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After recording, return to:
 Brandsness & Brandsness, P.C.
 411 Pine Street
 Klamath Falls, OR 97601

ASPEN 38967
 MORTGAGE

DATE: September 25, 1992.

PARTIES: William J. Rust and
 Ethel J. Rust, Husband and Wife
 P. O. Box 344
 Bly, OR 97622

MORTGAGOR

Bernard L. Simonsen and Rhea E. Simonsen
 Trustees of the Simonsen Family Trust
 Dated 3-20-86
 9390 Hwy 140 E.
 Klamath Falls, OR 97603

MORTGAGEE

SECTION 1. CONVEYANCE

For value received Mortgagor from Mortgagee, Mortgagor hereby mortgages, grants, bargains, sells and conveys to Mortgagee, its successors and assigns, the following-described real property, situated in the County of Klamath, State of Oregon, to-wit:

PARCEL 1: Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon.

Section 2: That part of Section 2 lying Southwesterly of the Klamath Falls-Lakeview Highway No. 66, BUT EXCEPTING THEREFROM the parcel deeded to J.C. Harrison, et ux, by deed recorded in Deed Volume 166, page 293, Deed Records of Klamath County, Oregon, ALSO EXCEPTING that part of the 100 foot logging railroad right of way of Weyerhaeuser Company lying Northwesterly of a point which is North 19 degrees 47' East 2,871.74 feet from the Southwest corner of said Section 2, and FURTHER EXCEPTING the 66' logging road right of way of Weyerhaeuser Company described in Deed Volume 324 at page 157, Deed Records of Klamath County, Oregon, and FURTHER EXCEPTING that parcel conveyed from Owen R. Watts and Virginia M. Watts to Richard J. Smith by Warranty Deed dated September 21, 1971 and recorded September 22, 1971 in Volume M71, page 10078, Microfilm Records of Klamath County, Oregon.

Section 3: A portion of the SE1/4 SW1/4 and the SE1/4, more particularly described as follows: Beginning at a 5/8 inch iron pin in the Section line between Sections 3 and 10 from which the 1/4 corner common to said Section 3 and 10, a brass cap, bears South 89 degrees 43'28" East 105.00 feet; thence North 08 degrees 17'00" East 465.00 feet to a 5/8 inch pin; thence North 57 degrees 21'00" East 2402.00 feet to a 5/8" iron pin; thence North 13 degrees 01'13" West 820.23 feet to a 5/8 inch iron pin; which is the Southwest corner of that parcel of land conveyed in Deed Volume 134, page 419, Deed Records of Klamath County, Oregon; thence North to the East-West centerline of said Section 3; thence East along said centerline to the East line of said Section 3; thence South along said East line to the Southeast corner of Section 3; thence North 89 degrees 43'28" West along the South line of said Section 3 to the 1/4 corner common to Sections 3 and 10; thence continuing along said South line of Section 3, North 89 degrees 43'28" West 105.00 feet to the point of beginning. EXCEPTING THEREFROM the 66 foot logging road right of way of Weyerhaeuser Company described in Deed Volume 324, page 157, Deed Records of Klamath County, Oregon. Basis of bearings are Surveys No. 1858 and 1933 filed in the office of the Surveyor of Klamath County, Oregon.

Section 10: The E1/2 NE1/4, BUT EXCEPTING THEREFROM the 66 foot logging road of Weyerhaeuser Company described in Deed Volume 324, page 157, Deed Records of Klamath County, Oregon.

Section 11: The N1/2 NE1/4, SE1/4 NE1/4, NW1/4, S1/2 N1/2 SW1/4, S1/2 SW1/4, NW1/4 SE1/4, S1/2 SW1/4 SE1/4, and the SE1/4 SE1/4.

Section 14: The N1/2 N1/2

PARCEL 2: Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon:

Section 2: A parcel of land located in the SW1/4 of the NE1/4 of Section 2, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows: Beginning at a point on the center line of Oregon State Highway No. 140, said point being Oregon State Highway Engineer's Station 226 + 82.00, said point being South 00 degrees 57' West a distance of 504.00 feet and South 66 degrees 45' East a distance of 3510.00 feet from the Northwest corner of said Section 2; thence South 23 degrees 15' West, a distance of 396.00 feet, to the true point of beginning; thence South 66 degrees 45' East, a distance of 300.00 feet; thence South 23 degrees 15' West a distance of 200.00 feet; thence North 66 degrees 45' West a distance of 300.00 feet; thence North 23 degrees 15' East a distance of 200.00 feet to the true point of beginning.

Section 11: SW1/4 NE1/4, NE1/4 SE1/4, N1/2 SW1/4 SE1/4, and the N1/2 NE1/4 SW1/4

PARCEL 3: N1/2 NW1/4 SW1/4 of Section 11, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon.

together with the appurtenances now or hereafter belonging to the property, and all the rents, issues and profits arising or to arise therefrom. All property subject to this Mortgage is hereinafter referred to as the mortgaged premises. Until default, Mortgagor may remain in possession of the mortgaged premises and may manage and collect all rents and revenues from the mortgaged premises.

SECTION 2. PURPOSE

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained between Mortgagor and Mortgagee, and to secure payment of a loan in the principal amount of Two Hundred Fifty Thousand and No/100ths (\$250,000.00) DOLLARS, evidenced by a promissory note from Mortgagor to Mortgagee dated September 25,

1992 in the amount of \$250,000.00 with a maturity date of September 25, 1995, together with interest payable on the unpaid balance thereof at the rate specified in the Note or at such other rates prescribed from time to time by Mortgagee in accordance with law and agreement with Mortgagor, any and all renewals, modifications, substitutions and extensions thereof. All covenants and provisions of this Mortgage shall bind the successors and assigns of Mortgagor and shall inure to the benefit of the successors and assigns of Mortgagee.

SECTION 3. WARRANTY OF TITLE

At the time of execution and delivery of this Mortgage, Mortgagor is the owner of the mortgaged premises in fee simple, Mortgagor has the right and authority to mortgage the mortgaged premises as provided in this Mortgage, and the mortgaged premises are free and clear of liens and encumbrances, except reservations, restrictions, easements and rights of way of record and those apparent upon the land. Mortgagor will defend Mortgagee's right against any liens and encumbrances other than those listed in this Mortgage.

SECTION 4. PAYMENT AND PERFORMANCE

Mortgagor will pay, when due, the indebtedness secured by this Mortgage in accordance with the terms thereof. Mortgagor will strictly perform all obligations of this Mortgage. Mortgagor will promptly comply with all existing or future laws, orders and regulations of all state, federal, municipal and local governments or any similar bodies effecting the mortgaged premises or their use.

SECTION 5. CHARGES AGAINST MORTGAGED PREMISES

5.1 Taxes and Assessments. Mortgagor will pay when due all taxes, assessments, water and other charges that may be levied, assessed or charged upon or against the mortgaged premises, or any part thereof. Upon request, Mortgagor shall deliver to Mortgagee evidence of payment of the taxes, assessments or other charges.

5.2 Liens and Encumbrances. Mortgagor will promptly pay and satisfy any construction liens or other encumbrances that might by operation of law or otherwise become a lien upon the mortgaged premises, whether or not superior to the lien of this Mortgage. Mortgagor may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, so long as Mortgagee's property interests are not jeopardized. If a lien is filed as a result of nonpayment, Mortgagor shall, within ten (10) days after knowledge of the filing, secure the discharge of the lien, or deposit with Mortgagee cash or a sufficient corporate surety bond or other security satisfactory to Mortgagee in an amount sufficient to discharge the lien plus any costs, attorney fees and other charges that could accrue as a result of a foreclosure or sale under the lien.

5.3 Insurance and Other Charges. Mortgagor will pay when due all premiums upon insurance policies on the mortgaged property, all licenses or fees legally owing by it and all rental or other charges for the use of any leased ground or premises upon which any of the mortgaged premises may be located.

5.4 Failure to Pay. In case of default in payment of any charges Mortgagor is required to pay pursuant to this Mortgage, Mortgagee, its successors and assigns, may at its option pay any insurance premiums, or reinsure the mortgaged premises and pay all premiums therefor; and pay licenses, fees, rentals, charges, taxes and/or assessments due or claimed to be due under any legislative power of authority or under any valid contract; and any amounts so paid by Mortgagee shall become part of the principal debt; and amounts so paid by Mortgagee shall bear interest at the rate specified in the Promissory Note from the date of payment.

5.5 Reserve for Insurance and Taxes. In the event Mortgagor fails to pay when due any taxes or insurance premiums, Mortgagor agrees to pay Mortgagee, in addition to the past due taxes or insurance premiums, with and in addition to the monthly payments of principal and interest on any indebtedness, one-twelfth (1/12th) of the annual taxes and insurance premiums as reasonably estimated by Mortgagee.

The reserve payments shall be held by Mortgagee in a separate account, to pay the taxes and insurance premiums when they become due and payable, and Mortgagee shall not be obliged to pay Mortgagor interest or other earnings which may be derived from Mortgagee's use of the funds in the reserve account.

If at any time, mortgagee determines that the funds in the reserve account will not be sufficient to pay taxes or insurance premiums when due, Mortgagor agrees to pay Mortgagee, on demand, an additional monthly payment equal to a pro rata portion of the deficiency corresponding to the number of months from the date of Mortgagee's determination of the deficiency to the date upon which the charges become due and payable. Mortgagor hereby authorizes Mortgagee to pay the taxes and insurance premiums in the amount shown by the statements thereof furnished by the collector of the taxes or insurance carriers or their representatives.

SECTION 6. CONDITION OF MORTGAGED PREMISES

6.1 Repairs and Maintenance. Mortgagor will keep all improvements erected on the mortgaged premises in good order and repair.

6.2 First-Class Condition. Mortgagor will maintain the mortgaged premises in first-class condition.

6.3 Waste. Mortgagor will not permit waste of the mortgaged premises or do or suffer anything to be done to depreciate or impair the value of the mortgaged premises during the life of this Mortgage.

6.4 Changes and Alterations. Mortgagor will not make any changes in or alterations to the improvements on the mortgaged premises which will materially decrease the value of the same. Before making any changes in or alterations to the improvements, Mortgagor shall give notice to Mortgagee of the nature and extent of the changes or alterations and shall provide evidence of Mortgagor's ability to finance the changes or alterations.

6.5 Removal of Improvements Prohibited. Mortgagor will not remove or permit to be removed any improvements from the mortgaged premises, without the prior written consent of Mortgagee.

6.6 Right of Inspection. Mortgagee shall have the right to enter upon the mortgaged premises at all reasonable times to determine Mortgagor's compliance with this Mortgage.

SECTION 7. INSURANCE

Mortgagor will keep the building improvements now erected, or which may hereafter be erected, on the mortgaged premises insured against loss or damage by fire with extended coverage endorsement, written by a responsible insurance company or insurance companies satisfactory to Mortgagee in an amount satisfactory to Mortgagee, naming Mortgagor and Mortgagee insured parties as their interests may appear, and will cause to be executed and attached to all policies of insurance issued thereon a clause in form satisfactory to Mortgagee, making loss payable to Mortgagee as its interest may appear.

SECTION 8. ASSIGNMENT OF ISSUES AND PROFITS

Mortgagor hereby assigns and transfers to Mortgagee the issues and profits, together with full power and authority to demand, sue for and collect the same in the name of Mortgagor, or in its own name, and to take possession of and manage the mortgaged premises or to cause a receiver to be appointed for such purpose and apply the income therefrom, after the costs of collection and management, to the reduction of the indebtedness secured hereby. However, the right to collection and management shall not apply as long as this Mortgage is in good standing.

SECTION 9. DEFAULT

9.1 Events of default. The occurrence of any one or more of the following event shall constitute a default hereunder (a Default):

- (a) Mortgagor's default in the timely payment of any indebtedness to Mortgagee when due;
- (b) Mortgagor's failure to perform or observe all the provisions of this Mortgage;
- (c) The happening of an event of default under any other agreement or security instrument between Mortgagor and Mortgagee;
- (d) Mortgagor's insolvency or inability to pay its debts as they mature or Mortgagor's assignment for the benefit of creditors or filing of a voluntary petition in bankruptcy, or a voluntary petition seeking reorganization, or effecting a plan or other arrangement with creditors, or filing an answer consenting to or taking any other action indicating acquiescence in any involuntary petition pursuant to, or purporting to be pursuant to, any bankruptcy, reorganization or insolvency laws of any jurisdiction, or adjudication of Mortgagor as bankrupt or insolvent by a court of competent jurisdiction or appointment of a receiver for any substantial portion of Mortgagor's property.

9.2 Remedies on Default. If any default occurs, Mortgagee may, at its option, declare the entire unpaid balance of principal and accrued interest secured by this Mortgage immediately due and payable, together with any prepayment penalties imposed by any agreement or security agreement between Mortgagor and Mortgagee, and foreclosure proceedings may be immediately commenced. All rights and remedies of Mortgagee shall be cumulative and nonexclusive and in addition to any other right or remedy contained in this Mortgage or otherwise available under applicable law. The failure of Mortgagee to exercise any option given hereunder shall not be taken or deemed a waiver of its right to exercise its option as to any past or subsequent violation of any covenants or stipulations.

SECTION 10. ATTORNEY FEES AND OTHER COSTS

In the event suit or action is begun to foreclose this Mortgage, Mortgagor will pay, in addition to the costs and disbursements allowed by law, such sum as the Court may adjudge reasonable attorney fees in such suit or action or upon any appeal or petition for review. Mortgagor will also pay such sum as the court may adjudge reasonable for the necessary examination and search of the public records respecting the title to the mortgaged premises. The Plaintiff in such suit or action may take judgment therein for such sums. Mortgagor will pay to Mortgagee all sums, including costs, expenses and reasonable agent and attorney fees, which Mortgagee may expend or become obligated for in any proceedings, legal or otherwise, involving the title to the mortgaged premises, or to establish, protect or sustain the lien of this Mortgage, or its priority, or in defending against liens, claims, rights, estates, easements or restrictions, or for evidences of title to the mortgaged premises. Interest shall be paid to Mortgagee on all such sums at the rate then payable on the indebtedness secured hereby. This Mortgage shall stand as security for payment of these sums and interest in like manner and effect as for payment of the indebtedness secured.

SECTION 11. CONDEMNATION

If the mortgaged premises, or any part thereof, are condemned under any power of eminent domain or acquired for public use, the damages, proceeds, and the consideration for such acquisition, to the extent of the full amount of the indebtedness secured by this Mortgage, including any expenses and attorney fees incurred by Mortgagee on account of such condemnation, are hereby assigned by Mortgagor to Mortgagee and shall be paid forthwith to Mortgagee to be applied by it to the payment of such expenses and attorney fees and any balance on account of the last maturing portion of the indebtedness secured hereby.

SECTION 12. MISCELLANEOUS

12.1 Terminology. The word "Mortgagor" and the language of this instrument shall, where there is more than one Mortgagor, be construed as plural and be binding jointly and severally upon all Mortgagors and the word "Mortgagee" shall apply to any holder of this Mortgage.

12.2 Nonwaiver. No condition of this Mortgage shall be deemed waived unless expressly waived in writing by Mortgagee.

12.3 Notices. Whenever any notice, demand or request is required by the terms of this Mortgage or by any law now in existence or hereafter enacted, the notice, demand or request shall be sufficient if enclosed in a postpaid envelope addressed to Mortgagor at the last address actually furnished to Mortgagee, or at the mortgaged premises, and deposited in any post office station or letter box.

12.4 Transfer. Mortgagor shall have the right to transfer the mortgaged premises at any time, with or without Mortgagee's consent.

12.5 Time of Essence. Time is of the essence of this Mortgage.

12.6 Applicable Law. This Mortgage shall be governed by the law of the State of Oregon, and any question arising hereunder shall be construed or determined according to such law.

12.7 Disclaimer. This Mortgage has been prepared by William P. Brandsness of Brandsness & Brandsness, P.C.

3. MORTGAGE

22247

on behalf of the Mortgagor. The Mortgagee is advised to seek their own legal and financial advice and the Mortgagees hereby acknowledge that they are not depending upon said attorneys for legal or financial advice.

The parties have executed this agreement as of the date first written above.

William J. Rust
William J. Rust

Ethel J. Rust
Ethel J. Rust

MORTGAGOR

STATE OF OREGON)
) ss.
County of Klamath)

September 25, 1992

Personally appeared the above-named William J. Rust and Ethel J. Rust and acknowledged the foregoing Mortgage to be their voluntary act and deed. Before me:

William H. Miller
Notary Public for Oregon
My Commission expires: 9-16-93

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co. the 25th day
of Sept. A.D., 1992 at 11:31 o'clock A M., and duly recorded in Vol. M92,
of Mortgages on Page 22244.

FEE \$25.00

Evelyn Biehn County Clerk

By Debra M. Mulinsare