

THIS TRUST DEED, made this 15th day of MAY, 1992,
between Arlie L. Barnes and Virginia M. Barnes, as Grantor,
Aspen Title And Escrow, Inc., as Trustee, and

Associates Financial Services Company of Oregon, Inc., as Beneficiary.
259 Barnett Rd. Suite J
Medford, Oregon 97501

WITNESSETH:

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

Lot 2 and the Northerly 4 feet of Lot 1, Block 2, Tract 1116
Sunset East in the County of Klamath, State of Oregon.

which real property is not currently used for agricultural, timber or grazing purposes, together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now appertaining, and the rents, issues and profits thereof and all fixtures now attached to or used in connection with said real estate:

For the purpose of securing: (1) Payment of the indebtedness and all other lawful charges evidenced by a loan agreement of even date herewith, made by grantor, payable to the order of beneficiary at all times, in the manner as therein set forth, having a Total

of Payments of \$ 49174.80, payable in 120 monthly installments: 120 at \$ 409.79 followed by
0 at \$ 0 followed by 0 at \$ 0, with a principal balance of \$ 31117.89, and any
extensions thereof; (2) performance of each agreement of grantor herein contained; (3) payment of all sums expended or advanced
by beneficiary under or pursuant to the terms hereof, together with interest thereon as herein provided.

Agreed Rate Of Interest: This is a variable interest rate loan and the interest rate will increase or decrease with changes in the Prime loan rate. The interest rate will be 3.42 percentage points above the Prime loan Rate published in the Federal Reserve Board's Statistical Release H.15. The Initial Prime loan rate is 6.50%, which is the published rate as of the last business day of April, 1992; therefore, the initial interest rate is 9.92% per year. The interest rate will increase or decrease with changes in the Prime loan rate when the Prime loan rate, as of the last business day of the preceding month, has increased or decreased by at least 1/4th of a percentage point from the Prime loan rate on which the current interest rate is based. The interest rate cannot increase or decrease more than 2% in any year. In no event, however, will the interest rate ever be less than 7.92% per year nor more than 15.92% per year. The interest rate will not change before the First Payment Date.

Adjustments in the Agreed Rate of Interest shall be given effect by changing the dollar amounts of the remaining monthly payments in the month following the anniversary date of the loan and every 12 months thereafter so that the total amount due on the indebtedness will be paid by the last payment date. Associates waives the right to any interest rate increase after the last anniversary date prior to the last payment due date of the loan.

To protect the security of this trust deed, grantor agrees:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workman-like manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; and do all other acts which from the character or use of said property may be reasonably necessary; the specific enumerations herein not excluding the general.

2. To provide, maintain and deliver to beneficiary insurance on the premises satisfactory to the beneficiary and with loss payable to the beneficiary. 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.

3. To pay all costs, fees and expenses of this trust including the cost of title search as well as other costs and expenses of the trustee incurred in connection with or enforcing this obligation, and trustee's and attorney's fees actually incurred as permitted by law.

4. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of beneficiary or trustee; and to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum as permitted by law, in any such action or proceeding in which beneficiary or trustee may appear.

5. To pay at least ten (10) days prior to delinquency all taxes or assessments affecting the property; to pay when due all encumbrances, charges and liens with interest on the property or any part thereof that at any time appear to be prior or superior hereto.

6. If grantor fails to perform any of the above duties to insure or preserve the subject matter of this trust deed, then beneficiary may, but without obligation to do so and without notice to or demand on grantor and without releasing grantor from any obligation hereunder, perform or cause to be performed the same in such manner and to such extent as beneficiary may deem necessary to protect the security hereof. Beneficiary may, for the purpose of exercising said powers; enter onto the property; commence, appear in or defend any action or proceeding purporting to affect the security hereof or the rights and powers of beneficiary; pay, purchase, contest or compromise any encumbrance, charge or lien, which in the judgement of beneficiary appears to be prior or superior hereto; and in exercising any such powers beneficiary may incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor including cost of evidence of title, employ counsel and pay his reasonable fees. Grantor covenants to repay immediately and without demand all sums expended hereunder by beneficiary, together with interest from date of expenditure at the agreed rate shown above until paid, and the repayment of such sums are secured hereby.

It is mutually agreed that:

7. Any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to beneficiary who may apply or release such monies received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

8. Upon any default by grantor or if all or any part of the property is sold or transferred by grantor without beneficiary's consent, the beneficiary may at any time, without notice, either in person or by agent, and without regard to the adequacy of any security for the indebtedness secured, enter upon and take possession of the property or any part of it, and that the entering upon and taking possession of the property shall not cure or waive any default or notice of default or invalidate any act done pursuant to such notice.
9. Upon default by grantor in payment of any indebtedness secured or in his performance of any agreement, the beneficiary may declare all sums secured immediately due and payable. In such event beneficiary at its election may proceed to foreclose this trust deed in equity in the manner provided by law for mortgage foreclosures or direct the trustee 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 its written notice of default and its election to sell the said described real property to satisfy the obligations secured hereby and proceed to foreclose this trust deed in a manner provided by law.
10. If after default and prior to the time and date set by trustee for the trustee's sale, the grantor or other person pays the entire amount then due under the terms of the trust deed and the obligation secured thereby, the grantor or other person making such payment shall also pay to the beneficiary all the costs and expenses actually incurred in enforcing the terms of the obligations as permitted by law.
11. Upon any default by grantor hereunder, grantor shall pay beneficiary for any reasonable attorney fees incurred by beneficiary consequent to grantor's default. Grantor will pay these fees upon demand.
12. After a lawful lapse of time following the recordation of the notice of default and the giving of notice of sale the trustee shall sell the property as provided by law at public auction to the highest bidder for cash payable at the time of sale. Trustee shall deliver to the purchaser a deed without express or implied covenants or warranty. Any person excluding the trustee may purchase at the sale.
13. When the trustee sells pursuant to the powers provided, trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the lawful fees of the trustee and the reasonable fees of the trustee's attorney, (2) the obligations secured by this trust deed, (3) to all persons having recorded liens subsequent to the interest of the beneficiary and the trust deed as their interest may appear in the order of their priority, and (4) the surplus, if any, to the grantor or to his successor in interest entitled to such surplus.
14. For any reason permitted by law, the 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.

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

^{A.B.}
The beneficiary has the option to demand that the balance due on the loan secured by this trust deed be paid in full on the third anniversary date of the loan date of the loan and annually on each subsequent anniversary date if the loan has a fixed interest rate. If this option is exercised, the grantor will be given written notice of the election by at least 90 days before payment in full is due. If payment is not made when due, the beneficiary has the right to exercise any remedies permitted under this trust deed.

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.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the note 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, the grantor has hereunto set his hand and seal the day and year first above written.

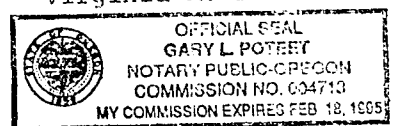
Witness

Witness

Grantor
Arlie L. Barnes

Grantor
Virginia M. Barnes

STATE OF OREGON)
) ss.
County of Klamath)



Personally appeared the above named Arlie L. Barnes and Virginia M. Barnes and
acknowledged the foregoing instrument to be Their voluntary act and deed.

Before me: [Signature] My commission expires: 2/18/05
Notary Public

STATE OF OREGON: COUNTY OF KLAMATH: ss.
Filed for record at request of Aspen Title Co. the 19th day
of May A.D., 19 92 at 3:22 o'clock P M., and duly recorded in Vol. M92
of Mortgages on Page 10866
FEE \$15.00
By Evelyn Biehn County Clerk
[Signature]

Return: ATC

DATED: _____ 19_____

Beneficiary
Do not lose or destroy this Trust Deed OR THE NOTE which it secures. Both must be delivered to the trustee for cancellation before reconveyance will be made.