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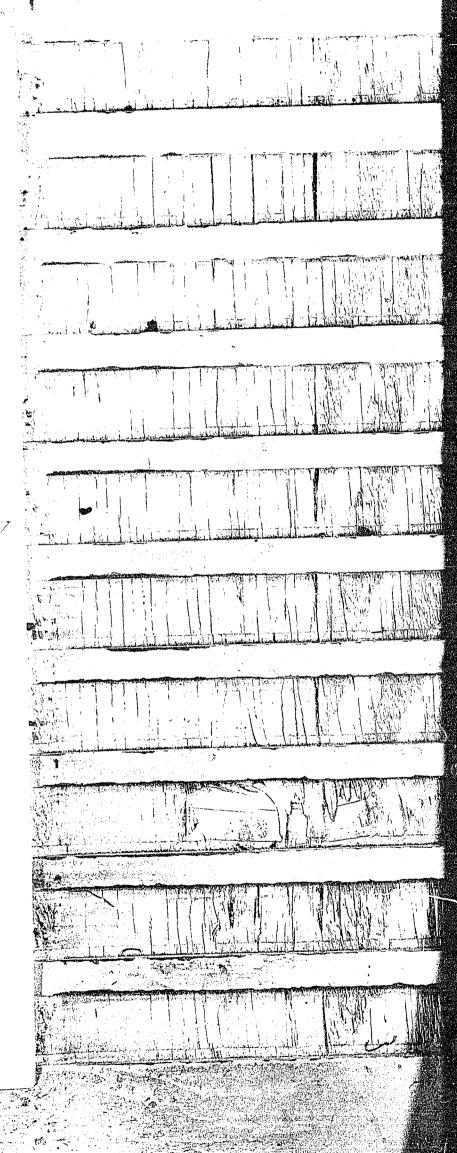
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FLB 696 (12-/3)

FEDERAL LAND BANK DEED OF TRUST

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hone address	432 Commercial	, Klamath Falls, Oregon		
VIIOSE address	(a) and grandering that is the same and adding the same and a same	Mountain Title Company	entropy of the state of the sta	er i - mari sanan de an andre
	Trustee, whose address is			
		and	THE FEDERAL LAND BANK OF	SPOKANE,
	2 i la la la Wa	st 705 First Avenue, Spokane, Washingt	ton 99204,	

All that part of Government Lots 7 and 10 that lies East of Highway 97 in Section 9, Township 35 South, Range 7 East, Willamette Meridian.



which real estate is not used principally for agricultural or farming purposes and does not exceed ...

Together with the tenements, hereditaments, rights, privileges and appurtenances, including private roads, now or hereafter belonging to or used in connection with the above described premises, and all plumbing, lighting, heating, cooling, ventilating, elevating, watering and irrigating apparatus and other fixtures, now or hereafter belonging to or used in connection with the above described premises, all of which are hereby declared to be appurtenant to said land, and together with all waters and water rights of every kind and description and however evidenced, and all ditches or other conduits, rights therein and rights of way therefor, which now are or hereafter may be appurtenant to said premises or any part thereof, or used in connection therewith.

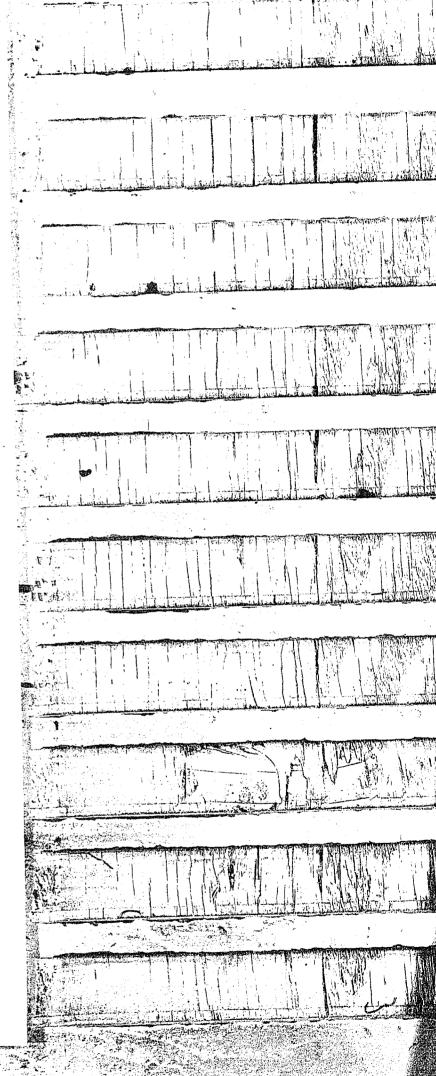
This deed is for the purpose of securing the performance of the covenants and agreements heremafter contained, and the payment of the debt represented by one promissory note made by the Giantor to the order of the Beneficiary, of even date herewith, for the , with interest as provided for in said note, being payable in installments, the last of principal sum of \$ 22,000.00 which being due and payable on the first day of April, 2006

A. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, AND FOR OTHER PURPOSES, GRANTOR COVENANTS AND AGREES:

- 1. That Grantor is lawfully seized of said premises in fee simple, has good right and lawful authority to convey the same, and that said premises are free from encumbrance; and each of Grantors will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever, and this covenant shall not be extinguished by any foreclosure hereof, but shall run with the
- 2. To keep said property in good condition and repair; to complete any building, structure or improvement being built or about to be built thereon; not to remove or demolish or permit the removal or demolishment of any building thereon; to restore promptly and in a good and workmanlike manner any building, structure or improvement thereon which may be damaged or destroyed; to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property and its use; not to commit or permit waste thereof; not to cut or permit the cutting of timber from said premises except for domestic use; and to do all acts or things necessary to preserve all water rights now or hereafter appurtenant to or used in connection with said premises. Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this numbered paragraph, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon as provided in this instrument and as allowed by law.
- 3. To keep all buildings now existing or hereafter erected continuously insured against loss or damage by fire and such other risks in manner and form and in such company or companies and in such amounts as shall be satisfactory to the Beneficiary; to pay all premiums and charges on all such insurance when due; to deposit with the Beneficiary upon request all insurance policies affecting the premises, with receipts showing payment of all premiums and charges affecting said policies; and that all insurance whatsoever affecting the premises shall be made payable, in case of loss, to the Beneficiary, with a loss payable clause in favor of and satisfactory to the Beneficiary. The Beneficiary shall be entitled to receive the proceeds of any loss under any such policy which may be applied by the Beneficiary upon the indebtedness hereby secured in such manner as it may elect.
- 4. Beneficiary is authorized to pay all real property taxes and special assessments assessed against the premises and add the amounts expended to the note balance at the time payment is made, each of the advances to bear interest as provided in the note and to be secured by this deed of trust. Grantor will pay to the Beneficiary on the first day of each month until said note is fully paid, with and in addition to the monthly installments of principal and interest under the terms of the note secured hereby, an amount equal to one-twelfth of the annual aggregate of real property taxes and special assessments as estimated by Beneficiary, which additional sums shall be applied to reduction of principal.
- 5. In the event that any installment or portion thereof is not paid within ten (10) days commencing with the date it is due, the Beneficiary may collect, and the Grantor agrees to pay, a late charge of two percent of the installment to cover the extra expense involved in handling delinquent installments.
- 6. To pay before delinquency all assessments upon water company stock, and all rents, assessments and charges for water appurtenant to or used in connection with said property; and to suffer no other encumbrance, charge or lien against said premises which is superior to this deed of trust.
- 7. To appear in and defend any action or proceeding purporting to affect the lieu or security hereof or the rights or powers of Beneficiary or Trustee; and in case of any suit to foreclose this deed of trust as a mortgage or in any suit which Beneficiary may deem it necessary to prosecute or defend to effect or protect the security hereof, to pay all costs and expenses incident thereto including the reasonable costs of searching records and abstracting or insuring the title and reasonable attorney's fees in such action, such sums to be secured by this deed of trust.
- 8. To pay all costs, fees and expenses of this trust including the expenses of Beneficiary or Trustee incurred in enforcing the obligation secured hereby, the reasonable cost of searching records and abstracting or insuring the title, and reasonable trustee's and attorney's fees not in excess of any limitations provided by law, such sums to be secured by this deed of trust.
- 9. Should the Grantor be or become in default in any of the covenants or agreements herein contained, then the Beneficiary (whether electing to declare the whole indebtedness hereby secured due and payable or not) may, at its option, perform the same in whole or in part, and all expenditures made by the Beneficiary in so doing shall draw interest at the rate of 10 per cent per annum, and shall be immediately repayable by the Grantor without demand, and, together with interest and costs accruing thereon, shall be secured by this deed of trust.

B. IT IS MUTUALLY AGREED THAT:

- 1. If any of said property shall be taken under right of eminent domain, the Beneficiary shall be entitled at its option to receive all compensation for the portion taken and damages to the remaining portion, to be applied by the Beneficiary upon the indebtedness hereby secured in such manner as it shall elect.
- 2. Beneficiary may from time to time, in writing and without notice, release any person liable for payment of any of the indebtedness or extend the time or otherwise after the terms of payment of any of the indebtedness.
- 3. Upon the written request of Grantor and Beneficiary, the Trustee may, at any time and from time to time, and without affecting the liability of any person:
 - (a) Consent to the making of any map or plat of the property;
 - Join in granting any easement or creating any restriction thereon:
 - Join in any subordination or other agreement affecting this deed of trust or lien or charge thereof;
 - Reconvey, without warranty, all or any part of the property.



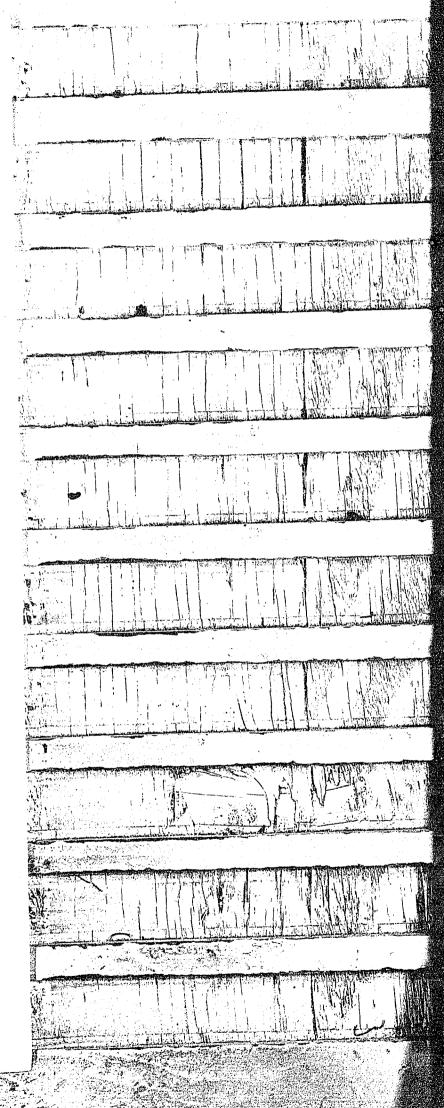
- 4. All soms secured hereby having been paid, Trustee shall reconvey, without warranty, the property then held hereunder upon written request of the Beneficiary or the person entitled thereto and upon sumender of this deed of trust and said note for cancellation and retention and upon payment of its tees. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."
- 5. Upon or during the continuance of any default bereinder, the Beneficiary shall have the light forthwith to enter into and upon said premises and take possession thereof, and collect the rents, issues and profits thereof, and apply the same, less reasonable costs of collection, upon the indebtedness hereby secured, and the Beneficiary shall have the light to the appointment of a receiver to collect the rents, issues and profits of said premises. The rents, issues and profits of said premises after default are hereby assigned to the Beneficiary as additional security for the indebtedness beien, described. The entering upon and taking possession of said property, the collection of such rents, issues and profits, or the proceeds of tire or other insurance policies 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.
- 6. Time is material and of the essence hereof; and in case of breach of any of the covenants or agreements hereof, or if default be made in the payment of any of the sums hereby secured, or if the whole or any portion of said loan shall be expended for purposes other than those specified in the original application therefor, except by the written permission of the Beneficiary, then, in any such case, all indebtedness hereby secured shall, at the election of the Beneficiary, become immediately due and payable without notice; but failure of the Beneficiary to exercise such option in any one or more instances shall not be considered as a waiver or relinquishment of the right to exercise such option upon or during the continuance of the same or any other default. In such event Beneficiary at its option may proceed to foreclose this deed of trust as a mortgage in the manner provided by law for foreclosures of mortgages or direct Trustee in writing to foreclose this deed of trust by notice and sale.
- 7. In foreclosure of this deed of trust by notice and sale, the power of sade hereunder shall be exercised by Trustee according to and under the authority of the law now in effect and as hereafter amended of the State or States in which the property held hereunder, or any part thereof, is situate, pertaining to deeds of trust. Trustee shall deliver to the purchaser at sale its deed, without warranty, which deed shall contain such recitals as may be required or permitted by law for the benefit of said purchaser and subsequent bona fide purchasers or encumbrancers for value. After deducting all costs and expenses of the sale, including reasonable trustee's and attorney's fees and the reasonable costs of searching records and abstracting or insuring the title. Trustee shall apply the proceeds of sale to the payment of all sums expended under the terms hereof not then repaid with accrued interest at 10 percent per annum; all other sums then secured hereunder; and the remainder if any to the person or persons legally entitled thereto as and in the manner provided by law.
- 8. Beneficiary having purchased said property at Trustee's sale, Grantor agrees peaceably to surrender possession of the premises to Beneficiary in the event such possession has not previously been delivered and to pay Beneficiary the costs and expenses including a reasonable attorney's fee in any suit or action instituted by Beneficiary to obtain possession of the premises from Grantor or any occupant of the premises who entered possession by, through or under Grantor.
- 9. Trustee accepts this trust when this deed, duly executed and acknowledged, is made a public record as provided by law. Any trustee lawfully appointed by the Beneficiary as a substitute or successor trustee shall succeed to all of the powers and duties of the trustee named herein. Conveyance to the substitute or successor trustee shall not be required. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.
- 10. This deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, devisees, legatees, executors, administrators, successors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, or if the note has been pledged, the pledgee thereof, whether or not named as Beneficiary herein.
- 11. The term "deed of trust" as used herein shall mean the same and be synonymous with the terms "trust indenture" and "trust deed", and the term "grantor" as used herein shall mean the same and be synonymous with the term "trustor", as used in any laws of the state or states in which said property, or any part thereof, is situate.
- 12. This deed of trust and the note secured hereby are executed and delivered under and in accordance with the Farm Credit Act of 1971 and any acts amendatory or supplementary thereto and the regulations of the Farm Credit Administration, and are subject to all the terms, conditions and provisions thereof, which are made a part hereof the same as if set out in full herein.
- 13. Grantor requests that a copy of any declaration or notice of default and a copy of any notice of sale hereunder be mailed to him at the address of Grantor hereinabove set forth.

The real property herein conveyed is not currently used for agricultural, timber or grazing purposes.

This deed of trust secures an obligation incurred in whole or in part for the construction of an improvement on said land.

IN WITNESS WHEREOF, said Grantor has hereunto set his hand the day and year first above written.

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Mobile & Bicham (Seal)	(Seal)
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