38-12932-1 39077 USDA-FmHA Form FmHA 427-1 OR (Rev. 12-2-75) REAL ESTATE MORTGAGE FOR OREGON THIS MORTGAGE is made and entered into by ... WILLIAM L. GALLAGHER AND NADINE F. GALLAGHER, HUSBAND AND WIFE KLAMATH residing in County, Oregon, whose post office address is WHISKEY CREEK RANCH, SPRAGUE RIVER herein called "Borrower," and: WHEREAS Borrower is indebted to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture; herein called the "Government," as evidenced by one or more promissory note(s) or assumption agreement(s), herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows: Annual Rate Due Date of Final Date of Instrument Principal Amount Installment of Interest NOVEMBER 15, 1977 \$100,000.00 5.0% NOVEMBER 15, 2017 And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, or Title V of the Housing Act of 1949:

And it is the purpose and intent of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument of the note of the note; but when the note is held by an insured holder, this instrument shall not secure payment of the note of attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by reason of any default by Borrower.

NOW THEREFORE, in consideration of the loan(s) and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, (b) at all times when the note is sheld by, an insured holder, to secure performance of Borrower's agreement herein to indemnify and ame harmless the Government against loss under its insurance contract by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby grant, bargain, sell, convey, mortgage, and assign with general warranty unto the Government the following property situated in the State of Oregon, County (ies) of roller sign statement with the control of the godernment of the grant of the godern of the control of the control of the godern The East half of Southeast quarter and East half of West half of Southeast quarter, Section 19, Township 36 South, Range 12 East of the Willamette Meridian: The Southwest quarter; North half of the Southeast quarter; Southwest quarter of Southeast quarter; and that portion of Southeast quarter of Southeast quarter lying Northwest of Klamath Falls-Lakeview Highway, all in Section 20, Township 36 South, Range 12 East of the Willauette Meridian. On hour thanks when TOLEN TRIPLE OF THE CASTLE ASSETS OF THE CONTINUED TO THE FINANCIAL STREET OF THE CONTINUED TO THE CONTINUED (steller for fair coor shires

.. description continued ... 22268 The Northwest quarter of Northwest quarter; and that portion of the North half of Northeast quarter, East half of Northwest quarter and Southwest quarter of Northwest quarter lying Northwest of Klamath Falls-Lakeview Highway, all in Section 29, Township 36 South, Range 12 East of the Willamette Meridian; The East half of Northeast quarter and Northwest quarter of Northeast quarter, Section 30, Township 36 South, Range 12 East of the Willamette Meridian; The Northwest quarter Southwest quarter of Section 21, Township 36 South, Range 12 East of the Willamette Meridian; Lots 1 and 2 and the East half of the Northwest quarter and the Southwest quarter of the Northeast quarter of Section 30, Township 36 South, Range 12 East of the Willamette Meridian; That part of the Northwest quarter of the Southwest quarter of Section 29, Township 36 South, Range 12 East of the Willamette Meridian, lying Northwesterly of the Klamath Falls-Lakeview Highway; The North half of the Southeast quarter of Section 30, Township 36 South, Range 12 East of the Willamette Meridian;description continued on attached sheet... together with all rights, interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, 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 BORROWER-for himself, his 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 against any loss under its insurance of payment of the note by reason of any default by Borrower. At (2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of (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 required herein to be paid by Borrower and not paid by him when due, as well as any costs and expenses for the preservation, or enforcement of this lien, as advances for the account of Borrower. 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 as described in 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 his covenant to pay. Such advances, with interest, shall be repaid from the first available collections received from Borrower. Otherwise, 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 purpose authorized by the Government. (7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against property, including all charges and assessments in connection with water, water rights, and water stock pertaining to or conably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments. 300133 A LANGE CO. C. P. C.

description continued ... 22268 The Northwest quarter of Northwest quarter; and that portion of the North half of Northeast quarter, East half of Northwest quarter and Southwest quarter of Northwest quarter lying Northwest of Klamath Falls-Lakeview Highway, all in Section 29, Township 36 South, Range 12 East of the Willamette Meridian; The East half of Northeast quarter and Northwest quarter of Northeast quarter, Section 30, Township 36 South, Range 12 East of the Willamette Meridian; The Northwest quarter Southwest quarter of Section 21, Township 36 South, Range 12 East of the Willamette Meridian; Lots 1 and 2 and the East half of the Northwest quarter and the Southwest quarter of the Northeast quarter of Section 30, Township 36 South, Range 12 East of the Willamette Meridian; That part of the Northwest quarter of the Southwest quarter of Section 29, Township 36 South, Range 12 East of the Willamette Meridian, lying Northwesterly of the Klamath Falls-Lakeview Highway; The North half of the Southeast quarter of Section 30, Township 36 South, Range 12 East of the Willamette Meridian; ...description continued on attached sheet ... together with all rights, interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and together with all rights; interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, 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 BORROWER-for himself, his 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 agant 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 required herein-to be paid by Borrower and not paid by him when due, as well as any costs and expenses for the preservation protection, or enforcement of this lien, as advances for the account of Borrower. 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 as described in 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 his covenant to pay. Such advances, with interest, shall be repaid from the first available collections received from Borrower. Otherwise, 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 purpose 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 demand receipts evidencing such payments. 300.55

22269 (8) To keep the property insured as required by and under insurance policies approved by, delivered to, and retained (8) To keep the property insured as required by and under insurance poncies approved by, defined 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 expenses of advertising, selling, and conveying the property.

(12) Neither the property not any portion thereof or interest therein shall be assigned sold transferred or enquirhered. (12) Neither the property nor any portion thereof or interest therein shall be assigned, sold, transferred, or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive and satisfaction, and no insured holder shall have any right; title or interest in or to the lien or any benefits hereof. (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 extend and defer the maturity of and renew and reamortize the debt evidenced by the note (14) The Government may extend and defer the maturity of and renew and reamortize the debt evidenced by the note or any indebtedness to the Government secured hereby, release from liability to the Government any party so liable thereon, ing the lien or priority hereof or the liability to the Government of Borrower or any other rights hereunder, without affect-indebtedness secured hereby. indebtedness secured hereby.

(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 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 held or shall constitute default becaused. 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 possession of, operate or rent the property, (c) upon application by it and production of this instrument without other of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other fights 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 (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 all or any part of the property, the Government, and (f) any balance to Borrower. At foreclosure or other sale of ment'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. 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 or 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 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 (20) If any part of the loan for which this instrument is given shall be used to finance the purchase construction or 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 self for him 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 dwelling relating to race, color, religion, sex or national origin, and will not comply with or attempt to enforce any restrictive covenants on the (21) 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. 55550

(22) 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, address stated above. (23) If any provision of this instrument or application thereof 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. WITNESS the hand(s) of Borrower this ______15TH ACKNOWLEDGMENT FOR OREGON STATE OF OREGON COUNTY OF KLAMATH day of NOVEMBER , 19, personally appeared the above-WILLIAM L. GALLAGHER AND NADINE F. GALLAGHER and acknowledged the foregoing instrument to be --LINDA G. CHANDLER (NOTORIAL SEAL) Notary Public for Oregon Retuin: Oransamerica Linda My commission expires 5-12-81 Notary Public. My Commission expires 5555