

Vol. m85 Page 11749

THIS INDENTURE, made this 19th day of July, 1985 between KLAMATH FALLS BRICK & TILE COMPANY, an Oregon Corporation herein called "Mortgagor", and WESTERN BANK, an Oregon banking corporation, herein called "Mortgagee", Vol. 1485 Page 117

WITNESSETH:

For value received by the Mortgagor from the Mortgagee, the Mortgagor does hereby grant, bargain, mortgage and convey unto the Mortgagee all the following described property situated in Klamath County, Oregon, to-wit:

See attached Exhibit "A" for legal description.

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together with the tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining, including but not limited to roads and easements used in connection with the premises; also, all fixtures, buildings and parts of buildings situated upon said property, including but not limited to electric wiring and fixtures; furnace and heating system, water heaters, fuel storage receptacles; plumbing, ventilating, water and irrigating systems; screens, doors; window shades and blinds, shutters; cabinets, built-ins, linoleums and floor coverings, built-in stoves, ovens, garbage disposals, air conditions, refrigerators, freezers, dishwashers; and all other fixtures now or hereafter installed in or on the premises; and any shrubbery, flora or timber now growing or hereafter planted or growing thereon; and any and all replacements of any one or more of the foregoing items, in whole or in part, all of which are hereby declared to be appurtenant to the land; and all the rents, issues and profits arising from the mortgaged property.

**TO HAVE AND TO HOLD** the same unto the Mortgagee, its heirs, assigns and assigns forever.

The Mortgagee covenants and warrants that it has good and lawful title to the above described premises, and that it has the right to make the above described mortgage, and that it is duly authorized to execute the same.

**TO HAVE AND TO HOLD** the same unto the Mortgagee, its successors and assigns forever. The Mortgagor does hereby covenant to and with the Mortgagee, that it is the true and lawful owner of the above described premises, and that it has the right to mortgage the same, and that it has the right to convey the same unto the Mortgagee, its successors and assigns forever.

The Mortgagee does hereby covenant to and with the Mortgagor that the Mortgagor is lawfully seized in fee simple of the said real property, that it is the absolute owner of all items of property described hereinabove, that the said property is free from encumbrances of every kind and nature, and that it will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.

This conveyance is intended as a mortgage to secure payment of the sum of \$100,000.00 by the Mortgagor hereunto

This conveyance is intended as a mortgage to secure performance of the covenants and agreements herein contained, to be by the Mortgagor kept and performed and to secure the payment of the sum of \$ 300,000.00 and interest thereon in accordance with the tenor of a certain promissory note executed by KLAMATH FALLS BRICK & TILE COMPANY dated July 19, 1985.

dated July 19, 1985, payable to the order of the Mortgagee in one installments of not less than \$ 300,000.00 each plus interest, ~~xxx~~ until June 5, 1986 when the balance then remaining unpaid shall be paid ~~xxxxxx~~  
This Mortgage is also given as security for the payment of ~~xxxxxx~~  
Mortgagor to the Mortgagee ~~xxxxxx~~

This Mortgage is also given as security for the payment of any and all other indebtednesses, obligations or liabilities of the Mortgagor to the Mortgagee now existing or hereafter arising, matured or to mature, absolute or contingent and wherever payable, including but not limited to such as may arise from endorsements, guarantees, acceptances, bills of exchange, promissory notes, or other paper discounted by the Mortgagee or held by the Mortgagee, or taken as security for any loans or advances of any kind, sort or description whatsoever.

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The Mortgagor does hereby covenant and agree to and with the Mortgagee, its successors and assigns, to insure against loss by fire and against loss by such other hazards as the Mortgagee may from time to time require, in one or more insurance companies satisfactory to or designated by the Mortgagee in an aggregate amount not less than the amount of the indebtedness hereby secured (unless the full insurable value of such building or buildings is less than the amount hereby secured, in which event the Mortgagee shall insure to the amount of the full insurable value); that all policies of insurance upon said premises, including policies in excess of the amount hereinabove mentioned and policies against other hazards than those required, shall contain such provisions as the Mortgagee may prescribe, that loss shall be payable to the Mortgagee; that all such policies and receipts showing full payment of premiums therefor shall be delivered to and retained by the Mortgagee during the existence of this mortgage; that at least 5 days prior to the expiration of any policy or policies it will deliver to the Mortgagee satisfactory renewals thereof together with premium receipts in full; that if any policy or policies shall impose any condition upon the liability of the insurer or shall contain any "average clause" or other provision by which the insurer may be liable for less than the full amount of the loss sustained, it will, as often as the Mortgagee may require, provide the Mortgagee with all such evidence as it may request concerning the performance of such condition or the existence of any facts or the value of the property insured and, if it shall appear to the Mortgagee that the insurance is prejudiced by the acts or omissions of the Mortgagor or that the coverage is inadequate, the Mortgagor will do such acts and things and obtain such further insurance as the Mortgagee may require; that the Mortgagee may, at its option, require the proceeds of any insurance policies upon the said premises to be applied to the payment of the indebtedness hereby secured or to be used for the repair or reconstruction of the property damaged or destroyed.

4. That it will execute or procure such further assurance of its title to the said property as may be requested by the Mortgagee.

5. That in case the Mortgagor shall fail, neglect or refuse to do or perform any of the acts or things herein required to be done or performed, the Mortgagee may, at its option, but without any obligation on its part so to do, and without waiver of such any obligation on its part so to do, and without waiver of such default, procure any insurance, pay any taxes or liens or utility charges, make any repair, or do any other of the things required, and any expenses so incurred and any sums so paid shall bear interest at 8% per annum, or at the rate of interest set forth in the note mentioned above, whichever is greater, and shall be secured hereby.

6. That it will not, without the prior written consent of Mortgagee, transfer its interest in said premises or any part thereof, whether or not the transferee assumes or agrees to pay the indebtedness hereby secured. Upon any application for Mortgagee's consent to such a transfer, Mortgagee may require from the transferee such information as would normally be required if the transferee were a new loan applicant. Mortgagee shall not unreasonably withhold its consent. As a condition of its consent to any transfer, Mortgagee may, in its discretion, impose a service charge not exceeding one percent of the original amount of the indebtedness hereby secured and may increase the interest rate on the indebtedness hereby secured by not more than one percent per annum.

7. That, if any default be made in the payment of the principal or interest of the indebtedness hereby secured or in the performance of any of the covenants or agreements of this mortgage, the Mortgagee may, at its option, without notice, declare the entire sum secured by this mortgage due and payable and foreclose this mortgage.

1. That Mortgagor will pay, when due, the indebtedness hereby secured, with interest as prescribed by said note, and will pay, when due, all other sums secured hereby, and all taxes, liens and utility charges upon said premises, or for services furnished thereto. In addition thereto, it will pay, at the time of payment of each installment of principal and interest, such amount as Mortgagee shall estimate to be sufficient to produce, at least one month prior to the time when payment thereof shall become due, the amount of (a) taxes, assessments and other governmental rates and charges against said premises (herein all called "taxes") and (b) premiums upon insurance against loss or damage to said premises (said amounts being referred to hereinafter as "loan trust funds"). If the sums so paid shall be less than sufficient for said purposes, Mortgagee will also pay, upon demand, such additional sum as "package" plan of insurance which includes Mortgagee desires a "package" plan of insurance under this mortgage, coverage in addition to that required under this mortgage, Mortgagee may, at its option, establish and administer a reserve for that purpose. If the package plan reserve is not sufficient to pay the renewal premium on a package plan policy, then Mortgagee may use such reserve to pay premiums on a policy covering only risks required to be insured against under this mortgage and allow the package plan policy to lapse. Mortgagee shall, upon the written direction of Mortgagor, and may, without such direction, apply sums paid by Mortgagor and held by Mortgagee to the purposes aforesaid; but the receipt of such sums shall not, in the absence of such direction, impose any duty upon Mortgagee to disburse the same or relieve Mortgagee from its covenants to pay said obligations or to keep the premises insured. Mortgagee may, from time to time, establish reasonable service charges for the collection and disbursement of premiums on package-type insurance policies. Mortgagee shall not, whether or not service charges are imposed, be subject to any liability for failure to transmit any premiums to any insurer or by reason of any loss growing out of any defect in any insurance policy. At Mortgagee's option, Mortgagee may apply all loan trust funds directly to the payment of the principal balance then unpaid on the indebtedness secured hereby; if Mortgagee elects so to do, Mortgagee is authorized to pay taxes, insurance premiums on the mortgaged property and all other charges which would otherwise be payable from the loan trust funds, when the same become due and payable, and Mortgagee may then add the amount of any such payment to the principal balance then unpaid on the indebtedness secured hereby, each such payment to bear interest as provided in the promissory note mentioned hereinabove.

2. That Mortgagor will not commit or permit strip or waste of the said premises, or any part thereof; that Mortgagor will keep the real and personal property hereinabove described in good order and repair and in tenantable condition; that Mortgagor will promptly comply with any and all municipal and governmental rules and regulations with reference thereto; that Mortgagor will not cut or permit the cutting or removal of any timber without the written consent of Mortgagee, that if any of the said property be damaged or destroyed by any cause, Mortgagee will immediately reconstruct or repair the same so that, when completed, it shall be worth not less than the value thereof at the time of such loss or damage; provided, that if such loss or damage shall be caused by a hazard covered by insurance payable to Mortgagee, the obligation of the Mortgagor to repair or reconstruct shall not arise unless the Mortgagee shall consent to the application of the insurance proceeds to the expense of such reconstruction or repair.

3. That it will, at its own cost and expense, keep the building or buildings now or hereafter upon said premises, together with all personal property covered by the lien hereof,

8. That, in the event of the institution of any suit or action to foreclose this mortgage, the Mortgagor will pay such sum as the trial court and any appellate court may adjudge reasonable as attorney's fees in connection therewith and such further sums as the Mortgagee shall have paid or incurred for costs and disbursements in such suit or action, extensions of abstracts or title searches or examination fees in connection therewith, whether or not final judgment or decree therein be entered and all such sums are secured hereby and shall bear interest from the date paid or incurred by Mortgagee or from the date of judgment, whichever occurs first, at the rate set forth in the promissory note mentioned above; that in any such suit, the court may, upon application of the plaintiff and without regard to the condition of the property or the adequacy of the security for this indebtedness hereby secured and without notice to the Mortgagor or any one else, appoint a receiver to take possession and care of all said mortgaged property and collect and receive any or all of the rents, issues and profits which had theretofore arisen or accrued or which may arise or accrue during the pendency of such suit; that any amount so received shall be applied toward the payment of the debt secured hereby, after first paying therefrom the charges and expenses of such receivership; but until a breach or default by the Mortgagor in one or more of its covenants or agreements herein contained, it may remain in possession of the mortgaged property and retain all rents actually paid to and received by him prior to such default.

9. The word "Mortgagor", and the language of this instru-

ment 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. Masculine pronouns include feminine and neuter. All of the covenants of the Mortgagor shall be binding upon its heirs, executors, administrators, successors and assigns and inure to the benefit of the successors and assigns of the Mortgagee. In the event of any transfer of the property herein described or any part thereof or any interest therein, whether voluntary or involuntary or by operation of law, the Mortgagee may, without notice to the Mortgagor or any one else, once or often, extend the time of payment or grant renewals of indebtedness hereby secured for any term, execute releases or partial releases from the lien of this mortgage or in any other respect modify the terms hereof without thereby affecting the personal primary liability of the Mortgagor for the payment of the indebtedness hereby secured. No condition of this mortgage shall be deemed waived unless the same be expressly waived in writing by the Mortgagee. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, such notice, demand or request shall be sufficient if personally served on one or more of the persons who shall at the time hold record title to the property herein described or if enclosed in a postpaid envelope addressed to one or more of such persons or to the Mortgagor at the last address actually furnished to the Mortgagee or at the mortgaged premises and deposited in any post office, station or letter box.

IN WITNESS WHEREOF, the Mortgagor, pursuant to resolution of its Board of Directors duly and regularly adopted has caused these presents to be executed on its behalf by its duly authorized officers and its corporate seal, if any, to be affixed hereto the day and year first hereinabove written.

KLAMATH FALLS BRICK & TILE COMPANY

By William R. Smith President

BY Richard W. Smith Vice President

By Wendell A. Smith Secretary

(Corporate Seal)

STATE OF OREGON

County of Klamath

July 19

A. D. 19 85

Personally appeared William R. Smith

and Richard W. Smith & Wendell A. Smith

who being duly sworn, did say that they are President and Vice President

and Secretary, respectively of Klamath Falls Brick & Tile Company

and that the seal affixed to the foregoing instrument, if any, is the corporate seal of said corporation and that said instrument was signed in behalf of said corporation by authority of its board of directors and they acknowledged said instrument to be its voluntary act and deed.

Before me: Return to:  
(Notary Seal) Western Bank  
P. O. Box 669  
Klamath Falls, OR 97601

Everett T. White  
Notary Public for Oregon.  
My Commission Expires Feb. 25, 1986

## PARCEL 1:

Beginning at a point which is West 1330 feet and North 350 feet from the corner common to Sections 19, 20, 29 and 30, Township 36 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence North and parallel to the line between Sections 19 and 20, 480 feet; thence East and parallel to the Section line between Sections 19 and 30, 332½ feet; thence South and parallel to the Section line between Sections 19 and 20, 480 feet; thence West and parallel to the section line between Sections 19 and 30, 332½ feet to the point of beginning being a portion of the SE¼ of the SE¼ of Section 19, Township 38 South, Range 9 East of the Willamette Meridian. ALSO,

Beginning at a point which is 89° 30' West a distance of 550 feet from the Southeast corner of Section 19; thence North and parallel to the East line of said Section, 350 feet to a point; thence West 622 feet parallel with South line of Section to a point; thence South 350 feet parallel with East line of Section to a point; thence East 622 feet on South line of Section to place of beginning, all in Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. ALSO,

Lot 1, 2, 3, 8, 9, 10, Block 34, BUENA VISTA ADDITION TO THE CITY OF KLAMATH FALLS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 12 and 13 of Block 32; Lots 8 and 11 of Block 33 of BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lot 1, 2, 3, 4 and 10, in Block 33 of BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 4 and 5, Block 34, BUENA VISTA ADDITION to the City of Klamath Falls according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 11 and 12, Block 34, BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Lots 5, and 9, Block 33, BUENA VISTA ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO,

Portion of SE¼SE¼ of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, described as follows:

Beginning at a point 860 feet North of corner common to Sections 19, 20, 29 and 30 in Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and 617 feet Westerly and parallel to Section line between Sections 19 and 30, same township and range; thence Northerly and parallel to line between Sections 19 and 20 a distance of 468 feet, more or less, thence Easterly and

KLAMATH FALLS BRICK & TILE COMPANY

BY: William R. Smith President

DATE: July 19, 1985

BY: Richard W. Smith Vice President

BY: Theresa A. Smith Secretary



PARCEL 1: (continued)

parallel to line between Sections 19 and 30 a distance of 100 feet, thence Southerly and parallel to Section line between Sections 19 and 20 a distance of 688.5 feet, more or less; thence Westerly and parallel to line between Sections 19 and 30 a distance of 100 feet to the place of beginning, all in Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. ALSO,

A tract of land 230 feet wide being 80 feet wide on the Westerly side and 150 feet wide on the Easterly side of the following described centerline: Beginning at an iron pin which lies North along the Section line a distance of 1907.5 feet and West a distance of 839.55 feet from the iron axle with pinion which marks the Southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, and running thence; North  $10^{\circ} 34'$  East a distance of 211 feet to an iron pin which is the point of curvature of a  $10^{\circ}$  curve to the left; thence in a Northwesterly direction following the arc of a  $10^{\circ}$  curve to the left a distance of 359 feet more or less to an iron pin which lies on the Southerly right of way line of the Pelican City Road,  $30'$  Southerly at right angles from its center line (the long chord of this curve bears North  $16^{\circ} 23'$  West a distance of 353.2 feet). ALSO,

Beginning at a point which is the center of the SE $\frac{1}{4}$  of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, or 30 feet Easterly from the Northeast corner of Block 28 of BUENA VISTA ADDITION to the City of Klamath Falls, Oregon; thence North on 16th line between the NE $\frac{1}{4}$  of the SE $\frac{1}{4}$  and the NW $\frac{1}{4}$  of the SE $\frac{1}{4}$  of Section 19 a distance of 581 feet to a point; thence Easterly and parallel to Section line between Sections 19 and 20 a distance of 726 feet to a point; thence South and parallel to Section line along the 16th line between the NE $\frac{1}{4}$  of SE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of SE $\frac{1}{4}$ , Section 19, a distance of 726 feet to the place of beginning. ALSO, beginning at a point which is distant 726 feet Easterly from center of the Southeast quarter of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, along the 16th line; thence North and parallel to Section line between Sections 19 and 20 a distance of 577 feet to a point; thence Easterly a distance of 181 feet to a point; thence Southerly and parallel to Section line between Sections 19 and 20 a distance of 575.5 feet to a point; thence Westerly and parallel to Section line between Sections 19 and 30 and along 16th line a distance of 181 feet to a point of beginning. ALSO,

Beginning at a point which is 860 feet Northerly and 817' Westerly from the corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian; thence Westerly and parallel to Section line between Sections 19 and 30, 150 feet to a point; thence North 277.5 feet to a point; thence East 150 feet to a point; thence South 278 feet to place of beginning, being a portion of the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 19, Township 38 South, Range 9 East of the Willamette Meridian. ALSO,

Beginning at a point 860 feet North of corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian and 817 feet Westerly and parallel to Section line between Sections 19 and 30, same Township and Range; thence Northerly and parallel to line between Sections 19 and 20 a distance of 467 feet, more or less, thence Easterly and parallel to line between Sections 19 and 30 a distance of 100 feet; thence Southerly

KLAMATH FALLS BRICK & TILE COMPANY

BY: William R. Smith President  
BY: Richard W. Smith Vice President  
BY: Thomas A. Smith Secretary

DATE: July 19, 1985

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PARCEL 1: (continued)

and parallel to Section line between Sections 19 and 20, a distance of 467.5 feet more or less; thence Westerly and parallel to line between Sections 19 and 30 a distance of 100 feet to the place of beginning. ALSO,

Beginning at a point which is 1137.5 feet North and 817 feet West from the corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian; thence Westerly and parallel to the Section line between Sections 19 and 30, 150 feet; thence South 189 feet; thence East 150 feet; thence North 189 feet to the place of beginning, being a portion of the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, ALSO,

Beginning at a point which is the Southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, thence Westerly along the Southerly line of Section 19 a distance of 558 feet to a point; thence Northerly and parallel with the Easterly line of Section 19 a distance of 350 feet to a point; thence Easterly and parallel with the Southerly line of Section 19 a distance of 558 feet to a point; thence Southerly along the Easterly line of Section 19 a distance of 350 feet to the point of beginning.

EXCEPTING THEREFROM THE FOLLOWING:

A tract of land situated in the Southeast quarter of the Southeast quarter of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, as follows:

Beginning at a point South 89° 38' West a distance of 10 feet from the Southeast corner of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence South 89° 38' West along Buena Vista Addition 283.53 feet; thence North 311.80 feet; thence East 278.53 feet; thence South 00° 55' 30" East 310.04 feet to the point of beginning, bearings based on Survey of March 8, 1962, as recorded in the Klamath County Surveyor's Office.

PARCEL 2:

Beginning at a point which is West 997 $\frac{1}{2}$  feet North 350 feet distant from corner common to Sections 19, 20, 29 and 30, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence North and parallel with Section line between Section 19 and 20 said Township and Range 480 feet to a point; thence Easterly and parallel with Section line between Section 19 and 20 a distance of 332 $\frac{1}{2}$  feet to a point; thence Southerly parallel with Section line between Section 19 and 20 a distance of 480 feet; thence Westerly and parallel to Section line between Section 19 and 20 a distance of 332 $\frac{1}{2}$  feet to the point of beginning, being located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 19, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

KLAMATH FALLS BRICK & TILE COMPANY

BY: Richard W. Smith President

DATE: July 19, 1985

BY: Richard W. Smith Vice President

BY: Shadell C. Smith Secretary

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of \_\_\_\_\_ the 25th day  
of July A.D., 19 85 at 2:28 o'clock P M., and duly recorded in Vol. M85  
of Mortgages on Page 11749

FEE \$25.00

Evelyn Biehn  
By \_\_\_\_\_

County Clerk  
Pam Smith

# MORTGAGE REAMORTIZATION AGREEMENT

(Loan No. 179692-5)

THIS AGREEMENT, Made this 28th day of June, 19 85, between

William L. Gallagher and Nadine F. Gallagher, husband and wife

hereinafter designated as Mortgagors, and The Federal Land Bank of Spokane, a corporation organized and existing under the Farm Credit Act of 1971, with its principal place of business in the City of Spokane, County of Spokane, State of Washington, hereinafter designated as Mortgagee. WITNESSETH:

THAT, WHEREAS, By mortgage recorded as instrument No. 72481 in Book M79 of Mortgages, at page 19594, records of Klamath County, State of Oregon, Mortgagors, or their predecessors in interest, mortgaged to The Federal Land Bank of Spokane, a corporation, the real property described therein, reference to which mortgage as so recorded is hereby made for the terms thereof, and the description of said property; and

WHEREAS, There is owing Mortgagee upon the debt secured by said mortgage the aggregate sum of \$ 98,132.43 as of June 24, 19 85, being the date as of which this agreement is effective; and

WHEREAS, The Mortgagors desire that the said indebtedness be reamortized;

NOW, THEREFORE, In consideration of the premises and the mutual promises of the parties hereto it is agreed: That the said total sum now owing under said mortgage, as hereinabove set forth, with interest from the date as of which this agreement is effective at the rate of 12.25% per annum on an amortization plan, shall be paid as follows:

Interest on the aggregate sum shall be payable on the first day of January, 1986, and annually thereafter; the aggregate sum shall be payable in 29 installments of principal and interest of Twelve Thousand Four Hundred Eight and 57/100 DOLLARS each, the first installment being payable on the first day of January, 19 86, and an installment being payable on each succeeding interest payment date to and including the first day of January, 2014, and a final installment of the balance unpaid on the first day of January, 2015, unless this debt shall be matured sooner by extra payments.

The Mortgagee may, from time to time, establish a higher or lower rate of interest which shall then apply to the unmatured balance of the debt evidenced hereby and shall remain in effect until a different rate is established. Such different rates shall be established in accordance with the provisions of the Farm Credit Act of 1971 and the regulations of the Farm Credit Administration as then existing.

The non-payment when due of any sum, principal or interest, shall cause the assessment of default interest and, if provided in the original mortgage, late charges. The default rate after the effective date hereof is the interest rate from time to time in effect for this loan, plus two percent per annum. If applicable, the late charge after the effective date hereof is five percent of the installment. After acceleration of the secured obligations, the entire amount due and payable shall thereafter bear interest until paid at the default rate which was in effect at the time of acceleration.

Any Mortgagor hereof may at any time pay any amount of principal hereon in advance of its maturity. Unless the Mortgagee otherwise elects, any such payment shall operate to reduce the balance owing and to discharge the debt evidenced hereby at an earlier date, but shall not alter the obligation to pay full installments periodically as above provided until the debt is paid in full.

In consideration of the change in terms of payment herein provided, Mortgagors hereby covenant and agree to pay the said aggregate amount unpaid under the terms of said note and mortgage, with interest at the rates specified herein, at the times and in the amounts as above set forth, it being expressly agreed that if Mortgagors were not heretofore personally liable under said note and mortgage they hereby assume and agree to pay the debt owing thereunder, and to perform each of the other agreements therein named.

The said mortgage and the lien thereof (except as to any property heretofore released therefrom of record) and the note secured thereby, as the times for payment are hereby changed, are continued in full force and effect in each of the covenants and agreements therein contained; and mortgagee may at its option declare the entire indebtedness due and payable upon default in the payment of any of the sums secured, when due as so specified, or for any other cause for acceleration of maturity specified in said mortgage.

Mortgagee hereby expressly reserves all rights against sureties, guarantors and all parties liable for the payment of said indebtedness, and any persons who may have any interest in or lien upon any or all of the property so mortgaged, who do not consent hereto, and the right of itself and of all such parties to maintain any action on the original note and mortgage necessary to preserve such rights. All rights of any one against whom rights are herein reserved may be enforced as if this agreement had not been made.

The Mortgagors and all other persons hereafter becoming liable for the payment of the above debt consent to all indulgences, extensions, renewals and reamortizations granted or permitted by the Mortgagee.

This agreement is for the benefit of and binding upon the heirs, representatives, successors and assigns of all parties executing the same, respectively.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written

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William L. Gallagher  
William L. Gallagher  
Nadine F. Gallagher  
Nadine F. Gallagher

Mortgagors

THE FEDERAL LAND BANK OF SPOKANE

By Christy Christel  
Christy Christel  
Authorized Agent  
Mortgagee

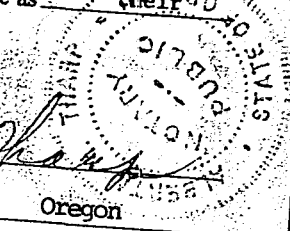
STATE OF Oregon  
County of Klamath  
On this 23rd day of July, 19 85  
William L. Gallagher and Nadine F. Gallagher

before me personally appeared

known to me to be the person(s) described in and whose name(s) are subscribed to and who executed the within instrument and acknowledged to me that they executed, signed and sealed the same as their free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and notarial seal the day and year last above written.

Albert M. Thompson  
Notary Public in and for the State of Oregon  
Residing at Klamath Falls  
My commission expires Oct. 30, 1988



STATE OF OREGON,  
County of Klamath ss.

Filed for record at request of:

Federal Land Bank Assoc. of Klamath Falls  
on this 25th day of July A.D., 19 85  
at 2:28 o'clock P. M. and duly recorded  
in Vol. M85 of Mortgages Page 11755  
By Evelyn Biehn County Clerk  
By Ann Smith Deputy.  
Fee, \$9.00

Return to:  
FEDERAL LAND BANK ASSOCIATION  
OF KLAMATH FALLS  
6350 SOUTH 8TH ST  
KLAMATH FALLS, OR 97603-7110