

PARTIES: This Deed of Trust is made on August 26, 1996 among the Grantor, JOHN J. SEARS and KATIE R. SEARS ("Borrower"), NANCY L. PETERSON, 101 22 Main St., 15th Floor, Portland, OR 97204 ("Trustee"), and the Beneficiary, WESTERN HOMES, INC. a organized and existing under the laws of whose address is 5729 ALTAMONT DR., KLAMATH FALLS, OR 97603 ("Lender").

CONVEYANCE: For value received, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the real estate described below and all rights, easements, appurtenances, rents, leases and existing and future improvements and fixtures (all called the "property"). PROPERTY ADDRESS: GAGE RD, KLAMATH FALLS, Oregon 97601 (Street) (City) (Zip Code)

LEGAL DESCRIPTION: All of the property located at GAGE RD, in the City/Town/Village of KLAMATH FALLS, County of KLAMATH, State of OR, in which the Borrower has an ownership, leasehold or other legal interest. This property is more particularly described on the schedule titled "Additional Property Description" which is attached hereto as Exhibit A, together with a security interest in that certain 1996, 40 X 24 WINNER mobile home, serial number 8D-70-0603-1 A5B.

The Borrower does hereby authorize the Lender or its assigns to obtain a more detailed property description after the Borrower has signed the Mortgage, and to attach Exhibit A after the Borrower has signed the Mortgage.

located in KLAMATH County, Oregon. TITLE: Borrower covenants and warrants title to the property, except for none.

SECURED DEBT: This Deed of Trust secures to Lender repayment of the secured debt and the performance of the covenants and agreements contained in this Deed of Trust and in any other document incorporated herein. Secured debt, as used in this Deed of Trust, includes any amounts Borrower owes to Lender under this Deed of Trust or under any instrument secured by this Deed of Trust, including all modifications, extensions, and renewals thereof. The secured debt is evidenced by (List all instruments and agreements secured by this Deed of Trust and the dates thereof.): A Universal Note or Manufactured Home Retail Installment Contract and Security Agreement executed by Buyers/Borrowers.

Revolving credit agreement dated Advances under this agreement may be made and repaid and again made subject to the dollar limit described below. Future Advances: The above debt is secured even though all or part of it may not yet be advanced. Future advances are contemplated and will be secured to the same extent as if made on the date this Deed of Trust is executed. The above obligation is due and payable on 360 months from last construction disbursement if not paid earlier. The total unpaid balance secured by this Deed of Trust at any one time shall not exceed a maximum principal amount of FIFTY SIX THOUSAND EIGHT HUNDRED THIRTEEN AND 05/100 Dollars (\$ 56813.03), plus interest, plus any amounts disbursed under the terms of this Deed of Trust to protect the security of this Deed of Trust or to perform any of the covenants contained in this Deed of Trust, with interest on such disbursements.

Variable Rate: The interest rate on the obligation secured by this Deed of Trust may vary according to the terms of that obligation. A copy of the loan agreement containing the terms under which the interest rate may vary is attached to this Deed of Trust and made a part hereof.

RIDERS: Commercial SIGNATURES: By signing below, Borrower agrees to the terms and covenants contained in this Deed of Trust, including those on page 2, and in any riders described above signed by Borrower. Borrower also acknowledges receipt of a copy of this Deed of Trust on today's date.

JOHN J. SEARS and KATIE R. SEARS

ACKNOWLEDGMENT: STATE OF OREGON, Klamath County ss: On this 26 day of August, 1996 personally appeared the above named JOHN J. SEARS and KATIE R. SEARS and acknowledged the foregoing instrument to be their voluntary act and deed.

(Official Seal) My Commission Expires: J. Kimberly A. Reeves, Notary Public - Oregon, Commission No. 051915, My Commission Expires May 25, 2000.

Before me: Kimberly A. Reeves, Notary Public for Oregon. REQUEST FOR RECONVEYANCE

TO TRUSTEE: The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

COVENANTS

28641

1. **Payments.** Borrower agrees to make all payments on the secured debt when due. Unless Borrower and Lender agree otherwise, any payments Lender receives from Borrower or for Borrower's benefit will be applied first to any amounts Borrower owes on the secured debt exclusive of interest or principal, second to interest, and then to principal. If partial prepayment of the secured debt occurs for any reason, it will not reduce or excuse any scheduled payment until the secured debt is paid in full.

2. **Claims Against Title.** Borrower will pay all taxes, assessments, and other charges attributable to the property when due and will defend title to the property against any claims which would impair the lien of this Deed of Trust. Lender may require Borrower to assign any rights, claims or defenses which Borrower may have against parties who supply labor or materials to improve or maintain the property.

3. **Insurance.** Borrower will keep the property insured under terms acceptable to Lender at Borrower's expense and for Lender's benefit. All insurance policies shall include a standard mortgage clause in favor of Lender. Lender will be named as loss payee or as the insured on any such insurance policy. Any insurance proceeds may be applied, within Lender's discretion, to either the restoration or repair of the damaged property or to the secured debt. If Lender requires mortgage insurance, Borrower agrees to maintain such insurance for as long as Lender requires.

4. **Property.** Borrower will keep the property in good condition and make all repairs reasonably necessary.

5. **Expenses.** Borrower agrees to pay all Lender's expenses, including reasonable attorneys' fees, if Borrower breaks any covenants in this Deed of Trust or in any obligation secured by this Deed of Trust. Borrower will pay these amounts to Lender as provided in Covenant 9 of this Deed of Trust.

6. **Prior Security Interests.** Unless Borrower first obtains Lender's written consent, Borrower will not make or permit any changes to any prior security interest. Borrower will perform all of Borrower's obligations under any prior Mortgage, Deed of Trust or other security agreement, including Borrower's covenants to make payments when due.

7. **Assignment of Rents and Profits.** Borrower assigns to Lender the rents and profits of the property. Unless Borrower and Lender have agreed otherwise in writing, Borrower may collect and retain the rents as long as Borrower is not in default. If Borrower defaults, Lender, Lender's agent, or a court appointed receiver may take possession and manage the property and collect the rents. Any rents Lender collects shall be applied first to the costs of managing the property, including court costs and attorneys' fees, commissions to rental agents, and any other necessary related expenses. The remaining amount of rents will then apply to payments on the secured debt as provided in Covenant 1.

8. **Leaseholds; Condominiums; Planned Unit Developments.** Borrower agrees to comply with the provisions of any lease if this Deed of Trust is on a leasehold. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower will perform all of Borrower's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

9. **Authority of Lender to Perform for Borrower.** If Borrower fails to perform any of Borrower's duties under this Deed of Trust, Lender may perform the duties or cause them to be performed. Lender may sign Borrower's name or pay any amount if necessary for performance. If any construction on the property is discontinued or not carried on in a reasonable manner, Lender may do whatever is necessary to protect Lender's security interest in the property. This may include completing the construction.

Lender's failure to perform will not preclude Lender from exercising any of its other rights under the law or this Deed of Trust.

Any amounts paid by Lender to protect Lender's security interest will be secured by this Deed of Trust. Such amounts will be due on demand and will bear interest from the date of the payment until paid in full at the interest rate in effect on the secured debt.

10. **Default and Acceleration.** If Borrower fails to make any payment when due or breaks any covenants under this Deed of Trust or any obligation secured by this Deed of Trust, Lender may accelerate the maturity of the secured debt and demand immediate payment and may invoke the power of sale and any other remedies permitted by applicable law.

11. **Power of Sale.** If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and at Lender's election to cause the property to be sold and shall cause such notice to be recorded in each county in which the property or some part thereof is located. Lender or Trustee shall give notice of sale in the manner prescribed by applicable law to Borrower and to other persons as applicable law may require. After the lapse of such time as may be prescribed by applicable law, Trustee shall sell the property (in gross or in parcels) at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale. Lender or Lender's designee may purchase the property at any sale. Trustee shall deliver to the purchaser Trustee's deed conveying the property without any covenant or warranty, expressed or implied. Trustee shall apply the proceeds of the sale in the following order: (1) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (2) to all sums secured by this Deed of Trust; and (3) the excess, if any, to the person or persons legally entitled thereto.

12. **Inspection.** Lender may enter the property to inspect it if Lender gives Borrower notice beforehand. The notice must state the reasonable cause for Lender's inspection.

13. **Condemnation.** Borrower assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the property. Such proceeds will be applied as provided in Covenant 1. This assignment is subject to the terms of any prior security agreements.

14. **Waiver.** By exercising any remedy available to Lender, Lender does not give up any rights to later use any other remedy. By not exercising any remedy upon Borrower's default, Lender does not waive any right to later consider the event a default if it happens again.

15. **Joint and Several Liability; Co-signers; Successors and Assigns Bound.** All duties under this Deed of Trust are joint and several. Any Borrower who co-signs this Deed of Trust but does not co-sign the underlying debt instrument(s) does so only to grant and convey that Borrower's interest in the property to the Trustee under the terms of this Deed of Trust. In addition, such a Borrower agrees that the Lender and any other Borrower under this Deed of Trust may extend, modify or make any other changes in the terms of this Deed of Trust or the secured debt without that Borrower's consent and without releasing that Borrower from the terms of this Deed of Trust.

The duties and benefits of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower.

16. **Notice.** Unless otherwise required by law, any notice to Borrower shall be given by delivering it or by mailing it addressed to Borrower at the property address or any other address that Borrower has given to Lender. Borrower will mail any notice to Lender at Lender's address on page 1 of this Deed of Trust, or to any other address which Lender has designated.

Any notice shall be deemed to have been given to Borrower or Lender when given in the manner stated above.

17. **Transfer of the Property or a Beneficial Interest in the Borrower.** If all or any part of the property or any interest in it is sold or transferred without Lender's prior written consent, Lender may demand immediate payment of the secured debt. Lender may also demand immediate payment if the Borrower is not a natural person and a beneficial interest in the Borrower is sold or transferred. However, Lender may not demand payment in the above situations if it is prohibited by federal law as of the date of this Deed of Trust.

18. **Release.** When Borrower has paid the secured debt in full and all underlying agreements have been terminated, Lender shall request Trustee to reconvey the property. Borrower agrees to pay all costs to record such reconveyance.

19. **Substitute Trustee.** Trustee shall resign at the request of Lender and may resign at its own election. Upon the resignation, incapacity, disability or death of Trustee, Lender shall appoint a successor trustee by an instrument recorded in the county in which this Deed of Trust is recorded. The successor trustee shall thereupon be vested with all powers of the original Trustee.

20. **Use of Property.** The property subject to this Deed of Trust is not currently used for agricultural, timber or grazing purposes.

21. **Attorneys' Fees.** As used in this Deed of Trust and in the Note, "attorneys' fees" shall include attorneys' fees, if any, which shall be awarded by an appellate court.

22. **Severability.** Any provision or clause of this Deed of Trust or any agreement evidencing the secured debt which conflicts with applicable law will not be effective unless that law expressly or impliedly permits variations by agreement. If any provision or clause in this Deed of Trust or any agreement evidencing the secured debt cannot be enforced according to its terms, this fact will not affect the enforceability of the balance of the Deed of Trust and the agreement evidencing the secured debt.

HERLEIGH HONER, INC.  
HERLEIGH HONER, INC.  
HERLEIGH HONER, INC.

28642

EXHIBIT "A"

Beginning at a point 830 feet North and 440 feet West of the corner common to Section 19, 20, 29, and 30, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence West 75 feet; thence South 150 feet; thence East 75 feet; thence North 150 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of AmeriTitle the 11th day  
of September A.D., 19 96 at 3:48 o'clock P.M., and duly recorded in Vol. M96,  
of Mortgages on Page 28640.

FEE \$20.00

Bernetha G Letsch, County Clerk

By Cherry Russell