

RECEIPT DATE REQUESTED BY:

BANK OF THE CASCADES  
SUNRIVER VILLAGE  
P O BOX 4415  
SUNRIVER, OR 97707

WHEN RECORDED MAIL TO:

BANK OF THE CASCADES  
SUNRIVER VILLAGE  
P O BOX 4415  
SUNRIVER, OR 97707

SPACE ABOVE THIS LINE IS FOR RECORDING USE ONLY

Bank of the Cascades

## LINE OF CREDIT INSTRUMENT

LINE OF CREDIT DEED OF TRUST. (a) This Deed of Trust is a LINE OF CREDIT INSTRUMENT. (b) The maximum principal amount to be advanced pursuant to the Note is \$102,928.00. (c) The term of the Note commences on the date of this Deed of Trust and ends on October 15, 1999.

THIS DEED OF TRUST IS DATED JANUARY 14, 1999, among GLEN G. BLAYLOCK and HOLLY J. BLAYLOCK, AS TENANTS BY THE ENTIRETY, whose address is P O BOX 810, GILCHRIST, OR 97737 (referred to below as "Grantor"); BANK OF THE CASCADES, whose address is SUNRIVER VILLAGE, P O BOX 4415, SUNRIVER, OR 97707 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and FIRST AMERICAN TITLE COMPANY, whose address is P O BOX 1011, KLAMATH FALLS OR 97601 (referred to below as "Trustee").

CONVEYANCE AND GRANT. For valuable consideration, Grantor conveys to Trustee for the benefit of Lender an interest in all of Grantor's real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, or irrigation rights; and all other rights, royalties, and other matters, located in KLAMATH County, State of Oregon (the "Real Property").

LOT FOUR (4) BLOCK ONE (1) OF RIVER LIST, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK, KLAMATH COUNTY, OREGON.

The Real Property or its address is commonly known as 0114 ELK DRIVE, GILCHRIST, OR 97737. The Real Property tax identification number is 24 08 25 0 300.

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 from the Property. In addition, Grantor grants Lender a Uniform Commercial Code security interest in the Personal Property defined below.

DEFINITIONS. The following words shall have the meanings indicated 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 BANK OF THE CASCADES, its successors and assigns. BANK OF THE CASCADES also is referred to as "Lender" in this Deed of Trust.

Deed of Trust. The words "Deed of Trust" mean this instrument of assignment and security interest herein.

Grantor. The word "Grantor" means any and all persons and entities executing this Deed of Trust, including without limitation, GLEN G. BLAYLOCK and HOLLY J. BLAYLOCK.

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 mobile homes affixed on the Real Property, facilities and fixtures.

Indebtedness. The word "Indebtedness" means Lender in discharge obligations of Grantor or together with interest on such amounts as provided in the Note, all future amounts the amounts specified in the Note, all future amounts payable under the Note and any amounts expended or advanced by Lender in its discretion to enforce obligations of Grantor under this Deed of Trust, specifically, without limitation, this Deed of Trust secures, in addition to

**Lender.** The word "Lender" means PAB.

**Note.** The word "Note" means the Note together with all renewals, extensions, or modifications, if any, made from time to time by the Grantor to the Lender, and substitutions for the Note. The maturity date of the Note is October 15, 1998. The rate of interest on the Note is 10% per annum.

**Personal Property.** The words "Property" by Grantor end now or hereafter at any time and all obligations for, any of such property or fixtures for, any of such property or fixtures (including premiums) from any sale or other disposition of the Property.

**Property.** The word "Property" means all Real Property.

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

**Related Instruments.** The words "Related Instruments" mean environmental agreements, documents, whether now or hereafter made.

**Rents.** The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the

**Trustee.** The word "Trustee" means FIRST AMERICAN TITLE COMPANY and any successor or trustee.

**THIS DEED OF TRUST, INCLUDING THE PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST, INCLUDING THE ALL OBLIGATIONS OF GRANTOR UNDER IT AT CERTAIN CONSTRUCTION LOAN AGREEMENT BETWEEN GRANTOR AND LENDER OF EVEN DATE HEREWITHE, ANY EVENT OF DEFAULT UNDER THE CONSTRUCTION LOAN AGREEMENT, OR ANY OF THE RELATED DOCUMENTS REFERRED TO THEREIN, SHALL ALSO BE AN EVENT OF DEFAULT UNDER THIS DEED OF TRUST. THE NOTE AND THIS DEED OF TRUST ARE GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:**

**PAYMENT AND PERFORMANCE.** Except as otherwise provided in this Deed of Trust, Grantor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall satisfy and discharge in a timely manner all of Grantor's obligations under the Note, this Deed of Trust, and the Related Documents.

**POSSESSION AND MAINTENANCE OF THE PROPERTY.** Grantor agrees 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) retain in possession and control of the Property; (b) use, let, or lease any part of 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 A PROPOSED USE AND TO DETERMINE ANY LIMITS ON LAW SUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.830.

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

**Hazardous Substances.** The terms "hazardous waste," "hazardous substance," "disposal," "leakage," and "unlawful release," as used in this Deed of Trust, shall have the same meaning as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 6901, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), 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, about or from the Property; (b) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to 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 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 agent or employee of Grantor has ever used, generated, manufactured, treated, disposed of, or released 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 regulations, and ordinances, including without limitation those laws, rules, or regulations described above, at Grantor's expense, as Lender may from time to time appropriate to determine compliant of the Property with this section of the Deed of Trust. Any inspection or tests made by Lender shall be part of Lender's inspection of the Property for hazardous wastes 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 indirectly sustained or suffer resulting from a breach of any covenant or agreement contained in this Deed of Trust, including the obligation to indemnify Lender for its Deed of Trust and shall not be afforded by this Deed of Trust.

**Nuisance, Waste.** Grantor shall not cause, commit, permit, or suffer any stripping of or waste on or to the property or any portion of the Property. With 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

lender's benefit, and to inspect the Property at any time during its ownership, or if all governmental authorities so demand, to register and withhold from title registration and to bring suit to enjoin so and to whomsoever Grantor to lost adequate security or satisfy bond, cause suit to be brought against him.

**Duty to Protect.** Grantor agrees neither to sell nor otherwise dispose of the Property without giving Lender notice in writing at least thirty days prior to such sale or transfer.

**DEED ON SALE - C. SILENT EY 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 or transferor's consent, of all or any part of the Real Property, or any interest in the Real Property, or 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, as the case may be, of Grantor. 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 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 is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, 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 either a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorney's fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In no event shall Lender be an additional obligee under any surety bond furnished in the contested proceedings.

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

**Note of Construction.** Grantor shall notwithstanding any materials are shipped to the Property, if any vendor's bill of lading, installation's bill, or other bill could be asserted on account of the work, services, or materials, Grantor will upon request of Lender furnish to Lender written assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

#### PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.

**Maintenance of Insurance.** Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any co-insurance clause, and with a standard "loss of use" clause in favor of Lender, together with such other hazard and liability insurance as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverage will not be canceled or diminished without at least ten (10) days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property at any time become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance for the full unpaid principal balance of the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

**Application of Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Property if the estimated cost of repair or replacement exceeds \$500.00. Lender may if the proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at its election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall upon notice of the damaged or destroyed improvements in a manner satisfactory to Lender, restore it. If Grantor is not in default under this Deed of Trust, any proceeds which have not been disbursed within 180 days after their receipt by Lender shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and finally any proceeds after payment in full of the indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

**Unexpired Insurance at Sale.** Any unexpired insurance shall inure to the benefit of, or pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's sale or other sale held under the provisions of this Deed of Trust, or at any foreclosure sale of such Property.

**EXPIRATION BY LENDER.** If Grantor fails to comply with any provision of this Deed of Trust, or if any action or proceeding is commenced that would materially affect Lender's interest in the Property, Lender, by Grantor's behalf, may, but shall not be required to, take any action that Lender deems appropriate. Any amount that Lender incurs in so doing will bear interest at the rate provided for in the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses, at Lender's option, will (1) be payable on demand, (2) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (3) the term of any applicable insurance policy or (4) the remaining term of the Note, or (5) be treated as a 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 any other remedy that Lender may have.

**WAIVER OF DEFENSE OF TITLE.** The following provisions relating to the title of the Property are a part of this Deed of Trust.

Title. Grantor warrants that: (1) Grantor holds encumbrances other than those set forth in the

Title No. 3193583

**Section 1. Description of Property.** The property described in this Deed of Trust is the following: Land, lot 1 of Section 21, with its Deed of Trust to Lender.

**Description of Title.** Subject to the excepted rights of all persons, in the event under this Deed of Trust, Grantor shall be entitled to participate in the proceedings and to receive such return as is available in the law of the State of Florida.

**Compliance With Law.** Grantor will comply with all laws, ordinances, and regulations of government authorities that the Property complies with all existing applicable laws, ordinances, and regulations of government authorities.

**CONDEMNATION.** The following provisions relating to condemnation proceedings are a part of this Deed of Trust.

**Application of Net Proceeds.** If all or a part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at election require that all or any portion of the net proceeds of the award be applied to the Indebtedness and attorney's fees incurred by Trustee of this Deed of Trust.

**Proceedings.** If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award, if any, or to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments as may be required by law from time to time to permit such participation.

**IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES.** The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

**Current Taxes, Fees and Charges.** Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

**Taxes.** The following shall constitute taxes to which this section applies: (a) a specific fixation on this type of Deed of Trust or upon all or any part of the Indebtedness secured by this Deed of Trust; (b) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the Indebtedness secured by this type of Deed of Trust; (c) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (d) a specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Grantor.

**Subsequent Taxes.** If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default (as defined below), and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (i) pays the tax before it becomes delinquent, or (ii) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

**SECURITY AGREEMENT; FINANCING STATEMENT.** The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

**Security Agreement.** This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures or other personal property, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

**Security Interest.** Upon request by Lender, Grantor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Real and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assign in the Personal Property to Lender and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender.

**Address.** The mailing address of Grantor (debtors) and Lender (secured party), from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code), are as stated on the first page of the Deed of Trust.

**FURTHER ASSURANCES; ATTORNEY-IN-FACT.** The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust:

**Further Assurances.** At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed and delivered, to Lender, or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, opinions of Lender, or necessary or desirable in order to effectuate, complete, perfect, continue, or preserve, (i) the obligations of Grantor under the Note, (ii) the Deed of Trust and the Related Documents, and (iii) the liens and security interests created by this Deed of Trust, at first and second in the Real and Personal Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or agreed to the contrary by Lender 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 in Grantor's expenses. 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 Grantor pays off all the indebtedness, including without limitation all future advances, when due, terminates the line of credit, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full cancellation and shall execute and deliver to Lender a release of all amounts of indemnification in any financing statement or in evidencing Lender's security interest in the Real and Personal Property, my reconveyance fee as required by law shall be paid by Grantor, if permitted by applicable law.

**DEFALKT.** Each of the following, if the condition is violated at any time, shall constitute an event of default ("Event of Default") under this Deed of Trust:

**Default on Indebtedness.** Failure of Grantor 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 or to effect discharge of any lien.





At 4:00 P.M.  
Notary No. 30002663

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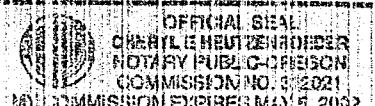
STATE OF Oregon

COUNTY OF Deschutes

On this day before me, the undersigned Notary Public who executed the Deed of Trust, and acknowledge and purport as herein mentioned.

Given under my hand and official seal this

By Cheryle Heutzenroder  
Notary Public in and for the State of Oregon



MY COMMISSION EXPIRES MAY 5, 2002

15th Day of January, 1999.

Held at La Pine, Oregon

My commission expires May 5, 2002

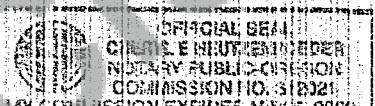
STATE OF Oregon

COUNTY OF Deschutes

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15th Day of January, 1999.

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### REQUEST FOR FULL RECONVEYANCE

(use only when compelled to hold in full)

To:

The undersigned is the joint owner and holder in full paid and satisfied. You are hereby directed, by any applicable statute, to cancel the Note secured without warranty, to the persons designated by the recordee(s) and Exhibit Ductments to:

Date:

Beneficiary:

By:

Re:

L.S.P.10/R.P. U.S. Pat. & T.M. Off., Ver. 4-24-90, 1990 C.R.P.

Entered, Rec'd, Mailed, Received, [CR-5] TS-16 21AYL001H(11.GV)

STATE OF OREGON COUNTY OF KLAUATH

Fees for recording or registration of  
or January 1 A.D. 1999, all

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rd duly recorded in Vol.

199

day

the 19th day

of January 1999

Year

Judge Smith, County Clerk

Fees \$40.00

1641

1641