

TRUST DEED

28-2655
 THIS TRUST DEED, made this 27th day of April, 1972, between
 RALPH H. SMITH and LUCIENNE D. SMITH, husband and wife,
 4303 Altamont Drive, Klamath Falls, Oregon, 97601, as Grantors,
 TRANSAMERICA TITLE INSURANCE CO. (Address)
 600 Main Street, Klamath Falls, Oregon, 97601, as Trustee,
 and United States National Bank of Oregon, Town & Country Branch, as Beneficiary,
 3720 S. 6th St., Klamath Falls, Oregon, 97601 (Address).

Grantor conveys to Trustee in trust the following property not exceeding three acres in Klamath County, Oregon:

Lot 17, CASITAS ADDITION, Klamath County, Oregon

together with all appurtenances, and all existing or subsequently erected or affixed improvements or fixtures, all of which is collectively referred to as the Property.

Beneficiary has loaned Grantors * (Borrower) \$ 12,000.00 which is repayable with interest according to the terms of a promissory note dated the same as this deed, under which the final payment of principal and interest is due on or before 25 years from date.

The term "Indebtedness" as used in this deed shall mean (a) the principal and interest payable under the note, (b) any future amounts that Beneficiary may in its discretion loan to Borrower or Grantor, together with interest thereon and, (c) any sums paid or advanced by Beneficiary to discharge obligations of Grantor as permitted under this deed, together with interest thereon.

*Insert "Grantor" or the name of the borrower if different from Grantor.

This deed is given to secure payment of the Indebtedness and performance of all obligations of Grantor under this deed, and is given and accepted on the following terms:

1. Possession and Maintenance of the Property.

1.1 Until in default, Grantor shall remain in possession and control of the Property and to the extent that the Property consists of commercial improvements shall be free to operate and manage the Property and receive the proceeds of operation. The Property shall be maintained in good condition at all times; Grantor shall promptly make all necessary repairs, replacements and renewals so that the value of the Property shall be maintained, and Grantor shall not commit or permit any waste on the Property. Grantor shall comply with all laws, ordinances, regulations and private restrictions affecting the Property. Grantor shall not demolish or remove any improvements from the Property without the written consent of Beneficiary.

1.2 To the extent that the Property constitutes commercial property, Grantor shall operate the Property in such manner as to prevent deterioration of the land and improvements including fences, except for reasonable wear and tear from proper use.

1.3 Upon notice to Grantor, Beneficiary may make or cause to be made reasonable entries upon the Property for the purpose of inspecting it.

1.4 If the Property is located in the State of Washington, Grantor shall not use the Property principally for agricultural or farming purposes. If the Property is not located in such state and is used as a farm or orchard, Grantor shall cultivate or otherwise operate the Property according to good husbandry.

2. Completion of Construction.

If some or all of the proceeds of the loan creating the Indebtedness are to be used to construct or complete construction of any improvement on the Property, the improvement shall be completed on or before six months from the date of this deed and Grantor shall pay in full all costs and expenses in connection with the work.

3. Taxes and Liens.

3.1 Grantor shall pay before they become delinquent all taxes and assessments levied against or on account of the Property, and shall pay as due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Beneficiary under this deed, except for the lien of taxes and assessments not delinquent and except as otherwise provided in 3.2.

3.2 Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as

Beneficiary's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within 15 days after the lien arises or, if a lien is filed, within 15 days after Grantor has notice of the filing, secure the discharge of the lien or deposit with Beneficiary cash or a sufficient corporate surety bond or other security satisfactory to Beneficiary in an amount sufficient to discharge the lien plus any costs, attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien.

3.3 The assessor or tax collector of the county in which the Property is located is authorized to deliver to Beneficiary a written statement of the property taxes assessed or owing at any time.

4. Insurance.

4.1 Grantor shall carry such insurance as Beneficiary may reasonably require. This shall include insurance on the Property against fire, additional risks covered by a standard endorsement for extended coverage, and such other risks as may be specified by Beneficiary including without limitation war risks. Insurance on the Property shall be carried in companies and under policies approved by Beneficiary and shall be for an amount equal to the remaining unpaid portion of the Indebtedness or the full insurable value of the Property, whichever is less, and an amount sufficient to comply with any co-insurance provision in any policy.

4.2 All policies of insurance on the Property shall bear an endorsement in a form satisfactory to Beneficiary making loss payable to Beneficiary and shall be deposited with Beneficiary. In the event of loss, Grantor shall immediately notify Beneficiary, who may make proof of loss if it is not made promptly by Grantor. Proceeds shall be paid directly to Beneficiary who may compromise with any insurance company and make a final settlement which shall be binding upon Grantor. Beneficiary may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration or repair of the Property.

4.3 At least 30 days prior to the expiration of any policy, a satisfactory renewal or substitute policy shall be secured by Grantor.

4.4 In the event the Property has been submitted to unit ownership pursuant to the Oregon Unit Ownership Law, ORS 91.505 to ORS 91.675, or pursuant to any similar law of any other state, the insurance described in paragraph 4.1 may be carried by the association of unit owners in Grantor's behalf, and the proceeds of such insurance may be paid to the association of unit owners for the purpose of repairing or reconstructing the Property. If not so used by the association, such proceeds shall be paid to Beneficiary.

NOTE: The Trust Deed Act provides that the Trustee hereunder must be either an attorney, who is an active member of the Oregon State Bar, a bank, trust company or savings and loan association authorized to do business under the laws of Oregon or of the United States, or a title insurance company authorized to insure title to real property under the provisions of ORS Chapter 728, its subsidiaries, affiliates, agents or branches.

(e) The right in connection with any legal proceedings to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount.

(f) In the event Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay while in possession a reasonable rental for use of the Property.

(g) If the Property has been submitted to unit ownership as described in 15.1 above, Grantor hereby grants to Beneficiary irrevocably a power of attorney to vote as it may see fit, if Beneficiary chooses to do so, on any matter which may come before the members of the association of unit owners. This power of attorney, although given contemporaneously herewith, may be exercised by Beneficiary only after default hereunder by Grantor.

(h) Any other right or remedy provided in this deed or the promissory note evidencing the Indebtedness.

16.2 In exercising its rights and remedies Beneficiary shall be free to sell all or any part of the Property together or separately or to sell certain portions of the Property and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale on all or any portion of the Property.

16.3 Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

16.4 A waiver by either party of a breach of a provision of this agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this deed after failure of the Grantor to perform shall not affect Beneficiary's right to declare a default and exercise its remedies under this Paragraph 16.

16.5 In the event suit or action is instituted to enforce any of the terms of this deed, Beneficiary shall be entitled to recover from Grantor such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. All reasonable expenses incurred by Beneficiary that are necessary at any time in Beneficiary's opinion for the protection of its interest or the enforcement of its rights, including without limitation, the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions or title insurance, and fees for Trustee, whether or not any court action is involved, shall become a part of the Indebtedness payable on demand and shall bear interest at the rate of ten percent per annum from the date of expenditure until repaid.

17. Notice.

Any notice under this deed shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this deed. Any party may change the address for notices by written notice to the other parties.

18. Succession; Terms.

18.1 Subject to the limitations stated in this deed on transfer of Grantor's interest and subject to the provisions of applicable law with respect to successor trustees, this deed shall be binding upon and inure to the benefit of the parties, their successors and assigns.

18.2 In construing this deed the term deed shall encompass the term security agreement when the instrument is being construed with respect to any personal property.

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON, County of Klamath) ss.

April 27, 1972

Personally appeared the above-named RALPH E. SMITH

and ROSEANNE E. SMITH, his wife,

and acknowledged the foregoing instrument to be their
voluntary act.

Before me: [Signature] (SEAL)

Notary Public for Oregon

My commission expires: April 19, 1972

CORPORATE ACKNOWLEDGEMENT

STATE OF OREGON, County of) ss.

 , 19

Personally appeared , and
 , who, being sworn, stated
that he, the said , is a
 , and he, the said ,
is a of Grantor corporation and that
the seal affixed hereto is its seal and that this deed was voluntarily
signed and sealed in behalf of the corporation by authority of its Board
of Directors.

Before me: (SEAL)

Notary Public for Oregon

My commission expires:

REQUEST FOR FULL RECONVEYANCE
To be used only when obligations have been paid.

STATE OF OREGON, COUNTY OF KLAMATH: ss.

Filed for record at request of TRANS AMERICA TITLE INC. CO

this 2nd day of MAY A.D. 1972 at 2:52 o'clock AM. and duly recorded in

Vol. 1472 of MORTGAGES on Page 466A

FILE 36.00

WM. D. MILNE, County Clerk

By [Signature] (Title)

Do not lose or destroy this Trust Deed OR THE NOTE which it secures. Both must be delivered to the trustee for cancellation before reconveyance will be made.