon at the Note interest rate. Borrower shall pay Note Holder an amount, determined by Note Holder, in addition to and together with the Borrower's regular payment as it becomes due in accordance with the provisions outlined in Section 2 of this Security Instrument.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Note Holder, provided, that such approval shall not be unreasonably withheld. In the event that the Borrower does not have an outstanding loan with Note Holder through which insurance is being paid or if all prior loans with Note Holder are paid in full, all premiums on insurance policies shall be paid at Note Holder's option in the manner provided under Section 6 hereof or by Borrower making payment, when due, directly to the insurance carrier. If Borrower fails to maintain coverage described above, Note Holder may, at Note Holder's option, obtain coverage to protect Note Holder's rights in the Property in accordance with Section 12 and the following warning:

Initials *SEL/SEL*

WARNING

Unless you provide us with evidence of the insurance coverage as required by our Security Instrument, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your loan balance. If the cost is added to your loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of insurance coverage.

The coverage we purchase may be considerably more expensive than insurance you obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable state or federal law.

As added clarification, the coverage we purchase covers us. The cost of this insurance may be added to the your loan balance or paid from your escrow account, as applicable. At our discretion, your standard payment will be increased to recover the cost of the insurance or a demand will be made for the full amount paid for the insurance.

All insurance policies and renewals thereof shall be in form acceptable to Note Holder and shall include a standard mortgagee clause in favor of Note Holder. Note Holder shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Note Holder all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Note Holder, and Note Holder may make proof of loss if not promptly made by Borrower. Insurance proceeds shall be paid directly to Note Holder which may deal directly with any insurance company. If Note Holder by reason of such insurance receives any money for loss or damage, such amounts may, at the option of the Note Holder, either: (a) Be retained and applied by Note Holder toward payment of all or part of the indebtedness secured by this Security Instrument in such order as Note Holder may determine, without regard to whether or not the security of Note Holder is impaired; or (b) be paid over wholly or in part to the Borrower upon such conditions as Note Holder may determine for the repair of buildings or improvements located on the Trust Property or for the erection of new buildings or improvements in their place, or for any other purpose or object satisfactory to Note Holder.

Unless Note Holder and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the payments referred to in Section 4 hereof or change the amount of such payments.

If, pursuant to the Trustee's exercise of the power of sale or in the event of a judicial foreclosure, the Trust Property is acquired by Note Holder, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof (to the extent of the sum secured by this Security Instrument immediately prior to such sale or acquisition) resulting from damage to the Trust Property prior to the sale or acquisition, shall pass to Note Holder.

11. Occupancy; Borrower's Loan Application; Preservation and Maintenance of Trust Property; Leaseholds; Condominiums. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of the Security Instrument and shall continue to occupy the Property as Borrower's principal residence, unless Note Holder otherwise agrees in writing due to extenuating circumstances. Borrower shall keep the property in good repair and shall not conduct or permit any nuisance, nor permit or commit waste, impairment, or deterioration of the Trust Property and shall comply with the provisions of any lease, if this Security Instrument is on a leasehold. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Note Holder agrees to the merger in writing. If this Security Instrument is on a condominium unit, Borrower shall perform all of the Borrower's obligations under the declaration of condominium or master deed, the bylaws and regulations of the condominium project and constituent documents.

12. Protection of Note Holder's Security. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or if any action or proceeding is commenced which affects the Note Holder's interest in the Trust Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Note Holder, at Note Holder's option, may make such appearances, disburse such sums and take such action as is necessary to protect Note Holder's interest, including, but not limited to, disbursements of reasonable attorney fees and entry upon the Trust Property to make repairs. Any amounts disbursed by Note Holder, with interest thereon, shall become additional principal indebtedness of Borrower secured by this Security Instrument. Unless Borrower and Note Holder agree to other terms of payment, such amount shall be payable upon notice from Note Holder to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the rate stated in this Note, the rate on any outstanding Security Instrument on the property secured by this Note, or the current veterans' home improvement loan rate set by OAR 274-28-0015, whichever is higher. No event referred to in this Section shall require Note Holder to incur any expense or do any act hereunder.

13. Mortgage Insurance. If Note Holder required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Note Holder lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Note Holder. Borrower shall pay the premiums required to maintain mortgage insurance in effect until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Note Holder or applicable law.

14. Note Holder's Right to Enter and Inspect. Note Holder or its agent may make reasonable entries upon and inspections of the Trust Property. Note Holder shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

15. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Trust Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Note Holder. Borrower shall file and prosecute in good faith and with due diligence what otherwise would be its claim in any condemnation award or payment and will cause the same to be collected and paid over to the Note Holder. Note Holder shall be entitled, at its option, to commence, appear in, and prosecute any Condemnation proceeding in its own or Borrower's name and make any compromise or settlement in connection with such Condemnation or by reason of sale under threat thereof, or in anticipation of the exercise of the right of Condemnation.

In the event of any taking of the Trust Property, the proceeds shall be applied to the sums secured by this Security Instrument, with the excess, if any, paid to Borrower.

Unless Note Holder and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the payments referred to in Section 4 hereof or change the amounts of such payments.

16. Further Assurance; Filing; Refilling; Etc. Borrower shall execute, acknowledge, and deliver, from time to time, such further instruments as the Note Holder or Trustee may require to accomplish the purposes of this Security Instrument.

Borrower, immediately upon the execution and delivery of this Security Instrument, and thereafter from time to time, shall cause this Security Instrument, any supplemental security agreement, mortgage, or deed of trust and each instrument of further assurance, to be recorded and rerecorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue to be perfected, the lien and estate of this Security Instrument.

Borrower shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording, and acknowledgment of this Security Instrument; any security agreement, mortgage, or deed of trust supplemental hereto and any instrument of further assurance; and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Security Instrument, any supplemental security agreement, mortgage, or deed of trust and any instrument of further assurance.

17. Forbearance by Note Holder Not a Waiver; Borrower Not Released. Any forbearance by Note Holder in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any right or remedy hereunder. Waiver of strict performance of any provision of the Note or Security Instrument, including but not limited to acceptance of late payments, shall not be a waiver of or prejudice Note Holder's right to require strict performance of the same provisions without notice in the future or of any other provisions. Any waiver of performance of any provisions of the Note or Security Instrument must be in writing.

The procurement of insurance or the payment of taxes or other liens or charges by Note Holder shall not be a waiver of Note Holder's right to accelerate the maturity of the indebtedness secured by this Security Instrument and are recoverable by the Note Holder in event of Default.

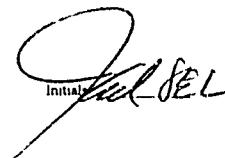
Extension of the time for payment or modification of amortization of the sum secured by this Security Instrument granted by Note Holder to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Note Holder shall not be required to commence proceedings against successors or refuse to extend time for payment or otherwise modify amortization of the sum secured by this Security Instrument by reason of any demand made by the original Borrower and Borrower's successors in interest.

18. Successors and Assigns Bound; Joint and Several Liability. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Note Holder and Borrower, subject to the provisions of Section 22. All covenants and agreements of Borrower shall be joint and several. Any Borrower who co-signs this Security Instrument, agrees that Note Holder and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

19. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Note Holder may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

20. Notice. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Note Holder. Notice mailed to Borrower will be effective upon mailing. Any notice to Note Holder shall be given by first class mail to Note Holder's address stated herein or any other address Note Holder designates by notice to Borrower. Notice to the Note Holder will be effective upon receipt by the Note Holder. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Note Holder when given as provided in this Section.

21. Applicable Law; Severability. This Security Instrument and the Note shall be governed by federal law and the laws of the State of Oregon and it is distinctly understood and agreed that the Security Instrument and Note are subject to the provisions of Article XI-A of the Oregon Constitution, ORS Chapter 407 and any subsequent amendments thereto, and to all rules and regulations which have been issued or may hereafter be issued by the Director of ODVA pursuant to the provisions of ORS Chapter 407. In the event that any provisions or clause of the Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of the Security Instrument or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Note and this Security Instrument are declared to be severable. In the event that any provisions or clause of this Security Instrument conflicts with any other outstanding Security Instrument the provisions of this Security Instrument prevail.

Initial  JEL

22. Use and Transfer of Trust Property. Note Holder may declare all sums secured by this Security Instrument to be immediately due and payable if: (a) All or part of the property is sold or otherwise transferred (*except for a sale or transfer to the original Borrower, the surviving spouse, unmarried former spouse, surviving child or stepchild of the original Borrower, a governmental entity when the secured Property is transferred for public use*) by Borrower to a purchaser or other transferee, or (b) Borrower rents, leases, or within 60 days after the loan is closed, fails to occupy and continue to occupy as the Borrower's principal residence the Trust Property described in this Security Instrument, or (c) Borrower omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Internal Revenue Code in an application for this loan. The execution and delivery by the Borrower of any joint venture agreement, partnership agreement, declaration of trust, option agreement or other instrument whereunder any other person may become entitled, directly or indirectly, to the possession or enjoyment of the Trust Property, or the income or other benefits derived or to be derived therefrom, may in each case be deemed to be a sale or transfer of Borrower's interest in the Trust Property for the purposes of this section. If Note Holder exercises this option, Note Holder shall give Borrower notice of acceleration.

If all or part of the property is sold or otherwise transferred (*except for a sale or transfer to the original Borrower, the surviving spouse, unmarried former spouse, surviving child or stepchild of the original Borrower, a governmental entity when the secured Property is transferred for public use*) by Borrower to a purchaser or other transferee, the Note Holder may require payment of administrative costs and may increase the rate of interest due on the loan as prescribed in ORS 407.335 from the date of the transfer to the date the loan is paid in full, and said interest shall be considered an amount due under the Note. The increase in the rate of interest shall not affect any other remedies provided under this Security Instrument.

If a transfer to the original Borrower, the surviving spouse, unmarried former spouse, surviving child or stepchild of the original Borrower, a governmental entity (*when the secured Property is transferred for public use*) occurs, the interest rate on the indebtedness secured by this instrument shall conform to the current statutory requirements of the Oregon Legislature and the administrative rules adopted by the Director of the Oregon Department of Veterans' Affairs pursuant thereto which are applicable at the time of the sale or transfer, and, if the interest rate is so increased as a result of the application of those administrative rules or statutory requirements imposed by the Oregon Legislature, the monthly payment for principal and interest shall increase so as to retire the obligation within the original date of maturity.

23. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

24. Environmental Covenants. Borrower will keep and maintain the Trust Property in compliance with and shall not cause or permit all or any portion of the Trust Property, including the ground water, to be in violation of any environmental law or requirements under any governmental authority (*collectively the "Environmental Requirements"*). Borrower shall not place or permit any materials to be located on the Trust Property which require special handling in collection, storage, treatment, or disposal. If at any time materials relocated on or near the Trust Property which under any Environmental Requirement require special handling in collection, storage, treatment or disposal, Borrower, within thirty (30) days after written notice, shall take at Borrower's sole expense such actions as may be necessary to comply with all Environmental Requirements. Borrower will not use, generate, manufacture, produce, store, release, discharge or dispose of or on, under or about the Trust Property or the Trust Property's ground water, any hazardous substance and will not permit any other party, including but not limited to persons or entities who rent, lease or are invited to the Trust Property, to do so. Hazardous substance includes, without limitation, any material, substance or waste that is or becomes regulated or that is or becomes classified as hazardous, dangerous, or toxic under any Environmental Requirements. Note Holder shall not be deemed an owner or holder of the Trust Property at any time. Note Holder's interest in the Trust Property is to secure payment of the claims as provided in the promissory note.

25. Environmental Indemnification. Borrower hereby agrees to indemnify and hold harmless Note Holder from all loss, liability, damage, cost and expense, including reasonable attorney's fees, for failure of the Trust Property to comply in all respects with the Environmental Requirements. The provisions hereof shall survive payoff, release, or foreclosure of this Security Instrument. Borrower, promptly upon the written request of Note Holder, from time to time, shall provide Note Holder with such governmental site assessment, audit report, or update as Note Holder may reasonably require to assure the protection of the Trust Property, in scope, form, and content satisfactory to Note Holder. This provision shall not be merged with or be affected in any way by the terms of any other agreement between the parties.

26. Events of Defaults. The following shall constitute events of default:

A. Nonpayment. Failure of Borrower to make any payments in the amount or within the time required by the Note and this Security Instrument.

B. Breach of Other Covenant. Failure of Borrower to perform any Obligation contained in this Security Instrument.

C. Misinformation. Falsity in any material respect of the warranties and covenants of Borrower contained herein or any representation, warranty or information furnished to Note Holder in connection with the Note or this Security Instrument. It is also an event of default if Borrower, during the loan application process, gave material false or inaccurate information or statements to Note Holder (*a. failed to provide Note Holder with any material information*) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's occupancy of the Trust Property as a principal residence.

D. Other Obligation. Failure of Borrower to perform any Obligation required by any other instrument (*other than the Note or this Security Instrument*) evidencing or securing any indebtedness of Borrower to Note Holder.

E. Sale or Transfer of Possession. The sale or transfer of possession of the Trust Property or any part thereof in any manner by Borrower, whether by deed, contract of sale, lease or similar agreements, without the prior written consent of Note Holder, which consent will not unreasonably be withheld.

F. Liens. Failure of Borrower to pay or discharge any liens, assessments and other charges, penalties, fines and impositions against the Trust Property which may attain a priority over this Security Instrument.

John SEL
Initials

27. Notice of Default. If an event of default shall occur, Note Holder or Trustee, as the case may be, shall provide notice of the occurrence of such event specifying (a) the event of default; (b) the action required to cure such default; (c) a date by which such default must be cured, which for a nonpayment default is not less than thirty (30) days from the date the notice is delivered or mailed to Borrower, and (d) that failure to cure such default on or before the date specified in the notice may result in Note Holder or Trustee exercising any of the rights and remedies provided under the Security Instrument, in addition to any other remedies which may be available at law, in equity or otherwise. No notice by Note Holder shall be required for nonpayment under the Note, the Security Instrument and other outstanding accounts to Note Holder if during the preceding 12 calendar months Note Holder has sent notice to Borrower concerning any other nonpayment hereunder. A notice of Default under the Note or under any other outstanding account with Note Holder may be combined with the Notice of Default under this Security Instrument.

28. Remedies. The Note Holder may exercise any of the following rights or remedies in addition to any other remedies which may be available at law in equity or otherwise, if an event of default occurs or if an event of default is not cured within the time allowed by a Notice of Default required under paragraph 27.

A. Acceleration. Note Holder may declare all sums secured by this Security Instrument, including interest upon the principal obligation, to be immediately due and payable.

B. Possession. Note Holder may, either through a receiver or as a Note Holder-in-possession, take possession of all or any part of the Trust Property, and Borrower shall peaceably surrender the same.

C. Foreclosure. Note Holder may obtain a decree foreclosing Borrower's interest in all or any part of the Trust Property.

D. Power of Sale. Note Holder may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law.

E. Cumulative Remedies. Election to pursue one remedy shall not exclude any other remedy, and, unless the context otherwise requires, all remedies under this Security Instrument are cumulative and not exclusive. No delay or omission in exercising any right or remedy shall impair that right or remedy or shall be construed to be a waiver of the default.

29. Reconveyance. Upon payment of all sums secured by this Security Instrument, Note Holder shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs. Note Holder may charge such person or persons a fee for reconveying the Property, but only if the fee is paid to a third party (such as the Trustee) for services rendered and the charging of the fee is permitted under applicable law.

30. Substitute Trustee. In accordance with applicable law, Note Holder may from time to time remove Trustee and appoint a successor trustee to any trustee appointed hereunder. Without reconveyance of the Trust Property, the successor trustee shall succeed to all the title, powers and duties conferred upon the Trustee herein and by applicable law.

31. Expenses and Attorney Fees. Borrower promises to pay all costs, expenses, and attorneys' fees incurred by the Note Holder hereof in the exercise of any remedy (with or without litigation), in any proceeding for the collection of the debt, in any trustee's sale or foreclosure of the Security Instrument or the realization upon any other security securing the Note and this Security Instrument, in protecting or sustaining the lien or priority of said Security Instrument or said other security, or in any litigation or controversy arising from or connected with the Note and this Security Instrument or any security for or guaranty of the Note or this Security Instrument. Said proceedings shall include, without limitation, any probate, eminent domain, condemnation, bankruptcy, receivership, injunction, arbitration, mediation, or other proceeding, or any appeal from or petition for review of any of the foregoing, in which the Note Holder hereof appears to collect this debt, or protect or enforce its security for the Note and this Security Instrument. Borrower shall also pay all of Note Holder's costs and attorneys' fees incurred in connection with any demand, workout, settlement, compromise, or other activity in which Note Holder engages to collect any portion of this debt not paid when due or as a result of any other default of Borrower. If a judgment is obtained thereon which includes an award of attorneys' fees, such attorneys' fees, costs and expenses shall be in such amount as the court shall deem reasonable, which judgment shall accrue interest at the Note interest rate or the legal judgment rate, whichever is higher, from the date it is rendered.

32. Time of Essence. Time is of the essence in the Security Instrument.

33. Indemnity. Borrower shall hold Note Holder and Trustee harmless from any and all loss and expense, including but not limited to attorney fees and court costs in any suit, action or proceeding or any appeal therefrom brought against Trustee or Note Holder by a third party resulting from or attributable to Note Holder's ownership of the Note and Trustee's interest under this Security Instrument.

34. Compliance with All Laws and Government Requirements. Borrower further represents, warrants and covenants that the Trust Property and all improvements, if any, have been constructed and maintained in full compliance with all applicable laws, statutes, ordinances, regulations and codes of all federal, state and local government and in full compliance with and all covenants, conditions, easements and restrictions affecting the Trust Property based upon all information available to Borrower and which are in the control of the Borrower. Borrower shall comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Trust Property and will repair, replace or take steps to bring non-complying features into compliance with such laws, covenants or restrictions. Borrower may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Note Holder's and Trustee's interest in the Trust Property are not jeopardized.

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

36. Headings. The headings to the sections and paragraphs of this Security Instrument are included only for the convenience of the parties and shall not have the effect of defining, diminishing or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Security Instrument.

Handwritten signature: J. SEC

37. Remedies Cumulative. All remedies provided in this Security Instrument are distinct and cumulative to any other right or remedy under this Security Instrument or afforded by law or equity, and may be exercised concurrently, independently or successively.

38. Security Instrument Binding on Successors or Assigns. This Security Instrument shall be binding on and inure to the benefit of the successors and assigns of Note Holder, Trustee, and Borrower.

39. Entire Agreement. This Security Instrument and the Note contain the entire agreement of the parties with respect to the matters covered, and no other previous agreement, statement or promise made by any party to this Security Instrument which is not contained in its terms or in the terms of the Note shall be binding or valid.

40. Words. The masculine shall be deemed to include the feminine, and the singular the plural where such connotations are applicable herein.

NOTICE TO BORROWER: This document may substantially modify what you may do with the property offered for security under your original Note and Security Instrument on loan number(s) 03010642. Do NOT sign this Security Instrument unless you have read and understand it.

IN WITNESS WHEREOF, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

(Initial this box that you have read and understand the NOTICE TO BORROWER above)

[Initials]

[Initials]

[Signature of Kerry A. Locke]
KERRY A. LOCKE

—(Signature of Borrower)

[Signature of Sara E. Locke]
SARA E. LOCKE

—(Signature of Co-Borrower)

ACKNOWLEDGMENT

STATE OF OREGON

County of KLAMATH

)
) ss.
)

On SEPTEMBER 9, 1998

personally appeared the above named KERRY A. LOCKE AND SARA E. LOCKE

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



Before me:

[Signature of Kirsten Jensen]

(Notary Public for Oregon)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 14th day of September A.D., 19 98 at 11:21 o'clock A M., and duly recorded in Vol. M98 of Mortgages on Page 22737.

FEE \$45.00

By Bernetha G. Letsch County Clerk
[Signature of Bernetha G. Letsch]