

6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

7. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each required payment by this Note on the date it is due, I will be in default.

(C) Acceleration upon Default

If I am in default, the Note Holder may at its option accelerate the entire indebtedness and thereby require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount. Any such acceleration shall be subject to additional conditions stated in the Mortgage securing this Note.

(D) No Waiver by Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all its costs and expenses to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

9. OBLIGATION OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

10. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due and to produce the Note. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

11. SECURED NOTE

In addition to the protections given to the Note Holder under this Note, a Mortgage, dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. The Mortgage sets forth conditions, in addition to those contained in this Note, under which I could be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

"Transfer of the Property; Assumption. If all or any part of the Property or any legal, equitable or other interest therein is sold or transferred, voluntarily or involuntarily, without Lender's prior written consent, including without limitation, a sale by contract for deed, Lender may, at Lender's option, declare all the sums secured by this Mortgage to be immediately due and payable. Borrower covenants to notify Lender in writing prior to any sale or transfer described in the preceding sentence."

"If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with Paragraph 14 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Mortgage following acceleration of the debt secured hereby, without regard to the cure provisions of Paragraph 18 hereof."

"If Borrower shall have notified Lender in advance of any sale or transfer described in the first sentence of this Paragraph 17, as required hereby, and if Lender determines in its discretion that Borrower's intended transferee and the Property would qualify for a new loan in the amount of the unpaid balance of Borrower's existing loan, under Lender's underwriting criteria then in effect, and if Lender and such transferee enter into an assumption agreement satisfactory to Lender, which may provide for an assumption fee and adjustment of interest rate and other loan terms, then Lender shall not exercise its option to accelerate under this Paragraph 17 and shall release Borrower from further obligation under the Note and this Mortgage."

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

DAVID E. KARR (SEAL) Borrower

KATHERINE KARR (SEAL) Borrower

Borrower (SEAL)

Borrower (SEAL)

REC-518

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