

THIS DEED OF TRUST is made this 17th day of February, 19 87, among the Grantor, of Tyrholm Properties, Inc.

(herein "Borrower"), Klamath County Title Company

the Beneficiary, FIRST INTERSTATE BANK OF OREGON, N.A. a national banking association whose address is P.O. Box 608, Klamath Falls, Oregon

(herein "Trustee"), and (herein "Lender").

Borrower, in consideration of the indebtedness herein recited and the trust herein created, 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:

Legal description attached hereto as "Exhibit A" and by this reference incorporated herein.

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures now or hereafter attached to the property, 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 is on a leasehold) are herein referred to as the "Property".

TO SECURE to Lender (a) the repayment of the indebtedness evidenced by Borrower's note dated (herein "Note"), in the principal sum of One Hundred Seventy Five Thousand and no/100----- Dollars, with interest thereon, with the balance of the indebtedness, if not sooner paid, due and payable on March 15, 1997 and all renewals and/or extensions thereof, the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained; and (b) the repayment of any future advances, with interest thereon, made to Borrower by Lender pursuant to paragraph 20 hereof (herein "Future Advances").

Borrower 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 unencumbered, except as disclosed in writing to and approved by Lender, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, prepayment and other charges as provided in the Note and this Deed of Trust, and the principal of and interest on any Future Advances secured by this Deed of Trust.

2. **Application of Payments.** All payments received by Lender under the Note and paragraph 1 hereof shall be applied by Lender first to interest payable on the Note, then to the principal of the Note (if any), and then to interest and principal on any Future Advances (if any).

3. **Charges; Liens.** Borrower shall pay all taxes, assessments, and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, and leasehold payments or ground rents, if any, by Borrower making payments, when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower shall not be required to discharge any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender, or shall in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

4. **Hazard Insurance.** Borrower shall keep any improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and such other hazards as Lender may require and in such amounts and for such periods as Lender may require; provided, that Lender shall not require that the amounts of such coverage exceed the amount of coverage required to pay the sums secured by this Deed of Trust.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All premiums on insurance policies shall be paid by Borrower making payment, when due, directly to the insurance carrier.

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All insurance policies and renewals thereof shall be in form acceptable to Lender and shall include a standard mortgage clause in favor of, and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration of the Property damaged, if restoration is economically feasible based upon fixed bids for restoration from the insurance proceeds, but if restoration is not economically feasible, the insurance proceeds shall be applied to the sums secured by this Deed of Trust. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option to restoration of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraph 1 hereof or change the amount of such installments. If under paragraph 17 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold.

6. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or, notwithstanding paragraph 3 hereof, if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to construction lien foreclosure, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this paragraph 6, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph 6 shall require Lender to incur any expense or take any action hereunder.

7. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking with the balance of the proceeds paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraph 1 hereof or change the amount of such installments.

9. Borrower Not Released. Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor, refuse to extend time for payment, or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability; Captions. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of paragraph 16 hereof. All covenant and agreements of 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.

13. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be given by certified mail, return receipt requested, to Borrower's address stated herein or to such other address that Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when mailed.

14. Governing Law. The provisions of this Deed of Trust shall be construed under the laws of Oregon.

15. Borrower's Copy. Borrower shall be furnished a conformed copy of the Note and of this Deed of Trust at the time of execution or after recordation hereof.

16. Transfer of the Property; Assumption. If all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent, or if any lien or encumbrance subordinate to the lien of this Deed of Trust is placed on the Property, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the credit of such person is satisfactory to Lender and that the interest payable on the sums secured by this Deed of Trust shall be at such rate as Lender shall request.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 13 hereof.

17. Acceleration; Remedies. Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph 17, including, but not limited to, reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold, and shall cause such notice to be recorded in each county in which the Property or some part thereof is located. Lender or Trustee shall give notice of sale in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto.

18. Borrower's Right to Reinstate. Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower shall have the right to "reinstate" this Deed of Trust if all payments are made to Lender as required under Oregon law and Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

19. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration under paragraph 17 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

Upon acceleration under paragraph 17 hereof or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and to the sums secured by this Deed of Trust. Lender and the receiver shall be liable to account only for those rents actually received.

20. Future Advances. Upon request of Borrower, Lender, at Lender's option prior to full reconveyance of the Property by Trustee to Borrower may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this Deed of Trust when evidenced by promissory notes stating that said notes are secured hereby.

21. 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.

22. Substitute Trustee. In accordance with applicable law, Lender may from time to time remove Trustee and appoint a successor trustee. 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.

23. Use of Property. The Property is not currently used for agricultural, timber or grazing purposes.

24. Attorney's Fees. As used in this Deed of Trust and in the Note, "attorney's fees" shall include all reasonable attorney's fees incurred by Borrower in exercising rights hereunder, including but not limited to reasonable attorney's fees incurred at trial or awarded by an appellate court.

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

TYRHOLM PROPERTIES, INC.

Steven J. Tyrholm
Michael D. Tyrholm

FOR AN INDIVIDUAL(S)

STATE OF

County of

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

(NOTARIAL SEAL)

FOR A CORPORATION

STATE OF

County of

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, a Secretary-Treasurer, and by _____, an Assistant Secy-Treasurer, of TYRHOLM PROPERTIES, INC., a corporation, on behalf of the corporation.



(NOTARIAL SEAL)

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.

Date _____

When recorded return to:

First Interstate Bank of Oregon, N.A.

Klamath Falls Branch

P.O. Box 608

Klamath Falls, Oregon, 97601

13. _____

EXHIBIT A

DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon:

A tract of land situated in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Sec. 1, Twp. 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being a portion of that land as described in Deed Vol. 160 page 149, Deed Vol. 248, page 193, and Deed Vol. 358 page 159, Klamath County Deed Records, being more particularly described as follows:

Beginning at a 5/8 inch iron pin on the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1, said point being N. 87°55'21" E. 240.30 feet from the 5/8 inch iron pin marking the Northwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1; thence N. 87°55'21" E. along the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1, 270.90 feet to a 5/8 inch iron pin; thence S. 02°04'39" E. at right angles to the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1; 474.66 feet to a 5/8 inch iron pin in the north/south fence line; thence continuing S. 02°04'39" E. to the Northerly right of way line of the State Highway as described in said Deed Vol. 358 page 159; thence Northwesterly along said right of way line to a point that bears S. 00°06'12" W. from the point of beginning; thence N. 00°06'12" E. to a 5/8 inch iron pin; thence continuing N. 00°06'12" E. 240.53 feet to the point of beginning, containing 2.20 acres, more or less.

ALSO a tract of land situated in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ and the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 1, all in Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a 5/8 inch pin on the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1, said point begin N. 87°55'21" E. 240.30 feet from a 5/8 inch iron pin marking the Northwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1; thence N. 87°55'21" E. along the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1, 270.90 feet to a 5/8 inch iron pin; thence S. 02°04'39" E. at right angles to the North line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 1, 474.66 feet to a 5/8 inch iron pin in the north-south fence line; thence continuing S. 02°04'39" E. to the Northerly right of way line of the State Highway as described in Deed Vol. 358 page 159, Klamath County Deed Records; thence N. 02°06'39" E. along a north-south fence line 494 feet, more or less, to a 5/8 inch iron pin on the South line of Simmers Avenue; thence S. 89°09'53" W. along the South line of Simmers Avenue, 289.35 feet to a 5/8 inch iron pin; thence S. 00°06'12" W. 24.78 feet to a point of beginning, containing 0.25 acres, more or less.



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ 17th day
of February A.D., 19 87 at 4:38 o'clock P M., and duly recorded in Vol. M87
of Mortgages on Page 2513

FEE \$21.00

Evelyn Biehn, County Clerk
By _____