

2014-000498

Klamath County, Oregon



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01/21/2014 09:54:20 AM

Fee: \$107.00

Mortgage Agreement

THIS MORTGAGE AGREEMENT (the "Mortgage") dated this _____ day of May, 2013

BETWEEN

Howard Larman of 315 Division Street, Klamath Falls Oregon 97603
(the "Mortgagor")

OF THE FIRST PART

- AND -

Brian S. Smith of 3453 Barnes Way, Klamath Falls Oregon 97603
(the "Mortgagee")

OF THE SECOND PART

- AND -

_____ of _____
(the "Guarantor")

OF THE THIRD PART

Background

A. The Mortgagor, being registered as owner of the estate in the following described property (the "Property") located at 315 Division Street, Klamath Falls Oregon 97603 in Klamath County, State of Oregon, United States with the following legal description:

Industrial, Lot 24, Block 20 (the "Armsite")

Map: R-3809-033AB-06900-000 Code: 001 315 Division Street, Klamath Falls, Klamath County, Oregon.

B. Any buildings or structures on the Property and anything now or later attached or affixed to the buildings or the Property including additions, alterations and improvements located on, above or below the surface of the Property are covered by this Mortgage. However, no additions, alterations or improvements will be made by the Mortgagor without the Mortgagee's prior written consent. Any addition, alteration or improvement will be subject to all recorded easements, rights of way, conditions, encumbrances and limitations, and to all applicable building and use restrictions, zoning laws and ordinances, if any, affecting the Property.

IN CONSIDERATION OF the sum lent to the Mortgagor by the Mortgagee, in the amount of one hundred nine thousand (8109,000) U.S. Dollars (the "Principal Amount") the receipt of which the Mortgagor does hereby acknowledge, the parties to this Mortgage agree as follows.

[Handwritten signature]

thousand (\$ 109,000) U.S. DOLLARS (the "Principal Amount") the receipt of which the Mortgagor does hereby acknowledges itself indebted, the parties to this Mortgage agree as follows:

U.C.C. Security Agreement

1. It is agreed that if any of the Property herein mortgaged is of a nature so that a security interest in the Property can be perfected under the Uniform Commercial Code, this instrument will constitute a Security Agreement and the Mortgagor agrees to join with the Mortgagee in the execution of any financing statements and to execute any and all other instruments that will be required for the perfection or renewal of such security interest under the Uniform Commercial Code.

Governing Law

2. This Mortgage will be governed by both the law of Oregon and any applicable federal law (the "Applicable Law"). All rights and obligations contained in this Mortgage are subject to any requirements and limitations of the Applicable Law.

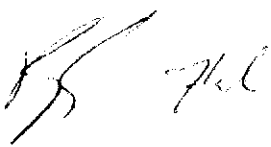
MATTERS RELATING TO PAYMENT

Promise to Pay

3. The Mortgagor, for value received, promises to pay to the Mortgagee, on demand, the Principal Amount, interest and all fees and costs on the terms set out in this Mortgage or in any amendment, extension or renewal of the Mortgage and any additional amounts secured by this Mortgage on the terms elsewhere provided for such debts and liabilities.

Interest

4. The Mortgagor agrees to pay the Principal Amount with interest before and after maturity and before and after default at the rate of 8.00 percent calculated Semi-annually, (the "Interest Rate"). The Interest Rate will be calculated from the date this Mortgage begins (the "Interest Adjustment Date") and accrues until the whole of the Principal Amount is paid. The Loan will be repaid on the following terms:

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- a. The Principal Amount and interest will be repaid in consecutive monthly installments of \$800 each on the 1st of each month.
- b. The Interest Adjustment Date for this Mortgage is May 15th, 2013
- c. The balance of the Principal Amount, if any, and any Interest thereon and any other moneys owing under this Mortgage will be due and payable on the May 15th, 2043 (the "Maturity Date").

Place of Payment

5. Mortgagor will make monthly payments at 3453 Barnes Way, Klamath Falls Oregon 97603 or at a location as later specified by the Mortgagee.

Funds for Escrow Items

6. The Mortgagor will pay to the Mortgagee, on the day periodic payments are due under this Mortgage, a sum (the "Funds") to provide for payment of (a) all taxes, assessments and other charges against the Property; (b) ground rents or other lease payments on the Property; and (c) premiums for any and all insurance required by Mortgagee (the "Escrow Items").
7. The Mortgagor will notify the Mortgagee of all of amounts to be paid under this Section. At the Mortgagee's discretion, the Mortgagor will provide receipts of such payments to the Mortgagee. If the Mortgagor fails to make timely payments, the Mortgagee can, at its discretion, make any payments for overdue Escrow Items on behalf of the Mortgagor and the Mortgagor will be obligated to repay the Mortgagee for any such amount. The Mortgagee may waive the Mortgagor's obligation to pay for any or all Escrow Items to the Mortgagee through written notice. If such waiver occurs, the Mortgagor is responsible to pay the amounts due for any Escrow Items. The Mortgagee can at any time revoke the waiver of any or all Escrow Item payments by written notice to the Mortgagor and, upon such revocation, the Mortgagor will pay to the Mortgagee all Funds, and in such amounts, that are then required under this Section.
8. The Mortgagee will collect and hold the Funds in accordance with the Real Estate Settlement Procedures Act (the "RESPA"). The Mortgagee will reasonably estimate the amount of Funds due in accordance with the Applicable Law.
9. If there is a surplus of Funds held in escrow, the Mortgagee will provide the Mortgagor with the excess funds in accordance with the RESPA. If there is a shortage of Funds held in escrow, the Mortgagee will notify the Mortgagor as required by the RESPA, and the Mortgagor will pay to Mortgagee the amount necessary to make up the shortage in accordance with the RESPA.

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Obligation to Pay without Set-off or Delay

10. The Mortgagor agrees to pay all amounts payable pursuant to this Mortgage and all additional amounts secured by this Mortgage without abatement, set-off or counterclaim. Should the Mortgagor make any claim against the Mortgagee either initially or by way of abatement, set-off or counterclaim, the Mortgagor agrees that any such claim will not diminish or delay the Mortgagor's obligations to make the payments as provided in this Mortgage.

Application of Payments and Interest after Default

11. All monthly payments received by the Mortgagee will first be applied in payment of the interest calculated at the Interest Rate, and second in payment of the Principal Amount. However, if the Mortgagor is in default, then the Mortgagee will apply any payments received during this period as the Mortgagee chooses. If the Mortgagor is in default in payment of any amount including interest, interest will be payable on the interest and other arrears at the Interest Rate compounded monthly.

Annual Prepayment Privileges

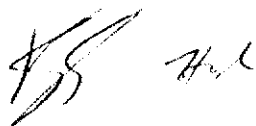
12. When not in default, the Mortgagor may prepay an amount not greater than 100.00% of the original Principal Amount of the Mortgage anytime during the year, up to and including the anniversary date of the Interest Adjustment Date (the "Annual Prepayment"). The Mortgagor may prepay any unpaid Annual Prepayment from previous years in addition to the Annual Prepayment from the current year.

Full Prepayment Privileges

13. Mortgagor may, at any time after 1 year of the term of the Mortgage or if renewed, after 1 year of the term of the last renewal of the Mortgage, prepay the full outstanding balance upon payment of three months interest at the existing interest rate as set out in the Mortgage or, if renewed, in the agreement for the last renewal of the Mortgage calculated on the full principal amount being repaid.

Discharge

14. When the Mortgagor pays the Principal Amount, interest and all the other amounts secured by this Mortgage in full and notifies the Mortgagee in writing and requests a discharge of this Mortgage, the Mortgagee will discharge this Mortgage. The Mortgagor will give the Mortgagee a reasonable time after

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payment in which to prepare and issue the discharge.

Covenants and Warranties

15. The Mortgagor warrants and agrees that:
- a. the Mortgagor has good title to the Property;
 - b. the Mortgagor will preserve the Mortgagor's title to the Property and the validity and priority of this Mortgage and will forever warrant and defend the same for the Mortgagee against the claims of all persons;
 - c. the Mortgagor has the authority to mortgage the Property;
 - d. on default, the Mortgagee will have quiet possession of the Property;
 - e. the Property is free from all encumbrances;
 - f. the Mortgagor will execute further assurance of the Property as will be requisite;
 - g. the Mortgagor has not done any act to encumber the Property.

Additional Covenants of Leasehold Property

16. If the Mortgagor has a leasehold interest in the Property, the Mortgage will not apply to the last day of the term of the Lease or the term of any renewal or replacement of the Lease. The Mortgagor will hold the last day of each term in trust for the Mortgagee and transfer it on the Mortgagee's direction to any person acquiring such term.
17. Furthermore, the Mortgagor warrants and agrees that:
- a. the Mortgagor has good and marketable leasehold title to the Property;
 - b. the Mortgagor has a good, valid and subsisting lease of the Property (the "Lease") and has given to the Mortgagee a full and complete copy of that Lease;
 - c. all rents and other monies payable under the Lease have been paid and the Mortgagor is not otherwise in default under any obligation set out in the Lease;
 - d. the Mortgagor does not require the consent of the landlord to mortgage the leasehold interest in the Property, or if required, the Mortgagor has obtained the consent of the landlord to this Mortgage;
 - e. the Mortgagor will pay rent and perform and observe all other obligations under the Lease;
 - f. the Mortgagor will not encumber or surrender the lease or cause or allow it to be terminated or forfeited;
 - g. the Mortgagor will not agree to any amendment of the Lease without first obtaining the Mortgagee's written consent; and
 - h. the Mortgagor will renew the Lease as necessary to protect the Mortgagee's interest and the Mortgage will extend to any such renewal.

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Fixtures and Additions

18. The Mortgagor agrees that the Property includes all property of any kind that is now or at any time in the future attached or affixed to the land or buildings or placed on and used in connection with them, as well as all alterations, additions and improvements to the buildings.

Payment of Taxes and Other Encumbrances

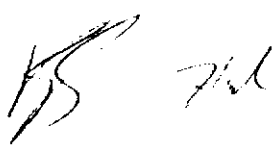
19. The Mortgagor will pay all taxes and other fees levied on the Property and all accounts for utilities supplied to the Property and all charges, mortgages, liens and other encumbrances on the Property when they are due and comply with all other obligations under them. Upon the Mortgagee's request, the Mortgagor will promptly provide receipts showing that the taxes and other accounts have been paid.

No Sale Without Consent

20. The Mortgagor will not sell, transfer, lease or otherwise dispose of all or any part of the Property or any interest in the Property or if a corporation, permit a change in control, without the Mortgagee's prior written approval. Any transfer approved by the Mortgagee must involve the purchaser, transferee or lessee entering into an assumption agreement in a form satisfactory to the Mortgagee. Acceptance of any payments from any purchaser, transferee or lessee or after a change in control not approved in writing, will not constitute an approval or waiver by the Mortgagee.

Property Insurance

21. The Mortgagor will insure, in the Mortgagee's favor, all buildings on the Property that are the subject of the Mortgage. The insurance will include protection against damage by fire and other perils including "extended peril coverage" and any other perils that the Mortgagee requests. The insurance must cover replacement costs of any buildings on the Property in US dollars. The Mortgagor will choose the insurance company but the final selection is subject to the Mortgagee's approval. The insurance policies will include a standard mortgage clause stating that any loss is payable to the Mortgagee. This Mortgage will be sufficient proof for any insurance company to pay any claims to the Mortgagee and to accept instructions from the Mortgagee regarding any insurance claims relating to the Property.
22. The Mortgagor will provide the following at the request of the Mortgagee:

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- a. a copy of the insurance policy;
 - b. receipts of all paid insurance premiums; and
 - c. renewal notices and evidence of renewal completion.
23. In the event of loss, the Mortgagor will provide prompt notice to the Mortgagee and the insurance carrier. The Mortgagor will provide the Mortgagee proof of all claims at the Mortgagor's own expense and will perform all necessary acts to enable the Mortgagor to obtain all insurance proceeds from the claim. The insurance proceeds, in whole or in part, will be applied to the restoration and repair of the Property, if the restoration and repair is economically feasible. If the restoration and repair is not economically feasible, then the insurance proceeds will be applied to the remainder of the Mortgage, whether or not the balance of the Mortgage is then due. Any remaining funds from the insurance claim will be paid to the Mortgagor.

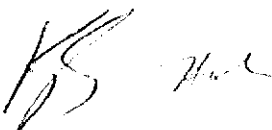
Repair, Vacancy and Maintenance of the Property

24. The Mortgagor will maintain the Property in good order and condition and will promptly make all necessary repairs, replacements, and improvements. The Mortgagor will not allow any part of the Property to become or remain vacant without the written consent of the Mortgagee. The Mortgagor will not commit waste and will not remove, demolish or materially alter the Property or any part of it without prior written consent from the Mortgagee. The Mortgagee may, whenever necessary, enter upon and inspect the Property. If the Mortgagor, or anyone claiming under the Mortgagor, neglects to keep the Property in good condition and repair, or commit any act of waste on the Property, or do anything by which the value of the Property is thereby diminished, all of which the Mortgagee will be the sole judge, the Mortgagee may (but is not obliged to) enter the Property and effect such repairs or work as it considers necessary.

Environmental Hazards

25. The Mortgagor will not use, store, release, deposit, recycle, or permit the presence of hazardous substances on the Property, generally accepted items for residential use excepted, which includes but not limited to asbestos, PCBs, radioactive materials, gasoline, kerosene, or other flammable petroleum products (the "Hazardous Substances"). The Mortgagor is also prohibited from performing any acts on the Property involving any Hazardous Substances that would materially affect the value of the Property or would require clean-up or remedial action under federal, state, or local laws and codes.

Guarantee

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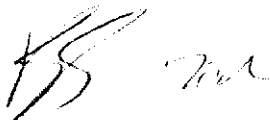
26. Each person signing or joining in the Mortgage as a Covenantor or Guarantor agrees as follows:

- a. the Guarantor, with the Mortgagor, as principal debtor and not as surety will duly pay or cause to be paid all amounts payable under this Mortgage on the days and times and in the manner provided for payment of the same;
- b. the Guarantor unconditionally guarantees full performance and discharge of all the Mortgagor's obligations under the provisions of this Mortgage at the times and in the manner provided in this Mortgage;
- c. the Guarantor will indemnify and save the Mortgagee harmless from and against all losses, damages, costs and expenses which the Mortgagee may sustain, incur or become liable for reason of the Mortgagor's failure to pay the amounts payable, or any other failures whatsoever, under this Mortgage;
- d. the Mortgagee will not be obliged to proceed against the Mortgagor or any other person liable under this Mortgage or to enforce or exhaust any security before proceeding to enforce the obligations of the Guarantor provided in this section and that enforcement of such obligations may take place before, after or contemporaneously with enforcement of any of the Mortgagor's debts or obligations under this Mortgage or the enforcement of any security for any such debt or obligation;
- e. Mortgagee may, without notice to and the consent or approval of the Guarantor, grant extensions of time for payment, make renewals, increase, vary and amend the Interest Rate, the Principal Amount and other terms of the Mortgage and the indebtedness secured by the Mortgage, release the whole or any part of the Property or other security from this Mortgage, or otherwise deal with the Mortgagor, or any of the indebtedness secured by this Mortgage or the Property or other security as the Mortgagee sees fit without releasing or lessening the liability of the Guarantor;
- f. the Guarantor will be bound by each such renewal, variation and amendment of any terms of the Mortgage that the Mortgagee makes with the Mortgagor, and each reference to the Mortgage in this Guarantee section will mean the Mortgage as so renewed and amended from time to time, regardless of whether such changes were made with or without the knowledge, consent or approval of the Guarantor;
- g. the Guarantor has read this Mortgage and is fully aware of and agrees with its terms and in particular, the terms of this Guarantee section;
- h. where there is more than one Guarantor, each Guarantor is jointly and severally responsible under this guarantee with the other Guarantor(s) and the Mortgagor; and
- i. the Mortgagee will serve notice on the Guarantor and any notice to the Guarantor will be deemed received in the same manner as provided for notice to the Mortgagor in this Mortgage.

DEFAULT AND REMEDIES

Mortgagor's Right to Quiet Possession

27. Until default by the Mortgagor under this Mortgage, the Mortgagor will have quiet possession and receive the rents and profits from the Property.

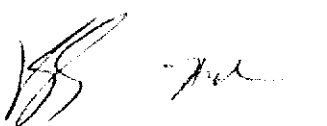


Events of Default

28. The Mortgagor will be in default under this Mortgage upon the happening of any of the following events:
- a. if the Mortgagor defaults in the payment of the Principal Amount, interest or any other amount secured by this Mortgage, when payment of such amount becomes due under the terms of this Mortgage or as elsewhere provided for any other amount secured by this Mortgage;
 - b. if the Mortgagor fails to observe or to perform of any term or covenant which have agreed to observe or perform under this Mortgage or elsewhere;
 - c. if any information or statement the Mortgagor has given or made before, at or after signing the Mortgage, in respect of the Property or the Mortgagor's affairs is incorrect or untrue at the time it was given or made;
 - d. if the Mortgagor ceases or threatens to cease to carry on in a sound businesslike manner, the business in which the Mortgagor ordinarily conducts on, or with respect to all or any part of, the Property;
 - e. if the Property is a condominium unit or units and a vote authorizes the termination of the condominium or the sale of all or substantially all of the condominium corporation's assets or its common elements or the condominium corporation fails to insure the unit and common elements;
 - f. if a petition in bankruptcy is filed against the Mortgagor, if the Mortgagor makes a general assignment for the benefit of the creditors, if a receiver, interim receiver, monitor or similar person is placed or is threatened to be placed in control of or for the overview of Mortgagor's affairs or Property, or in the opinion of the Mortgagee, the Mortgagor becomes insolvent;
 - g. if a construction or similar type lien is registered against the Property or if default occurs under any other lien, mortgage or encumbrance existing against the Property;
 - h. if the Mortgagor abandons or does not visibly and consistently occupy the Property; or
 - i. if the Property or a material part of the Property is expropriated.

Acceleration on Default

29. If at any time the Mortgagor should be in default under this Mortgage, the Principal Amount and interest and all amounts secured by this Mortgage will, at the option of the Mortgagee, become due and payable immediately.
30. If at any time the Mortgagor is in default and the Mortgagee does not require the Mortgagor to pay immediately in full as described above, the Mortgagee will retain the right to seek full immediate payment if the Mortgagor is in default at a later time. Any forbearance on the part of the Mortgagee upon default, which includes but not limited to acceptance of late payment, acceptance of payment from third parties, or acceptance of payments less than the amount then due, will not constitute as waiver to enforce acceleration on default.



31. In the event that the Mortgagee elects to accelerate the Mortgage, the Mortgagee will provide notice to the Mortgagor in accordance with the Applicable Law.

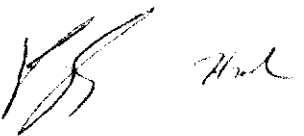
Additional Charges

32. The Mortgagor may be charged with fees in association with the default of this Mortgage or for the protection of the Mortgagee's interest for this Mortgage, which may include, but is not limited to, attorneys' fees and property inspections (the "Additional Fees"). The absence of specific charges which may be levied against the Mortgagor in this Mortgage does not preclude the Mortgagee from charging such costs as Additional Fees. However, the Mortgagee will not charge any fees which are prohibited by Applicable Law and the Mortgagee will not charge any fees above and beyond the amount or percentage allowed under the Applicable Law. The Additional Fees will carry the rate of 8.00 percent and calculated Semi-annually. The Additional Fees' total including interest will become due upon written request by the Mortgagee.

Protection of Mortgagee's Security

33. If at any time the Mortgagor should fail to uphold the covenants in this Mortgage, or if a legal proceeding commences which materially affects the Mortgagee's interest in the Property, the Mortgagee may pay or perform any reasonable action as necessary to protect the Mortgagee's interest, which includes, but is not limited to:
- a. payment of insurance premiums and taxes, levies, accruing against the Property;
 - b. payment of sums due secured by a prior lien which has priority over this Mortgage;
 - c. payment of legal fees in relations to any legal proceedings or legal costs arising from the Property; and
 - d. payment of reasonable costs in repairing and maintaining the Property.
34. Any action referred to in this section is optional for the Mortgagee and the Mortgagee has no duty or obligation to carry out any of the remedies listed in this section and will not incur any liability in the failure to perform such tasks.
35. Any amount disbursed by the Mortgagee in relation to the protection of the Mortgagee's security will become Additional Fees payable by the Mortgagor.

Power of Sale

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36. If at any time the Mortgagor should be in default under this Mortgage, the Mortgagee will have the right to foreclose and force the sale of the Property without any judicial proceeding. Any delay in the exercising of this right will not constitute as waiver on the part of the Mortgagee to exercise this option at a subsequent time should the Mortgagor remains in default or if the Mortgagor becomes default again in the future.

Remedies on Default

37. The Mortgagee will have the right to pursue all remedies for the collection of the amounts owing on this Mortgage that are provided for by the Applicable Law, whether or not such remedies are expressly granted in this Mortgage, including but not limited to foreclosure proceedings.
38. If the Mortgagee invokes the power of sale, the Mortgagee or its agent will execute a written notice of the event of default and the Mortgagee's election to sell the Property. The Mortgagee or its agent will mail copies of the notice as prescribed by Applicable Law to the Mortgagor and other persons required by Applicable Law. The Mortgagee or its agent will give public notice of sale to the Mortgagor in the manner provided for by Applicable Law. After the time required by Applicable Law, the Mortgagee or its agent, without demand on the Mortgagor, will sell the Property at public auction to the highest bidder, at the time and place and subject to the terms indicated in the notice of sale. The Mortgagee or its agent may postpone sale of the Property by public announcement at the time and place of any scheduled sale.

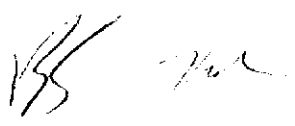
MISCELLANEOUS MATTERS

Interpretation and Headings

39. Headings are inserted for the convenience of the parties to the Mortgage only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine gender mean and include the feminine gender and vice versa. Words importing persons include firms and corporations and vice versa.

Severability

40. If any provision of this Mortgage will be held invalid or be prohibited by the Applicable Law, such provision will not invalidate the remaining provisions of this Mortgage and such provisions of the Mortgage

Handwritten signatures, likely of the parties to the mortgage, located at the bottom left of the page.

will be amended or deleted as necessary to comply with the Applicable Law.

41. Nothing contained in this Mortgage will require the Mortgagor to pay, or for the Mortgagee to accept, interest in an amount greater than that allowed by the Applicable Law. If the payment of interest or other amounts under this Mortgage would otherwise exceed the maximum amount allowed under the Applicable Law or violate any law as to disclosure or calculation of interest charges, then the Mortgagor's obligations to pay interest or other charges will be reduced or amended to the maximum rate or amount permitted under the Applicable Law.

Joint Signatures

42. If the Mortgagor is more than one person or legal entity, each person or legal entity who signs it will be jointly and severally bound to comply with all covenants and obligations of the Mortgagor and the said covenants and obligations will bind all of the Mortgagor's successors and permitted assigns. The Mortgage will enure to the benefit of the Mortgagee and the Mortgagee's successors and assigns.



Statutory Covenants

43. The covenants contained in this Mortgage are additional and supplemental, to the extent permitted by law, to the covenants set out in the Applicable Law regarding Mortgages.

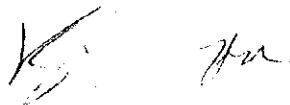
Demands and Notices

44. Any notice given by either party in this Mortgage must be in writing. Unless otherwise provided in this Mortgage or prohibited by law, where this Mortgage allows or requires the Mortgagee to make a demand on or give a notice to any person, the Mortgagee will make the demand or give the notice by:
- a. delivering it to the party at the Property or the party's last known address;
 - b. by mailing it by prepaid registered mail addressed to the party at the Property or the party's last known address;
 - c. by sending it by telefacsimile to the party's last known number; or
 - d. where the party is a corporation, by so delivering or sending it to the last known address or number of a director, officer, employee or attorney of the corporation.

45. The Mortgagee will make the demand or give the notice by:

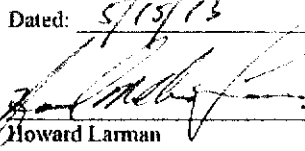
 

- a. delivering it to the party's last known address;
 - b. by mailing it by prepaid registered mail addressed to the party's last known address;
 - c. by sending it by telefacsimile to the party's last known number; or
 - d. where the party is a corporation, by so delivering or sending it to the last known address or number of a director, officer, employee or attorney of the corporation.
46. Any notice or demand delivered as described will constitute as sufficient delivery. Any notice, demand mail and facsimile (the "Notice") made will constitute as being effective on the same day that it was sent, unless the day in which the Notice was sent falls on a national holiday, Saturday or Sunday, in which case, the next business day would be considered as the day of receipt.
47. Any party in this instrument whose address has changed is responsible for notifying the other respective parties of the change in address.

Two handwritten signatures are visible at the bottom left of the page. The first signature is a stylized, cursive mark, and the second is a more legible, cursive signature.

Signing this Mortgage

IN WITNESS WHEREOF the Mortgagor has duly affixed his/her signature under hand and seal on this _____ day of May, 2013.

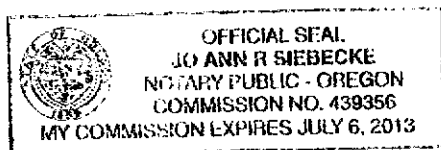
Dated: 5/15/13

Howard Larman

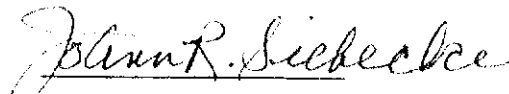
Mortgagor Acknowledgment

State of Oregon)

County of KLAMATH

This instrument was acknowledged before me on the 15th day of May, 2013, by Howard Larman.




Notary Public
My commission expires: 7.6.13

Guarantor Acknowledgment


State of Oregon)

County of _____)

This instrument was acknowledged before me on the _____ day of May, 2013, by _____.

Notary Public
My commission expires: _____

BRIAN S. Smith

 7.6.13