

THIS TRUST DEED made this 30th

day of JAN 1998.

BY THE ENTIRETY
between JAMES R. STEVENSON AND PHYLLIS S. STEVENSON AS TENANTS

as Grantors

and AMERITITLE

as Trustee, and

and heretofore being held and used by said Grantors as their principal residence, and said Grantors have now sold and transferred the same to said Beneficiary as Beneficiary.

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in Klamath

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BLOCK 173 OF BOWNE ADDITION TO THE CITY OF BONANZA, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF Klamath County, Oregon, described as:

Block 173 of Bowne Addition to the City of Bonanza, according to the official plat thereof on file in the office of the county clerk of Klamath County, Oregon, described as:

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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 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; 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 keep the improvements now existing or hereinafter erected on the premises insured against loss or damage by fire and other hazards and perils included within the scope of a standard extended coverage endorsement, and such other hazards as Beneficiary may require, in such amounts and for such periods as Beneficiary may require, and in an insurance company or insurance companies acceptable to Beneficiary. All insurance policies and renewals shall designate Beneficiary as mortgagee loss payee and shall be in a form acceptable to Beneficiary. Grantor hereby conveys full power on Beneficiary to settle and compromise all loss claims on all such policies; to demand, receive, and receipt for all proceeds becoming payable hereunder; and, at Beneficiary's option, to apply same toward either the restoration or repair of the premises or the payment of the note. Any application of such proceeds toward payment of the note shall not extend or postpone the due date of monthly installments due under the note.

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 thereto.

6. If Grantor fails to perform the covenants and agreements contained in this Trust Deed, including, without limitation, covenants to pay taxes, procure insurance, and protect against prior liens, Beneficiary may at its option, but shall not be required to, disburse such sums and take such actions necessary to pay such taxes, procure such insurance, or otherwise to protect Beneficiary's interest. Any amount disbursed by Beneficiary hereunder shall be an additional obligation of Beneficiary secured by this Trust Deed. Unless Grantor and Beneficiary agree otherwise, all such amounts shall be payable immediately by Grantor upon notice from Beneficiary to Grantor, and may bear interest from the date of disbursement by Beneficiary at the lesser of the rate stated in the note or the highest rate permissible by applicable law. Nothing contained in this paragraph shall require Beneficiary to incur any expense or take any action whatsoever.

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.

Deliver to:

ASSOCIATES FINANCIAL SERVICES COMPANY OF OREGON, INC.

2047 WASHBURN WAY KLAMATH FALLS OR 97603-541-885-9991
 (Address)

<input checked="" type="checkbox"/> Klamath
<input type="checkbox"/> Shower Copy (1)
<input type="checkbox"/> Retention (1)

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 sue therefor, either in person or by agent, and without regard to the maturity 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 act as 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 valid, unencumbered title thereto and that he will warrant and forever defend the same against all persons whomsoever.

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.

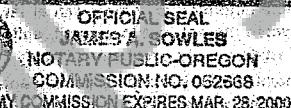
This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "beneficiary" shall mean the holder and owner, including pledgee, of the notes secured hereby, whether or not named as a beneficiary 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

PHYLLIS S. STEVENSON

Grantor



STATE OF OREGON
County of KLAMATH
Personally appeared the above named

JAMES R. STEVENSON and PHYLLIS S. STEVENSON
and acknowledged before me that they executed the foregoing instrument as their voluntary act and deed.

My commission expires: Mar. 28, 2000
Notary Public

REQUEST FOR FULL RECOVREYANCE
To be used only where obligations have been paid.

TO: _____
I, the undersigned, the holder of all indebtedness secured by the foregoing trust deed, do hereby declare that the same has been fully paid and satisfied.

I am directed to cancel all evidence of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties to the original contract, the title to the property described in the foregoing trust deed, or to whom it may otherwise be directed, or to whom it may be otherwise directed.

This certificate is given under my hand and seal this _____ day of _____, 19_____. Witnessed and acknowledged before me this _____ day of _____, 19_____. I declare under oath that the foregoing instrument was executed by the parties thereto in my presence and that the signatures thereon were affixed by them in my presence and that they were executed with the intent to bind the parties thereto.

This certificate is given under my hand and seal this _____ day of _____, 19_____. Witnessed and acknowledged before me this _____ day of _____, 19_____. I declare under oath that the foregoing instrument was executed by the parties thereto in my presence and that the signatures thereon were affixed by them in my presence and that they were executed with the intent to bind the parties thereto.

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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ Amerititle _____ the _____ 9th _____ day
of _____ February A.D. 19 98 at 3:46 o'clock P. M., and duly recorded in Vol. M98
of Mortgages on Page 4243.

FEE \$15.00

By Bernethia G. Letsch, County Clerk
Kathleen Rose