

THIS TRUST DEED, made this 1st day of October, 1987, between KENNETH D. KERN and CINDY A. KERN, husband and wife

as Grantor, ASPEN TITLE & ESCROW, INC., An Oregon Corporation, FRANK A. RAUGUST and BONNIE J. RAUGUST, husband and wife, as Trustee, and of survivorship as Beneficiary,

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in Klamath County, Oregon, described as:

Tract 29, YALTA GARDENS, in the County of Klamath, State of Oregon.

THIS TRUST DEED IS AN ALL-INCLUSIVE TRUST DEED AND IS BEING RECORDED THIRD AND JUNIOR TO A FIRST TRUST DEED IN FAVOR OF KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION, AND A SECOND TRUST DEED IN FAVOR OF DOROTHY ANNA TURNER.

SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said real estate.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of FORTY TWO THOUSAND AND NO/100 (\$42,000.00) Dollars, with interest thereon according to the terms of a promissory note of even date herewith, payable to beneficiary or order and made by grantor, the final payment of principal and interest hereof, it not sooner paid, to be due and payable October 15, 2007.

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of said note becomes due and payable. In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be sold, conveyed, assigned or alienated by the grantor without first having obtained the written consent or approval of the beneficiary, then, at the beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, shall become immediately due and payable.

The above described real property is not currently used for agricultural, timber or grazing purposes.

To protect the security of this trust deed, grantor agrees: (a) to protect, preserve and maintain said property in good condition and repair, not to remove or demolish any building or improvement thereon, not to commit or permit any waste of said property; (b) to complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor; (c) to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting said property; if the beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the beneficiary; (d) to continuously maintain insurance on the buildings and such other hazards as the beneficiary may from time to time require, in an amount not less than the full insurable value, written in policies acceptable to the beneficiary, with loss payable to the latter; all if the grantor shall fail to deliver to the beneficiary as soon as insured, deliver said policies to the beneficiary at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on said buildings; the beneficiary may procure the same or hereafter placed on said buildings collected under any fire or other insurance policy may be applied by beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine; or at option of beneficiary the entire amount so collected, or not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

To keep said premises free from construction liens and to pay all taxes, assessments, and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments, and other charges become past due or delinquent and promptly deliver receipts therefor to beneficiary; should the grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiary with funds with which to make such payment, beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 6 and 7 of this trust deed, shall be added to and become a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the same extent to which the grantor, shall be bound to the payment of the obligation herein described, and all such payments shall be immediately due and payable upon notice, and the nonpayment thereof shall, at the option of the beneficiary, render all sums secured by this trust deed immediately due and payable and constitute a breach of this trust deed.

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.

To appear in and defend any action or proceeding purporting to affect the security rights or powers of beneficiary or trustee; and in any suit, action or proceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed, to pay all costs and expenses, including amount of attorney's fees mentioned in this paragraph 7 in all cases shall be decreed by the trial court, grantor further agrees to pay such sums as the appellate court shall judge reasonable as the beneficiary's or trustee's attorney's fees on such appeal.

It is mutually agreed that: 8. 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 to elect, to require that all or any portion of the monies payable to pay all reasonable costs, expenses and attorney's fees necessarily paid or applied by it first upon any reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, 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.

9. At any time and from time to time upon written request of beneficiary, payment of its fees and presentation of this deed and the note for endorsement (in case of full reconveyance, for cancellation), without affecting the liability of any person for the payment of the indebtedness, trustee may, at its option, assign the benefit of this deed to any other person, who shall be a party to the assignment, and the assignment shall be conclusive proof of proper assignment.

10. Upon default by grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, the beneficiary may declare all sums secured hereby immediately due and payable. In such an event, the beneficiary at his election may proceed to foreclose this trust deed by advertisement and sale. In the latter event the beneficiary or the trustee shall execute and cause to be recorded his written notice of default and his election hereby, whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 86.733 to 86.795.

11. After the trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the trustee conducts the sale, the grantor or any other person so privileged by ORS 86.753, may cure the default or defaults. If the default consists of a failure to pay, when due, the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the obligation or trust deed. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the beneficiary all costs and expenses actually incurred in enforcing the obligation of the trust deed by law.

12. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The trustee may sell said property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the grantor and beneficiary, may purchase at the sale.

13. 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 the compensation of the trustee and a reasonable charge by trustee's attorney, (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 surplus, if any, to the grantor or to his successor in interest entitled to such surplus.

14. Beneficiary may from time to time appoint a successor or successors to any trustee named herein or to any successor trustee appointed hereunder. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by beneficiary, which, when recorded, in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

15. Trustee accepts this trust when this deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which grantor, beneficiary or trustee shall be a party unless such action or proceeding is brought by trustee.

NOTE: The Trust Deed, Act, provides that the trustee hereunder must be, either an attorney, who is, an active member of the Oregon State Bar, a bank, trust company or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real property of this state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 690.505 to 690.585.

The grantor covenants and agrees to and with the beneficiary and those claiming under him, that he is lawfully seized in fee simple of said described real property and has a valid, unencumbered title thereto. Trust Deed dated September 17, 1973, recorded September 19, 1973 in Book M-73 at page 12711 and Trust Deed dated June 11, 1987, recorded June 11, 1987 at book M-87 at page 10126

and that he will warrant and forever defend the same against all persons whomsoever.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are: (a) primarily for grantor's personal, family or household purposes (see Important Notice below), (b) for an organization, or (even if grantor is a natural person) are for business or commercial purposes.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein. In construing this deed and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular number includes the plural.

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

IMPORTANT NOTICE: Delete by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) is applicable and the beneficiary is a creditor as such word is defined in the Truth-in-Lending Act and Regulation Z, the beneficiary MUST comply with the Act and Regulation by making required disclosures; for this purpose use Stearns-Ness Form No. 1319, or equivalent. If compliance with the Act is not required, disregard this notice.

STATE OF OREGON, ss. County of Clatsop

This instrument was acknowledged before me on December 2, 1987, by Kenneth D. Kern and Cindy A. Kern

Notary Public for Oregon My commission expires 7-23-89

STATE OF OREGON, ss. County of Clatsop

This instrument was acknowledged before me on December 2, 1987, by Kenneth D. Kern and Cindy A. Kern

Notary Public for Oregon My commission expires 7-23-89

THE UNDERSIGNED IS THE LEGAL OWNER AND HOLDER OF ALL INDEBTEDNESS SECURED BY THE FOREGOING TRUST DEED. ALL SUMS SECURED BY SAID TRUST DEED HAVE BEEN FULLY PAID AND SATISFIED. YOU HEREBY ARE DIRECTED, ON PAYMENT TO YOU OF ANY SUMS OWING TO YOU UNDER THE TERMS OF SAID TRUST DEED OR PURSUANT TO STATUTE, TO CANCEL ALL EVIDENCES OF INDEBTEDNESS SECURED BY SAID TRUST DEED (WHICH ARE DELIVERED TO YOU HEREWITH TOGETHER WITH SAID TRUST DEED) AND TO RECONVEY, WITHOUT WARRANTY, TO THE PARTIES DESIGNATED BY THE TERMS OF SAID TRUST DEED THE ESTATE NOW HELD BY YOU UNDER THE SAME. MAIL RECONVEYANCE AND DOCUMENTS TO:

DATED: MAY 21, 1988

SEE EXHIBIT 7, ATTACHED HEREIN AND BY THIS REFERENCE MADE BY SAID INSTRUMENT

Do not lose this deed. This deed is to be destroyed when it is no longer needed. Both must be delivered to the trustee for cancellation before reconveyance will be made.

THIS INSTRUMENT IS TO BE FILED IN THE PUBLIC RECORDS OF THE CLATSOP COUNTY, OREGON, AND TO BE RECORDED

TRUST DEED

STATE OF OREGON, ss. County of Clatsop

I certify that the within instrument was received for record on the 19 day of 1987, at o'clock P.M., and recorded in book/roll/volume No. on page or as fee/file/instrument/microfilm/reception No. Record of Mortgages of said County.

Witness my hand and seal of County attized.

By [Signature] Deputy

NAME TITLE

18323

THIS TRUST DEED IS AN "ALL INCLUSIVE TRUST DEED" AND IS THIRD AND SUBORDINATE TO THE TRUST DEED NOW OF RECORD DATED SEPTEMBER 17, 1973, AND RECORDED SEPTEMBER 19, 1973, IN BOOK M-73 AT PAGE 12711, IN THE OFFICIAL RECORDS OF KLAMATH COUNTY, IN FAVOR OF FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION, AND THAT SECOND TRUST DEED OF RECORD DATED JUNE 11, 1987 AND RECORDED JUNE 11, 1987 IN BOOK M-87 AT PAGE 10126, IN FAVOR OF DOROTHY ANN TURNER, EACH AS BENEFICIARY, WHICH SECURES THE PAYMENT OF A NOTE THEREIN MENTIONED. FRANK A. RAUGUST AND BONNIE J. RAUGUST, HUSBAND AND WIFE, BENEFICIARY HEREIN AGREE TO PAY, WHEN DUE, ALL PAYMENTS DUE UPON THE SAID PROMISSORY NOTE IN FAVOR OF EACH OF THE BENEFICIARYS AS SET OUT ABOVE, AND WILL SAVE TRUSTORS HEREIN, KENNETH D. KERN AND CINDY A. KERN, HUSBAND AND WIFE, HARMLESS THEREFROM. SHOULD THE SAID BENEFICIARY HEREIN DEFAULT IN MAKING ANY PAYMENTS DUE UPON SAID PRIOR NOTES AND TRUST DEEDS, TRUSTOR HEREIN MAY MAKE SAID DELINQUENT PAYMENTS AND ANY SUMS SO PAID BY TRUSTOR HEREIN SHALL THEN BE CREDITED UPON THE SUMS NEXT TO BECOME DUE UPON THE NOTE SECURED BY THIS TRUST DEED.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Company the 8th day
 of October A.D. 19 87 at 11:03 o'clock A M., and duly recorded in Vol. M87
 of Mortgages on Page 18322
 Evelyn Biehn, County Clerk
 By [Signature]

FEE \$15.00