

TRUST DEED

THIS TRUST DEED, made this 26th day of May, 1972, between
JAMES V. KALER and LILAS J. KALER, husband and wife,

2110 White Street, Klamath Falls, Oregon, 97601, as Grantors,
 (Address)
TRANSAMERICA TITLE INSURANCE CO.,
600 Main Street, Klamath Falls, Oregon, 97601, as Trustee,
 (Address)
 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 7, Block 209, Mills Second Addition, City of Klamath Falls

(35)

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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 Grantor \$15,000.00 (Borrower) 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.

5. Reserves; Mortgage Insurance Premiums.

5.1 Beneficiary may require Grantor to maintain reserves for payment of taxes (including special assessments and other charges against the Property by governmental or quasi-governmental bodies) or premiums on insurance or both. The reserves shall be created by payment each month to Beneficiary of an amount determined by Beneficiary to be sufficient to produce, at least 30 days before they are due, amounts equal to or in excess of the taxes or insurance premiums to be paid. If at the time that payments are to be made the reserve for either taxes or insurance premiums is insufficient, Grantor shall upon demand pay such additional sum as Beneficiary shall determine to be necessary to cover the required payment.

5.2 If Beneficiary carries insurance covering the repayment of all or any part of the Indebtedness, the premiums for such insurance shall be paid by Grantor, and Beneficiary may require Grantor to maintain a reserve for such purpose in the same manner as for taxes and insurance.

5.3 If Grantor desires to carry a package plan of insurance that includes coverage in addition to that required under this deed, Beneficiary may at its option establish and administer a reserve for that purpose. In such event the premium attributable to the required insurance coverage shall be quoted separately, and Beneficiary may permit Grantor to furnish a certificate of insurance rather than deposit the policy as required in 4.2. If at any time Beneficiary holds an insufficient amount in the insurance reserve to cover the premium for the entire package policy, Beneficiary may, at its discretion pay only that portion of the premium attributable to the required insurance coverage. Beneficiary may from time to time establish reasonable service charges for the collection and disbursement of premiums on package plan insurance.

6. Expenditures by Beneficiary.

If Grantor shall fail to comply with any provision of this deed, Beneficiary may at its option on Grantor's behalf take the required action and any amount that it expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest at the rate of ten percent per annum from the date of expenditure. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Beneficiary may be entitled on account of the default, and Beneficiary shall not by taking the required action cure the default so as to bar it from any remedy that it otherwise would have had.

7. Late Payment Penalty.

If any payment under the note is late by 15 days or more, the Beneficiary may charge a penalty up to two cents for each dollar of payment so in arrears to cover the extra expense involved in handling delinquent payments. Collection of a late payment charge shall not constitute a waiver of or prejudice the Beneficiary's right to pursue any other right or remedy available on account of the delinquency.

8. Warranty; Defense of Title.

8.1 Grantor warrants that he holds merchantable title to the Property in fee simple free of all encumbrances other than those enumerated in the title policy, if any, issued for the benefit of Beneficiary in connection with this transaction and accepted by Beneficiary.

8.2 Subject to the exceptions in 8.1 above, Grantor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this deed, Grantor shall defend the action at his expense.

9. Condemnation.

9.1 If all or any part of the Property is condemned, Beneficiary may at its election require that all or any portion of the net proceeds of the award be applied on the Indebtedness. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Grantor, Beneficiary and Trustee in connection with the condemnation.

9.2 If any proceedings in condemnation are filed, Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

10. Imposition of Tax by State.

10.1 The following shall constitute state taxes to which this paragraph applies:

(a) A specific tax upon deeds of trust or upon all or any part of the Indebtedness secured by a deed of trust.

(b) A specific tax on a grantor which the taxpayer is authorized or required to deduct from payments on the Indebtedness secured by a deed of trust.

(c) A tax on a deed of trust chargeable against the Beneficiary or the holder of the note secured.

(d) A specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by a grantor.

10.2 If any state tax to which this paragraph applies is enacted subsequent to the date of this Deed of Trust, this shall have the same effect as a default, and Beneficiary may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

(a) Grantor may lawfully pay the tax or charge imposed by the state tax, and

(b) Grantor pays or offers to pay the tax or charge within 30 days after notice from Beneficiary that the tax law has been enacted.

11. Powers and Obligations of Trustee.

11.1 In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following action with respect to the Property upon the request of Beneficiary and Grantor:

(a) Joining in preparation and filing of a map or plat of the Property, including the dedication of streets or other rights in the public;

(b) Joining in granting any easement or creating any restriction on the Property.

(c) Joining in any subordination or other agreement affecting this deed or the interest of Beneficiary under this deed.

(d) To sell the Property as provided in Paragraph 16.1 (b) of this deed.

11.2 Trustee shall not be obligated to notify any other party of a pending sale under any other deed of trust or lien, or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

12. Transfer by Grantor.

12.1 Grantor shall not, without the prior written consent of Beneficiary, transfer Grantor's interest in the Property, whether or not the Transferee assumes or agrees to pay the Indebtedness. If Grantor or a prospective Transferee applies to Beneficiary for consent to such a transaction, Beneficiary may require such information concerning the Transferee as would normally be required from a new loan applicant. Beneficiary shall not unreasonably withhold its consent.

12.2 As a condition of its consent to any transfer, Beneficiary may in its discretion impose a service charge not exceeding one percent of the original amount of the Indebtedness, and may increase the interest rate of the Indebtedness by not more than one percent per annum, in which case Beneficiary may increase the amount of each remaining installment so that the Indebtedness will be fully paid by the original maturity date.

12.3 No transfer by Grantor shall relieve Grantor of liability for payment of the Indebtedness. Following a transfer, Beneficiary may agree to any extension of time for payment or modification of the terms of this deed or the promissory note or waive any right or remedy under this deed or the promissory note without relieving Grantor from liability. Grantor waives notice, presentment and protest with respect to the Indebtedness.

13. Security Agreement; Financing Statements.

13.1 This instrument shall constitute a security agreement with respect to any personal property included within the description of the Property.

13.2 Grantor shall join with Beneficiary in executing one or more financing statements under the Uniform Commercial Code and shall file the statements at Grantor's expense in all public offices where filing is required to perfect the security interest of Beneficiary in any personal property under the Uniform Commercial Code.

14. Reconveyance on Full Performance.

If Grantor pays all of the Indebtedness when due and otherwise performs all of the obligations imposed upon Grantor under this instrument and the promissory note evidencing the Indebtedness, Beneficiary shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Beneficiary's security interest in personal property. The reconveyance fee required by law shall be paid by Grantor.

15. Default.

The following shall constitute events of default:

15.1 Failure of Grantor to pay any portion of the Indebtedness when it is due.

15.2 Failure of Grantor within the time required by this deed to make any payment for taxes, insurance, or mortgage insurance premiums or for reserves for such payments, or any other payment necessary to prevent filing of or discharge of any lien.

15.3 Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against, Grantor.

15.4 If 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, failure of Grantor to perform any of the obligations imposed on him by the declaration submitting the Property to unit ownership, by the bylaws of the association of unit owners, or by any rules or regulations thereunder. If Grantor's interest in the Property is a leasehold interest and such Property has been submitted to unit ownership, any failure of Grantor to perform any of the obligations imposed on him by the lease of the Property from its owner, any default under such lease which might result in termination of the lease as it pertains to the Property, or any failure of Grantor as a member of the association of unit owners to take any reasonable action within his power to prevent a default under such lease by the association of unit owners or by any member of the association, shall also constitute an event of default under this deed.

15.5 Failure of Grantor to perform any other obligation under this deed within 20 days after receipt of written notice from Beneficiary specifying the failure.

16. Rights and Remedies on Default.

16.1 Upon the occurrence of any event of default and at any time thereafter, Beneficiary may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to Grantor to declare the entire Indebtedness immediately due and payable.

(b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by notice and sale by Trustee or by judicial foreclosure, in either case in accordance with applicable law.

(c) With respect to all or any part of the Property that constitutes personalty, the rights and remedies of a secured party under the Uniform Commercial Code.

(d) The right, without notice to Grantor, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above Beneficiary's costs, against the Indebtedness. In furtherance of this right, Beneficiary may require any tenant or other user to make payments of rent or use fees directly to Beneficiary, and payments by such tenant or user to Beneficiary in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

