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DEED IN LIEU OF FORECLOSURE

Deed in Lieu of Foreclosure made and executed by HARRY F. MAUCH and FONDA R. MAUCH, husband and wife (Grantor), to INTERSTATE PRODUCTION CREDIT ASSOCIATION, a corporation organized and existing under the Farm Credit Act of the Congress of the United States, as amended (Grantee):

W I T N E S S E T H:

WHEREAS, Grantor is indebted to Grantee under Promissory Note secured by Mortgage;

WHEREAS, Grantor is unable to pay the amounts presently owing and unpaid under the Promissory Notes and Mortgage; and

WHEREAS, the Mortgage is in default and has been foreclosed and Grantor has requested Grantee to accept an absolute deed in conveyance of The Property in lieu of foreclosure;

NOW, THEREFORE, in consideration of the Grantee's agreement to forbear taking any action whatsoever to collect against Grantor or Grantor's Guarantors on the Promissory Notes, other than by foreclosure of the Mortgage, and in any proceeding to foreclose the Mortgage, to waive any deficiency judgment against Grantor, its successors or assigns, or Grantor's Guarantors, Grantor hereby grants, bargains, sells and conveys The Property to Grantee with no exceptions. Grantor covenants to Grantee, its successors and assigns that:

(a) Grantor is lawfully seized in fee simple of The Property free and clear of all liens and encumbrances, except the Mortgages to Grantee, and Grantor shall warrant and forever defend The Property against the lawful claims and demands of all persons claiming by, through or under it other than the liens and encumbrances excepted above and the following exceptions to title: subject to easements for roads, utilities, and irrigation ditches as the same exist or appear of record;

(b) This Deed is intended as a conveyance absolute in effect and conveys fee simple title to The Property to Grantee and all redemption rights which Grantor may have therein and does not operate as a mortgage, trust deed or security of any kind;

(c) This Deed does not effect a merger of the fee title and the lien of Grantee's Mortgage, and that Grantee's Mortgages shall remain separate and distinct from the fee title and constitute a valid and subsisting lien upon The Property to secure all sums payable under such Mortgages;

(d) Grantor has made this Deed with the knowledge that notwithstanding Grantee's agreement to forbear taking any action to collect against Grantor on the Promissory Notes and Grantee's waiver of any

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deficiency judgment against Grantor in a proceeding to foreclose the Mortgages, it may be joined as a party defendant in a suit to foreclose the Mortgages and all other subordinate liens and encumbrances existing upon The Property;

(e) The true and actual consideration paid for this transfer is satisfaction of the above described indebtedness. In addition, the true and actual consideration includes other property or value given or promised;

(f) Grantee shall have no rights against Grantor should The Property be worth less than the indebtedness;

(g) Grantor is not acting under any misapprehension as to the effect hereof, nor under any duress, undue influence or misrepresentation by Grantee; and

(h) Possession of The Property is surrendered and delivered to Grantee.

Upon acceptance of this Deed by Grantee, and in consideration thereof, Grantee covenants and agrees that it shall forbear taking any action against Grantor, or Grantor's Guarantors, on the Promissory Notes, other than by foreclosure of the Mortgage, and that in any proceedings to foreclose the Mortgage, Grantee shall look solely to The Property to satisfy its judgment and will not attempt to enforce against the Grantor, or Grantor's Guarantors of the indebtedness from any judgment it may recover in such proceedings.

In construing this Deed: (1) The promissory notes referred to in this Deed are herein called "Promissory Notes"; (2) the Mortgage described in this Deed are herein called "Mortgages"; (3) "The Property" referred to in this Deed is the following described real property situate in Klamath County, Oregon, together with the tenements, hereditaments, rights, easements, privileges, appurtenances thereunto belonging or in any wise appertaining, improvements thereon, the reversions, remainders, rents, issues, and profits thereof, and all water rights and/or shares of stock or shares of water in any ditch or irrigation company which, in any manner, entitles Grantor to water, to wit:

Lots 3 and 11 in Section 2, N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 3, Twp. 40 South, Range 8 E.W.M.

Tax Account Number 4008-00000-00400

This deed is subject to Grantor's right of first refusal as defined in Section 108 of the Agricultural Credit Act of 1987 which amends 12 USC 2219(a).

(THIS INSTRUMENT DOES NOT GUARANTEE THAT ANY PARTICULAR USE MAY BE MADE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT. A BUYER SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.)

IN WITNESS WHEREOF, Grantor and Grantee have executed this Deed as of the dates set opposite the signatures of the parties hereto

DATE

3-10-883-10-883-11-88

SIGNATURES

HARRY F. MAUCH

(GRANTOR)

FONDA R. MAUCH

(GRANTOR)

INTERSTATE PRODUCTION CREDIT ASSOC.
a corporation (Grantee)

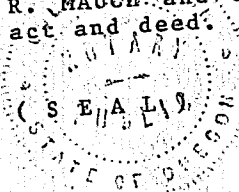
By:

Thomas A. Schulteis

STATE OF OREGON,
County of Klamath) ss:

March 10, 1988

Personally appeared before me the above named HARRY F. MAUCH and FONDA R. MAUCH and acknowledged the foregoing instrument to be their voluntary act and deed.

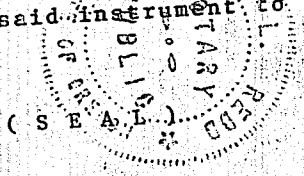


Salores Town
NOTARY PUBLIC FOR OREGON
My Commission Expires: 5-23-90

STATE OF OREGON,
County of Klamath) ss:

March 11, 1988

Personally appeared before me THOMAS A. SCHULTHEIS, being duly sworn, and did say that he is an officer of INTERSTATE PRODUCTION CREDIT ASSOCIATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Loan Committee; and he acknowledged said instrument to be its voluntary act and deed.



Kristi L. Redd
NOTARY PUBLIC FOR OREGON
My Commission Expires: 11/16/91

After recording
return to:
IPCA, 900 Klamath Ave.
Klamath Falls, OR 97601
Attn: Steve Cady

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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company the 11th day
of March A.D., 19 88 at 3:34 o'clock P M., and duly recorded in Vol. M88,
of Deeds on Page 3449.

Evelyn Biehn,
By Sam Smith County Clerk

FEE \$20.00