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DEED OF TRUST MTC-1396-1197

THIS DEED OF TRUST is made this 4th day of September, 19 87, among the Grantor,

*****Douglas V. Osborne and Roxanne Osborne, husband and wife***** (herein "Borrower"),

*****Moutain Title Company***** (herein "Trustee"),

and the Beneficiary, *****First Interstate Bank of Oregon, N.A.***** (herein "Lender"),

a corporation organized and existing under the laws of The United States of America whose address is *****2809 South Sixth St., PO Box 238, Klamath Falls, OR 97601*****

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: A parcel of land situated in the NW 1/4 of Section 18, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the Northwest corner of said Section 18; thence South 0°01'10" West along the West line of said Section 18, a distance of 2132.47 feet; thence South 89° 51' 42" East a distance of 2034.90 feet; thence North 0° 00' 23" East a distance of 496.10 feet to the true point of beginning of this description; thence North 89° 59' 04" West a distance of 507.6 feet, more or less, to the Easterly line of a 60 foot roadway; thence along said Easterly line, and along the arc of a 400 foot radius curve to the right, having a central angle of 20°00'00" a distance of 139.63 feet; thence South 89°55'23" East a distance of 576.41 feet to a point which bears South 0°00'23" West from the point of beginning; thence North 0°00'23" East a distance of 123.0 feet, more or less to the point of beginning.

which has the address of 4939 Highway 39, Klamath Falls,

97603 (Street) (City)
Oregon (herein "Property Address");
(Zip Code)

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances and rents and all fixtures now or hereafter attached to the property (subject however to the rights and authorities given herein to Lender 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 are hereinafter referred to as the "Property";

FOR THE PURPOSE OF SECURING: (i) payment of a revolving line of credit indebtedness in the principal sum of \$ 25,000.00 (or so much of that sum as may be advanced and outstanding), evidenced by an AdvanceLine Agreement (the "Agreement"), entered into by Borrower and Lender on the date first appearing above, and also evidenced by AdvanceLine Drafts, AdvanceLine Requests, AdvanceLine Checking Account Advances (Custom Credit) and AdvanceLine Telephone Requests as well as any extensions, renewals and/or modifications of that indebtedness; (ii) performance of each of Borrower's agreements under the Agreement; (iii) performance of each of Borrower's agreements in this Deed.

The indebtedness secured by this Deed is a revolving line of credit. Funds may be advanced by Lender, repaid by Borrower and subsequently readvanced by Lender. Without regard to the amount outstanding in any particular time, this Deed secures a total indebtedness of \$ 25,000.00. All amounts secured by this Deed are subject to a variable rate of interest, which may change from time to time as recited in the Agreement and which is not subject to any ceiling. According to the Agreement, any amendment to it, including a change in interest rate, may, at Lender's option, affect the outstanding principal balance on the effective date of any such amendment. The Agreement is incorporated in its entirety into this Deed by this reference.

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that the Property is unencumbered except for encumbrances of record. Borrower covenants that Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record. Borrower and Lender covenant and agree as follows:

1. PAYMENT OF PRINCIPAL, INTEREST AND OTHER CHARGES. Borrower shall promptly pay when due the principal of indebtedness evidenced by the Agreement and by AdvanceLine Drafts, AdvanceLine Requests, AdvanceLine Checking Account Advances, and AdvanceLine Telephone Requests, interest thereon, any insurance premiums, and late charges and other charges, all in accordance with the Agreement.
2. APPLICATION OF PAYMENT. Payment will be applied as follows: First to interest accrued to the date of receipt of payment; then to insurance premiums, if any, accrued to the date of receipt of payment; then to principal owing on any Amounts Past Due; then to the principal portion of any Regular Payment; then to Fees and Charges; and the remainder to unpaid principal.
3. TAXES AND LIENS.

3.1 Payment. Borrower shall pay when due all taxes and assessments levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Borrower shall maintain the Property free of any liens except for the Prior Lien (as defined in Paragraph 5 below), and except as otherwise provided in Section 3.2.

3.2 Right to Contest. Borrower may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If the Property is subjected to a lien which is not discharged within 15 days, Borrower shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest proceedings, Borrower will defend itself and Lender and will name Lender as an additional obligee under any surety bond, and Borrower shall satisfy any final adverse judgment before enforcement against the Property.

3.3 Evidence of Payment. Borrower shall promptly furnish evidence of payment of taxes and assessments to Lender on its demand and shall authorize the appropriate county official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

RETURN: First Interstate Bank

2809 South Sixth Street
Klamath Falls, OR 97603

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4. **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 or 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 and Borrower's successors in interest.

Without affecting the liability of any person (including, but not limited to Borrower) for the payment of any indebtedness secured by this Deed, or the lien of this Deed on the remainder of the Property for the full amount of any indebtedness owing, (a) Lender may, from time to time without notice: (i) release any person liable for the payment of any of the indebtedness, (ii) accept additional security of any kind, including deeds of trust or mortgages, (iii) alter, substitute or release any property securing the indebtedness; and (b) Trustee may, at any time and from time to time, upon payment of Lender's then current fees and upon Lender's written request: (i) consent to the making of any map or plat of the Property, (ii) join in granting any easement or creating any restriction on the Property; (iii) join in any subordination or other agreement affecting this Deed or its lien and/or (iv) reconvey all or any part of the Property, without any warranty.

5. PRIOR INDEBTEDNESS.

5.1 **Prior Lien.** The lien securing the indebtedness secured by this Deed of Trust is and remains secondary and inferior to the lien securing payment of a prior note and mortgage or trust deed in favor of Dept. of Veteran's Affairs

securing the principal amount of \$ 57,000.00 (the "Prior Lien").

Borrower expressly covenants and agrees to pay or see to the payment of the indebtedness secured by the Prior Lien and to prevent any default thereunder. Borrower will immediately forward to Lender a copy of any notice of default under the Prior Lien which Borrower may receive at any time.

5.2 **Default by Borrower.** If the payment of principal or interest is not made within the time required under the Prior Lien, or if an event of default occurs and is not cured during any applicable grace period under the Prior Lien, then the indebtedness secured by this Deed of Trust shall, at the option of the Lender, become immediately due and payable.

6. PROPERTY DAMAGE INSURANCE.

6.1 **Maintenance of Insurance.** Borrower shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all improvements on the Property, in an amount sufficient to avoid application of any co-insurance clause and with loss payable to Lender. Policies shall be written in amounts, in form, on terms and with companies reasonably acceptable to Lender. Borrower shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of ten-days' written notice to Lender.

6.2 **Application of Proceeds.** Borrower shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Borrower fails to do so within 15 days of the casualty. Lender may, at its election, apply the proceeds to the reduction of the indebtedness hereby secured or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Borrower shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Upon satisfactory proof of such expenditure, Borrower shall pay or reimburse Lender from the proceeds for the reasonable costs of repair or restoration. Any proceeds which have not been paid out within 180 days after their receipt and which Borrower has not committed to the repair or restoration of the Property, shall be applied to the indebtedness secured hereby in accordance with Paragraph 2 hereof. If Lender holds any proceeds after payment in full of the indebtedness secured hereby, such proceeds shall be paid to Borrower. Any unexpired insurance shall inure to the benefit of, and pass to, the Purchaser of the Property covered by this Deed of Trust at any Trustee sale of the Property.

6.3 **Compliance with Prior Lien.** During the period in which the Prior Lien described in Paragraph 5 is in effect, Borrower shall also comply with the insurance provisions contained in the Prior Lien. If any proceeds from the insurance become payable on loss, the provisions in this Deed of Trust for division of proceeds shall apply only to that portion of the proceeds not payable to the holder of the Prior Lien.

7. **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. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower shall perform all of the Borrower's obligations under the declarations or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents. If a condominium or planned unit development rider is executed by Borrower and recorded together with this Deed of Trust, the covenants and agreements of such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Deed of Trust as if the rider were a part hereof.

8. **PROTECTION OF LENDER'S SECURITY.** Should Borrower fail to make any payment or do any act provided for in this Deed, Lender or Trustee (but without obligation to do so and without notice to or demand upon Borrower and without releasing Borrower from any obligation under this Deed) may: (i) make any such payment or do any such act in whatever manner and to whatever extent either may deem necessary to protect the security of this Deed (Lender or Trustee are authorized to enter the Property for such purposes); (ii) commence, appear in and defend any action or proceeding purporting to affect the security of this Deed or the rights or powers of Lender or Trustee; (iii) pay, purchase, contest or compromise any encumbrance, charge or lien which, in the judgment of either, appears to be prior or superior to the lien or charge of this Deed; and (iv) in exercising any such powers, incur any liability, expend whatever amounts in the Lender's or Trustee's absolute discretion may be deemed necessary, including, without limitation, costs of evidence of title and employment of counsel and payment of counsel's reasonable attorney's fees. All sums so incurred or expended by Lender or Trustee shall be secured by this Deed and, without demand, shall be immediately due and payable by Borrower and shall bear interest at the rate of interest then applicable to the principal balance under the Agreement; provided, however, that at Lender's or Trustee's option, such sums may be added to the principal balance then due under the Agreement and be payable under the terms of the Agreement. The procurement of insurance or the payment of taxes or other liens or charges by Lender or Lender's taking any action permitted hereunder shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

9. **INSPECTION.** Lender may make or cause to be made reasonable entries upon and inspection of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefore related to Lender's interest in the Property.

10. **CONDEMNATION.** If all or any part of the Property is condemned, Lender may elect to require that all or any portion of the net proceeds of the condemnation be applied on the indebtedness secured hereby. The "net proceeds" shall mean the total amount available after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Borrower, Lender, and Trustee in connection with the taking by condemnation. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this paragraph shall apply. If any proceedings in condemnation are filed, Borrower shall promptly take such steps as may be necessary to defend the action and obtain the award.

11. **SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; CO-SIGNERS; CAPTIONS.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender subject to the provisions of Paragraph 15 hereof. All covenants 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. Any Borrower who co-signs this Deed of Trust, but does not execute the Agreement, (a) is co-signing this Deed of Trust only to grant and convey that Borrower's interest in the Property to Trustee under the terms of this Deed of Trust, (b) is not personally liable on the Agreement or under this Deed of Trust, and (c) agrees that Lender and any other Borrower hereunder may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Deed of Trust or the Agreement, without that Borrower's consent and without releasing that Borrower or modifying this Deed of Trust as to that Borrower's interest in the Property.

12. **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 delivering it or by mailing such notice to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by delivering it or by mailing such notice 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 given in the manner designated herein.

13. **GOVERNING LAW; SEVERABILITY.** This Deed of Trust shall be governed by the law of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of Federal law to this Deed of Trust. In the event that any provision or clause of this Deed of Trust or the Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Agreement which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Agreement are declared to be severable. As used herein, "costs," "expenses" and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

14. **BORROWER'S COPY.** Borrower shall be furnished a copy of the Agreement and of this Deed of Trust at the time of execution hereof.

15. **OTHER AGREEMENTS.** Borrower shall fulfill all the Borrower's obligations under any other loan agreement which Borrower enters into with Lender or any home improvement or repair assessments. Lender, at Lender's option, may require Borrower to execute and deliver to Lender, in a form acceptable to Lender, an assignment of any rights, claims or defenses which Borrower may have against parties who supply labor, materials or services in connection with improvements made to the Property.

16. **TRANSFER OF PROPERTY.** If Borrower or any successor in interest to Borrower in the Property sells, conveys, alienates, assigns or transfers the Property, or any part of it, or any interest in it, or becomes divested of Borrower's title or any interest in it in any manner or way, whether voluntary or involuntary, Lender shall have the right, at its sole option, to declare any indebtedness or obligation secured by this Deed, irrespective of the maturity date otherwise specified with respect to such indebtedness or obligation immediately due and payable, without notice or demand, and no waiver of this right shall be effective unless in writing and signed by Lender.

17. **DEFAULT.**

17.1 **Events of Default.** The following shall constitute events of default:

- (a) Failure of Borrower to pay any portion of the indebtedness secured hereby when it is due.
- (b) Failure of Borrower within the time required by this Deed of Trust to make any payment for taxes or insurance or any other payment necessary to prevent filing of or discharge of any lien, except as provided in 3.2 hereof.
- (c) Transfer or agreement to transfer any part or interest in the Property without the prior written consent of Lender.
- (d) Insolvency on a balance sheet basis or business failure of Borrower; the commencement by Borrower of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Borrower in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Borrower to the appointment of a receiver, trustee, or custodian of any of the Borrower's property; an assignment for the benefit of creditors by Borrower; the making or suffering by Borrower of a fraudulent transfer under applicable federal or state law; concealment by Borrower of any of its property in fraud of creditors; the making or suffering by Borrower of a preference within the meaning of the federal bankruptcy law; the imposition of a lien through legal proceedings or distraint upon any of the Property of Borrower which is not immediately discharged; or Borrower's failure generally to pay its debts as such debts become due. The events of default in this paragraph shall apply and refer to Borrower and to each of the individuals or entities which are collectively referred to as a "Borrower."
- (e) Failure of Borrower to make any payment or perform any obligation under the Prior Lien within the time required thereunder, or commencement of any suit or other action to foreclose the Prior Lien.
- (f) If the Property has been submitted to condominium ownership pursuant to the Oregon Condominium Act, or pursuant to any similar law of any other state, failure of Borrower to perform any of the obligations imposed on Borrower by the declaration submitting the Property to condominium ownership, by the bylaws of the association of unit owners, or by any rules or regulations thereunder. If Borrower's interest in the Property is a leasehold interest and such Property has been submitted to condominium ownership, any failure of Borrower to perform any of the obligations imposed on him by the lease of the Property from its owner, any default under such lease which might result in termination of the lease as it pertains to the Property, or any failure of Borrower as a member of the association of unit owners to take any reasonable action within Borrower's power to prevent a default under such lease by the association of unit owners or by any member of the association, shall also constitute an event of default under this Deed of Trust.
- (g) Failure of Borrower to perform any other obligation under this Deed of Trust after receipt of written notice from Lender specifying the nature of the default. No notice of default shall be required if during the prior 12 months Lender has already sent a notice to Borrower concerning default in performance of the same obligation.
- (h) Borrower's breach of any covenant contained in the Agreement.
- (i) Borrower's omission of material information, or making of any materially false or materially misleading statement, on Borrower's credit statement relied on by Lender in entering into the Agreement.
- (j) Borrower's death.
- (k) Borrower's further encumbering the Property or allowing the Property to be subjected to any liens or encumbrances except as provided in 3.2 hereof.
- (l) The occurrence of anything relating to Borrower or the Property which causes Lender in good faith to deem itself insecure.

17.2 **Remedies.** Upon the occurrence of any event of default and at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

- (a) Lender may declare the entire indebtedness secured hereby immediately due and payable.
- (b) The Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.
- (c) If the Property is submitted to condominium ownership, Borrower grants an irrevocable power of attorney to Lender to vote in its discretion on any matter that may come before the members of the association of unit owners. Lender shall have the right to exercise this power of attorney only after default by Borrower and may decline to exercise the power, as Lender may see fit.

(d) Trustee and Lender shall have any other right or remedy provided in this Deed of Trust, the Agreement or any other instrument delivered by Borrower in connection therewith, or available at law, in equity or otherwise.

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173 **Sale of the Property.** In exercising its rights and remedies, the Trustee or Lender may cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Lender may bid at any public sale on all or any portion of the Property.

174 **Waiver; Election of Remedies.** A waiver by either party of a breach of a provision of the Deed of Trust shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Lender under this Deed of Trust are cumulative and not exclusive. An election to make expenditures or take action to perform an obligation of Borrower shall not affect Lender's right to declare a default and exercise its remedies under this Deed of Trust.

175 **Attorneys' Fees; Expenses.** In the event suit or action is instituted to enforce any of the terms of this deed, the prevailing party shall be entitled to recover its reasonable attorneys' fees at trial, on any appeal, and on any petition for review, in addition to all other sums provided by law. Whether or not any court action is involved, all reasonable expenses incurred by Lender that are necessary at any time in Lender's opinion for the protection of its interest or the enforcement of its rights shall become a part of the indebtedness secured hereby and shall be payable at the time and shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Paragraph 8. Expenses covered by this paragraph include (without limitation) the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions, title insurance, and fees for the Trustee.

18. **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 attorneys' fees, and then to the sums secured by this Deed of Trust. Lender and the receiver shall be liable to account only for those rents actually received.

19. **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/Agreements evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay all costs of preparation and recordation, if any.

20. **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.

21. **USE OF PROPERTY.** The property is not currently used for agriculture, timber or grazing purposes.

22. **ATTORNEYS' FEES.** As used in this Deed of Trust and in the Agreement, "attorneys' fees" shall include attorneys' fees, if any, which shall be awarded by an appellate court.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

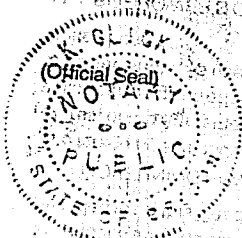
Douglas V. Osborne
Roxanne Osborne

Borrower

Borrower

STATE OF Oregon Borrower: Douglas V. Osborne Borrower: Roxanne Osborne
County Klamath) ss

On this 4th day of September, 19 87, personally appeared the above named Douglas V. Osborne and Roxanne Osborne, and acknowledged the foregoing instrument to be their voluntary act and deed.



[Signature]
Notary Public for Oregon
My Commission expires: June 14, 1990

REQUEST FOR RECONVEYANCE

To Trustee:

STATE OF OREGON: COUNTY OF KLAMATH: ss.
Filed for record at request of Mountain Title Company
of September A.D., 19 87 at 11:28 o'clock A M., and duly recorded in Vol. M87 day
of Mortgages on Page 16353

FEE \$17.00

By Evelyn Biehn County Clerk
[Signature]