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Recordation Requested by:

MTC 1396 - 9037

Valerie T. Auerbach
Farleigh, Wada & Witt, P.C.
121 S.W. Morrison St., Suite 600
Portland, OR 97204

After Recording Return to:

Valerie T. Auerbach
Farleigh, Wada & Witt, P.C.
121 S.W. Morrison St., Suite 600
Portland, OR 97204

Send Tax Statements to:

Metropolitan Mortgage & Securities Co., Inc.
P.O. Box 2162
Spokane, WA 99210

AMERITITLE, has recorded this
instrument by request as an accommodation only,
and has not examined it for regularity and sufficiency
or as to its effect upon the title to any real property
that may be described therein.

DEED IN LIEU OF FORECLOSURE
(Nonmerger)

Sandra L. Flannery, "Grantor," conveys to Western United Life Assurance Company,
"Grantee," the following real property ("Property"):

Lot 6 in Block 11 of Fairview Addition No. 2 in the City of Klamath
Falls, according to the official plat thereof on file in the office of the
County Clerk of Klamath County, Oregon,

together with all of Grantor's right, title, and interest in any land sale contract or lease agreement
involving said Property. Grantor is the owner of the Property free and clear of all encumbrances
except the Deed of Trust described below.

Grantor executed and delivered to Grantee's predecessor-in-interest a Deed of Trust
encumbering the Property, recorded July 11, 1996, in Volume M96, Page 20652, Records of Klamath
County, Oregon, to secure payment of a Promissory Note in the sum of \$51,000.00. Said Note and
Deed of Trust are in default and the Deed of Trust is subject to foreclosure. In consideration of
Grantee's acceptance of this deed in lieu of foreclosure and waiver of the right to collect against
Grantor on the Note, Grantee may retain all payments previously made on the Note, with no duty to
account therefor.

This Deed is intended as a conveyance absolute in legal effect, as well as in form, of the title
to said Property to Grantee and this Deed is not intended as security of any kind. Grantor waives,
surrenders, and relinquishes any equity of redemption and statutory rights of redemption which
Grantor may have in connection with the Property and the Deed of Trust.

1 - DEED IN LIEU OF FORECLOSURE
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Grantor warrants that during the time period that the Property was owned by Grantor, the Property was never used for the generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act ("SARA"), other applicable state or federal laws, or regulations adopted pursuant to any of the foregoing. Grantor agrees to indemnify and hold Grantee harmless against any and all claims and losses resulting from a breach of this warranty.

This Deed does not effect a merger of the fee ownership and the lien of the Deed of Trust described above. The fee and the lien shall hereafter remain separate and distinct. Grantee, for the benefit of itself and its successors and assigns, reserves the right to foreclose the Deed of Trust at any time as to any party with any claim, interest, or lien on the Property.

Grantor has read and fully understands the above terms and is not acting under misapprehensions as to the effect of this Deed, nor under any duress, undue influence or misrepresentations of Grantee, its agents, attorneys or any other person.

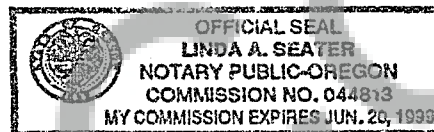
Grantee does not expressly or impliedly agree to assume or pay any contract balances, debts, liens, charges or obligations which relate or attach to the property.

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 THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

DATED this 8th day of April, 1998.

Sandra L. Flannery
Sandra L. Flannery

STATE OF OREGON)
County of Klamath) ss.



On this 8th day of April 1998, in the year 1998, before me, the undersigned Notary Public in and for said state, personally appeared Sandra L. Flannery, known to me to be the person who executed the within Deed in Lieu of Foreclosure and acknowledged to me that she executed the same for the purposes therein stated.

Linda A. Seater
Notary Public for Oregon
My Commission Expires: 20, 1999

2 - DEED IN LIEU OF FORECLOSURE

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 23rd day of April A.D., 19 98 at 3:36 o'clock P. M., and duly recorded in Vol. M98 of Deeds on Page 13574.

FEE \$35.00

By Bernetha G. Letsch Bernetha G. Letsch, County Clerk