

200 JUN 27 PM 3:33

ASPEN 51057

Vol MOO Page 23453

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

WHEN RECORDED MAIL TO  
CITIMORTGAGE, INC  
27555 FARMINGTON ROAD  
FARMINGTON HILLS, MI 48334-3314  
RESIDENTIAL POST CLOSING (31-002)

ACCOUNT NUMBER 70322753-6

TAX ACCOUNT NUMBER  
PREPARED BY: PATRICIA DRAKE

## DEED OF TRUST

### DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated JUNE 22ND, 2000, together with all Riders to this document.

(B) "Borrower" is

JAMES C LEE, A MARRIED MAN and JANICE M. LEE, A MARRIED WOMAN

Borrower is the trustor under this Security Instrument.

(C) "Lender" is CITIMORTGAGE, INC

Lender is a PRIVATELY HELD CORPORATION  
organized and existing under the laws of THE STATE OF DELAWARE

OREGON - Single Family - FNMA/FHLMC UNIFORM INSTRUMENT

Form 3038 3/99

VMP-6(OR) (9904)

36452 70322753-6

KH2A0

Page 1 of 15

Initials: *KL J L*

VMP MORTGAGE FORMS - (800)521-7291



Lender's address is 27555 FARMINGTON ROAD  
FARMINGTON HILLS, MI 48334-3314

Lender is the beneficiary under this Security Instrument.

(D) "Trustee" is Aspen Title & Escrow, Inc., An Oregon Corporation

(E) "Note" means the promissory note signed by Borrower and dated JUNE 22ND, 2000  
The Note states that Borrower owes Lender

SEVENTY-NINE THOUSAND NINE HUNDRED FIFTY AND NO/100

Dollars

(U.S. \$ 79,950.00 ) plus interest. Borrower has promised to pay this debt in regular  
Periodic Payments and to pay the debt in full not later than SEPTEMBER 1ST, 2030

(F) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(G) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(H) "Riders" means all riders to this Security Instrument that are executed by Borrower. The following riders are to be executed by Borrower [check box as applicable]:

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider              | <input type="checkbox"/> Second Home Rider  |
| <input type="checkbox"/> Balloon Rider         | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> 1-4 Family Rider   |
| <input type="checkbox"/> VA Rider              | <input type="checkbox"/> Biweekly Payment Rider         | <input type="checkbox"/> Other(s) [specify] |

(I) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(J) "Community Association Dues, Fees and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(L) "Escrow Items" mean those items that are described in Section 3.

(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for (i) damage to, or destruction of, the Property, (ii) condemnation or other taking of all or any part of the Property, (iii) conveyance in lieu of condemnation or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(N) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(O) "Periodic Payment" means the regularly scheduled amount due for (1) principal and interest under the Note, plus (2) any amounts under Section 3 of this Security Instrument.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. Section 2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and

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Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash, (b) money order, (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment(s) or partial payment(s) if the payment(s) or partial payment(s) are insufficient to bring the Loan current. Lender may accept any payment(s) or partial payment(s) insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment(s) or partial payment(s) in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment(s) to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

**2. Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (1) interest due under the Note; (2) principal due under the Note; (3) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

**3. Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the

restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

#### TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (a) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (b) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the \_\_\_\_\_ COUNTY of KLAMATH :

[Type of Recording Jurisdiction]

[Name of Recording Jurisdiction]

PLEASE SEE ATTACHED LEGAL DESCRIPTION

which currently has the address of

LOT 5 BLOCK 53 KLAMATH FALLS FOREST ESTS

[Street]

BONANZA

[City], Oregon 97623

[Zip Code]

("Property Address"):

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the

term of the Loan, Lender may require that Community Association Dues, Fees and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (1) sufficient to permit Lender to apply the Funds at the time specified under RESPA and (2) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than twelve monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than twelve monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

**4. Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.



Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

**5. Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (1) a one-time charge for flood zone determination, certification and tracking services or (2) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was

required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (1) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (2) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

**7. Preservation, Maintenance and Protection of the Property; Inspections.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

**8. Borrower's Loan Application.** Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

**9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument.** If (1) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (2) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (3) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to, (1) paying any sums secured by a lien which has priority over this Security Instrument, (2) appearing in court, and (3) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

**10. Mortgage Insurance.** If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, 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 selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan and Borrower was required to make



separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until the Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

**11. Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

**12. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

**13. Joint and Several Liability; Co-signers; Successors and Assigns Bound.** Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

**14. Loan Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan 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. Lender 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 without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

**15. Notices.** All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

**16. Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (1) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender, (2) words in the singular shall mean and include the plural and vice versa, and (3) the word "may" gives sole discretion without any obligation to take any action.

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

**18. Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

**19. Borrower's Right to Reinstate After Acceleration.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (i) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (ii) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (iii) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash, (b) money order, (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.



**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer(s) and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

**21. Hazardous Substances.** As used in this Section 21: (1) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (2) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (3) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law and (4) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (1) that is in violation of any Environmental Law, (2) which creates an Environmental Condition or (3) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (1) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge; (2) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (3) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.



NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

**22. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall give notice of sale in the manner prescribed by Applicable Law to Borrower and to other persons prescribed by Applicable Law. After the time required by Applicable Law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

**23. Reconveyance.** Upon payment of all sums secured by this Security Instrument, Lender 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. Lender 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.

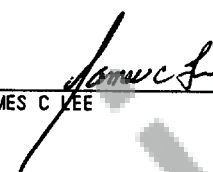
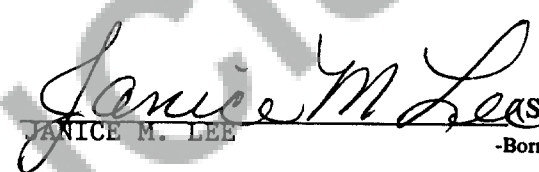
**24. Substitute Trustee.** Lender may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

**25. Attorneys' Fees.** As used in this Security Instrument and in the Note, "attorneys' fees" shall include any attorneys' fees awarded by an appellate court.

**26. Protective Advances.** This Security Instrument secures any advances Lender, at its discretion, may make under Section 9 of this Security Instrument to protect Lender's interest in the Property and rights under this Security Instrument.

BY SIGNING BELOW, 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.

Witnesses:

_____	 JAMES C. LEE (Seal) -Borrower
_____	 JANICE M. LEE (Seal) -Borrower
_____ (Seal) -Borrower	_____ (Seal) -Borrower
_____ (Seal) -Borrower	_____ (Seal) -Borrower
_____ (Seal) -Borrower	_____ (Seal) -Borrower

**RIDER TO MORTGAGE**

This RIDER is made this **June 22, 2000** and is incorporated into and shall be deemed to amend and supplement the Mortgage (the "Security Instrument") and the Note of even date herewith given by the undersigned (the "Borrower") to **CITIMORTGAGE, INC.**, (the "Lender") and covering the property described in the Security Instrument and located at:

**Lot 5 Block 53 Klamath Falls Forest Estates  
Bonanza, Oregon 97623**

**1. PURPOSE AND EFFECT OF RIDER**

Lender requires Borrower to agree to the provisions that are contained in this Rider as a condition of the Lender making a loan to the Borrower. **IF THERE IS A CONFLICT BETWEEN THE PROVISIONS IN THIS RIDER AND THOSE IN THE ACCOMPANYING MORTGAGE (SECURITY INSTRUMENT) OR NOTE, THE PROVISIONS IN THIS RIDER WILL BE CONTROLLING, THOSE PROVISIONS IN THE MORTGAGE OR NOTE, WILL BE ELIMINATED OR MODIFIED AS MUCH AS IS NECESSARY TO MAKE ALL OF THE CONFLICTING TERMS AGREE WITH THIS RIDER.**

**2. RIDER NOT EFFECTIVE IF MORTGAGE DOCUMENTS ASSIGNED TO GOVERNMENTAL AGENCY**

If the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or the Government National Mortgage Association, or any other federal or state government agency, buys all or some of the Lender's rights under the Mortgage Documents, the promises and agreements in this Rider will no longer have any force or effect.

**3. BORROWER'S FAILURE TO KEEP PROMISES AND AGREEMENTS**

While this Rider is in effect, Section 7 of the Note and Section 21 of the Mortgage shall be modified so that the Lender shall not be obligated to send to the Borrower the notices referred to in those paragraphs.

Lender may also require immediate Payment in Full if any of the following events occur or Lender may cure any of the following and add any expenses involved, including reasonable attorneys fees, to the mortgage debt:

- a. If Borrower fails to comply with any governmental regulations;
- b. If Borrower fails to make any monthly payment of principal or of interest, any payment required to be made in Paragraph 2 of the Mortgage, any tax, water rent or assessment, or any insurance premium within 30 days of a due date;
- c. If Borrower fails to obtain, maintain, assign and deliver to Lender, policies insuring the Property for loss by fire, flood and other hazard.
- d. If Borrower, within 15 days after request by Lender, fails to reimburse Lender for insurance premiums or taxes paid by Lender, plus interest at the rate stated in the Note, on the payments made by Lender;

- e. If Borrower, within 10 days after request by Lender, fails to furnish Lender with a statement of the amount due under the Note and Mortgage and stating whether the Borrower has any defenses to the Note and the Mortgage debt or offsets to the amount owed;
- f. If Borrower refuses to allow Lender to inspect the Property;
- g. If after 60 days notice of violation, the Property is used in a way that violates legally enforceable restrictions on the use of the Property;
- h. If two fire insurance companies doing business in the State of **Oregon** refuse to issue insurance policies protecting the Property against damage by fire or other hazards;
- i. If it is found that Borrower has given a false statement or warranty in connection with the granting of this mortgage loan;
- j. If any structure on the Property shall be removed, demolished, or substantially altered from plans and specifications submitted and approved by Lender; and
- k. If after the Completion Date, as specified in the Building Loan Agreement executed on the same date as the Mortgage, the Property becomes vacant or nonowner occupied.

**4. BORROWER'S OBLIGATION TO OBTAIN AND KEEP HAZARD INSURANCE ON THE PROPERTY**

While this Rider is in effect, the third subparagraph of Paragraph 5 of the Mortgage is amended so that Lender shall have the choice of either using any insurance proceeds to reduce the amount that the Borrower owes to the Lender under the Note and under the Mortgage or for replacing or repairing the Property.

**5. INSURANCE PREMIUMS**

I will reimburse the Lender for any premiums paid by the Lender for hazard (including combination policies) or flood insurance because I have failed to do so. I also agree that the premiums paid by the Lender will be secured by the Security Instrument.

**6. CONDEMNATION OF PROPERTY**

The first subparagraph of Paragraph 10 of the Mortgage is amended so that the Lender shall have the full discretion to apply condemnation proceeds in payment of principal, whether or not the principal is due and payable, even if only a part of the Property is taken.

**7. BORROWER'S RIGHT TO HAVE LENDER'S LAWSUIT FOR FORECLOSURE DISCONTINUED**

While this Rider is in effect, Paragraph 18 of the Mortgage is amended so that Lender may continue any lawsuit for foreclosure unless Borrower pays to Lender the full amount due under the Note and Mortgage.



**8. LENDER'S RIGHTS IN THE EVENT OF FORECLOSURE**

While this Rider is in effect, Lender shall have the following additional rights if Lender starts a lawsuit for foreclosure of the Property:

- a. All reasonable sums paid by Lender in starting and carrying on the suit for foreclosure and sale, including reasonable attorneys fees and all costs allowed by law, plus any additional allowances permitted by the court, together with interest on all of these sums at the interest rate stated in the Note, shall be paid by Borrower or added to the principal Borrower owes Lender;
- b. If the power of sale is invoked, at the election of the Lender the Property may be sold in one parcel regardless of the actual number of parcels which may be subject to this Security Instrument; and
- c. Lender may appoint a receiver without any special notice to the Borrower, and Lender shall have this right no matter what balance is owed to Lender.

**9. RELATION TO BUILDING LOAN AGREEMENT**

The Security Instrument is subject to all of the applicable terms and conditions contained in the Building Loan Agreement that Lender and Borrower signed today. The Building Loan Agreement is to be filed at the same time the Security Instrument is recorded. If Borrower fails to keep any of the promises made in the Building Loan Agreement, Lender may require that the entire balance of the debt owed to Lender be paid immediately.

The principal amount of the Note secured by this Security Instrument and Rider which Borrower promises to pay is either: (a) the amount stated in Section 1 of the Note, or if less, (b) the aggregate amount advanced by the Lender under the Building Loan Agreement signed with the Lender on this date.

The principal sum of the Note shall be advanced in installments according to the terms of the Building Loan Agreement signed on this date.

**10. DEFAULTS**

In the case of a breach by the Borrower of the covenants or conditions of the Note or the Mortgage, the Building Loan Agreement or other documents executed herewith, Lender may, at its option, with or without entry on the property, accelerate the debt or invoke any of the rights or remedies provided for in the Mortgage or Building Loan Agreement.

**11. PENALTY FOR NON-COMPLIANCE**

In the event the Borrower has failed to provide the Lender all necessary permits and proof of compliance with applicable regulations, and with a Certificate of Occupancy, if required, on or before the completion date set forth in this agreement or has otherwise failed to comply with the terms of this Agreement, Borrower shall pay to Lender a late charge penalty of one (1%) percent of the outstanding loan amount.

**BY SIGNING THIS RIDER, BORROWER(S) AGREE TO ALL OF THE ABOVE PROVISIONS.**

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

WITNESSES:

James C. Lee  
James C. Lee

Janice M. Lee  
Janice M. Lee

State of Nevada  
~~Oregon~~ ss.:

County of ~~Klamath~~ Nye

On this June 22, 2000, before me personally came

James C. Lee and Janice M. Lee

signer(s) and sealer(s) to the foregoing written instrument and acknowledged the same to be his/her/their free act and deed.

Before me: Cathy L. Baird

My Commission Expires: 8-7-2003

8-7-2003

Cathy L. Baird  
Notary Public

RECORD & RETURN TO  
CITIMORTGAGE, INC.  
ATTN: CARUSONE & CARUSONE  
P.O. BOX 478  
SARATOGA SPRINGS, NEW YORK 12866



STATE OF ~~OREGON~~, *Nevada*On this 22ND day of JUNE 2000  
namedCounty ss: *Nye*  
, personally appeared the above

JAMES C LEE, A MARRIED MAN AND JANICE M. LEE

and acknowledged the foregoing instrument to be his/~~her~~/their voluntary act and deed.My Commission Expires: *8-7-2003*Before me: *Cathy L. BAIRD*

(Official Seal)

*Cathy L. Baird*  
Notary Public for ~~Oregon~~ *Nevada*

## LEGAL DESCRIPTION

Lot 5, Block 53, KLAMATH FALLS FOREST ESTATES, HIGHWAY 66 UNIT,  
PLAT NO. 2, in the County of Klamath, State of Oregon.

CODE 36 MAP 3811-14CO TL 1800

Unofficial  
Copy



## BUILDING LOAN AGREEMENT

On this **June 22, 2000**, this agreement is made

between

**James C. Lee and Janice M. Lee**

and

**CITIMORTGAGE, INC.,**

a corporation organized under the laws of the State of Delaware. The purpose of this agreement is to establish guidelines for the use of money that is being borrowed for the construction of a house.

### I. IDENTIFICATION OF PARTIES AND PROPERTY

**CITIMORTGAGE, INC.** is a corporation organized under the laws of the State of Delaware and has its principal office at 27555 Farmington Road, Farmington Hills, Michigan 48334, and will be called "Lender" throughout this agreement.

**James C. Lee and Janice M. Lee** will be called the "Borrower" throughout this agreement, is the present owner of property commonly known as

**Lot 5 Block 53 Klamath Falls Forest Estates  
Bonanza, Oregon 97623**

The property has the following legal description:

**SEE ANNEXED SCHEDULE C**

Throughout this agreement, the property described above will be called the "mortgaged property".

### II. REASONS FOR SIGNING THIS AGREEMENT

The Borrower desires to build a house on the property described above. To pay for construction costs, the Borrower has found it necessary to borrow **\$79,950.00** from Lender. The proceeds of this loan will be released in installments as construction progresses. On the same day as this agreement, the Borrower has signed a Note and Mortgage. By signing the Note, the Borrower has promised to repay his loan with interest to Lender. The Mortgage provides that the property described earlier in this agreement and any building on it may be sold if the Borrower fails to keep their promises under the Note and Mortgage.

This Building Loan Agreement deals with the special problems that arise when mortgage proceeds are released in installments for purposes of building a home. In this Building Loan Agreement, both Borrower and Lender are making various promises. In return for entering into this agreement, each party obtains the benefit of the promises that the other party makes under this Building Loan Agreement and under the Note and Mortgage.

### III. SCHEDULE FOR DISBURSING MONEY

The Borrower will receive the money that he is borrowing in several advances according to Schedule B. Lender shall have the right to decide when these advances will occur.

Lender shall have the exclusive power to decide whether the progress of construction is sufficient to entitle the Borrower for the next advance of money. Lender will not face any liability if there is a delay in giving money to the Borrower.

The Borrower shall be entitled to receive an advance only if, in the opinion of the Lender all work has been completed in a good, first-class, and workmanlike manner, and only if all materials and fixtures are of a quality that is satisfactory to Lender. By making a full or partial advance of money Lender does not accept or approve any work that has been performed or any materials that have been used. Thus, an advance may be denied because of a deficiency that existed at the time that Lender made a prior advance of money.

### IV. REQUEST FOR ADVANCE; RECEIPT

When the Borrower believes that he is entitled to receive an additional advance of money, he shall report this fact in writing to Lender. Lender will not be required to decide whether to make the advance until at least three business days after Lender receives this written request. Lender may refuse to give money to the Borrower if Lender believes that the Borrower has NOT fulfilled any one of his promises under this agreement, especially his promise to contract a well-built house.

## V. DUTIES OF BORROWER REGARDING LOAN

The Borrower hereby accepts all of the duties and obligations contained in the paragraphs numbered "1" to "5" below:

1. **Construction of House:** The Borrower promises to build a house according to the plans and specifications that the Borrower has previously submitted to Lender. The Borrower shall build his house as fast as is reasonably possible upon the property described earlier in this agreement. The house shall cost at least \$75,220.31 and must be finished no later than August 20, 2000. In building the house, the Borrower shall obey all building restrictions, Zoning Ordinances, Building Ordinances and any other applicable local, state or federal laws or regulations. The Borrower shall obtain any permits or approvals that may be legally required.
2. **Prior Liens:** Before receiving any advance of money under this agreement, the Borrower shall pay off any mortgages, liens, or encumbrances that might hold priority over the interest of Lender in the property that this Building Loan Agreement covers.
3. **Taxes, Assessments, Water Charges:** Before receiving any advance of money under this agreement, the Borrower must provide proof of payment of all taxes, assessments and water charges that may be due for the mortgaged property.
4. **Insurance:** The Borrower shall maintain hazard insurance on the mortgaged property in whatever amount and for whatever type of coverage Lender may require. As construction progresses, Lender may require changes in the amount and type of coverage. At the completion of construction, the amount of insurance shall be no less than the amount of the mortgage. The Borrower further promises to give Lender whatever proof of adequate insurance that the Lender may reasonably request.
5. **Legal and Other Costs of Closing:** The Borrower shall pay the cost for surveys, any charges for preparation of necessary papers, the cost of all property appraisals, the recording fees, any mortgage tax, any charge for tax or title searches, search updates or judgment searches, the cost of inspecting the mortgaged property prior to making an advance, the cost of an examination of the title to the property by the attorneys for Lender and the cost of any other services rendered by the attorneys for Lender. The attorneys for Lender shall possess the absolute right to decide whether any of the expenses listed in this paragraph should be made.

## VI. LENDER'S RIGHT TO COMPLETE CONSTRUCTION AND TO PROTECT BUILDING

If, in the opinion of Lender, the house is not being built fast enough or is not being completed according to the plans and specifications, then Lender shall have the right to purchase materials and employ workmen to complete the building or to complete whatever part of construction the Lender decides is appropriate. Lender may also arrange for the completion of whatever work it feels necessary to protect the property against damage caused by weather or any other danger. Lender shall have the option, whenever it feels necessary to employ a watchman to protect the property from damage. The Borrower hereby promises to pay Lender for the cost of doing any of the things that the Lender has a right to do under this paragraph. The Borrower also promises not to interfere with the exercise of any of the rights that this paragraph gives to Lender. Although this paragraph gives Lender the right to do various things, the Lender is not required to exercise these rights.

## VII. SET-OFFS AGAINST LOAN PROCEEDS

In section V. of this agreement, the Borrower has agreed to pay various costs including costs for the removal of prior liens, the cost of payment of taxes, assessments and water charges, the cost of insurance and various closing costs. If the Borrower fails to pay any of the various costs mentioned in section V., Lender may pay them, but is not required to do so. The Borrower hereby promises to reimburse Lender for any such payments.

From the money that is being loaned to the Borrower, Lender may deduct the following amounts:

- a) any cost listed in section V. which is either owed directly to Lender, or Lender pays on behalf of Borrower.
- b) any amount that Lender pays under section VI. of this agreement. Section VI. authorizes Lender to spend whatever money it believes is needed to complete construction and to protect the building.

All amounts deducted under this section from the money loaned to the Borrower shall be considered as part of the money that must be advanced to the Borrower under section IV. of this agreement.

## VIII. INSPECTION; INVESTIGATIONS

At all times during the construction process, Lender shall enjoy the right to inspect the mortgaged property to whatever extent Lender deems to be necessary. Lender shall also enjoy the right to inspect all work orders, all orders for materials, and all other documents that might reasonably provide information that is relevant to judging the quality of construction.

## IX. TERMINATION OF LOAN

If any one of the events listed in the paragraphs numbered 1 to 13 below should ever occur, Lender may cancel its obligations to pay any further advances to the Borrower. Lender shall enjoy complete discretion in deciding whether to use this option. When available, this option may be used at any time prior to completion of all advances. If Lender stops payments of any further advances, it shall also enjoy the further option to require that the Borrower immediately repay the entire loan.

These options, both to terminate the duty to pay additional advances and to require immediate repayment, shall exist despite the provisions of the Note and Mortgage.

1. **Unsatisfactory Construction of Building:** Lender may cancel further advances if the Borrower does not build according to the plans and specifications that Lender has approved.
2. **Construction Delays:** Lender may cancel further advances if the Borrower stops construction of the building at any time, or if Lender believes that the Borrower is unreasonably slow in building.
3. **Compliance with Local Law:** Lender may cancel further advances if the Borrower fails to comply with the requirements of any laws, rules or regulations of the federal, state or local levels of government.
4. **Approval for Government Insured Mortgages:** For any mortgage guaranteed by the United States government, Lender may cancel further advances if it does not receive all documentation which, in the opinion of the attorneys for Lender is necessary to establish and show governmental approval.
5. **Fire or Other Damage:** Lender may cancel further advances if, in the opinion of the Lender the house being built is materially damaged by fire or other cause.
6. **Refusal to Permit Inspection:** Lender may cancel further advances if the Borrower prevents Lender from conducting the inspections and investigations permitted under section VIII. of this agreement.
7. **Assignment of Borrower's Interest:** Lender may cancel further advances if the Borrower assigns any of his rights under this agreement, or if the Borrower conveys the mortgaged property without the written permission of the Lender.
8. **Legal Interest Obtained by Lender:** Lender may cancel further advances if, in the opinion of the Lender's attorneys, Lender will not possess a satisfactory lien against the property that the Borrower is mortgaging.
9. **Encumbrances:** Lender may cancel further advances if the Borrower encumbers the mortgaged property in any way without the written permission of Lender.
10. **Restrictions on Ownership of Improvements:** The Borrower will buy various materials, fixtures, other articles for use in the construction of the house or for use in connection with the mortgaged property, and other items of personal property that will be placed in the house. If the Borrower buys any of these materials, fixtures, other articles or other items of personal property in such a way that the Borrower will not own them free and clear from all encumbrances at the time of their delivery at the mortgaged property, Lender may cancel further advances.
11. **Bankruptcy:** Lender may cancel further advances if a petition in bankruptcy is filed by or against the Borrower.
12. **Extensions Over Boundary Lines:** Lender may cancel further advances if the Borrower erects a building that extends outside the boundaries of the property described in section two of this agreement.
13. **Compliance with Building Loan Agreement, Note and Mortgage:** Lender may cancel further advances if the Borrower does not keep any of the promises that he is making in this agreement, in the Note or in the Mortgage.

## X. ASSUMPTION OF RISK

The Borrower hereby assumes any risk of a delay in construction and any risk that the Borrower might find it impossible to complete the house or to fulfill the other duties that the Note, the Mortgage and this agreement impose upon them. The Borrower assumes these risks even though the delay or impossibility of performance may be caused by factors beyond the Borrower's control. For example, the Borrower hereby assumes the risk of any delay or impossibility of performance that might be caused by an inability to obtain needed labor, supplies, materials, equipment or other property, or that might result from the physical nature of the property, or that might be caused by any occurrence of nature, or that might result from any federal, state or local law Proclamation, Executive Order, Statute, Ordinance, Rule or Regulation. Despite any increases in the cost of construction, the Borrower shall remain obligated to complete the house according to the plans and specifications that they submitted to Lender.

**XI. TRUST FUND PROVISIONS**

The Borrower promises that he will receive and hold as a trust fund any of the advances made under this agreement and the right to receive any advances. The Borrower hereby promises that he will apply the trust fund first to the cost of improvements before using any part of the money in the trust fund for any other purpose.

**XII. RIGHT TO RELEASE PORTIONS OF SECURITY**

Lender may release any portion of the mortgaged property from the lien of the mortgage if Lender concludes that a sufficient amount of the loan has been paid off. However, Lender is under no obligation to release any portion of the property from the mortgage lien, and shall enjoy the absolute power to decide when and if it should give a release. In making this decision, Lender shall not be bound by any standard or by the example that a prior decision may have set. A release of a portion of the property from the lien of the mortgage shall also release that portion from the effect of this Building Loan Agreement.

**XIII. EXTENSION OF PAYMENT SCHEDULE**

Lender may extend the time within which the Borrower must repay the money that he is borrowing under the Note and Mortgage. However, Lender is never required to give such an extension. Any extension that is given shall be deemed to have been made under the terms of this agreement and will not be considered to be a modification of this agreement.

**XIV. PENALTY FOR NON-COMPLIANCE**

In the event the Borrower has failed to provide the Lender all necessary permits and proof of compliance with all applicable regulations, and with a Certificate of Occupancy, if required, on or before the completion date set forth in this Agreement or has otherwise failed to comply with the terms of this Agreement, Borrower shall pay to Lender a late charge penalty of One (1%) percent of the outstanding loan amount.

**XV. TRANSFER OF TITLE PRIOR TO FINAL ADVANCE**

Lender shall no longer be required to make any advances of money under this agreement if, as a result of death, deed, or otherwise, the Borrower no longer holds his present interest in the titled to the mortgaged property. However, if it so desires, Lender may continue to make advances to the new holder of the title interest. This new holder may, for example, be one or more individuals, a corporation, or the executors or administrators of an estate. Any advance given to the new holder of the title interest shall be subject to the terms of this Building Loan Agreement, shall be deemed to be an advance made under this agreement, and shall be secured by the mortgage that the Borrower is signing on the same day as this agreement.

**XVI. ASSIGNEE OF NOTE AND MORTGAGE**

If Lender assigns the Note and Mortgage to any third party, then that third party shall enjoy all the benefits that this agreement gives to Lender and shall be deemed to have assumed all of the obligations that this agreement imposes on Lender.

**XVII. STATEMENT OF AMOUNT AVAILABLE TO SPEND ON CONSTRUCTION**

Attached to this agreement is a sheet marked "Schedule A". Schedule A is the Borrower's sworn statement showing the net amount that the Borrower will have available to spend on construction. As indicated on Schedule A, the total sums available for construction is equal to the total loan minus the fees, disbursements and other listed deductions. Schedule A is hereby made a part of this Building Loan Agreement.

**XIII. INCORPORATION INTO NOTE AND MORTGAGE**

This Building Loan Agreement is hereby made part of the Note and Mortgage that the Borrower is signing on the same day as this agreement. Thus, the terms and provisions of this agreement shall have the same effect as if they were fully set forth in the text of the Note and Mortgage.



By signing below, the individual(s) who are parties to this agreement consent to all of the above provisions. The corporation that are parties to this agreement consent to all of the above provisions by having their corporate seals affixed to this document and by having a duly authorized corporate officer sign this document.

WITNESSES:

\_\_\_\_\_

*James C. Lee*  
James C. Lee

*Janice M. Lee*  
Janice M. Lee

State of Nevada ss.:  
~~Oregon~~

County of Nye  
~~Klamath~~

On this **June 22, 2000**, before me personally appeared

**James C. Lee and Janice M. Lee**

signer(s) and sealer(s) of the foregoing written instrument and acknowledged the same to be their free act and deed.

Before me:

My Commission Expires:

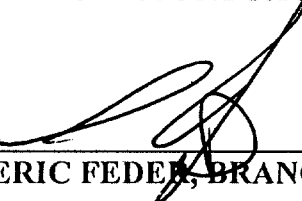
8-7-2003

*Cathy L Baird*  
Notary Public

Record & Return to:  
CITIMORTGAGE, INC.  
ATTN: CARUSONE & CARUSONE  
P.O. BOX 478  
SARATOGA SPRINGS, New York 12866



CITIMORTGAGE, INC.

BY:   
ERIC FEDER, BRANCH MANAGER

STATE OF NEW YORK     )  
                                  )ss.:  
COUNTY OF SARATOGA    )

On the 22nd day of June in the year 2000 before me, the undersigned, personally appeared ERIC FEDER, personally known to me or proved to me on the basis of satisfactory evidence to be the individual (s) whose name (s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and that by his/her/their signature (s) on the instrument, the individual (s), or the person upon behalf of which the individual (s) acted, executed the instrument.

  
Notary Public

JOHN J. CARUSONE, JR.  
NOTARY PUBLIC, STATE OF NEW YORK  
SARATOGA COUNTY  
MY COMM. EXPIRES 6-30-02

**CONSTRUCTION DRAW SCHEDULE****23479**

LOAN NUMBER: 70322753-6  
BORROWER: James C. Lee  
CO-BORROWER:

PROPERTY ADDRESS: Lot 5 Block 53  
Klamath Falls Forest Est.  
Bonanza OR 97623

CONSTRUCTION LOAN ADVANCES WILL BE MADE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE AND IS SUBJECT TO CHANGE UNDER THE FINAL BUILDING AND LOAN AGREEMENT. ADVANCES WILL NOT BE MADE UNLESS ALL MONTHLY INTEREST CHARGES HAVE BEEN PAID.

- 1.) At closing the following funds will be disbursed for: \$13,342.10  
dealer deposit- \$4,590.10  
closing costs  
PPL - \$5,000.00
- 2.) When all of the following items are completed: \$40,390.85  
unit delivery- \$39,015.85  
permits- \$1,375.00
- 3.) When all of the following items are completed: \$525.00  
cut pad & driveway- \$525.00
- 4.) When all of the following items are completed: \$2,295.05  
unit set & minor home completion
- 5.) When all of the following items are completed: \$23,397.00  
well system- \$9,320.00  
receipt of well driller's log  
septic system- \$6,495.00  
waterline ditch- \$410.00  
power pole- \$1,135.00  
runners & skirting- \$4,400.00  
backfill runners- \$175.00  
gravel drive- \$1,462.00  
receipt of fully executed Certificate of Occupancy  
satisfactory 100% complete final inspection per plans & specs
- 6.) When all of the following items are completed: \$0.00
- 7.) When all of the following items are completed: \$0.00

CONSTRUCTION DRAW FUNDS WILL NOT BE DISBURSED UNTIL ALL WORK HAS BEEN COMPLETED AS SCHEDULED.

I/we have reviewed the foregoing schedule. I/we understand and accept the terms, conditions and requirements that have been stated above.

James C. Lee  
Borrower

James M. Lee  
Co-Borrower

6-22-00  
Date

6-22-00  
Date

**SCHEDULE C  
STATEMENT BY BORROWER**

Consideration for loan: Execution of the  
Note and Mortgage above-described-Amount.....\$79,950.00

**Expenses:**

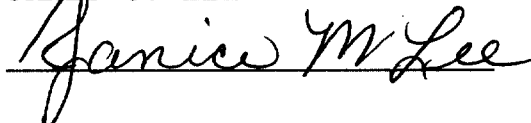
Recording Deed .....	\$	0.00
Recording Mortgage.....	\$	100.00
Filing Building and Loan Agreement.....	\$	61.00
File UCC's.....	\$	0.00
Satisfaction .....	\$	0.00
Mortgage Tax.....	\$	0.00
Deed Stamps.....	\$	0.00
Lender Fees.....	\$	2,703.71
Future Taxes Due.....	\$	0.00
Title Insurance.....	\$	1,265.00
Broker Fees.....	\$	0.00
Document Prep Fee.....	\$	600.00
Dealer Deposit.....	\$	4,590.10
Borrowers Contribution.....	\$	- 977.71
Taxes as adjusted.....	\$	- 0.00
<b>Total Expenses:.....</b>	<b>\$</b>	<b>8,342.10</b>
<b>Net sum available to borrower.....</b>	<b>\$</b>	<b>71,607.90</b>

In addition to the deductions listed above, deductions will be made for all other expenses that the Building & Loan Agreement requires the Borrower(s) to pay before they receive further advances of money. The additional deductions may include payment for taxes, insurance premiums, the cost of search continuations, various charges for inspecting the mortgage property, and the cost of removing any lien or encumbrances.

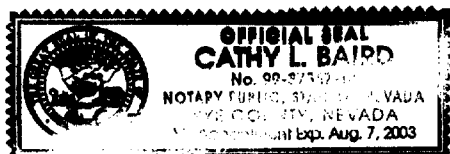
This affidavit is made pursuant to and in compliance with Section 22 of the Lien Law of the State of New York as amended.

The Borrower(s) below have read this "Schedule C" and hereby declare that he/she/they know the contents to be true and accurate.

  
JAMES C. LEE

  
Janice M. Lee

Signed and sworn to before me this June 22, 2000



  
Cathy L. Baird  
Notary Public



Lot 5, Block 53, KLAMATH FALLS FOREST ESTATES, HIGHWAY 66 UNIT,  
PLAT NO. 2, in the County of Klamath, State of Oregon.

CODE 36 MAP 3811-14CO TL 1800

State of Oregon, County of Klamath  
Recorded 06/27/00, at 2:38 p. m.  
In Vol. M00 Page 23473  
Linda Smith,  
County Clerk Fee\$ 161<sup>00</sup>