

SUBORDINATE
TRUST DEED

THIS TRUST DEED, made this 25th day of May, 1989, between Klamath County, a subdivision of the State of Oregon, as Grantor, Aspen Title and Escrow, Inc., as Trustee, and Oregon Department of Human Services, Mental Health Division, as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, of grantor's equity in the property in Klamath County, Oregon, described as follows:

Lot 5, Block 300, DARROW ADDITION TO THE CITY OF KLAMATH FALLS, in the County of Klamath, State of Oregon.

This instrument does not guarantee that any particular use may be made of the property described in this instrument. A buyer should check with the appropriate city or county planning department to verify approved uses.

Together with all and singular, the tenements, hereditaments, and appurtenances and all other rights thereto 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 the acceptance of a loan in the sum of Thirty Six Thousand Seven Hundred Seventy Nine and 08/100, (\$36,779.08) Dollars, made by the Mental Health Division for grantor's purchase of the above-described real property.

The time when debt secured by this agreement becomes due is upon sale or transfer of the property or when the grantor ceases to use the property exclusively as a location in which persons with developmental disabilities reside and receive services approved by Division. Repayment of this debt shall be according to terms of that certain Trust Deed Note executed on this date to establish the loan.

This Trust Deed is inferior, subordinate, and made subject to a prior Trust Deed on the above-described real estate made by Klamath County, a subdivision of the State of Oregon to Oregon Housing Agency dated February 2, 1989, and recorded February 2, 1989 in the Official records of the above-named county in Volume M89, Page 2111; the first Trust Deed was given to secure a note for the principal sum of Fifty Five Thousand Six Hundred Ninety (\$55,690) Dollars; the unpaid principal balance thereof on the date of execution of this instrument is Fifty Five

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Thousand Six Hundred Ninety (\$55,690) Dollars; interest thereon is paid to June 15, 1989; said prior Trust Deed is referred to herein as "First Trust Deed."

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:

1. 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.
2. 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.
3. To comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting said property; if the Beneficiary/Mortgagee so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the Beneficiary/Mortgagee 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/Mortgagee.
4. To provide and continuously maintain insurance on the buildings now or hereafter erected on the said premises against loss or damage by fire and such other hazards as the Beneficiary may from time to time require. Written in companies acceptable to the Beneficiary/Mortgagee, with loss payable first to the Beneficiary hereunder; all policies of insurance shall be delivered to the Mortgagee under the first Trust Deed (mortgage) as soon as insured; and a certificate of insurance executed by the company in which said insurance is written, showing the amount of said insurance, shall be delivered to the Beneficiary hereunder; if the grantor shall fail for any reason to procure any such insurance and to deliver said certificate 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 at Grantor's expense. The amount 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 any part thereof, may be released to Grantor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.
5. 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 therefore 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 aforesaid, the property hereinbefore described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the non-payment 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.

6. 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.
7. 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 evidence of title and the Beneficiary's or Trustee's attorney's fees; the amount of attorney's fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, Grantor further agrees to pay such sum as the appellate court shall adjudge 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, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all amounts due the Beneficiary under the first Trust Deed and all reasonable costs, expenses, and attorney's fees necessarily paid or incurred by Grantor in such proceedings, shall be paid to Beneficiary and 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 cases of full reconveyances, 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 plot of said property; (b) join in granting any easement or creating any restriction therein; (c) join in any subordination or other agreement affecting this Deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the property. The grantee 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 five dollars (\$5.00).
10. The entering upon and taking possession of said property, or the proceeds of fire and other insurance policies and 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.
11. 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 in equity as a mortgage or direct the Trustee for 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 to sell the said described real property to satisfy the obligations secured 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 86.740 to 86.795.12.
12. Should the Beneficiary elect to foreclose by advertisement and sale then after default at any time prior to five days before the date set by the Trustee for the Trustee's sale, the Grantor or other person so privileged by ORS 86.760, may pay to the Beneficiary or his successors in interest, respectively, the entire amount then due under the terms of the Trust Deed and the obligation secured thereby (including costs and expenses actually incurred in enforcing the terms of the obligation and Trustee's and attorney's fees not exceeding the amounts provided by law) other than such portion of the principal as would not then be due and no default occurred, and thereby cure the default, in which event all foreclosure proceedings shall be dismissed by the Trustee.
13. 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, expressed or implied. The recitals in the Deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the Trustee, but including the Grantor and Beneficiary, may purchase at the sale.

14. When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of sale to payment (1) to all persons having recorded liens prior to the interest of the Trustee herein as their interests may appear in the order of their priority, (2) of the expenses for sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney, (3) to the obligation secured by the Trust Deed, (4) to all persons having recorded liens subsequent to the interest of the Trustee in the Trust Deed as their interests may appear in order of their priority, and (5) the surplus, if any, to the Grantor or to his successor in interest entitled to such surplus.
15. For any reason permitted by law 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 named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Trust Deed and its place of record, which, when recorded in the office of the County Clerk or Recorded of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor Trustee.
16. 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.

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, that said real property is free from all encumbrances except the first Trust Deed/Mortgage, 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 Trust Deed are for an organization, and are for business or commercial purposes other than agricultural 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.

Grantor: KLAMATH COUNTY

Trustee: ASPEN TITLE & ESCROW, INC.

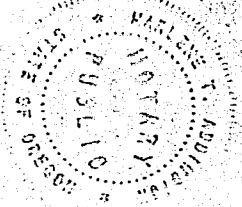
By: Ted Lindow by Ron McCutcheon
Attorney in fact

By: [Signature]

STATE OF OREGON)
County of Klamath) ss.

The foregoing instrument was acknowledged before me this 25th day of May, 19 89, by Ron McCutcheon as attorney in fact for Ted Lindow as authorized signature for Klamath County

[Signature]
Notary Public for Oregon
My Commission Expires: 3-22-93



STATE OF OREGON, ss.
County of Klamath

Filed for record at request of:

Aspen Title & Escrow
on this 26th day of May A.D., 19 89
at 9:53 o'clock A M. and duly recorded
in Vol. M89 of Mortgages Page 9136
Evelyn Biehn County Clerk
By [Signature]
Fee, \$33.00 Deputy.

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