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MORTGAGE

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STATE OF OREGON,
County of _____ } ss.

I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and recorded in book/reel/volume No. _____ on page _____ and/or as fee/file/instrument/microfilm/reception No. _____, Record of Mortgages of said County.

Witness my hand and seal of County affixed.

By _____ NAME _____ TITLE _____, Deputy.

SPACE RESERVED
FOR
RECORDER'S USE

Rheta J. Stearns
61315 Hwy 140 E
Bly OR
Mortgagor's Name and Address
William Crain
330 Pacific Terrace
Klamath Falls OR 97601
Mortgagee's Name and Address
After recording, return to (Name, Address, Zip):
William Crain
330 Pacific Terrace
Klamath Falls OR
97601

WITNESSETH, That Rheta J. Stearns, mortgagor, in consideration of Ten Thousand Dollars (\$ 10,000), to mortgagor paid, does hereby grant, bargain, sell and convey unto William Crain, mortgagee, the following described premises situated in Klamath County, State of Oregon, to-wit:

Parcel 1: The North 43 feet of the following described property in the County of Klamath, State of Oregon: Beginning at a point which is 1310 feet West and 30 feet North of the corner common to Sections 2 and 3, Township 37 South, Range 14 East of the Willamette Meridian, and Sections 34 and 35, Township 36 South, Range 14 East of the Willamette Meridian; thence West 80 feet; thence North 125 feet; thence East 80 feet; thence South 125 feet to the place of beginning, being a portion of the SW ¼ SE¼ and the SE¼ SE¼ of Section 34, Township 36 South, Range 14 East of the Willamette Meridian. ----- Parcel 2: The South 82 feet of the following described property in the County of Klamath, State of Oregon: Beginning at a point which is 1310 feet West and 30 feet North of the corner common to Sections 2 and 3, Township 37 South, Range 14 East of the Willamette Meridian, and Sections 34 and 35, Township 36 South, Range 14 East of the Willamette Meridian; thence West 80 feet; thence North 125 feet; thence East 80 feet; thence South 125 feet to the place of beginning, being a portion of the SW ¼ SE¼ and the SE¼ SE¼ of Section 34, Township 36 South, Range 14 East of the Willamette Meridian. ----- TOGETHER WITH the vacated North 10 feet of Marvin Street lying adjacent to the South line of the above described property. Tax lot: R-3614-034DC-10200-000

Together with the tenements, hereditaments and appurtenances thereto belonging, or in any way appertaining, and to have and to hold the premises with the appurtenances, unto the mortgagee, and mortgagee's heirs and assigns forever.

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

Promissory Note

\$10,000

24 August 2002

We, LARRY CURTIS and RHETA J. STEARNS, at 61315 Hwy 140 E, Bly, Oregon, jointly and severally, promise to pay to the order of WILLIAM CRAIN, at 330 Pacific Terrace, Klamath Falls, Oregon 97601, the sum of Ten Thousand Dollars (\$10,000) on the following terms:

TERMS: \$10,000 payable in one or more installments, with the entire balance to be paid on or before August 23, 2002. No interest shall accrue until August 24, 2002. In the event of default, then interest shall accrue at the rate of 8% on such unpaid amount.

If this note is placed in the hands of an attorney for collection, we promise and agree to pay holder's reasonable attorney's fees and collection costs, even though no suit or action is filed hereon.

signed
Rheta J. Stearns

signed
Larry Curtis

A26

43749



The date of maturity of the debt secured by this mortgage is the date on which the last scheduled principal payment becomes due, to-wit: August 23, 2002

The mortgagor warrants that the proceeds of the loan represented by the note(s) and this mortgage are:

- (a)* primarily for mortgagor's personal, family or household purposes (see Important Notice below), ~~or~~
 (b) ~~for an organization or (even if mortgagor is a natural person) for business or commercial purposes.~~

Now, if the sum of money due upon the note(s) and this mortgage shall be paid according to the agreement herein expressed, this conveyance shall be void. In case default shall be made in payment of the principal or interest or any part thereof as above provided, then the mortgagee or mortgagee's personal representatives, successors or assigns may foreclose the mortgage and sell the premises with each and every of the appurtenances or any part thereof, in the manner prescribed by law, and out of the money arising from such sale, retain the principal, interest, attorney fees, and costs as provided in the note(s), together with the costs and charges of making such sale and the surplus, if there be any, pay over to the person(s) entitled thereto, as such interest(s) may appear.

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

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

Dated August 27, 2001

* IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is inapplicable. If warranty (a) is applicable, and if the mortgagee is a creditor, as such word is defined in the Truth-in-Lending Act and Regulation Z, the mortgagee MUST comply with the Act and Regulation by making required disclosures. For this purpose, use Stevens-Nees Form No. 1319 or equivalent.

Rheta J. Stearns
Jerry Smith

STATE OF OREGON, County of Klamath

This instrument was acknowledged before me on August 27, 2001
 by Rheta J. Stearns & Jerry Smith



[Signature]
 Notary Public for Oregon

My commission expires 8-2-03

State of Oregon, County of Klamath

Recorded 08/28/01 at 11:02 a.m.

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Linda Smith,

County Clerk Fee \$ 26.00