

REAL ESTATE MORTGAGE FOR OREGON

THIS MORTGAGE is made and entered into by: Donnie D. HEATON and Margaret C. HEATON

(11) to be a part of the Constitution for exchange of property, or otherwise to the benefit of the parties

(12) to be a part of the Constitution for exchange of property, or otherwise to the benefit of the parties

herein called "Borrower" and the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, whose mailing address is 2455 Patterson St., Suite 1, Klamath Falls, Oregon 97603

WHEREAS Borrower is indebted to the Government as evidenced by a Net Recovery Buy Out Recapture Agreement herein called "note" which has been executed by Borrower is payable to the order of the Government, and is described as follows:

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SEE ATTACHMENT FOR LEGAL DESCRIPTION OF PROPERTY

LIVESTOCK (BOK 100)

SEE ALIVCHWEM FOR NEGOT. DESCRIPTION OF PROPERTIES

together with all rights (including the right to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, (including any Government payments contingent on an agreement to restrict the use of the land), all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, irrigation systems, including pumps, motors, electrical panels, pipe, sprinklers, and other accessories pertaining thereto; milking, milk handling, and milk storage systems, and other accessories pertaining thereto; manure handling systems; live-stock feeding systems; ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, whether or not attached to the real estate; all water, water rights, water certificates; water permits, water allotments, and water stock pertaining thereto, no matter how evidenced; and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein-all of which are herein called "the property".

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

IN ADDITION to its other rights, the Government is hereby granted a security interest in the above-described property pursuant to ORS 79.1010-79.5070.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of payment of the note by reason of any default by Borrower. At all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the Government, as collection agent for the holder.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of the Farmers Home Administration.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) Whether or not the note is insured by the Government, the Government may at any time pay any other amounts including advances for payment of prior and/or junior liens, required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for Borrower's account. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government, including advances for payment of prior and/or junior liens, in addition to any advances required by the terms of the note, as described by this instrument, with interest shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights, and water stock pertaining to or reasonably necessary to the use of the real property described above; and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe; and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or, without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of, or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, or conveying the property.

LIVESTOCK (BOK 100)

LIVESTOCK (BOK 100)

K-43388

2 months

12180

3.588

(12) Except as otherwise provided in the Farmers Home Administration regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred, or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof. All rents, profits, and income, including any amounts arising out of an agreement by which the Borrower substantially reduces its use of the property in return for payments, are hereby assigned to the Government for the purpose of discharging the debt hereby secured. Permission is hereby given to the Borrower, so long as no default exists hereunder, to collect such rents, profits and income for use in accordance with the provisions of the borrower's agreement with Farmers Home Administration and the applicable regulations.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien, and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government whether once or often in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate or crop or chattel security instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, a bankrupt, or an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future laws, (a) providing for valuation, appraisal, homestead of exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, or national origin and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, or national origin.

(21) Borrower further agrees that the loan(s) secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M.

(22) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given, in the case of the Government to Farmers Home Administration, United States Department of Agriculture, at the mailing address mentioned above, and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address shown above).

(24) If any provision of this instrument or application hereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

Partnership or Corporation

Individual(s)

Execution of this instrument and to that end the borrower hereby agrees to be bound by the terms and conditions of the instrument which can be found attached hereto and to the terms and conditions of the instrument which can be found attached hereto.

(34) If any (Name of Borrower) _____

signature of the borrower is required to be attached to the instrument.

By: _____

By: _____

By: _____

Attest: _____

(35) This instrument shall be subject to the terms and conditions of the instrument which can be found attached hereto and to the terms and conditions of the instrument which can be found attached hereto.

By: _____

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ATTACHMENT TO Real Estate Mortgage

PARCEL 1

NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, and the N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 41 South, Range 10 East of the Willamette Meridian.

PARCEL 2

A tract of land situated in Section 2, Township 41 South, Range 10 East of the Willamette Meridian, more particularly described as follows: That portion of the N $\frac{1}{2}$ of said section lying easterly of the Northeasterly boundary of the D-1-C Lateral deeded to the United States of America in Deed Volume 111, Page 183; south of the 6-C-1 Drain deeded to the United States of America in Deed Volume 111, page 183; and west of the Westerly right of way line of the Great Northern Railway, recorded October 13, 1932, in Deed Volume 99, page 109, records of Klamath County, Oregon. SAVING AND EXCEPTING therefrom the right of way of the K.I.D. No. 6 Drain recorded January 13, 1915, in Deed Volume 43, page 239, records of Klamath County, Oregon.

AND ALSO That portion of the S $\frac{1}{2}$ of said Section 2 lying Easterly of the Northeasterly right of way of Highway No. 39 and Westerly of the Westerly boundary of the K.I.D. No. 6 Drain, recorded January 13, 1915, in Deed Volume 43, page 239, records of Klamath County, Oregon, SAVING AND EXCEPTING therefrom that portion conveyed to the United States of America for the D-1-C Lateral in Deed Volume 111, page 183, records of Klamath County, Oregon.

EXCEPTING THEREFROM that portion of Tracts 35 and 40, MERRILL TRACTS, according to the official plat on file in the office of the County Clerk of Klamath County, Oregon, lying Northeasterly of the Dalles-California Highway.

FmHA Instruction 1951-S
Exhibit C to Subpart S

NET RECOVERY BUY OUT RECAPTURE AGREEMENT

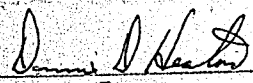

In consideration of the Farmers Home Administration (FmHA) allowing me/us to purchase the real estate property securing my/our FmHA Farmer Program loan obligations at the net recovery value of \$ 129,708.00 in accordance with FmHA Instruction 1951-S, I/we agree to pay the difference between the net recovery value of the security of \$129,708.00 and the fair market value of the real estate property of \$234,000.00 as of the date of this agreement, if/we sell or otherwise convey the security within 2 years of this agreement for an amount which exceeds the net recovery value. This amount is \$104,292.00. I further agree to give FmHA a mortgage or deed of trust to secure this amount for the best lien obtainable which will be subordinate to any purchase money security instrument which does not exceed the fair market value of the property to enable the borrower to purchase the property from FmHA at the net recovery value. This mortgage or deed of trust will be released 2 years from the date of this agreement if I/we do not sell or convey the property during the two year period.

I/We understand that the difference between the net recovery value of the real estate securing the FmHA loan obligations and the fair market value of the real estate security specified above will all be due and payable on the day of sale or conveyance, if I/we sell or otherwise convey the real estate property within two (2) years from the date of this agreement, if I/we realize a gain in this transaction.

Loan Balance \$826,667.69.

Amount of Buyout \$159,970.00.

May 14, 1990
Date


Borrower

Borrower

Return to: Farmers Home
2455 Patterson St., Suite 1
Klamath Falls, Or 97603

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 23rd day
of May A.D. 19 90 at 9:08 o'clock AM. and duly recorded in Vol. M90
of Mortgages on Page 9782

FEE \$33.00

Evelyn Biehn - County Clerk
By 