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THIS TRUST DEED, made this 25th day of September, 1973, between
 -----CECIL E. PADDOCK AND GERTRUDE E. PADDOCK, husband and wife-----
 -----TRANSAMERICA TITLE INSURANCE CO.-----, as Grantor,
 and FIRST NATIONAL BANK OF OREGON, as Beneficiary.

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, the property in
 Klamath County, Oregon described as:

Lot 2 in Block 3 of Tract No. 1035 known as GATEWOOD, Klamath County, Oregon-----

which said described real property does not exceed three acres, together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said real estate,

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of \$ 22,800.00 with interest thereon according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor, Cecil E. Paddock and Gertrude E. Paddock, husband & wife-- the final payment of principal and interest thereof, if not sooner paid, to be due and payable August 1, 1988.

To Protect the Security of this Trust Deed, Grantor agrees:

1. To protect, preserve and maintain said property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of said property.

2. To complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.

3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said property.

4. To keep the buildings now or hereafter on said property insured against loss by fire and against loss by such other hazards as the Beneficiary may from time to time require in an amount not less than the lesser of the indebtedness hereby secured or the insurable value of said buildings; that such policies shall be issued by companies satisfactory to the Beneficiary and shall contain such provisions and shall bear such endorsements as Beneficiary may require and be payable to Beneficiary; that such policies shall be delivered to and retained by the Beneficiary and at least five days prior to the expiration thereof renewal or substitute policies shall be delivered to Beneficiary; that the proceeds of such insurance shall be applied as Beneficiary shall elect to the payment of any indebtedness thereby secured or to the restoration of any of the property or by release to Grantor and that such application or release shall not cure or waive default or notice of default hereunder or invalidate any act done pursuant to such notice; that the Beneficiary is authorized in the event of any loss to compromise and settle with any insurance company, to endorse, negotiate and present for and in the name of the Grantor any check or draft issued in settlement of any such loss and receive and to apply the proceeds thereof as herein provided.

5. To keep said premises free from mechanics' liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to Beneficiary; should the Grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by Grantor, either by direct payment or by providing Beneficiary with funds with which to make such payment, Beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate of eight per cent per annum together with the obligations described in paragraphs 7 and 8 of this trust deed, shall be added to and become a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the non-payment thereof shall, at the option of the Beneficiary, render all sums secured by this trust deed immediately due and payable and constitute a breach of this trust deed.

6. To pay to Beneficiary, at the time of payment of each installment of the indebtedness hereby secured, such amount as Beneficiary 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 property, (b) premiums upon insurance against loss or damage to said property and (c) premiums on insurance covering repayment of all or any part of the indebtedness hereby secured, if Beneficiary carries such insurance. If the sums so paid shall be less than sufficient for said purposes, Grantor will also pay, upon demand, such additional sum as Beneficiary shall deem necessary therefor. If Grantor desires a "package" plan of insurance which includes coverage in addition to that required under this Trust Deed, Beneficiary 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 Beneficiary may use such reserve to pay premiums on a policy covering only risks required to be insured against under this Trust Deed and allow the package insurance plan to lapse. Beneficiary shall, upon the written direction of the Grantor, and may, without such direction, apply sums paid by Grantor and held by Beneficiary to the purposes aforesaid; but the receipt of such sums shall not, in the absence of

such direction, impose any duty upon Beneficiary to disburse the same or relieve Grantor from his covenants to pay said obligations and keep the property insured. Beneficiary may, from time to time, establish reasonable service charges for the collection and disbursement of premiums on package type insurance policies. Beneficiary 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.

7. To pay all costs, fees and expenses of this trust, including the cost of title search as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation, and trustee and attorney's fees actually incurred.

8. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary, or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum to be fixed by the court, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this deed.

It is Mutually Agreed That:

9. In the event that any portion or all of said property shall be taken under the right of eminent domain or condemnation, Beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney's fees necessarily paid or incurred by Grantor in such proceedings, shall be paid to Beneficiary and applied by it first upon any reasonable costs and expenses and attorney's fees necessarily paid or incurred by Beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and Grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon Beneficiary's request.

10. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this deed and the note for endorsement (in case of full reconveyance, for cancellation), without affecting the liability of any person for the payment of the indebtedness, Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the property. The Grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be \$10.00.

11. Upon any default by Grantor hereunder, Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as Beneficiary may determine.

12. The entering upon and taking possession of said property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

13. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice of default and election to sell the trust property; which notice Trustee shall cause to be duly filed for record. If Beneficiary desires said property to be sold, it shall deposit with Trustee this trust deed and all promissory notes and documents evidencing expenditures secured hereby, whereupon the Trustee shall fix the time and place of sale and give notice thereof as then required by law.

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.

RE-2-72

OF KLAMATH: ss.
 LE N. SCHEER
 Jan 10 1973 at 12:10 o'clock
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