

DEED OF TRUST AND ASSIGNMENT OF RENTS

DATE OF THIS DEED OF TRUST AND OF THE LOAN TRANSACTION 3-27-96	DATE FUNDS DISBURSED AND INTEREST BEGINS IF OTHER THAN DATE OF THE TRANSACTION 4-1-96	ACCOUNT NUMBER 3654-408996
BENEFICIARY TRANSAMERICA FINANCIAL SERVICES ADDRESS: 1070 NW Bond, Suite 204 CITY: Bend, Or., 97701	GRANTOR(S): (1) James C. Callahan (2) ADDRESS: 22451 HWY 70 CITY: Bonanza, OR., 97623	
NAME OF TRUSTEE: Aspen Title & Escrow		

THIS DEED OF TRUST SECURES FUTURE ADVANCES

By this Deed of Trust, the undersigned Grantor(s) (all, if more than one), for the purpose of securing the payment of a Promissory Note of even date in the principal sum of \$ 15,560.84 from Grantor(s) to Beneficiary named above, hereby grants, sells, conveys and warrants to Trustee in trust, with power of sale, the following described property situated in the State of Oregon, County of Klamath:

SEE ATTACHED SCHEDULE "A"

The final maturity date of the Promissory Note is 4-1-2011

Together with all buildings and improvements now or hereafter erected thereon and heating, lighting, plumbing, gas, electric, ventilating, refrigerating and air-conditioning equipment used in connection therewith (but not including any apparatus, equipment or articles that constitute "household goods" as the term is defined in the Federal Trade Commission Credit Practices Rule (16 C.F.R. Part 444) as now or hereafter amended), all of which, for the purpose of this Deed of Trust, shall be deemed fixtures of the property above described, all of which are referred to hereinafter as the "Premises".

TO HAVE AND TO HOLD said land and premises, with all the rights, privileges and appurtenances thereto belonging to Trustee and his heirs, executors, administrators, successors and assigns, upon the trusts and for the uses and purposes following and none other.

Grantor also assigns to Beneficiary all rents, issues and profits of the Premises, reserving the right to collect and use the same with or without taking possession of the premises, during continuance of default hereunder, and during continuance of such default authorizing Beneficiary to enter upon the Premises and/or to collect and enforce the same without regard to adequacy of any security for the indebtedness hereby secured by any lawful means.

FOR THE PURPOSE OF SECURING: (1) Performance of each agreement of Grantor contained herein; (2) Payment of the principal sum with interest thereon at the agreed rate in accordance with the terms and conditions of the above mentioned Promissory Note executed by Grantor in favor of Beneficiary, reference to which is hereby made, until paid in full at or before maturity, or as extended or rescheduled; (3) Payment of any additional amounts, with interest thereon at the agreed rate, as may be hereafter loaned by Beneficiary to Grantor in connection with any renewal or refinancing, but Beneficiary shall not be obligated to make any additional loan(s) in any amount; (4) The payment of any money that may be advanced by Beneficiary to Grantor or to third parties, with interest thereon at the agreed rate, where any such advances are made to protect the security or in accordance with the covenants of this Deed of Trust.

All payments made by Grantor(s) on the obligation secured by this Deed of Trust shall be applied in the following order:

FIRST: To the payment of taxes and assessments that may be levied and assessed against the Premises, insurance premiums, repairs, and all other charges and expenses agreed to be paid by Grantor(s).

SECOND: To the payment of the interest due on said Agreement.

THIRD: To the payment of principal.

TO PROTECT THE SECURITY HEREOF, GRANTOR(S) COVENANTS AND AGREES: (1) To keep the Premises insured in Beneficiary's favor against fire and such other casualties as Beneficiary may specify, up to the full value of all improvements, for the protection of Beneficiary in such manner, in such amounts, and in such companies as Beneficiary may from time to time approve, and to keep the policies therefor, properly endorsed, on deposit with Beneficiary and that loss proceeds (less expenses of collection) shall, at Beneficiary's option, be applied on said indebtedness, whether due or not, or to the restoration of said improvements. Such application by Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale; (2) To pay when due all taxes, liens (including any prior Trust Deeds or Mortgages and assessments that may accrue against the above described premises, or any part thereof, or upon the debt secured hereby, or upon the interest of Beneficiary in the Premises or in said debt, and procure and deliver to Beneficiary ten (10) days before the day fixed by law for the first interest or penalty to accrue thereon, the official receipt of the proper officer showing payment of all such taxes and assessments; (3) In the event of default by Grantor(s) under Paragraphs 1 or 2 above, Beneficiary, at its option (whether electing to declare the whole indebtedness secured hereby due and collectible or not), may (a) effect the insurance above provided for and pay the reasonable premiums and charges therefor; (b) pay by this Deed of Trust and shall bear interest from the date of payment at the agreed rate; and (c) such disbursements shall be added to the unpaid balance of the obligation secured in good condition and repair, not to commit or suffer any waste or any use of the Premises contrary to restrictions of record or contrary to laws, ordinances or regulations days or restore promptly and in a good and workmanlike 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; (5) That Grantor will pay, promptly, the indebtedness secured hereby in full compliance with the terms of said Promissory Note and this Deed of Trust and that the time of payment of the indebtedness hereby secured, or of any portion thereof, may be extended or renewed, and any portions of said indebtedness or the lien of this instrument upon the remainder of the Premises for the full amount of said indebtedness then remaining unpaid, and no change in the ownership of the Premises shall release, reduce or otherwise affect any such personal liability or the lien hereby created; and (6) That Grantor is seized of the Premises in fee simple and has good and lawful right to convey the same and that Grantor does hereby forever warrant and will forever defend the title and possession thereof against the lawful claims of any and all persons whatsoever.

IT IS MUTUALLY AGREED THAT: (1) If the said Grantor(s) shall fail or neglect to pay installments on said Promissory Note as the same may hereafter become due, or upon default in the performance of any agreement hereunder, or upon sale or other disposition of the Premises by Grantor(s), or should any action or proceeding be filed in any court to enforce any lien on, claim against or interest in the Premises, then all sums owing by Grantor(s) to Beneficiary under this Deed of Trust or under the Promissory Note secured hereby shall immediately become due and payable at the option of Beneficiary on the application of Beneficiary or assignee, or any other person who may be entitled to the monies due thereon. In the event of such default, Beneficiary may exercise all remedies at law and in equity including, but not limited to, the following: (a) waiving the collateral and enforce the Promissory Note; (b) foreclosing this trust deed judicially; or (c) executing or causing the Trustee to execute a written Notice of Default and of Election To Cause Said Property To Be Sold to satisfy the obligations hereof, and Trustee shall file such notice for record in each county wherein said property or some part or parcel thereof is situated. Beneficiary shall also deposit with Trustee, the Promissory Note and all documents evidencing expenditures secured hereby, whereupon Trustee shall foreclose the Deed of Trust in accordance with Oregon law.

(2) Grantor(s) agrees to surrender possession of the Premises to the Purchaser as provided by law.

(3) Beneficiary may appoint a successor Trustee at any time by filing for recording in the office of the County Recorder of each county in which said property or some part thereof is situated a Substitution of Trustee. From the time the substitution is filed for record, the new Trustee shall succeed to all the powers, duties, authority and title of the Trustee named herein or of any successor Trustee. Each such substitution shall be executed and acknowledged and notice thereof shall be given and proof thereof made, in the manner provided by law.

(4) Upon payment in full by said Grantor(s) of his indebtedness hereunder, Trustee shall reconvey to said Grantor(s) the Premises according to law.

(5) Should the Premises or any part thereof be taken by reason of any public improvement or condemnation proceeding, Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor, to the extent necessary to liquidate the unpaid balance, including accrued interest, of the obligation secured by this Deed of Trust.

AFTER RECORDING RETURN TO TRANSAMERICA FINANCIAL SERVICES P. O. Box 5607, Bend, Or., 97708
Address

(6) Should Grantor sell, convey transfer or dispose of the Premises, or any part thereof, without the written consent of Beneficiary being first had and obtained, then Beneficiary shall have the right, at its option, to declare all sums secured hereby forthwith due and payable.

(7) Notwithstanding anything in this Deed of Trust or the Promissory Note secured hereby to the contrary, neither this Deed of Trust nor the Promissory Note shall be deemed to impose on the Grantor(s) any obligation of payment, except to the extent that the same may be legally enforceable and any provision to the contrary shall be of no force or effect.

(8) All Grantors shall be jointly and severally liable for fulfillment of their covenants and agreements herein contained, and all provisions of this Deed of Trust shall inure to and be binding upon the heirs, executors, administrators, successors, grantees, lessees and assigns of the parties hereto respectively. Any reference in this Deed of Trust of the singular shall be construed as plural where appropriate. Any Grantor who co-signs this Deed of Trust but does not execute the Promissory Note: (a) is co-signing this Deed of Trust only to grant and convey that Grantor's interest in the property under the terms of this Deed of Trust; (b) is not personally obligated to pay the sums secured by this Deed of Trust; and (c) agrees that Beneficiary and any other Grantor or signer of the Promissory Note may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Deed of Trust or the Promissory Note without that Grantor's consent.

(9) Invalidity or unenforceability of any provisions herein shall not affect the validity and enforceability of any other provisions.

(10) Trustee accepts this Trust when this Deed of Trust, 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(s), Beneficiary, or Trustee shall be a party, unless brought by Trustee.

(11) Grantor shall pay all costs, disbursements, expenses and reasonable attorney fees ("Costs") incurred by Beneficiary in protecting or enforcing the lien of this Deed of Trust whether or not suit or action is actually commenced. Costs include, without limitations, recording fees, cost of title and lien searches, surveys and attorney's fees in negotiations, arbitrations, trials, administrative proceedings, condemnation proceedings, bankruptcy proceedings and any appeals from any of them. Enforcing the lien of the Deed of Trust includes without limitation conveyances in lieu of foreclosure, actions on the Promissory Note, foreclosure actions, receivership actions and post-judgment collection efforts.

(12) The undersigned Grantor(s) requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at the address herein before set forth.

(13) The terms Deed of Trust and Trust Deed are interchangeable.

IN WITNESS WHEREOF the said Grantor has to these presents set hand and seal this date 3-27-96

STATE OF OREGON

County of Klamath

)
) SS.
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James C. Callahan
Grantor James C. Callahan
James C. Callahan
Grantor

This instrument was acknowledged before me on the 27th day of March, 1996, by James C. Callahan

Before Me:

Marlene T. Addington
Notary Public for Oregon

OFFICIAL SEAL
MARLENE T. ADDINGTON
NOTARY PUBLIC - OREGON
COM. EXPIRES 12-31-97

3-22-97

REQUEST FOR FULL RECONVEYANCE

TO TRUSTEE:

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the name.

Mail Reconveyance to:

By _____

By _____

Do not lose or destroy. This Deed of Trust must be delivered to the Trustee for cancellation before reconveyance will be made.

TRUST DEED

Grantor

Beneficiary

STATE OF OREGON

County of _____ S.S.

I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ m., and recorded in book _____ on page _____ Record of Mortgage of said county.

Witness my hand and seal of County affixed.

Title

Deputy

By _____

Schedule "A"

Beneficiary's Name and Address: TRANSAMERICA FINANCIAL SERVICES 1070 N.W. Bond; Suite 204 Bend, OR 97701	Account Number: 3654-408996 Name of Trustor(s): JAMES C. CALLAHAN
Legal Description of Real Property: PARCEL 1: Commencing at a point on the South line of the N 1/2 of the NW 1/4 of Section 34, Township 38 South, Range 11 1/2 East of the Willamette Meridian, in the County of Klamath, State of Oregon, and North 89 degrees 41' West, 454 feet from the Southeast corner of said N 1/2 of NW 1/4; run thence North 89 degrees 41' West along the South line of said N 1/2 of the NW 1/4, 209 feet to a point; thence North on a line 209 feet to a point; thence South 89 degrees 41' East on a line 209 feet; thence South 209 feet to the place of beginning.	
PARCEL 2: Commencing at a point in the N 1/2 of NW 1/4 of Section 34, Township 38 South, Range 11 1/2 East of the Willamette Meridian, in the County of Klamath, State of Oregon, which lies North 209 feet from a point on the South line of said N 1/2 of NW 1/4 of said Section 34, Township 38 South, Range 11 1/2 East of the Willamette Meridian, which is North 89 degrees 41' West 454 feet from the Southeast corner of said N 1/2 of NW 1/4 of Section 34, Township 38 South, Range 11 1/2 East of the Willamette Meridian; thence running North 89 degrees 41' West parallel with the South line of said N 1/2 of NW 1/4 a distance of 209 feet to a point; thence North 145 feet, more or less, to the Southeast right of way line of Highway 66, commonly known as Klamath Falls-Lakeview Highway; thence Northeasterly along said Southeasterly line of said Highway right of way line a distance of 253 feet, more or less, to a point North of the true point of beginning; thence South 246 feet, more or less, to the true point of beginning of this description being a tract of land 209 feet in width lying Northerly of the adjacent to a one acre tract of land heretofore conveyed to the above named grantee by deed of record, SAVING AND EXCEPTING that portion lying within the Dairy-Bonanza Road.	
PARCEL 3: A portion of the NE 1/4 of the NW 1/4 of Section 34, Township 38 South, Range 11 1/2 East of the Willamette Meridian, in the County of Klamath, State of Oregon, beginning 209 feet North of the Southeast corner of the NE 1/4 of the NW 1/4 of said section; thence West 418 feet; thence South 178 feet to the right of way line of the Dairy-Bonanza Highway; thence West along said right of way line 36 feet; thence North about 460 feet to the Southerly right of way line of the Klamath Falls-Lakeview Highway #140 (formerly #66); thence Northeasterly along said right of way line about 650 feet to the East line of the said NE 1/4 of the NW 1/4 of Section 34; thence South along said line about 731 feet to the point of beginning.	
CODE 37 MAP 3811-V34BO TL 1500 CODE 37 MAP 3811-V34BO TL 1600 CODE 37 MAP 3811-V34BO TL 1700	
Real Property Commonly Known As: 22451 HWY 70; BONANZA, OR 97623	
Trustor(s): JAMES C. CALLAHAN	
<i>James C Callahan</i> Signature	3/27/96 Date
_____ Signature	_____ Date
_____ Signature	_____ Date

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15-999 (1-92)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title the 1st day
 of April A.D., 19 96 at 11:27 o'clock A M., and duly recorded in Vol. M96
 of Mortgages on Page 8985.

FEE \$20.00

 By *Bernetha G. Vetsch*
 Bernetha G. Vetsch, County Clerk