

REAL ESTATE MORTGAGE FOR OREGON

THIS MORTGAGE is made and entered into by

WILLIAM L. GALLAGHER and NADINE F. GALLAGHER, husband and wife

residing in Klamath

County, Oregon, whose post office

address is Whiskey Creek Ranch, Box 898, Sprague River

, Oregon 97639

herein called "Borrower," and the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, herein called the "Government," and:

WHEREAS Borrower is indebted to 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:

Date of Instrument	Principal Amount	Annual Rate of Interest	Due Date of Final Installment
July 3, 1985	\$131,000.00	5.25% *	July 3, 2025
July 3, 1985	\$171,850.00	7.25% **	July 3, 1992
November 15, 1977	\$100,000.00 (reamortized)	5.00%	November 15, 2017
June 5, 1985	\$65,766.18	5.00%	June 5, 2017
	**10.25%		

(If the interest rate is less than \*10.75% for farm ownership or operating loan(s) secured by this instrument, then the rate may be changed as provided in the note.)

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, or any other statutes administered by the Farmers Home Administration;

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 shall secure payment of the note; but when the note is held by an insured holder, this instrument shall not secure payment of the note or 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;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a.

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 held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save 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 herein-after 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 Klamath

PARCEL 1: 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 Willamette Meridian.

- description continued

This mortgage is also given to further secure the obligations secured by hereinbefore described mortgage to the Government, which mortgage shall remain in full force and effect.

DESCRIPTION - description continued -

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;

A tract of land located in the Southwest corner of the Northeast quarter Southwest quarter of Section 21, Township 36 South, Range 12 East of the Willamette Meridian, and more particularly described as follows:

Beginning at the Southwest corner of said Northeast quarter Southwest quarter; thence East along the South line thereof 36 rods; thence North and parallel to the West line thereof 82 rods; thence West parallel to the South line thereof 36 rods to the West line thereof; thence South along the West line thereof 82 rods to the beginning. - 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 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 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 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 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.

(12) 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.

(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) 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, (b) release any party who is liable under the note or for the debt from liability to the Government, (c) release portions of the property and subordinate its lien, and (d) 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 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 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, or 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) 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.

(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, at Portland, Oregon 97204, 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).

(23) 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.

WITNESS the hand(s) of Borrower this 3rd day of July, 1985.

William L. Gallagher  
WILLIAM L. GALLAGHER

Nadine F. Gallagher  
NADINE F. GALLAGHER

### ACKNOWLEDGMENT FOR OREGON

STATE OF OREGON

COUNTY OF Klamath

On this 3rd day of July, 1985, personally appeared the above-

named WILLIAM L. GALLAGHER and NADINE F. GALLAGHER

and acknowledged the foregoing instrument to be their voluntary act and deed. Before me:

(NOTORIAL SEAL)

Kristi L. Redd  
Notary Public.

My Commission expires 11/16/87

- attached legal description -

PARCEL 2: Lots 3 and 4 and the E 1/2 SW 1/4 of Section 30, Township 36 South, Range 12 East of the Willamette Meridian;

Lot 1 of Section 31, Township 36 South, Range 12 East of the Willamette Meridian;

The SE 1/4 of Section 25, NE 1/4 of Section 36, All in Township 36 South, Range 11 East of the Willamette Meridian;

An undivided 612/756ths interests in the E 1/2 SE 1/4 of Section 36, Township 36 South, Range 11 East of the Willamette Meridian.

PARCEL 3: An undivided 60/756ths interest in the E 1/2 SE 1/4 of Section 36, Township 36 South, Range 11 East of the Willamette Meridian;

An undivided 84/756ths interest in the E 1/2 SE 1/4 of Section 36, Township 36 South, Range 11 East of the Willamette Meridian;

Government Lots 3, 4, and 5 and SE 1/4 NW 1/4 and NE 1/4 SW 1/4 of Section 6, Township 37 South, Range 12 East of the Willamette Meridian.

TOGETHER WITH State of Oregon Permit #G-10731 and the following described irrigation equipment:

Irrigation equipment, including but not limited to the following items, and including any replacements thereof or additions thereto:

1	U. S. Pump	60 H.P., Code F, Type CFU	Serial #741882
1	Cascade Pump	Pump size 12	Serial #3777
1	G.E. Electric Motor	30 H.P., Mdl 5K6247XC101B	Serial #4X51108308
1	Layne & Bowler Pump	Verti-Line Rancher	
1	G.E. lectric Motor	10 H.P.	Serial #287578
1	Pump	Mdl #2 1/2 W-20-2	Serial #30014-7
1	Motor	20 H.P., Mdl #5K254JL1012A	
1	Pump		Serial #K2C4570
1	Motor	10 H.P., Mdl #11-2002, Type KT302	
30 pcs	Mainline	4" X 30'	
15 pcs	Mainline	5" X 40'	
57 pcs	Handline	3" X 40'	

*X W. G.  
N.H.*

RETURN; MOUNTAIN TITLE CO., INC.

- PARCEL 1: Government lots 3, 4, and 5, the SE $\frac{1}{2}$ NW $\frac{1}{2}$ , and the NE $\frac{1}{2}$ SW $\frac{1}{2}$  Section 6 Township 37 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 2: The S $\frac{1}{2}$  of the SE $\frac{1}{2}$  of Section 30, Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 4: The SE $\frac{1}{2}$  Section 31, Township 36 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 5: The E $\frac{1}{2}$ NE $\frac{1}{2}$  Section 31 and W $\frac{1}{2}$ NW $\frac{1}{2}$  Section 32 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 6: Lots 1 and 2; the E $\frac{1}{2}$ NW $\frac{1}{2}$ ; and the SW $\frac{1}{2}$ NE $\frac{1}{2}$  Section 30 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 7: The N $\frac{1}{2}$ SE $\frac{1}{2}$  Section 30 Township 36 South Range 12 East of Willamette Meridian, Klamath County, Oregon.
- PARCEL 8: The E $\frac{1}{2}$ SE $\frac{1}{2}$  and E $\frac{1}{2}$ W $\frac{1}{2}$ SE $\frac{1}{2}$  Section 19 Township 36 South Range 12, East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 9: The E $\frac{1}{2}$ NE $\frac{1}{2}$  and NW $\frac{1}{2}$ NE $\frac{1}{2}$  Section 30 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 10: The NW $\frac{1}{2}$ SW $\frac{1}{2}$  Section 21 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 11: An eighteen acre tract located in the southwest corner of the northeast quarter of the southwest quarter of Section 21, Township 36 South Range 12 East of the Willamette Meridian, and more particularly described as follows:  
Beginning at the southwest corner of said northeast quarter of southwest quarter; thence east along the south line thereof 36 rods; thence north and parallel to the west line thereof 82 rods; thence west parallel to the south line thereof 36 rods to the west line thereof; thence south along the west line thereof 82 rods to the place of beginning.
- PARCEL 12: E $\frac{1}{2}$ SW $\frac{1}{2}$  and Government Lots 3 and 4 Section 30 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.  
And Government lot 1, Section 31 Township 36 South Range 12 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 13: The SE $\frac{1}{2}$  Section 25, the NE $\frac{1}{2}$  Section 36 all in Township 36 South Range 11 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 14: The E $\frac{1}{2}$ SE $\frac{1}{2}$  Section 36 Township 36 South Range 11 East of the Willamette Meridian, Klamath County, Oregon.
- PARCEL 15: Lots 3, 4, and 5; Lots 7 through 19, inclusive; and Lots 21 through 23 inclusive, all in Block 1 of WHISKEY CREEK ACRES, TRACT 1162, according to the official plat thereon file in the office of the County Clerk of Klamath County, Oregon.

STATE OF OREGON: COUNTY OF KLAMATH:ss

I hereby certify that the within instrument was received and filed for record on the 3rd day of July A.D., 19 85 at 4:16 o'clock P M, and duly recorded in Vol M85, of Mortgages on page 10348.

Fee: \$ 24.00

EVELYN BIEHN, COUNTY CLERK

by: Bernetha J. Hetch, Deputy