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## WHEN RECORDED MAIL TO:

First Interstate Bank of Oregon, N.A.  
206 E. Front Street  
P.O. Box 428  
Merrill, OR 97633

## SEND TAX NOTICES TO:

William F Hill III and Tori D Hill  
PO Box 12  
Merrill, OR 97633

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SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

## MORTGAGE

THIS MORTGAGE IS DATED JUNE 28, 1988, BETWEEN William F Hill III and Tori D Hill, whose address is PO Box 12, Merrill, OR 97633, Husband & Wife, as tenants by the entirety, (referred to below as "Grantor"); and First Interstate Bank of Oregon, N.A., whose address is 206 E. Front Street, P.O. Box 428, Merrill, OR 97633 (referred to below as "Lender").

**GRANT OF MORTGAGE.** For valuable consideration, Grantor mortgages and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, located in Klamath County, State of Oregon (the "Real Property"):

See Attached Exhibit "A"

The Real Property or its address is commonly known as Malin Dump Road, Malin, OR 97632. The Real Property tax identification number is 4112-00300-00800, 4112-00300-00600, 4112-00400-1700.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to the Rents from the Real Property. In addition, Grantor grants Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

**DEFINITIONS.** The following words shall have the following meanings when used in this Mortgage:

**Grantor.** The word "Grantor" means William F Hill III and Tori D Hill. The Grantor is the mortgagor under this Mortgage.

**Indebtedness.** The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Lender to enforce obligations of Grantor under this Mortgage, together with interest on such amounts as provided in this Mortgage.

**Note.** The word "Note" means the promissory note or credit agreement dated June 28, 1988 in the original principal amount of \$35,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of and substitutions for the promissory note or agreement. The currently scheduled final payment of principal and interest on the Note will be due on or before July 2, 2003. The rate of interest on the Note is subject to indexing, adjustment, renewal, or renegotiation.

**Personal Property.** The words "Personal Property" mean all equipment, fixtures, and other articles of personal property owned by Grantor, now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

**Property.** The word "Property" means collectively the Real Property and the Personal Property.

**Real Property.** The words "Real Property" mean the property, interests and rights described above in the "Grant of Mortgage" section.

**Rents.** The word "Rents" means all rents, revenues, income, issues, and profits from the Property.

**THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ALL OBLIGATIONS OF GRANTOR UNDER THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:**

**PAYMENT AND PERFORMANCE.** Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all amounts secured by this Mortgage as they become due, and shall strictly perform all of Grantor's obligations.

**POSSESSION AND MAINTENANCE OF THE PROPERTY.** Grantor agrees that its possession and use of the Property shall be governed by the following provisions:

**Possession and Use.** Until in default, Grantor may remain in possession and control of and operate and manage the Real Property and collect the rents. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

**Duty to Maintain.** Grantor shall maintain the Property in tenantable condition and promptly perform all repairs and maintenance necessary to preserve its value.

**Nuisance, Waste.** Grantor shall not cause, conduct or permit any nuisance nor commit or suffer any strip or waste on or to the Property or any portion thereof of the Property. Specifically without limitation, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

**DUE ON SALE - CONSENT BY LENDER.** Lender may at its option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without the Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of real property or any right, title or interest therein; whether legal or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of real property interest. If any Grantor is a corporation, transfer also includes any change in ownership of more than

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twenty-five percent (25%) of the voting stock of Grantor. However, this option shall not be exercised by Lender if exercise is prohibited by federal law or by Oregon law.

**TAXES AND LIENS.** The following provisions relating to the taxes and liens on the Property are a part of this Mortgage.

**Payment.** Grantor shall pay when due before they become delinquent all taxes, special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Mortgage, except for the lien of taxes and assessments not due, and except as otherwise provided in the following paragraph.

**PROPERTY DAMAGE INSURANCE.** The following provisions relating to insuring the Property are a part of this Mortgage.

**Maintenance of Insurance.** Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on an actual cash value basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. In no event shall the amount of insurance be less than \$35,000.00. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Lender. Grantor shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of ten (10) days prior written notice to Lender.

**EXPENDITURES BY LENDER.** If Grantor fails to comply with any provision of this Mortgage, or if any action or proceeding is commenced that would materially affect Lender's interests in the Property, Lender may (but shall not be required), at its option, on Grantor's behalf take action that Lender deems appropriate, and any amount that Lender expends in so doing shall be added to the indebtedness. Amounts so added shall be payable on demand and will bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Mortgage also will secure payment of these amounts. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Lender may be entitled on account of the default. Any action taken by Lender under this paragraph shall not constitute a cure of any default so as to bar Lender from any remedy that it otherwise would have had under this Mortgage.

**WARRANTY; DEFENSE OF TITLE.** The following provisions relating to ownership of the Property are a part of this Mortgage.

**Title.** Grantor warrants that it holds marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in any policy of title insurance issued in favor of, and accepted by, Lender in connection with this Mortgage.

**Defense of Title.** Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Mortgage:

**Default on Indebtedness.** Failure of Grantor to make any payment when due on the Indebtedness.

**Compliance Default.** Failure of Grantor to comply with any other term, obligation, covenant, or condition contained in this Mortgage, the Note, or in any other agreement between Grantor and Lender.

**Insolvency.** The insolvency of Grantor, appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor, or the dissolution or termination of Grantor's existence as a going business (if Grantor is a business). Except to the extent prohibited by federal law or Oregon law, the death of Grantor (if Grantor is an individual) also shall constitute an Event of Default under this Mortgage.

**RIGHTS AND REMEDIES ON DEFAULT.** Upon the occurrence of any event of default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

**Accelerate Indebtedness.** Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

**UCC Remedies.** With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Oregon Uniform Commercial Code.

**Judicial Foreclosure.** Lender may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property.

**Nonjudicial Sale.** If permitted by applicable law, Lender may foreclose Grantor's interest in all or any part of the Personal Property or the Real Property by nonjudicial sale.

**Deficiency Judgment.** If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

**Other Remedies.** Lender shall have all other rights and remedies provided in this Mortgage or the Note or by law.

**Attorneys' Fees; Expenses.** In the event of foreclosure of this Mortgage, Lender shall be entitled to recover from Grantor Lender's reasonable attorneys' fees and actual disbursements necessarily incurred by Lender in pursuing such foreclosure.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Mortgage:

**Applicable Law.** This Mortgage has been delivered to Lender and accepted by Lender in the State of Oregon. This Mortgage shall be governed by, construed and enforced in accordance with the laws of the State of Oregon.

**Time Is of the Essence.** Time is of the essence in the performance of this Mortgage.

**Waiver of Homestead Exemption.** Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all Indebtedness secured by this Mortgage.

**EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND EACH AGREES TO ITS TERMS.**

GRANTOR  
x William F Hill III  
William F Hill III

x Tori D Hill  
Tori D Hill

## INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON )

COUNTY OF KLAMATH ) SS

On this day before me, the undersigned Notary Public, personally appeared William F Hill III and Tori D Hill, to me known to be the individuals described in and who executed the Mortgage, and acknowledged that they signed the Mortgage as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 28th

day of June, 19 88

By Sharon K. Green

Residing at Merrill, OR. 97633

Notary Public In and for the State of Oregon

My commission expires 10/11/89

Order No.: 19949

EXHIBIT "A"  
LEGAL DESCRIPTION

WILLIAM F. HILL III &amp; TORI D. HILL

## PARCEL 1:

A parcel of land located in approximately the Southeast corner of the SW1/4 of the NW1/4 of Section 3, Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon, further described as follows:

Commencing at the center of the intersection of the Malin Loop Road and the Malin Dump Road and extending thence North along the center line of said Malin Dump road 150 feet, more or less, to the North bank of "Malin High Line Canal", the true point of beginning; extending thence North along the center line of said Malin Dump Road, which is also the East line of the said SW1/4 NW1/4, a distance of 290 feet; thence West at right angles a distance of 205 feet; thence South parallel to the East line of said SW1/4 NW1/4, 175 feet, more or less, to the North bank of said Malin High Line Canal; thence Easterly along the North bank of said canal to the true point of beginning.

Tax Account No.: 4112 00300 00800

## PARCEL 2:

In Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon.

All that portion of the South half of the SW1/4 NW1/4 of Section 3 and of the South half of the SE1/4 NE1/4 of Section 4 lying North of the "Malin High Line Canal", EXCEPTING THEREFROM a parcel of land, more or less, heretofore sold to R.T. Parker and Ethel G. Parker, husband and wife, by contract dated December 1, 1961, recorded August 9, 1962 in Deed Volume 339 at page 321, and re-recorded November 8, 1963 in Deed Volume 349 at page 201 of Records of Klamath County, Oregon.'

Tax Account No.: 4112 00300 00600  
4112 00400 01700

Dated June 28, 1988

William F. Hill III  
William F. Hill III

Tori D. Hill  
TORI D. HILL

STATE OF OREGON,  
County of Klamath ss.

Filed for record at request of:

Mountain Title Co.

on this 29 day of June A.D. 19 88  
at 3:45 o'clock P. M. and duly recorded  
in Vol. M88 of Mortgages Page 10171

Evelyn Biehn County Clerk

By Pauline Mullins

Deputy.

Fee, \$23.00