

After Recording, Send to:
Oregon Department of Energy
102 Labor and Industries Building
Salem, OR 97310

Vol. 785 Page 1400

45346

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Loan No. L00109

K-37521
DEED OF TRUST AND NOTE

THIS DEED OF TRUST is made this 22nd day of January, 19 85,
between the Grantor (herein "Borrower"),

CHARLES LA BUWI, JOHN A. WILSON and RICK ZWARTVERWER, jointly and severally
whose address is:

2581 Uhrmann Rd., Klamath Falls, Or 97601
the Trustee,

KLAMATH COUNTY TITLE COMPANY

and the Department of Energy, State of Oregon, 102 Labor & Industries Building, Salem, OR 97310 (herein
"Beneficiary" or "Department").
Borrower, in consideration of the sum

of FIFTY THOUSAND and no/100 dollars (\$ 50,000.00), paid to
Borrower and for other good and valuable consideration, irrevocably grants and conveys to Trustee, in trust, with
power of sale, the following described property located in the County of Klamath, State of
Oregon:

Lots 3 and 4 in Block 3 of Resubdivision of a portion of McLoughlin Heights,
according to the official plat thereof on file in the office of the County
Clerk of Klamath County, Oregon

which has the address of 2310 Mountain View Blvd., Klamath Falls, Or 97601

(herein "Property Address"),
together with all improvements and fixtures now or hereafter erected on or attached to the property, and all
easements, rights and appurtenances and rents (subject, however, to the rights and authorities given herein to the
Department to collect and apply such rents), all of which, including replacements and additions thereto, shall be
deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together
with said property (or the leasehold estate if this Deed of Trust secures a leasehold) are herein referred to as
the "Property";

To secure to the Department:

(a) the repayment of indebtedness evidenced by and in accordance with the terms of Borrower's Trust Deed
Note (herein Note), which is hereby incorporated herein as follows:

* * * TRUST DEED NOTE * * *

For value received, Borrower promises to pay to the Department of Energy, State of Oregon, or order, the
principal sum of FIFTY THOUSAND AND no/100 dollars (\$ 50,000) plus interest
from the date hereof on the unpaid balance at the rate of Eleven percent (11.0%) per annum,
principal and interest shall be payable in consecutive equal monthly installments of 690.00 dollars
(\$ 690.00), the first payment to be made on the 20th day of May, 1985
and subsequent payments to be made on the same day of each month thereafter with the balance due not later
than TEN years from the first payment date.

If any default in payment of an installment is not cured within thirty (30) days of the due date for the
installment, the entire remainder of the unpaid balance, including principal, interest and other charges, if any,
shall, at the option of the Note holder, become immediately due and payable.

Presentment, demand, protest, and notice of dishonor, protest, and nonpayment are waived by Borrower and
all makers, sureties, grantors and endorsers hereof. This Note shall be the joint and several obligation of all
makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Payments of principal, interest and other fees or charges due under this Note are payable at the offices
of the Department, 102 Labor and Industries Building, Salem, Oregon 97310 or such other place as the Department may
designate in writing.

This Note is secured by a Deed of Trust, the terms of which are made a part hereof.

In Witness Whereof, Borrower has executed this Trust Deed Note this 22nd day

of January, 19 85 at Klamath Falls, Oregon.

Charles La Buwi
Charles La Buwi

Borrower

John A. Wilson
John A. Wilson

Borrower

Rick Zwartverwer
Rick Zwartverwer

(b) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust, or otherwise payable by the Borrower to the Department in accordance with this Deed of Trust; and

(c) the performance of all covenants, agreements, and warranties herein contained on the part of the Borrower to be kept and performed.

Borrower represents, warrants, and covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, that the Property is free from all liens, security interests and encumbrances, except those enumerated in the title insurance policy approved by and issued for the benefit of the Department in connection with this transaction, or otherwise approved in writing by the Department, and that the Borrower will warrant and defend the title to the Property against all claims, whether now existing or hereafter arising. The foregoing warranties shall survive foreclosure of this Deed of Trust and shall run with the land.

Borrower further warrants, covenants and agrees as follows:

1. **Payments by Borrower.** Borrower will promptly and faithfully observe all of its obligations and will permit or suffer no event of default to occur under this Deed of Trust and Note or under any other agreement now in effect or hereafter made between the Borrower and Department with respect to the transaction evidenced by the Deed of Trust and Note. If the loan evidenced by the Note is refinanced or financial assistance for construction of the improvements constructed with the loan is obtained from sources other than the Department after the loan is made, all such funds shall be payable to the Department.
2. **Borrower to Provide Insurance.** At its own expense, Borrower will keep the improvements now existing or hereafter erected on the Property insured against loss by fire and such other hazards, casualties and contingencies as may be required from time to time by the Department. Such insurance shall be evidenced by insurance policy or policies, with loss payable to the Department, all in a form acceptable to the Department. In the event of loss, Borrower shall promptly give written notice to the insurance carrier and the Department, and the Department may make proof of loss, if not made promptly by Borrower. The Department is hereby authorized in the event of loss to compromise and settle all loss claims on said policy on such terms as it deems appropriate and to collect and apply the insurance proceeds at the Department's option either to restoration of the Property or to the sums secured by this Deed of Trust and Note, paying any excess to the borrower.
3. **Borrower to Pay Taxes and Assessments.** Borrower will pay, before a fine or penalty might attach for nonpayment thereof, all taxes and assessments and all other charges and encumbrances whatsoever levied upon or assessed, placed or made against the Property.
4. **Borrower to Maintain Property.** Borrower will keep the buildings and other improvements now or hereafter erected on the Property in good repair and condition, will not commit or permit waste, will not alter the design or structural character of any improvement now or hereafter erected on the Property with proceeds of the loan evidenced by the Note without the prior written consent of the Department, will not do any act or thing which would unduly impair the value of the Property, will not abandon the Property, and will complete all construction in accordance with any agreement between the parties hereto.
5. **Use of Property.** (a) The Property is not currently used for agriculture, timber or grazing purposes. (b) The Property will not in the future be used for any commercial purpose which would result in the loss of federal tax exemption of the obligation issued by the Department to finance the loan evidenced by the Note. (c) The improvements constructed with the loan funds evidenced by the Note will be used as a Small scale Local Energy Project (as defined by ORS Chapter 470, as amended) until all amounts to become due and payable under this Deed of Trust have been paid and all of Borrower's other obligations hereunder have been discharged.
6. **Compliance with Laws.** Borrower warrants that the improvements made and to be made upon the Property, together with all plans and specifications, comply with any comprehensive land use plan in effect and with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property or to the occupancy and operation thereof.
7. **Sale or Lease of Property.** Borrower expressly agrees that Borrower will not sell, exchange, lease, rent or otherwise encumber or transfer all or part of the Property without the express written consent of the Department.
8. **Liens on Property.** Borrower will not, without the Department's prior written consent, grant or create any lien or consensual security interest on the Property and will promptly remove any involuntary liens from the Property.
9. **Protection of Security; Department's Option to Pay.** In the event of Borrower's failure to pay any sums provided for in this Deed of Trust, the Department, as its option, may pay the same. If the Borrower fails to perform any of the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which may adversely affect the Property or the interest of the Borrower or the Department therein, or the title of the Borrower thereto, then the Department, at its sole option, and without waiving any other remedies, may perform such covenants and agreements, defend against such action or proceeding, and take such other action as the Department deems necessary to protect its interest. The Borrower irrevocably authorizes and empowers the Department to enter upon the Property as the Borrower's agent and, in the Borrower's name or otherwise, to perform any and all covenants and agreements to be performed by the Borrower as herein provided. Nothing herein requires the Department to take any action or incur any expense, and the Department shall not be liable to the Borrower for any damages or claims arising out of action or incur any expense, and the Department shall not be liable to the Borrower for any damages or claims arising out of action taken by the Department pursuant to this Section. Any amounts disbursed or debts incurred by the Department pursuant to this Section including, but not limited to, reasonable attorneys' fees as allowed by statute or court, with interest thereon at the rate provided in the Note, shall become additional indebtedness of the Borrower to the Department, payable upon demand and secured by this Deed of Trust.
10. **Condemnation.** The proceeds of any award of claim for damages, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby irrevocably assigned to and shall be paid to the Department to be applied to the indebtedness secured by this Deed of Trust. The Borrower will immediately notify the Department of any such proceedings of which it has knowledge. Borrower irrevocably authorizes and empowers the Department at its sole option, in the name of the Borrower, or otherwise, to file, prosecute, settle or compromise any such claim and to collect, receipt for and retain the same, to the extent required to pay any amounts then secured by this Deed of Trust. The excess, if any, will be paid to the Borrower.
11. **Forbearance Not a Waiver; Rights and Remedies Cumulative.** Any delay by the Department in exercising any right or remedy provided herein or otherwise afforded by law or equity shall not be a waiver of or preclude the exercise of such right or remedy. All such rights and remedies shall be distinct and cumulative and may be exercised singly, serially (in any order) or concurrently, and as often as the occasion therefor arises. The Department's taking action or receiving proceeds, awards or damages under terms of this Deed of Trust shall not impair any right or remedy available to the Department under any of the provisions hereof. In particular, the procurement of insurance or the payment of taxes or other liens or charges by the Department shall not be a waiver of the Department's right to accelerate the maturity of the indebtedness secured by the Deed of Trust.
12. **Security Interest.** This Deed of Trust shall constitute a security agreement with respect to (and Borrower hereby grants the Department as security interest in) all fixtures included in the Property.

13. Successors and Assigns Bound; Number; Joint and Several Liability; Captions. The covenants and agreements contained herein shall bind, and the rights conferred hereby shall inure to the benefit of the respective heirs, legal representatives, successors and assigns of the Department and the Borrower. Whenever used, the singular number shall include the plural, and the plural the singular; and the use of any gender shall apply to all genders. All covenants and agreements of the Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

14. Governing Law; Severability. This Deed of Trust shall be governed by the laws of the State of Oregon. In the event that any provision or clause of this Deed of Trust conflicts with applicable law, such conflict shall not affect any other provision and to this end, the provisions of this Deed of Trust are severable.

15. Notice. Except for notices required under law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be deemed to have been given to Borrower if given by mailing such notice by certified mail, return receipt requested, addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to the Department as provided herein, and (b), any notice to the Department shall be given by certified mail, return receipt requested, to the Department's address stated herein or to such other address as the Department may designate by notice to Borrower as provided herein.

16. Inspection. The Department, or its agents or assignees, may upon reasonable notice to Borrower enter upon the Property for the purpose of inspection. The Department has no duty to inspect, and shall not be liable to the Borrower or any person in possession for inspecting or failing to inspect.

17. Events of Default. Each of the following occurrences shall constitute an "Event of Default" under this Deed of Trust:

- (a) Failure by the Borrower to pay the Note in accordance with its terms; or
- (b) Failure by the Borrower to observe or perform any covenant, condition or agreement in this Deed of Trust on its part to be observed or performed;
- (c) The making of any representation or warranty by the Borrower in this Deed of Trust or in any document executed in connection with the loan evidenced by this Deed of trust and Note which is false or misleading in any material respect; or
- (d) A responsible title insurance company fails to issue a policy of title insurance to or for the benefit of the Department, insuring this Trust Deed to be valid lien, subject only to those exceptions, if any, indicated in the Title Insurance Policy accepted by the Department, on the Property and related real property interests in an amount not less than the stated principal amount of the Note; or, if issued, any such policy is repudiated or revoked or is not being duly performed.

18. Acceleration; Remedies. Upon the occurrence of any Event of Default or at any time thereafter until such Event of Default is cured to the written satisfaction of the Department, the Department may, at its option, and to the extent allowed by statute, exercise one or more of the following rights and remedies available to it: (a) The Department may declare all sums remaining unpaid under the Note or this Deed of Trust immediately due and payable, without notice or demand, together with any interest accrued to date of payment; and

(b) The Department shall have, and may exercise with respect to all fixtures which are part of the Property, all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code, as in effect in the State of Oregon. If notice to the Borrower of intended disposition of such property is required, such notice shall be deemed reasonable if given in the manner specified in Section 15 at least ten (10) calendar days prior to the date of intended disposition; and

(c) The Department may at its option proceed to foreclosure under this Deed of Trust in equity as a mortgage or, to the extent allowed by statute, direct the Trustee to foreclose this Deed of Trust by advertisement and sale. In the latter event the Department may, and is hereby authorized and empowered to cause the Trustee to execute a written notice of such default and or its election to cause to be sold the herein described Property to satisfy the obligations hereof, and shall cause such notice to be recorded in the office of the recording officer in each county wherein real property forming a part of the Property is situated; and

(d) The Department may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due hereunder, or to enforce performance and observance of any obligation, condition or covenant of the Borrower under this Deed of Trust; and

(e) The Department may discontinue any further disbursements of funds otherwise due the Borrower from the Department; and

(f) The Department may institute an appropriate action or suit to prevent the use of the improvements financed by the loan evidenced by the Note by any person who is delinquent in repayment of any moneys due under this Note.

No notice, other than such as is specifically provided for herein, shall be required before the Department may exercise any remedy reserved to it by this Section.

19. Indemnification. Department makes no assurance to Borrower of the safety, soundness, or practicality of Borrower's Small Scale Local Energy Project. Borrower will indemnify, defend, save and hold the Department, its officers, agents, and employees harmless from, and defend each of them against, any and all claims, liens and judgments for death of, injury to, or loss by any person or damage to property whatsoever occurring in, on, or about the Property or due to the construction, existence, or operation of the Small Scale Local Energy Project.

20. Additional Instruments. Borrower agrees to execute and deliver any additional instruments necessary to carry out any agreement, term, condition, or assurance herein whenever reasonable request for such instrument shall be made.

21. Trustee's Obligation to Notify. Trustee is not obligated to notify any party hereto of any action or proceeding in which Borrower, the Department condition, or assurance herein whenever reasonable request for such instrument shall be made.

21. Trustee's Obligation to Notify. Trustee is not obligated to notify any party hereto of any action or proceeding in which Borrower, the Department or Trustee shall be a party unless brought by Trustee. Request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale hereunder be mailed to the Borrower at its address set forth above.

22. Reconveyance. Upon payment of all sums secured by this Deed of Trust, the Department shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

23. Substitute Trustee. In accordance with applicable law, the Department may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

Charles La Buwi

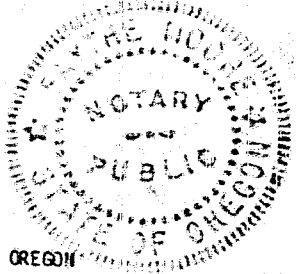
Borrower

John A. Wilson

Borrower

Rick Zwartwerwer

STATE OF OREGON)

County of Klamath)

STATE OF OREGON)

County of _____)

Personally appeared the above named Charles LaBuwi,
John A. Wilson and Rick Zwartverwer,
 Borrower, this 22nd day of January, 19 85, and
 acknowledged the foregoing instrument to be his voluntary act and
 deed. Before me:

Louise Moore
 Notary Public for Oregon
 My Commission Expires: 8/27/87

Personally appeared the above named _____

Borrower, this _____ day of _____, 19 _____, and
 acknowledged the foregoing instrument to be his voluntary act and
 deed. Before me:

Notary Public for Oregon
 My Commission Expires: _____

TO TRUSTEE, REQUEST FOR RECONVEYANCE:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Dated: _____

SB:per/0377k/07/26/84

STATE OF OREGON,)
 County of Klamath)
 Filed for record at request of

on this 24th day of January A.D. 19 85
 at 3:46 o'clock P M, and duly
 recorded in Vol. M85 of Mortgages
 Page 1400

EVELYN BIEHN, County Clerk
 By Louise Moore Deputy
 Fee 17.00