

TRUST DEEDParties.

Grantors: Peter M. Blake and Susan L. Blake,
husband and wife

Beneficiary: First American Title Insurance Company

Trustee: Klamath County Title Co.

1. Agreement. For valuable consideration, Grantors grant, bargain, sell and convey to Trustee in trust for Beneficiary, with power of sale, the real property, together with appurtenances, described as:

7604 Cannon Avenue, Klamath Falls, Oregon; Lot 33,
SKYLINE VIEW, Klamath County, Oregon.

The described real property, together with all improvements, fixtures and personal property now or hereafter located on or about such property, is referred to in this Trust Deed as the "Property." The Property is not currently used for agricultural, timber or grazing purposes.

2. Security.

A. This Trust Deed secures a Promissory Note (Trust Deed Note) between Grantors as Promisors and Beneficiary as Promisee, dated December 19, 1989, a copy of which is attached hereto as Exhibit "A" and the terms of which are hereby made a part of this Trust Deed.

B. As additional security, Grantors hereby assign to Beneficiary during the continuance of this trust, all rents, issues, royalties and profits of the Property. Until Grantors shall default in the payment of any indebtedness secured by this Trust Deed or in the performance of any other promise by Grantors under this Trust Deed, Grantors shall have the right to collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable.

3. Warranties of Title. Grantors warrant and represent to Beneficiary that Grantors own the Property in fee simple free from all liens and encumbrances except for the usual printed

exceptions in title insurance policies and the following liens and encumbrances:

Mortgage to State of Oregon, Department of Veterans' Affairs.

4. Grantors' Duties. Grantors shall

(a) forever defend the Property against all persons;

(b) pay the Note according to all its terms and conditions;

(c) pay all taxes and assessments and all charges of every nature which may be levied or assessed against the Property;

(d) pay and otherwise cause to be removed according to their terms and conditions any and all other liens and encumbrances that are or may become charges against the Property or any part thereof;

(e) complete or restore promptly and in good workmanlike manner any building or improvement on the Property which may be constructed, damaged or destroyed and pay when due all costs incurred for such repairs; and

(f) not remove or demolish any building or improvement on the described Property without the prior written consent of Beneficiary.

5. Beneficiary's Right to Perform on Behalf of Grantors. If Grantors fail to perform Grantors' obligations under this Trust Deed, Beneficiary may render such performance without waiving the default. All monies expended by Beneficiary in connection with such performance shall become additional indebtedness of Grantors secured by this Trust Deed, shall bear interest from the date of expenditure at the rate payable from time to time on the outstanding principal under the Note, and shall be immediately due and payable without demand by Beneficiary. Nothing contained in this paragraph shall be construed to require Beneficiary to incur any expense or perform any act on behalf of Grantors.

6. Insurance. Grantors shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all

improvements on the Property, if any, with loss payable to Beneficiary and Grantors, as their respective interests may appear. The policy shall be written in such form with such terms and by such insurance company that is reasonably acceptable to Beneficiary. Grantors shall deliver to Beneficiary a certificate of coverage from the insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of 10 days' written notice to Beneficiary. Beneficiary may inspect the policy at any time. In the event of loss, Grantors shall give immediate notice to Beneficiary and Beneficiary may make proof of loss if Grantors fail to do so within 15 days of the casualty.

7. Use of Property. Grantors agree not to abuse, misuse or waste the Property, real or personal, and to maintain the Property in good condition.

8. Performance.

A. If Grantors perform the terms and conditions of this Trust Deed and pay the obligation secured hereby according to all its terms and conditions this conveyance shall be void, but otherwise shall remain in full force to secure the performance of this Trust Deed and the payment of the obligation it secures. The parties agree that in the event Grantors fail to perform any term or condition of this Trust Deed or the obligation it secures, or if proceedings of any kind are taken by anyone to foreclose any prior lien or encumbrance or any lien which Grantors are bound by this Trust Deed to remove on the Property or any part thereof, Beneficiary shall have the option to declare the whole unpaid amount of the obligation secured by this Trust Deed at once due and payable, and this Trust Deed may be foreclosed at any time thereafter.

B. Upon performance of the obligation secured hereby, Trustee shall, upon written request of Beneficiary, reconvey the Property to Grantors.

9. Default.

A. Upon default by Grantors 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 Property, which notice Trustee shall cause to be duly filed for record. If Beneficiary desires the Property to be sold, Beneficiary shall deposit with Trustee this Trust Deed, the Note and all

documents evidencing expenditures secured hereby, whereupon the Trustee shall fix the time and place of sale and give notice thereof as then required by law. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee shall, if Grantors' default has not been cured in the manner then provided by law, sell said Property at the time and place fixed by the notice of sale in the manner then provided by law. Trustee shall deliver to its purchaser its deed in the form as required by law conveying the Property, but without any covenant or warranty, express or implied.

B. Upon any default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Property, in Beneficiary's own name, sue for or otherwise collect such rents, issues and profits of the Property, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees at trial and on appeal, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

C. Nothing herein shall be construed as a waiver by Beneficiary of the right to elect to foreclose in the manner provided by law for the foreclosure of mortgages on real property. If suit or action is instituted to enforce any of the provisions of this Trust Deed, the prevailing party shall be entitled to such sums as the court may adjudge reasonable as attorneys' fees in said suit or action in any court including any appellate court in addition to costs and disbursements provided by statute. The prevailing party shall also recover the cost of a title report issued for purposes of the foreclosure.

10. Condemnation. Should the Property or any part thereof be taken under the right of eminent domain or condemnation, or in any other manner, Beneficiary shall have the right, if Beneficiary 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 reasonable costs, expenses and attorneys' fees necessarily paid or incurred by

Grantors in such proceedings, shall be paid to Beneficiary and applied by Beneficiary first upon any reasonable costs and expenses and attorneys' fees necessarily paid or incurred by Beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and Grantors agree, at Grantors' own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon Beneficiary's request. Sale of all or part of the Property to a purchaser with the power of eminent domain in the face of a threat or probability of the exercise of the power shall be treated for purposes of this paragraph as a taking by condemnation.

11. Waiver. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive the right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay. Waiver of any provision in this Trust Deed shall not be held a waiver of any subsequent default or of any default in any other provision.

12. Governing Law; Severability. This Trust Deed shall be governed by the law of Oregon. In the event that any provision or clause of this Trust Deed or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Trust Deed or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Trust Deed and the Note are declared to be severable.

13. Establishment of Trust.

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

B. Beneficiary may appoint another Trustee in place of Trustee named herein, and thereupon the Trustee so appointed shall be substituted as Trustee with the same effect as if originally named Trustee.

14. Sale and Transfer of Possession. Beneficiary has entered into the transaction for which this Trust Deed is given on the basis of Grantors' personal liability, financial resources and responsibility. Therefore, it is specifically understood and agreed by Grantors that no interest in the

Property shall be sold, conveyed, transferred, or otherwise disposed of in any manner by Grantors or Grantors' successors or assigns, directly or indirectly, without Beneficiary's prior written consent, which consent shall not be unreasonably withheld. In the event Beneficiary consents to a transfer, the transferee shall expressly assume all of Grantors' obligations under this Trust Deed and the Note, such consent and assumption shall not in any way relieve or discharge Grantors' obligations under this Trust Deed and the Note. In addition, Grantors shall reimburse all costs and fees reasonably incurred by Beneficiary in reviewing, investigating, and preparing documents in connection with any such transfer, including but not limited to attorney fees. Consent to one transfer shall not constitute consent to subsequent transfers or be deemed a waiver of this Section 14.

15. Successors in Interest. Subject to section 14 above, this Trust Deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors, and assigns of the parties hereto. All obligations of Grantors hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgors, of the Note secured hereby, whether or not named as beneficiary herein.

DATED this 19 day of December, 1989.

Grantors.

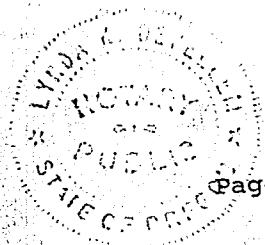
Peter M. Blake
PETER M. BLAKE

Susan L. Blake
SUSAN L. BLAKE

STATE OF OREGON)
 Klamath) ss.
County of ~~Deschutes~~)

The foregoing instrument was acknowledged before me this 19th day of December, 1989, by PETER M. BLAKE and SUSAN L. BLAKE.

Linda L. Hamilton
Notary Public for Oregon
My Commission Expires: 4/1/93



TRUST DEED NOTEParties.

Grantors: Peter M. Blake and Susan L. Blake
husband and wife

Beneficiary: First American Title Insurance Company

Trustee: Klamath County Title Company

AGREEMENT. For value received, Grantors promise to pay to Beneficiary or Beneficiary's order, at such place as Beneficiary designates the principal sum of \$50,000.00.

The interest rate on the unpaid principal balance will be 11.75% per annum.

Interest begins on December 1, 1989.

This Note shall be paid in installments as follows:

- (1) \$500.00 each month to be paid on the first day of each month beginning on December 1, 1989 for twelve (12) months with the last such payment being made on November 1, 1990. The first payment will be made upon execution of this note.
- (2) \$40,000.00 on December 1, 1990.
- (3) \$500.00 on the first day of each month beginning January 1, 1991 with the last such payment on May 1, 1991.
- (4) All remaining principal and interest on June 1, 1991.

Grantor may prepay at any time without penalty.

DEFAULT. Should default be made in any payment due under this note the entire principal sum and accrued interest shall at once become due and payable without notice at the option of the holder of this

note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default, it is agreed that the holder of this note may recover such reasonable expenses as may be incurred in collection, including a reasonable attorneys' fee, and further including attorneys' fee in any appeal from a suit or action.

This Trust Deed Note is the note described in and secured by a Trust Deed executed the same date as this note.

DATED this 19 day of December, 1989.

Grantors

Peter M. Blake
PETER M. BLAKE

Susan L. Blake
SUSAN L. BLAKE

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of James D. Noteboom the 26th day
of Jan. A.D. 19 90 at 12:04 o'clock P M., and duly recorded in Vol. M90
of Mortgages on Page 1855
By Evelyn Biehn County Clerk
Online Muelendore

FEE \$43.00

Return: James D. Noteboom
835 NW Bond, Bend, Or. 97701