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K-44933
MORTGAGE

DATE: February 16, 1993

PARTIES: Kimberly A. Biaggi, Matthew C. Biaggi, Charles W. Biaggi, Peggy J. Biaggi, and Eric B. Newell,

Gary B. Williams and Penny L. Williams,

MORTGAGORS; and

MORTGAGEES.

AGREEMENTS:

SECTION 1. CONVEYANCE

For value received by Mortgagors from Mortgagees, Mortgagors hereby mortgage, grants, bargains, sells and conveys to Mortgagees, their successors and assigns, the real property, situated in the county of Klamath, state of Oregon, described on Exhibit A and incorporated herein by this reference; 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, Mortgagors 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 and contained in the promissory note dated February 16, 1993 and made by Mortgagors in favor of Mortgagees in the sum of Four Hundred Twenty Five Thousand (\$425,000.00), together with interest payable on the unpaid balances thereof at the rates specified in the note and any and all renewals or extensions thereof. All covenants and provisions of this Mortgage shall bind the successors and assigns of Mortgagors and shall inure to the benefit of the successors and assigns of Mortgagees.

SECTION 3. WARRANTY OF TITLE

At the time of execution and delivery of this Mortgage, Mortgagors are the owners of the mortgaged premises in fee simple, Mortgagors have 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 those shown on Exhibit B hereto. Mortgagors will defend Mortgagees' rights against any liens and encumbrances other than those listed in this Mortgage.

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After recording return to:
Klamath County Title Company
422 Main St.
Klamath Falls, OR 97601

SECTION 4. PAYMENT AND PERFORMANCE

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

SECTION 5. CHARGES AGAINST MORTGAGED PREMISES

5.1 Taxes And Utilities. Mortgagors will pay when due all taxes, assessments, water and other charges for utility services that may be levied, assessed or charged upon or against the mortgaged premises, or any part thereof. Upon request, Mortgagors shall deliver to Mortgagees evidence of payment of the taxes, assessments or other charges.

5.2 Liens And Encumbrances. Mortgagors 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. Mortgagors may with hold payment of any claim in connection with a good-faith dispute over the obligation to pay, so long as Mortgagees' property interests are not jeopardized. If a lien is filed as a result of nonpayment, Mortgagors shall, within ten (10) days after knowledge of the filing, secure the discharge of the lien, or deposit with Mortgagees, cash or a sufficient corporate surety bond or other security satisfactory to Mortgagees 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. Mortgagors will pay when due all premiums upon insurance policies on the mortgaged property, all licenses or fees legally owing by it, and all rentals 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 charge Mortgagors are required to pay pursuant to this Mortgage, Mortgagees, their successors and assigns, may at their 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 or authority or under any valid contract; and any amounts so paid by Mortgagees shall become part of the principal debt; and amounts so paid by Mortgagees shall bear interest at the rate of 12.0% from the date of payment.

SECTION 6. CONDITION AND USE OF MORTGAGED PREMISES

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

6.2 Condition. Mortgagors will maintain the mortgaged premises in accordance with the principles of good husbandry.

6.3 Waste. Mortgagors 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. Without limiting the generality of the foregoing provision, Mortgagees shall maintain minimum use of the agricultural irrigation rights so their existence is not jeopardized by nonuse; and shall refrain from storing on or discharging from or onto the premises any hazardous wastes or toxic substances as defined in 42 USC §§ 9601-9657 except those substances commonly used in agricultural operations in accordance with the principles of good husbandry.

6.4 Changes And Alterations. Mortgagors will not make any changes in or alterations to the improvements on the mortgaged premises which will materially decrease the value of the same.

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

6.6 Right Of Inspection. Mortgagees shall have the right to enter upon the mortgaged premises at all reasonable times to determine Mortgagors' compliance with this Mortgage.

SECTION 7. INSURANCE

7.1 Insurance Required. Mortgagors will keep the residence and hay barns now erected on the 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 Mortgagees in an amount not less than full replacement value for the residence and insurable value for the hay barns, naming Mortgagors and Mortgagees 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 Mortgagees, making loss payable to Mortgagees as its interest may appear. The policy or policies of insurance shall be delivered to Mortgagees and shall contain a provision requiring at least ten (10) days' notice to Mortgagees before cancellation. Mortgagors agrees to notify Mortgagees of any casualty affecting the mortgaged premises.

7.2 Disposition of Insurance Proceeds. Any insurance funds paid to Mortgagees as a result of damage or loss to the mortgaged premises shall be released to Mortgagors to be expended in the repair, restoration or replacement of the mortgaged premises so damaged or lost, or in the event that the Mortgagors determine not to repair, restore or replace, the Mortgagees shall retain sufficient funds to reduce the principal balance of the note to 50% of the fair market value of the premises and release the balance of the funds to the Mortgagors. Mortgagors hereby appoint Mortgagees their agent to collect all amounts payable under the policies to Mortgagors. Amounts retained by Mortgagees pursuant to this Section, after the cost of collection, shall be applied to payment of the principal sum and interest thereon.

SECTION 8. DEFAULT

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

A. Failure of Mortgagors to make any payment within ten (10) days after written notice from Mortgagees that the payment was not made when due and that Mortgagors will be in default if the payment is not made;

B. Mortgagors' failure to perform or observe any other provision of this Mortgage after 10 days written notice from Mortgagees specifying the nature of the default;

C. Mortgagors' 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 Mortgagors as bankrupt or insolvent by any court of competent jurisdiction or appointment of a receiver for any substantial portion of Mortgagors's property; or

D. The sale of the mortgaged premises or transfer of possession thereof in any manner, whether by deed, contract of sale, lease or similar agreement, without the prior written consent of Mortgagees. Provided, however, that Mortgagees' consent shall not be unreasonably withheld and so long as any such transfer shall not alter the priority of Mortgagees' lien hereunder. The adjustment of the equity interests of the Mortgagors among themselves or the transfer of the Mortgagors' interest to a living trust or similar estate planning vehicle shall not be subject to the foregoing restriction on transfers.

8.2 Remedies on Default. If any Default shall occur, Mortgagees may declare all sums secured by this Mortgage, including all interest, to be immediately due and payable; and immediately commence foreclosure proceedings. Mortgagees' election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies available to Mortgagees at law, in equity or under this Mortgage are cumulative and not exclusive. No delay or omission in exercising any right or remedy shall impair that or any other right or remedy or shall be construed to be a waiver of the default.

SECTION 9. ATTORNEY FEES AND OTHER COSTS

In the event suit or action is begun to foreclose this Mortgage, Mortgagors 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 any appeal or petition for review. Mortgagors 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. Mortgagors will pay to Mortgagees all sums, including costs, expenses and reasonable agent and attorney fees, which Mortgagees 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 Mortgagees on all such sums at the rate of 9% per annum. This Mortgage shall stand as security for payment of these sums and interest in like manner and effect as for the payment of the indebtedness secured.

SECTION 10. 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 that the principal indebtedness under the Note, plus any expenses and attorney fees incurred by Mortgagees on account of such condemnation, exceeds 50% of the fair market value of the remaining premises, are hereby assigned by Mortgagors to Mortgagees and shall be paid forthwith to Mortgagees to be applied by them to the payment of such expenses and attorney fees and any balance on account of the last maturing portion of the indebtedness secured hereby.

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SECTION 11. MISCELLANEOUS

11.1 Terminology. The word "Mortgagors" 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 "Mortgagees" shall apply to any holder of this Mortgage.

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

11.3 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 Mortgagors at the last address actually furnished to Mortgagees, or at the mortgaged premises, and deposited in any post office, station or letter box.

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

11.5 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.

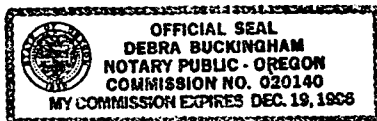
The parties have executed this agreement as of the date first written above.

Kimberly A. Biaggi
Kimberly A. Biaggi
Charles W. Biaggi
Charles W. Biaggi
Eric B. Newell
Eric B. Newell

Matthew C. Biaggi
Matthew C. Biaggi
Peggy J. Biaggi
Peggy J. Biaggi

STATE OF OREGON)
) SS
County of Klamath)

February 12th, 1993, personally appeared the above named Kimberly A. Biaggi, Matthew C. Biaggi, Charles W. Biaggi, Peggy J. Biaggi and Eric B. Newell, who acknowledged the foregoing instrument to be their voluntary act and deed. BEFORE ME:



Debra Buckingham
Notary Public for Oregon
My commission expires: 12-19-96

After recording return to: Klamath County Title Company, 422 Main Street, Klamath Falls, OR 97601

PARCEL 1: Township 40 South, Range 13 East of the Willamette Meridian
 Section 23: SE $\frac{1}{4}$
 Section 26: E $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$ and portion of the W $\frac{1}{4}$ NW $\frac{1}{4}$
 described as follows: Beginning at a point 1020 feet East of
 the corner common to Sections 22, 23, 26 and 27, all in Township
 40 South, Range 13 E.W.M., thence Southerly and Easterly 1500
 feet, more or less, to a point where said course intersects the
 East line of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 26, thence North along said
 subdivision line to the Northeast corner of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of said
 Section 26, thence West 300 feet to the point of beginning.

PARCEL 2: Township 40 South, Range 13 East of the Willamette Meridian
 Section 25: NW $\frac{1}{4}$, W $\frac{1}{4}$ NE $\frac{1}{4}$, and all that portion of the E $\frac{1}{4}$ NE $\frac{1}{4}$ lying
 Westerly of the Lost River Diversion Channel

EXCEPTING THEREFROM: That portion lying within the main drain
 as conveyed to the United States of America by deed recorded
 October 23, 1927, in Volume 79 page 131, and by deed recorded
 January 22, 1929, in Volume 85 page 186, Deed Records of Klamath
 County, Oregon.

TOGETHER WITH: The following perpetual easements, to run with the land, for
 the construction, repair, maintenance and joint use of irrigation ditches for
 irrigation purposes:

- (a) An easement 30 feet wide extending East from Langell Valley West Side
 Irrigation Canal along the North side of the South section line of Sections 23
 and 24 of Township 40 South, Range 13 East of the Willamette Meridian, a
 distance of 6400 feet, more or less, to Lost River Diversion Channel.
- (b) An easement 30 feet wide extending East from Langell Valley West Side
 Irrigation Canal along the South line of the N $\frac{1}{4}$ N $\frac{1}{4}$ of Section 26, Township 40
 South, Range 13 East of the Willamette Meridian, a distance of 1790 feet, more
 or less, to the West side of the herein described property.
- (c) An easement 30 feet wide extending East from Langell Valley West Side
 Irrigation Canal along the North side of the East-West center line of Section
 26, Township 40 South, Range 13 East of the Willamette Meridian, a distance of
 1525 feet, more or less, to the Southwest corner of the herein described
 property.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co the 16th day
 of Feb. A.D. 19 93 at 11:22 o'clock A M. and duly recorded in Vol. M93
 of Mortgages on Page 3267

Evelyn Biehn County Clerk
 By Pauline Mullender

FEE \$40.00