

DEED OF TRUST

THIS TRUST DEED, Made the 12th day of September, 1986
by Lee Company, F. V. Davis, Agent
Grater Title Company as Grantor,
and James Albert Investments as Trustee,
an Oregon Corporation, as Beneficiary.

WITNESSETH: That the said Grantor, in consideration of the sum of One Hundred Five Thousand Dollars
(\$ 105,000.00) Dollars,

the receipt of which is acknowledged, and for the purpose of securing the repayment of the said sum with interest, and the performance of the covenants hereinafter contained, does hereby irrevocably grant, bargain, sell, convey and warrant unto the said Trustee, in trust, with power of sale, the lands, premises and property situated in the County of _____ and State of Oregon, described as follows, to-wit:

Lot I, Block 8, Terraces Addition to the City of Klamath Falls, Klamath County, Oregon.

together with the following property which is and shall be deemed to be fixtures and a part of the real property; all plumbing, heating, cooking, cooling, ventilating, watering, irrigating apparatus, window shades, venetian blinds, screens and storm windows and doors, shutters and awnings, floor coverings, machinery or any other fixtures and replacements thereof now or hereafter during the term of this Trust Deed belonging to or used in connection with the above described premises all of which are a part of the security for the indebtedness herein mentioned.

In addition thereto, the following described furniture, appliances and equipment or other fixtures and any replacements thereof, which are and shall be deemed to be fixtures and a part of the realty, are included as security for the indebtedness herein mentioned, to wit:

TO HAVE AND TO HOLD the granted premises and property, together with the tenements, hereditaments, rights, privileges and appurtenances, now or hereafter belonging to or used in connection with the above described premises including all water rights, all buildings and improvements thereon (or that may hereafter be erected thereon), together with the reversions and remainders, rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

And the Grantor hereby covenants with the said Beneficiary as follows:

FIRST: The Grantor will pay to the order of the Beneficiary at such place as may be designated in said order the sum above designated as consideration for this Trust Deed together with interest thereon, said sum to be paid in accordance with the terms of a certain promissory note or notes dated September 12, 1986, executed by the Grantor to the Beneficiary which said note or notes have a final maturity of September 11, 1996, if not sooner paid.

SECOND: The security of this Trust Deed shall also extend to and cover any additional loan or loans or advances made by the Beneficiary to the Grantor or any of his successors in ownership of the real estate and property hereby conveyed, provided that the maturity of such additional debt shall not be later than the time specified for the payment of the original debt secured hereby. This paragraph shall not, however, restrict or affect other advances, including any advances for taxes and insurance provided for elsewhere herein.

THIRD: The Grantor is lawfully seized of the above described premises and property in fee simple, and is the sole and exclusive owner thereof and has the right to execute this Trust Deed and will forever warrant and defend the title thereto against the lawful claims of all persons whomsoever. The said premises and property are free from all encumbrances and liens, except except a mortgage in favor of US Bancorp Mortgage Company.

FOURTH: During the entire life of this Trust Deed the buildings and improvements erected and to be erected upon said premises, and the personal property described herein, if any, shall be kept insured by the Grantor against loss or damage by fire and such other hazards in such amounts, for such periods and under such form and type of policy as shall be satisfactory to the Beneficiary. All the insurance written on the subject premises and property shall be made payable in the event of loss, to the Beneficiary and the Beneficiary shall be entitled to the possession of all such insurance policies during the life of this Trust Deed. Grantor agrees to deliver to the Beneficiary the renewals of the insurance policies not less than ten calendar days before the expiration of the policy or policies to be renewed and replaced. The cash value or the surrender value or the unearned premium of all such insurance policies is hereby assigned to the Beneficiary as additional security to the loan and in event of sale by the Trustee or other transfer of title to the subject property in extinguishment of the debt secured hereby, all right, title and interest of the Grantor in and to any such insurance policies then in force shall pass to the Beneficiary. The Grantor will pay the premiums for said insurance as the same shall become due. The Beneficiary shall not be responsible for any failure to place or maintain such insurance, or for loss or damage growing out of a defect or non-payment of loss under any such policy of insurance. If the premises or property covered hereby, or any part thereof, shall be damaged by fire or other hazards against which insurance is held, the amounts paid by any insurance company pursuant to the contract of insurance, shall be paid to the Beneficiary and the amounts so received may be applied by the Beneficiary, at its option, either upon any sum or sums secured by the Trust Deed whether or not same are due, or released by the Beneficiary, at its option for the repairing, replacing and rebuilding of the premises and property or for other purposes; said repairing, replacing and rebuilding to be done and made subject to the approval of the Beneficiary and in a manner satisfactory to the Beneficiary.

the request of a third party, transfer said note to the Beneficiary, in executing one or more financing statements pursuant to the Uniform Commercial Code, in a form satisfactory to the Beneficiary, and will pay for filing the same in the proper public office or offices as well as the cost of such lien searches made by filing officers or recording agencies as may be deemed desirable by the Beneficiary.

SIXTH: The Grantor will pay before delinquency, and before any penalties, interest or other charges accrue or are added thereto, any and all taxes, assessments, liens, charges for the use of water on said premises, and any other charges or assessments which may become liens thereon prior to the lien of this Trust Deed, and will keep said property free and clear of any and all liens for labor or material, or any lien whatsoever that may become prior to the lien of this Trust Deed and will pay all costs, fees and expenses of this Trust. If any future law is passed taxing or assessing this Trust Deed or the Beneficiary on account of its rights under this Trust Deed, then the Beneficiary may, upon the passing of such law, declare the entire debt hereby secured due and payable.

SEVENTH: Together with and in addition to the monthly payments of principal and interest payable under the terms of the note or notes secured hereby the Grantor, at Grantor's option, may elect to pay to the Beneficiary, until the said note or notes are fully paid, the following:

A sum equal to the premiums that will next before payable on policies of fire and other hazard insurance covering the subject property, plus taxes and assessments next due on the subject property (all as estimated by the Beneficiary, and of which the Grantor is notified) less all sums already paid therefor, divided by the number of months to elapse before one month prior to the date when such premiums, taxes and assessments will become delinquent, such sums to be held by Beneficiary to pay such premiums, taxes and assessments before the same become delinquent.

The undisbursed balance of all of the sums so held in trust are hereinafter referred to as Trust Reserves. The total of the monthly payments of interest, principal, taxes, hazard insurance premiums and assessments, if any, is hereinafter referred to as the Aggregate Monthly Payment.

Any deficiency in the amount of any such Aggregate Monthly Payment of which the Grantor is notified shall, unless made good prior to the due date of the next such payment, constitute an event of default under this Trust Deed.

If the Trust Deed and the note thereby secured are in good standing, and if after the annual taxes are paid there is a surplus in the Reserves, then upon written request of the Grantor, the Beneficiary shall return such surplus to the Grantor.

If there shall be a default under any of the provisions of this Trust Deed and the note or notes thereby secured and thereafter there is a sale of the premises by the Trustee in accordance with the provisions hereof, or if the Beneficiary otherwise acquires the property after default, Beneficiary shall apply, at the time of commencement of such proceedings or at the time Beneficiary otherwise acquires the property, the balance then remaining, if any, in the Reserves as a credit against the amount of principal then remaining unpaid under said note.

EIGHTH: The Grantor will comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the above described property and will use the above described premises only for lawful purposes and will not commit nor suffer strip or waste upon said premises and will not do or suffer to be done any act or thing which may in any way impair the security of this Trust Deed. The above described premises and any and all improvements thereon shall at all times be kept in a sound state of preservation and in good repair; the character and usage of the above described property shall not be changed, and alterations in the above described property or additions thereto shall not be made without the written consent of the Beneficiary. In the event of an actual threatened destruction or removal of the improvements or property on the above described premises, the Beneficiary may, at its option, declare the entire debt hereby secured due and payable.

If the loan secured hereby or any part thereof is being obtained for the purposes of constructing improvements on the above described premises, the default under the construction loan agreement shall also be a default hereunder.

The Trustee upon presentation to it of an affidavit signed by the 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 hereunder.

NINTH: 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 moneys 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, 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.

TENTH: At any time and from time to time upon written request of Beneficiary, payment of the Trustee's fees and presentation of this Deed and the note for endorsement or 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 thereon; (d) reconvey, without warranty, all or any part of the property. The Grantor 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 not less than \$5.00.

ELEVENTH: This Trust Deed and the note or notes hereby secured may be extended or modified by the Beneficiary at any time for the Grantor hereunder without notice to any other person, firm or corporation and without releasing the Grantor or any subsequent guarantor or payor from any liability hereunder or under said note or notes and without impairing, altering or affecting the lien of this Trust Deed in any way. Each of the covenants and agreements herein shall be binding upon all successors in interest of each Grantor and shall inure to the benefit of any successor in interest of the Beneficiary. It is agreed that if any note or notes secured hereby be assigned and transferred by the Beneficiary to any one or more parties without the assignment of this Trust Deed, then the Trustee shall hold this Trust Deed in trust for the benefit of such assignee or assignees, and may foreclose such Trust Deed for the benefit of such assignee or assignees to the same extent as though such notes had not been assigned.

TWELVETH: All rents, issues, income and profits derived from the said premises and property are hereby assigned to the Beneficiary as additional security. In the event of default of the Grantor in any respect under this Trust Deed, the Beneficiary shall have the right to collect and retain the rents, issues, income and profits derived from the above described premises and property, including those past due and unpaid. Said rents, issues, income and profits shall be applied by the Beneficiary, at its option, in payment of operating costs and reasonable expenses in connection with the operation and management of the above described premises, in payment of customary costs and charges for collection and management, or upon any indebtedness due or which may become due upon said note or notes, or upon or under this Trust Deed. The Beneficiary shall have the right at its option to enter into and upon the above described premises and take possession thereof in the event of default and to collect said rents, issues, income and profits therefrom and require any tenants or occupants of said premises to make payments to the Beneficiary of rental or of other charges arising out of the use and occupancy of the above described premises and property.

THIRTEENTH: The entering upon and taking possession of the above described premises and 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.

FOURTEENTH: In the event it becomes necessary in the judgment of the Beneficiary so to do, the Beneficiary, without notice and without regard to the value of the said premises or to the adequacy of the security for the debt, shall have the right to apply to any Court having jurisdiction for the appointment of a Receiver and to have appointed a Receiver to manage and control the above described premises and property. In the event the Beneficiary or any Receiver enters into possession of the above described premises and property, any personal property owned by the Grantor and remaining in or about the above described premises may be used without charge by the Beneficiary or Receiver in the operation of the premises, or may be removed by the Beneficiary or Receiver, and in no event shall the Beneficiary or Receiver be held liable or responsible in any manner for injuries, loss, destruction or damage to such property or any portion thereof.

FIFTEENTH: The Grantor agrees 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's and attorney's fees actually incurred.

The Grantor agrees to appear in and defend any action or proceedings 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, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any action brought by Beneficiary and Trustee to foreclose this Trust Deed.

SIXTEENTH: Should the Grantor be or become in default in any of the covenants or agreements contained herein, then the Beneficiary at its option, may perform the same and all expenditures made by the Beneficiary in so doing, or under any of the covenants or agreements herein, shall draw the same rate of interest as is provided to be paid on the principal of note or notes secured by the Trust Deed and all such expenditures shall be repayable by the Grantor without demand; and, together with interest and costs accruing thereon, shall be secured by this Trust Deed; and the rights and duties of the parties covenanted for this paragraph shall apply equally to any and all part payments or advances made by the Beneficiary for any of the purposes herein referred to.

SEVENTEENTH: That in the event of a sale of the above described premises and property or any part thereof, or in the event that the Grantor's equity of ownership of the above described premises and property or any part thereof shall be terminated by action of law or otherwise, without the written consent of the Beneficiary being first obtained, the entire balance under the note or notes secured by this Trust Deed shall at the Beneficiary's election become immediately due and payable.

EIGHTEENTH: 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 required by law.

NOTWITHSTANDING, in the event of default and prior to the date of sale, the terms of the Trust Deed and the obligation secured hereby, the Grantor or some person making such payment shall also pay to the Beneficiary all of Beneficiary's costs and expenses incurred up to said time in enforcing the terms of the obligation, including Trustee's and Attorney's fees not exceeding \$50 each if actually incurred, by accepting any payment of any sum secured hereby after its due date Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

TWENTIETH: Grantor shall not, without the prior written consent of Beneficiary, transfer Grantor's interest in the property or any part thereof, whether or not the transferee assumes or agrees to pay the indebtedness hereby secured. Upon any application for Beneficiary's consent to such a transfer, Beneficiary may require from the transferee such information as would normally be required if the transferee were a new loan applicant. Beneficiary shall not unreasonably withhold its consent. As a condition of its consent to any transfer, Beneficiary may impose a service charge and may increase the interest rate of the indebtedness hereby secured.

TWENTY-FIRST: When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including a reasonable charge by the Trustee, (2) to the obligation secured by the Trust Deed, (3) to all persons having recorded liens subsequent to the interest of the Trustee in the Trust Deed as their interest may appear in order of their priority and (4) the surplus, if any, to the Grantor or to his successor in interest entitled to such surplus.

TWENTY-SECOND: Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender 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.

TWENTY-THIRD: Substitute Trustee. In accordance with applicable law, Lender 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.

TWENTY-FOURTH: Use of Property. The Property is not currently used for agricultural, timber or grazing purposes.

TWENTY-FIFTH: Attorney's Fees. As used in this Deed of Trust and in the Note, "attorney's fees" shall include attorney's fees, if any, which shall be awarded by an appellate court.

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

X C.W. Davis

-Borrower

-Borrower

State of Oregon, Klamath County ss:

On this 21st day of October, 19 86, personally appeared the above named C.W. Davis and acknowledged the foregoing instrument to be his voluntary act and deed.

(Official Seal)

My Commission expires: 12-29-89

Before me:

Bernetha I. Ketch
Notary Public for Oregon

STATE OF OREGON, }
County of Klamath } ss.

THIS CERTIFIED, That on this 21st day of October, A.D. 19 86,

before me appeared C. W. Davis and

known to me personally known, who being duly sworn,

did say that he, the said C. W. Davis is the President, and he, the

said C. W. Davis is the Agent 550455 of Lee Company

, the within named Corporation, and that the seal affixed to said instrument is the corporate seal of said Corporation, and that the said instrument was signed and sealed in behalf of said

Corporation by authority of its Board of Directors, and that said C. W. Davis

and acknowledged said instrument to be the free act and deed of said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, this the day and year first in this, my certificate, written.

Bernetha I. Ketch
Notary Public for Oregon

My Commission expires: 12-29-89

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the 22nd day of October, A.D., 19 86 at 8:43 o'clock A M., and duly recorded in Vol. MB6, of Mortgages on Page 19188

FEF \$13.00

Evalyn Biehn, County Clerk
By John Smith