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LINE OF CREDIT INSTRUMENT

DEED OF TRUST AND ASSIGNMENT OF RENTS

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| DATE OF THIS DEED OF TRUST AND OF THE LOAN TRANSACTION 6/19/96 | DATE FUNDS DISBURSED AND INTEREST BEGINS 6/24/96 | ACCOUNT NUMBER |
| BENEFICIARY: TRANSAMERICA FINANCIAL SERVICES | GRANTOR(S): (1) Charles M. Polson | |
| ADDRESS: 5285 SW Meadows Rd. Ste. 275 CITY: Lake Oswego, OR 97035 | (2) ADDRESS: 5020 Sturdivant Ave. CITY: Klamath Falls, OR 97603 | |
| NAME OF TRUSTEE: Aspen Title | | |

P 3:46 JUN 21 By this Deed of Trust, the undersigned Grantor(s) (all, if more than one) for the purpose of securing the payment of a Revolving Loan Agreement ("the Agreement") of even date having a maximum Principal Amount to be advanced of \$ 107,942.00 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: Lot 49, Lamron Homes, in the County of Klamath, State of Oregon.

6 Together with a strip of land 15 feet wide adjacent to and parallel with the South Boundary of said lot.

Code 41 MAP 3909-11DC TL 9800

Together will 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 is 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 said 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 said 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 Agreement, executed by the Grantor in favor of the 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 the 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 the 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 said premises, insurance premiums, repairs, and all other charges and expenses agreed to be paid by the Grantor(s).

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

THIRD: To the payment of principal.

The final maturity date of this Revolving Loan Agreement is 35 years from the date of this Deed of Trust. However, in the event of a conflict between the maturity date stated in this deed of trust and the length of the Repayment Period, as defined in the Agreement, the Agreement shall control.

TO PROTECT THE SECURITY HEREOF, GRANTOR(S) COVENANTS AND AGREES: (1) to keep said premises insured in Beneficiary's favor against fire and such other casualties as the 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 thereof, 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 the 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 said 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 all said taxes, liens and assessments without determining the validity thereof; and (c) such disbursements shall be added to the unpaid balance of the obligation secured by this Deed of Trust and shall bear interest from the date of payment at the agreed rate; (4) To keep the buildings and other improvements now existing or hereafter erected in good condition and repair, not to commit or suffer any waste or any use of said premises contrary to restrictions of record or contrary to laws, ordinances or regulations of the proper public authority, and to permit Beneficiary to enter at all reasonable times for the purpose of inspecting the premises, to complete and within one hundred eighty 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 Agreement 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 the premises herein described may, without notice, be released from the lien hereof, without releasing or affecting the personal liability of any person for the payment of said indebtedness or the lien of this instrument upon the remainder of said premises for the full amount of said indebtedness then remaining unpaid, and no change in the ownership of said 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 Agreement 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 the Grantor(s) to the Beneficiary under this Deed of Trust or under the Agreement secured hereby shall immediately become due and payable at the option of the Beneficiary on the application of the 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 Agreement; (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 Agreement 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 hereinabove described 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 above-described premises according to law.

(5) Should said property 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 therefrom, 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 PO BOX 1794, Lake Oswego, OR 97603
Address

- (6) Should Grantor sell, convey, transfer or dispose of said property, or any part thereof, without the written consent of Beneficiary being first had and obtained, then Beneficiary shall have the right, at his option, to declare all sums secured hereby to be due and payable.
- (7) Notwithstanding anything in this Deed of Trust or the Agreement contained herein to the contrary, neither this Deed of Trust nor the Agreement 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 Agreement: (a) is co-signing by this Deed of Trust; and (c) agrees that Beneficiary and any other Grantor or signer of the Agreement may agree to extend, modify, forgive or make any accommodations with regard to the terms of this Deed of Trust or the Agreement 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 to the attention of 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 limitation, 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 Agreement, 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 hereinbefore 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

Charles M. Palson

Grantor

County of *Klamath*

S.S.

STATE OF OREGON

OR 18598

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