

20668

RECORDATION REQUESTED BY:

South Valley State Bank
 5215 South Sixth Street
 Klamath Falls, OR 97603

WHEN RECEIVED MAIL TO:

South Valley State Bank
 5215 South Sixth Street
 Klamath Falls, OR 97603

31ND TAX NOTICES TO:

Klamath Child Treatment Center, Inc.
 1336 Avalon St.
 Klamath Falls, OR 97603

N/C 31233

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

LINE OF CREDIT DEED OF TRUST

LINE OF CREDIT INSTRUMENT. (a) This Deed of Trust is a LINE OF CREDIT INSTRUMENT. (b) The maximum principal amount to be advanced pursuant to the Note is \$150,000.00. (c) The term of the Note commences on the date of this Deed of Trust and ends on April 30, 1997.

THIS DEED OF TRUST IS DATED JANUARY 25, 1996, among Klamath Child Treatment Center, Inc., whose address is 1336 Avalon St, Klamath Falls, OR 97603 (referred to below as "Grantor"); South Valley State Bank, whose address is 5215 South Sixth Street, Klamath Falls, OR 97603 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and William P. Brandness, whose address is 411 Pine Street, Klamath Falls, OR 97603 (referred to below as "Trustee").

CONVEYANCE AND GRANT. For value in consideration, Grantor conveys to Trustee for the benefit of Lender as Beneficiary all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, interests, and profits related to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, located in Klamath County, State of Oregon (the "Real Property").

See attached Exhibit A

The Real Property or its address is commonly known as 121 Iowa, Klamath Falls, OR 97601.

Grantor presently assigns to Lender (also known as Beneficiary in this Deed of Trust) all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents and the Personal Property defined below.

DEFINITIONS. The following words shall have the following meanings when used in this Deed of Trust. Terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America:

Beneficiary. The word "Beneficiary" means South Valley State Bank, its successors and assigns. South Valley State Bank also is referred to as "Lender" in this Deed of Trust.

Borrower. The word "Borrower" means each and every person or entity signing the Note, including without limitation Klamath Child and Family Treatment Center, Inc.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Grantor. The word "Grantor" means Grantor and all persons and entities executing this Deed of Trust, including without limitation Klamath Child Treatment Center, Inc. Any Grantor who signs this Deed of Trust, but does not sign the Note, is signing this Deed of Trust only to grant and convey that Grantor's interest in the Real Property and to grant a security interest in Grantor's interest in the Rents and Personal Property to Lender and is not personally liable under the Note except as otherwise provided by contract or law.

Guarantor. The word "Guarantor" means and includes without limitation any and all guarantors, sureties, and accommodation parties in connection with the indebtedness.

Improvements. The word "Improvements" means and includes without limitation all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Trustee or Lender to enforce obligations of Grantor under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust. Specifically, without limitation, this Deed of Trust secures a revolving line of credit, which obligates Lender to make advances to Borrower so long as Borrower complies with all the terms of the Note.

Lender. The word "Lender" means South Valley State Bank, its successors and assigns.

Note. The word "Note" means the Note dated January 25, 1996, in the principal amount of \$150,000.00 from Borrower to Lender, together with all renewals, amendments, modifications, refinancings, and substitutions for the Note. The maturity date of the Note is April 30, 1997. The rate of interest on the Note is subject to indexing, adjustment, renewal, or renegotiation.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the property, interests and rights described above in the "Conveyance and Grant" section.

Related Documents. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter made, in connection with the indebtedness.

Rents. The word "Rents" means all rents, royalties, income, issues, royalties, profits, and other benefits derived from the Property.

Trustee. The word "Trustee" means William P. Brandness and any substitute or successor trustees.

FORM NO. 501501
 01-82-1688

COMPILED
 DEED OF TRUST

1996-15121

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE DEBT AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF BORROWER UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED BY THE FOLLOWING TERMS:

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Deed of Trust is executed at Borrower's request and not at the request of Lender; (b) Grantor has the full right, title, and authority to enter into this Deed of Trust and to hypothecate the Property; (c) the provisions of this Deed of Trust do not conflict with or result in a violation of any law, regulation, or ordinance applicable to Grantor; (d) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (e) Lender has made no representation to Grantor about the solvency of Borrower.

GRANTOR'S WARRANTIES. Grantor waives all right or defense which may prevent Lender from bringing any action against Grantor, including a claim for deficiency to the extent Lender is otherwise entitled to a claim for or completion of a foreclosure action, either judicially or by exercise of a power of sale.

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Borrower shall pay to Lender all indebtedness secured by this Deed of Trust as it becomes due, and Borrower shall perform all their respective obligations under the Note, this Deed of Trust, and the Related Documents.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor and Borrower agree that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (a) remain in possession and control of the Property, (b) use, operate or manage the Property, and (c) collect any Rents from the Property. The following provisions relate to the use of the Property or to other limitations on the Property. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LITIGATIONS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.330.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Hazardous Substances. The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened release," as used in this Deed of Trust, shall have the same meanings as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. Grantor represents and warrants to Lender that: (a) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance by any person on, under, about or from the Property; (b) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (i) any use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance on, under, about or from the Property by any prior owners or occupants of the Property or (ii) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (c) Except as previously disclosed to and acknowledged by Lender in writing, (i) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on, under, about or from the Property and (ii) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation those laws, regulations, and ordinances described above. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may determine appropriate for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for hazardous waste and hazardous substances. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Deed of Trust, including the obligation to indemnify, shall survive the payment of the indebtedness and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

Removal of Improvements. Grantor shall not demolish or remove any improvements from the Real Property without the prior written consent of Lender. As a condition to the removal of any improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such improvements with improvements of at least equal value.

Lender's Right to Enter. Lender and its agents and representatives may enter upon the Real Property at all reasonable times to attend to Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon nor leave unattended the Property. Grantor shall do all other acts, in addition to those sets forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at its option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without the Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of Real Property interest. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, in the case of a corporation. However, this condition shall not be exercised by Lender if such exercise is prohibited by federal law or by Oregon law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are a part of this Deed of Trust.

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against the Property, or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

Right To Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In any event, Grantor shall defend itself and name Lender as an additional obligor, and any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

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materials or equipment. Grantor will reimburse a fee supplied to the Property or material, and the cost exceeds \$4,000. Grantor, you and will pay the cost of the improvements.

work (10 days before any work is commenced, any services are furnished, or any alterations are made), or if it can be asserted on account of the work, services, materials or labor furnished by Lender advance assurances satisfactory to Lender.

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Endorsement of Insurance. Grantor shall reimburse the costs for the full insurance coverage, including all expenses, charges, and with all standard liability insurance in such coverage as published in the Standard Insurance Policy of the insurance company. Additionally, Grantor shall maintain such insurance as follows:

- a. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- b. Policies shall be issued by a company or companies that are rated by Standard and Poor's as "A" or better.
- c. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- d. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- e. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- f. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- g. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
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- k. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- l. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- m. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- n. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- o. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- p. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- q. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- r. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- s. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- t. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- u. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- v. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- w. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- x. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- y. Policies shall be issued by a company or companies that are licensed by the State of Maryland.
- z. Policies shall be issued by a company or companies that are licensed by the State of Maryland.

Application of Proceeds. Grantor shall promptly notify Lender if replacement exceeds \$500.00. Lender may make proof of Lender's security is impaired; Lender may at its election, reduction of the indebtedness, payment of any loss affecting the proceeds to restoration and repair, or shall repair or restore such property upon satisfactory proof of such expenditure by Grantor. If Grantor is not in default under this Deed of Trust and which Lender has not committed to the repair or restoration of the property, Lender shall hold any proceeds after payment in full of the indebtedness.

Unexpired Insurance at Sale. Any unexpired insurance shall be paid to the beneficiary named in the policy or to the executor of the testator's estate or to the trustee of the trust created by will or to the trustee of the trust created by deed of trust at any trustee's sale or (there is no hold under the

Grantor's Report on Insurance. Upon request of Lender, existing policy of insurance showing: (a) the name of the insured, (b) the current replacement value of such property, and the policy number, shall, upon request of Lender, have an independent appraisal made by a qualified appraiser.

[illegible]

WARRANTY: DEFENSE OF TITLE. The following provisions re

Title. Greater variants that: (a) Grant to Lender good and undisturbed title to the Real Property, free of all encumbrances other than those set forth in the Real Property Schedule; and (b) release Lender from all obligations in connection with this loan, including the obligation to deliver to Lender a Deed of Trust to Lender.

Defense of Title. Subject to the exceptions in the paragraph lawful claims of all persons. In the case of any action or proceeding under this Deed of Trust, Grantor shall defend and the action shall be entitled to participate in the proceeding and to be delivered, or cause to be delivered, to and such instrument

Compliance With Laws. Grantor warrants that the Pro-
ordinances, and regulations of governmental authorities.

CONDENMNATION: The following provisions relating to condemn

Application of Net Proceeds. If all or a part of the Proceeds of the condemnation, Lender may at its election require or the repair or restoration of the Property. The net proceeds and attorneys' fees incurred by Trust or Lender in connection with the condemnation shall be applied to the cost of the repair or restoration of the Property.

Proceedings. If any proceeding in condemnation is filed, steps as may be necessary to defend the action and obtain an order for the property to be sold may be required. The owner is entitled to participate in the proceedings and to be represented by counsel. The owner is entitled to be heard and to be heard by a jury. The owner is entitled to be heard by a jury. The owner is entitled to be heard by a jury.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENT
and charges are a part of this Deed of Trust:

Current Taxes, Fees and Charges. Upon request by Lender, Borrower shall pay, or cause to be paid, whatever other action is requested by Lender to perfect this loan, as described below, together with all expenses incurred by Lender in connection with the loan, including all taxes, fees, documentary stamps, and other charges for

Taxes. The following shall constitute taxes to which this Note is subject: (a) the federal income tax on the interest payable on the Note; (b) the state and local income taxes on the interest payable on the Note; (c) the state and local sales taxes on the interest payable on the Note; and (d) a specific tax on all or any portion of the interest payable on the Note.

Subsequent Taxes. If any tax to which this section applies becomes an Event of Default (as defined below), and Lender below (unless Grantor either (a) pays the tax before it becomes an Event of Default or (b) deposits with Lender cash or a sufficient corp-

SECURITY AGREEMENT; FINANCING STATEMENTS. The
this Deed of Trust.

Security Agreement. This instrument and all constitute a security interest in the property, and Lender shall have all the rights of a secured creditor.

Security Interest. Upon request by lender, Grantor shall perfect and continue Lender's security interest in the Real Property. Lender may, at any time thereafter without further notice, assign or otherwise dispose of its interest in the Trust as a financing statement. Grantor shall reimburse Lender for all costs incurred by Lender in connection with default. Grantor shall assemble (a) Personal Property located in and around the Real Property; (b) all documents relating to the Real Property; and (c) all other documents relating to the Real Property, and deliver them to Lender upon receipt of written demand therefor.

Addressee. The mailing address of Grantor (debtor) granted by this Deed of Trust may be obtained (each as Trust

in to insuring the Property are a part of this Deed of Trust.

In policies of the insurance with standard extended coverage endorsements on a
overments on the Real Property in an amount sufficient to avoid application of any
favor of Lender. Grantor shall also procure and maintain comprehensive general
quest with trustee and Lender being named as additional insureds in such liability
er insurance, including but not limited to hazard, business interruption, and boiler
e-written in form, amounts, coverages and basis reasonably acceptable to Lender
e to Lender. Grantor, upon request of Lender, will deliver to Lender from time to
to Lender, including stipulations that coverages will not be cancelled or diminished
sch insurance policy also shall include an endorsement providing that coverage in
ission of default of Grantor or any other person. Should the Real Property at any
is a Federal Emergency Management Agency as a special flood hazard area, Grantor
udent such insurance is required by Lender and is or becomes available, for the
where the insurance is of coverage that is available, whichever is less.

under of any loss or damage to the Property if the estimated cost of repair or
if Grantor fails to do so within fifteen (15) days of the casualty. Whether or no
ceive and retain the proceeds of any Insurance and apply the proceeds to the
the Property, or the restoration and repair of the Property. If Lender elects to apply
replace the damaged or destroyed improvements in a manner satisfactory to Lender.
ay or reimburse Grantor from the proceeds for the reasonable cost of repair or
Any proceeds which have not been disbursed within 180 days after their receipt
n of the Property shall be used first to pay any amount owing to Lender under this
r, if any, shall be applied to the principal balance of the Indebtedness. If Lender
high arrears shall be paid to Grantor as Grantor's interests may appear.

inure to the benefit of, and pass to, the purchaser of the Property covered by this
provisions of this Deed of Trust, or at any foreclosure sale of such Property.

whether not more than once a year, Grantor shall furnish to Lender a report on each year: (b) the risks insured; (c) the amount of the policy; (d) the property insured, the manner of determining that value; and (e) the expiration date of the policy. Grantor shall satisfy to Lender determine the cash value replacement cost of the Property.

provision of this Deed of Trust, or if any action or proceeding is commenced that on Grantor's behalf may, but shall not be required to, take any action that Lender will bear interest at the rate provided for in the Note from the date incurred or paid. (a) Lender's option, will (a) be payable on demand, (b) be added to the balance of installment payments to become due during either (i) the term of any applicable balloon payment which will be due and payable at the Note's maturity, or (ii) the term of any applicable balloon payment which will be due and payable at the Note's maturity. The rights provided for in this paragraph shall be in addition to any other rights or remedies provided for in this Deed of Trust. Any such action by Lender shall not be construed as curing the default so as to

ing to ownership of the Property are a part of this Deed of Trust.

marketable title of record to the Property in fee simple, free and clear of all liens and description or in any life insurance policy, title report, or final title opinion issued in
ed of Trust, and (b) Grantor has the full right, power, and authority to execute and

above, Grantor warrants and will forever defend the title to the Property against the claim is commenced in it questions Grantor's title or the interest of Trustee or Lender Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender represented in the proceeding by counsel of Lender's own choice, and Grantor will as Lender may request from time to time to permit such participation.

erty and Grantor's use of the Property complies with all existing applicable laws.

Non proceedings are a part of this Deed of Trust.

ty is condemned by eminent domain proceedings or by any proceeding or purchase at all or any portion of the net proceeds of the award be applied to the indebtedness of the award shall mean the award after payment of all reasonable costs, expenses, on with the condemnation.

Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such action as may be required by Lender to effect the award. Grantor may be the nominal party in such proceeding, but Lender shall be permitted to participate in such proceeding, and Grantor will deliver or cause to be delivered to it from time to time to permit such participation.

ENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees

lar, Grantor shall execute such documents in addition to this Deed of Trust and take
continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all
and in recording, perfecting or continuing this Deed of Trust, including without limitation
recording or registering this Deed of Trust.

tion applies: (a) a specific tax upon this type of Deed of Trust or upon all or any part of the property of the Lender; (b) a specific tax on Borrower which Borrower is authorized or required to deduct from the proceeds of this type of Deed of Trust; (c) a tax on this type of Deed of Trust chargeable against the Lender or the Borrower; or (d) a tax on the principal or on payments of principal and interest made by Borrower.

[illegible]

Following provisions relating to this Deed of Trust as a security agreement are a part of

security agreement to the extent any of the Property constitutes fixtures or other personal property under the Uniform Commercial Code as amended from time to time.

execute financing statements and take whatever other action is requested by Lender to and Personal Property. In addition to recording this Deed of Trust in the real property records from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust for all expenses incurred in perfecting or continuing this security interest. Upon demand and at a place reasonably convenient to Grantor and Lender and make all other actions requested by Lender.

and Lender (secured party), from which information concerning the security interest required by the Uniform Commercial Code), are as stated on the first page of this Deed of

FURTHER AND FURTHER, ATTORNEY-IN-FACT

Further, it is covenanted, warranted and agreed that the Lender, in its sole discretion, may, at any time, cause to be filed, recorded, refiled, or made and placed as Lender may deem appropriate, any and all such mortgages, statements, continuation statements, instruments of further assurance, certificates, be necessary or desirable in order to effectuate, complete, perfect, continue, or the Note, this Deed of Trust, and the Related Documents, and (b) the liens and prior liens on the Property, whether now owned or hereafter acquired by Grantor. In writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Borrower pays all the indebtedness imposed upon Grantor under this Deed of Trust, Lender shall deliver to Grantor suitable statements of termination of any lien on the Personal Property. Any reconveyance fee required by law shall be paid by Grantor, if permitted by applicable law.

DEFAULT. Each of the following, at the option of Lender, shall constitute an event of default ("Event of Default") under this Deed of Trust:

Default on Indebtedness. Failure of Borrower to make any payment when due on the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Deed of Trust to make any payment for taxes or insurance, or any other payment necessary to prevent filing a lien or to effect discharge of any lien.

Default in Favor of Third Parties. Should Borrower or Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Grantor's ability to repay the Loans or to perform their respective obligations under this Deed of Trust or any of the Related Documents.

Compliance Default. Failure of Grantor or Borrower to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor or Borrower under this Deed of Trust, the Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished.

Defective Collateralization. This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

Insolvency. The dissolution or termination of Grantor or Borrower's existence as a going business, the insolvency of Grantor or Borrower, the appointment of a receiver for any part of Grantor or Borrower's assets, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor or Borrower.

Foreclosure, Forfeiture, etc. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or other method, by any creditor of Grantor or by any governmental agency against any of the Property. However, this subsection shall not apply in the event of a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the foreclosure or forfeiture proceeding, provided that Grantor gives Lender written notice of such claim and furnishes reserves or a surety bond for the claim satisfactory to Lender.

Breach of Other Agreement. Any breach by Grantor or Borrower under the terms of any other agreement between Grantor or Borrower and Lender that is not remedied within the cure period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Grantor or Borrower to Lender, whether arising now or later.

Events Affecting Guarantor. Any of the following events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assert to Lender, and, in doing so, cure the Event of Default.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith deems itself insecure.

Right to Cure. If such a failure is curable and if Grantor or Borrower has not been given a notice of a breach of the same provision of this Deed of Trust within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if Grantor or Borrower, after Lender sends written notice demanding cure of such failure: (a) cures the failure within fifteen (15) days; or (b) if the cure requires more than fifteen (15) days, immediately initiates steps sufficient to cure the failure and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as is reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Trustee or Lender, at its option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Borrower would be required to pay.

Foreclosure. With respect to all or any part of the Real Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, a defect on may issue for the amount of the unpaid balance of the judgment.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor or Borrower, to take possession of and manage the Property and collect the rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In the event of a foreclosure sale, Lender shall have the right to foreclose by judicial sale, and Lender shall be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, a defect on may issue for the amount of the unpaid balance of the judgment.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to foreclose foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall extend to the entire amount of the Indebtedness. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property, or (b) vacate the Property immediately upon the demand of Lender.

Other Remedies. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or by law.

Notice of Sale. Lender shall give reasonable notice of any public sale of the Personal Property or of the time after which any private sale or other disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of Personal Property may be made in conjunction with any sale of the Real Property.

Sale of the Property. To the extent permitted by applicable law, Grantor and Borrower hereby waive any and all rights to have the Property sold or Lender shall be free to sell all or any part of the Property, together or separately, in

[illegible]

EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND EACH GRANTOR AGREES TO ITS TERMS.

GRANTOR:

Klamath Child Treatment Center, Inc.

By: Susan Appel, President

By: Leonard Harrington, Vice President

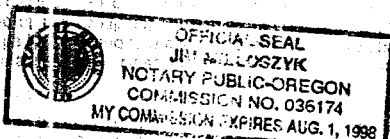
By: Maria Stevens, Secretary
Stephens

By: Gene Downey, Treasurer

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon

COUNTY OF Klamath



On this 26 day of January, 1996, before me, the undersigned Notary Public, personally appeared Susan Appel and Leonard Harrington, President and Vice President of Klamath Child Treatment Center, Inc., and known to me to be authorized agents of the corporation, to be its free and voluntary act and deed of the corporation, by authority of its Board of Directors or by resolution of its Board of Directors, to execute this Deed of Trust and in its corporate name.

for the use and purposes therein mentioned, and on oath stated that they are the authorized agents of the corporation, to be its free and voluntary act and deed of the corporation, by authority of its Board of Directors or by resolution of its Board of Directors, to execute this Deed of Trust and in its corporate name.

By: Leonard Harrington

Residing at Klamath Falls

Notary Public in and for the State of Oregon

My commission expires 8-1-98

REQUEST FOR FULL RECONVEYANCE

(To be used only when obligations have been paid in full)

To:

Trustee

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by this Deed of Trust have been paid in full and satisfied. You are hereby directed, upon payment to you of any sums owing to you under the terms of this Deed of Trust or pursuant to any applicable statute, to cancel the Note and to reconvey, without warranty, to the parties designated by the terms of this Deed of Trust, the estate now held by you under this Deed of Trust. Please mail the reconveyance and Related Documents to:

Date:

Beneficiary:

By:

Its:

LASERPRO, Reg. U.S. Pat. & T.M. Off., Ver. 3.20b (e) 1001 CF

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PARCEL 1:

Lots 7 and 8, the Easterly 36 feet of Lot 6, the Southerly 10 feet of the Easterly 36 feet of Lot 3 and the Southerly 10 feet of Lots 1 and 2, Block 7 North KLAMATH FALLS ADDITION, in the County of Klamath, State of Oregon.

PARCEL 2:

That portion of Lot 5 lying East of State Highway property and all of Lot 6, EXCEPTING the Easterly 36 feet of Lot 6, Block 7 North KLAMATH FALLS ADDITION, in the County of Klamath, State of Oregon.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Meri Title the 1st day
of July A.D., 1956 at 11:45 o'clock AM., and duly recorded in Vol. M96,
of Mortgages on Page 19511.

Bernetha G. Letsch, County Clerk

FEE \$40.00

By Cheryl Russell