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98 DEC-2 P3:37

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P.04

AFTER RECORDING RETURN TO:

Mark P. O'Donnell
O'Donnell, Ramis, Crew,
Corrigan & Bachrach LLP
1727 N.W. Hoyt Street
Portland, Oregon 97209

NO CHANGE IN TAX STATEMENTS

MTC 1396-46680-Mg
SECOND DEED OF TRUST

THIS SECOND DEED OF TRUST, made this 2 day of December, 1998, between CATHY and STEPHEN KING, husband and wife, as tenant by the entirety, Grantor, whose address is 5729 Altamont Drive Klamath Falls, OR 97603, and BRIAN L. FITTERER, an individual, Beneficiary, whose address is 4770 Campus Drive, Suite 200, Newport Beach, California 92660, and AmeriTitle, Trustee, whose address is 222 South Sixth Street, Klamath Falls, Oregon 97601.

WITNESSETH:

Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following collateral, both real and personal property, more particularly described on Exhibit A attached hereto and incorporated herein by this reference ("Property") located in Klamath County, Oregon, which Property is not used principally for agricultural or farming purposes, together with all tenements, hereditaments and appurtenances now or hereafter thereunto belonging, acquired or in any wise appertaining, and the rents, issues and profits thereof.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sum of Two Hundred Ninety Five Thousand and No/100 Dollars (\$295,000.00), in accordance with the terms of an Agreement for Sale and Purchase of even date herewith payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, and any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. Grantor warrants that he holds marketable title to the Property in fee simple, free from all encumbrances other than those in any policy of title insurance issued in favor of Beneficiary in connection with the Deed of Trust.
2. To keep the Property in good condition and repair, to permit no waste thereof, and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property. Grantor represents and warrants that, to Grantor's best knowledge, the Property is currently in compliance with all such laws, ordinances, regulations, covenants, conditions and restrictions.

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3. Grantor shall cause the Property and all operations on the Property to comply with all Environmental Laws and orders of any governmental authorities having jurisdiction under any Environmental Laws. In this Deed of Trust, "Environmental Laws" means any and all state, federal, and local statutes, regulations, and ordinances relating to the protection of human health or the environment. Grantor shall exercise extreme care in handling Hazardous Substances and shall undertake any and all preventive, investigatory or remedial action (including, without limitation, emergency response, removal, containment, and other remedial action) (a) required by any applicable Environmental Laws, or (b) necessary to prevent or minimize property damage (including, without limitation, damage to Grantor's own property), personal injury, or damage to the environment, or the threat of any such damage or injury, by releases of or exposure to Hazardous Substances in connection with the Property or operations on the Property. "Hazardous Substances" is used in its very broadest sense and refers to materials that, because of their quantity, concentration, or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported, or otherwise handled. "Hazardous Substances" shall include, without limitation, petroleum products or crude oil or any fraction thereof and any and all hazardous or toxic substances, materials, or waste as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, or any other of the Environmental Laws. In the event Grantor fails to perform any of his obligations under this paragraph, Beneficiary may perform (but shall not be required to perform) such obligations at Grantor's expense. In performing any such obligations of Grantor, Beneficiary shall at all times be deemed to be the agent of Grantor and shall not by reason of such performance be deemed to be assuming any responsibility of Grantor under any Environmental Law or to any third party. Grantor agrees to indemnify and hold harmless Beneficiary and his successors, assigns and representatives, or any of them, from and against any and all claims, demands, losses, liabilities, costs and expenses (including, without limitation, attorney fees at trial and on any appeal or petition for review) incurred by such person (a) arising out of or relating to any investigatory or remedial action involving the Property and the operations conducted on the Property and required by Environmental Laws or by orders of any governmental authority having jurisdiction under any Environmental Laws, or (b) on account of injury to any person whatsoever or damage to any property arising out of, in connection with, or in any way relating to (i) the violation of any Environmental Laws, (ii) the use, treatment, storage, generation, manufacture, transport, release, spill, disposal, or other handling of Hazardous Substances, by any means whatsoever. The covenants contained in this paragraph shall survive the repayment of the indebtedness, the reconveyance of this trust deed, or the delivery of a deed in lieu of foreclosure to Beneficiary, or any successor, and shall survive foreclosure, whether judicial or non-judicial, of the Property by Beneficiary, or any successor of Beneficiary, as holder of any security interest in the Property or the indebtedness, or as owner of the Property or any other property of Grantor following foreclosure or the delivery of a deed in lieu of foreclosure.

4. Grantor shall provide and continuously maintain insurance on the buildings now or hereafter erected on the property against loss or damage by fire and such other hazards as the Beneficiary may from time to time require, in an amount not less than \$1,000,000.00, or the amount required by the first Trust Deed (Imperial Thrift and Loan Association, or their assigns), whichever is greater, written in companies acceptable to the Beneficiary, with loss payable to the latter, all policies of insurance shall be delivered to the Beneficiary as soon as insured; if the grantor shall fail for any reason to procure any such insurance and to deliver the policies to the Beneficiary

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or proceedings related to the foregoing. The provisions of this paragraph shall not apply to the extent of any fault by Beneficiary.

7. To 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 cost of title search and attorneys' fees in a reasonable amount, in any such action or proceeding.

8. If any action is instituted upon this Deed of Trust, the prevailing party shall be entitled to recover from the losing party, in addition to costs and disbursements allowed by law, the costs of evidencing title, including title reports, surveyor's reports and foreclosure reports; such sums as the trial court may adjudge reasonable as attorneys' fees; and in the event of an appeal, such sums as the appellate courts may adjudge reasonable as attorneys' fees. This provision shall include prevailing fees in any adversary proceeding in bankruptcy, including motions for relief from stay.

9. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the Property, Beneficiary may pay the same and the amount so paid, with interest at the rate of five percent (5%) per annum shall be added to and become a part of the debt secured by this Deed of Trust.

10. In the event Grantor sells, conveys, assigns, leases or otherwise alienates any interest of Grantor in the Property without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, such transfer of interest shall be void and all sums payable to Beneficiary and secured by this Deed of Trust shall become immediately due and payable at the option of the Beneficiary.

IT IS MUTUALLY AGREED THAT:

11. In the event any portion of the Property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

12. TIME IS OF THE ESSENCE in all payments and performances secured hereby; however, by accepting payment of any sum or performance of any obligation secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums or performance so secured or to declare default for failure to so pay.

13. Grantor shall be in default under this Deed of Trust if:

- a. Any payment is not made when due as agreed with Beneficiary or as stated in this Deed of Trust subject to any applicable grace period or notice requirements.
- b. Grantor fails to perform any other obligation contained in this Deed of Trust subject to any applicable grace period or notice provision.

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- c. Grantor voluntarily files for relief under any chapter of the Federal Bankruptcy Code, or does not obtain the dismissal of any involuntary petition of bankruptcy within 90 days of its filing.
 - d. A receiver, trustee or custodian is appointed by Grantor to manage or control the Property.
 - e. Grantor makes an assignment for the benefit of creditors.
 - f. Any lien whatsoever is imposed against the Property through a legal proceeding, restraint or otherwise, and not removed within 30 days or not bonded within 30 days in such manner that Beneficiary's interest in the Property is not jeopardized.
 - g. Default of Grantor under any prior obligation or instrument securing any prior obligation, or commencement of any suit or other action to foreclose any prior lien.
 - h. If, within five days of written request, Grantor fails to provide proof of payment to beneficiary of any prior obligation.
14. Any notice required under this Deed of Trust shall be in writing and shall be effective when actually delivered in person or two days after deposit in the U.S. Mail, Certified Return Receipt Requested, postage prepaid and addressed to the party at the address below or at such other addresses as such party may designate from time to time in writing:

Grantor:

Cathy and Stephen King
5729 Altamont Drive
Klamath Falls OR 97603

Beneficiary:

Brian L. Fitterer
4770 Campus Drive, Suite 200
Newport Beach, CA 92660

15. Trustee shall reconvey all or any part of the Property covered by this Deed of Trust to the person entitled thereto on written request of Grantor and Beneficiary or upon satisfaction of the obligation secured and written request for reconveyance made by Beneficiary or the person entitled thereto.

16. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust Property, in accordance with ORS 86.705 to 86.795, at public auction to the highest bidder. Any person except Trustee may bid at the Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (a) to the expense of the sale, including the statutory Trustee's fee and attorneys' fees; (b) to the obligation secured by this Deed of Trust; (c) to all persons

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having recorded liens subsequent to the interest of the Trustee in the trust deed as their interest may appear in the order of their priority; (d) the surplus, if any, shall be distributed to the persons entitled thereto.

17. Trustee shall deliver to the Purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

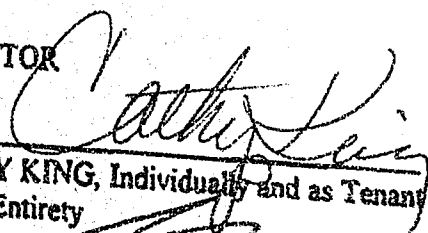
18. The power of sale conferred by this Deed of Trust and by the ORS 86.705 to 86.795, is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage, in which case Grantor shall be liable for any deficiency remaining due on the judgment following the foreclosure sale. Beneficiary may also elect to file an action at law to collect the obligation secured hereby.

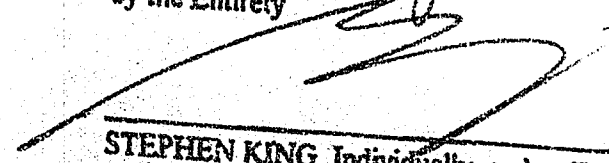
19. In the event of death, incapacity or disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original Trustee. Trustee is not obligated to notify any party hereto of a pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by Trustee.

20. This Deed of Trust applies to, inures to the benefit of and is binding not only on the parties hereto but on their heirs, devisees, legatees, administrators, executors, successors and assigns. The term Beneficiary shall mean the payee of the obligation secured hereby, whether or not named as Beneficiary herein. This Deed of Trust shall be interpreted and governed by the laws of the State of Oregon.

21. Beneficiary or Beneficiary's agent shall have the right at all reasonable times, after reasonable prior written notice to Grantor, to enter in and upon the Property for purposes of inspecting same.

GRANTOR


CATHY KING, Individually and as Tenant
by the Entirety


STEPHEN KING, Individually, and as Tenant
by the Entirety

STATE OF OREGON)

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County of Klamath) ss.

On this 2 day of December, 1998, before me personally appeared the above-named CATHY KING, and acknowledged the foregoing instrument to be her voluntary act and deed on behalf of such company.

BEFORE ME:



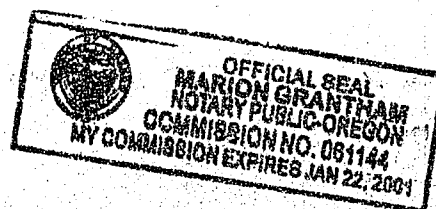
Marion Grantham
Notary Public for Oregon
My Commission Expires: 1/22/01

STATE OF OREGON)

County of Klamath) ss.

On this 1 day of December, 1998, before me personally appeared the above-named STEPHEN KING, and acknowledged the foregoing instrument to be his voluntary act and deed on behalf of such company.

BEFORE ME:



Marion Grantham
Notary Public for Oregon
My Commission Expires: 1/22/01

REQUEST FOR FULL RECONVEYANCE

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To be used ONLY when obligations have been paid

TO: _____, Trustee

The undersigned is the legal owner and holder of all the indebtedness secured by the foregoing trust deed. All sums secured by said trust deed have been paid in full and are fully satisfied. You are hereby directed, on payment to you of any sums owing to you under the terms of said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same.

The original note and the original trust deed are delivered to you herewith for such release.

Mail reconveyance and documents to:

DATED: _____, 19____

Beneficiary

**DO NOT LOSE OR DESTROY THE ORIGINAL NOTE AND TRUST DEED. BOTH
MUST BE DELIVERED TO THE TRUSTEE FOR CANCELLATION BEFORE
RECONVEYANCE WILL BE MADE.**

44169-A

EXHIBIT "A" LEGAL DESCRIPTION

Parcel 2 of MINOR LAND PARTITION 44-91 situated in the W 1/2 NE 1/4 Section 13, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and filed in the Klamath County Clerk's Office.

EXCEPTING THEREFROM that portion of the following described tract of land lying within the SW1/4 of the NE1/4:

A tract of land situated in the S1/2 of the NE1/4 of Section 13, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the most Southwesterly corner of Parcel 2 of "Minor Land Partition 44-91," from which the 1/4 corner common to Section 12 and said Section 13 bears North 27 degrees 31' 04" West 1722.42 feet; thence along the boundary of said Parcel 2, North 35 degrees 00' 09" East 213.04 feet, North 89 degrees 42' 49" West 240.00 feet and North 42 degrees 54' 50" West 34.30 feet to a point on the North line of the easement as described in deed Volume 291, page 438 of the Klamath County Deed Records; thence South 89 degrees 42' 49" East, along said North line 670.27 feet to a point on the East line of the W1/2 of the NE1/4 of said Section 13; thence North 00 degrees 18' 23" East 4.51 feet to the NE 1/16 corner of said Section 13; thence South 89 degrees 56' 54" East, along the North line of the SE1/4 of the NE1/4 of said Section 13, 356.08 feet to a point on the Northerly line of that tract of land described in Deed Volume 308, page 618; thence South 72 degrees 58' 03" West, along said Northerly line, 516.80 feet; thence along the boundary of said Parcel 2, North 75 degrees 46' 50" West 128.10 feet and South 72 degrees 58' 03" West 279.15 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Ameri title
of December A.D., 19 98 at 3:37 o'clock P. M., and duly recorded in Vol. M98
of Mortgages on Page 44163

FEE \$15.00

By Bernetha G. Letsch, County Clerk