

RECORDATION REQUIRED BY

South Valley Bank & Trust
P.O. Box 5210
Klamath Falls, OR 97603

WHEN RECORDED MAIL TO:

South Valley Bank & Trust
P.O. Box 5210
Klamath Falls, OR 97603

SEND ALL NOTICES TO:

Bill J. Skillington and A. Ray Sidington
5742 Third Ave. Dr.
Klamath Falls, OR 97603

MTC 42708-KL

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

DEED OF TRUST

THIS DEED OF TRUST IS DATED OCTOBER 31, 1997, among Bill J. Skillington and A. Ray Sidington, Husband and Wife, whose address is 5742 Third Ave. Dr., Klamath Falls, OR 97603 (referred to below as "Grantor"); South Valley Bank & Trust, whose address is P.O. Box 5210, Klamath Falls, OR 97603 (referred to below as "Lender" and sometimes as "Beneficiary"); and William P. Brandness, whose address is 411 Pine Street, Klamath Falls, OR 97603 (referred to below as "Trustee").

CONVEYANCE AND GRANT. For valuable consideration, Grantor conveys in Trust for the benefit of Lender as Beneficiary all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar interests, located in Klamath County, State of Oregon (the "Real Property").

Lot 11 and the Southern one-half of Lot 10, HIGHLAND PARK, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

The Real Property or its address is commonly known as 7005 South Sixth Street, Klamath Falls, OR 97603.

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, Pensions and the Personal Property hereinafter defined.

DEFINITIONS. The following words when used in this Deed of Trust shall have the meanings ascribed to them in this Deed of Trust. Terms not otherwise defined in this Deed of Trust shall have the meanings ascribed to them 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 South Valley Bank & Trust, its successors and assigns. South Valley Bank & Trust is also referred to as "Lender" in this Deed of Trust.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignments and security interests provided relating to the Real Property and Rents.

Grantor. The word "Grantor" means Grantor and all persons and entities executing this Deed of Trust, including without limitation Bill J. Skillington and A. Ray Sidington.

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 and includes without limitation all existing and future improvements, buildings, structures, mobile homes affixed to the Real Property, utilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Trustee or Lender to enforce obligations of Grantor under this Deed of Trust, together with interest on such amounts.

Lender. The word "Lender" means South Valley Bank & Trust, its successors and assigns.

Note. The word "Note" means the Note dated October 31, 1997, in the principal amount of \$71,528.58 from Grantor to Lender, together with all renewals, extensions, modifications, refinancings, and substitutions for the Note. The maturity date of the Note is November 10, 2002. This rate of interest on the Note is subject to indexing, adjustment, renewal, or renegotiation.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereinafter owned by Grantor and now or hereinafter attached to the Real Property, together with all accessories, parts, and additions to, all replacements of, and all substitutions for, any of such property, and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means and includes the Real Property and the Personal Property.

Real Property. The word "Real Property" means the property, interests and rights described above in the "Conveyance and Grant" section.

Related Instruments. The words "Related Instruments" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereinafter executed, executed in connection with this indebtedness.

Rents. The word "Rents" means all present and future rents, royalties, license fees, royalties, profits, and other benefits derived from the Property.

Trustee. The word "Trustee" means William P. Brandness and any substitute or successor trustee.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL 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 IS 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 strictly and promptly perform 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:

(1) **Possession and Use.** Until the occurrence of an Event of Default, or until Lender exercises its right to retake Possession as provided for in the Assignment of Rents form executed by Grantor, Grantor may (a) remain in possession and control of the Property, and (b) collect all Rents from the Property. The following provisions relate to the use of the Property or

TO OBTAIN PERMITS ON THE PROPERTY. THE INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE ISSUING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FREE TITLE TO THIS PROPERTY SHOULD CHECK WITH 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 91.000.

Duty To Maintain: Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve the work.

Hazardous Substances: The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened 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 9601, 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 1601, et seq., or other applicable federal laws, rules, or regulations adopted pursuant to any of the foregoing. The term "release" shall also include, without limitation, subsequent and subsequent by-products or any fraction thereof emanates to lander than: (a) During the period of Grantor's ownership of the Property, there has been no treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, under, 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, (c) 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 (d) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (e) Except as previously disclosed to and acknowledged by Lender in writing, (f) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on, under, about or from the Property and (3) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation those laws, regulations and ordinances that may be deemed appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for hazardous waste 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 any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Deed of Trust, including the obligation of indemnity, shall survive the payment of the indebtedness, and the acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not use, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property without first to the generally of the foregoing, Grantor will not remove, or grant to any other party the 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 will not demand 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 interests and to inspect the Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Restrictions. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities having jurisdiction over the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender may require Grantor to post adequate security or a surety bond, reasonably estimated by Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth herein in this section, which are necessary to the character and use of the Property, as reasonably necessary to protect and preserve the Property.

DEED ON SALE - CONSENT BY 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 prior written consent, of all or any part of the Real Property or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property on any gift, life or interest therein, whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, statement sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of 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 in which the Lender is a creditor. If the Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than thirty-five percent (35%) of the voting stock, partnership interests or limited liability company interests, so the case that be of Grantor. However, this provision shall not be exercised by Lender if such exercise is prohibited by federal law or by Oregon law.

TADES 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 all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property, and 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 within pay, or bring an Lender's interest in the (15) days after the lien arises or, if a lien is requested by Lender, despite with Lend to discharge the lien plus any costs and any court fees, Grantor shall defend and pay the costs of any suit to set aside the lien. If a lien is not paid, or if a lien is not paid within (15) days after the lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after Lender has notice of the filing, secure the discharge of the lien, or if cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to cover charges that will be incurred as a result of a foreclosure or sale under the lien. In all Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall for any surety bond furnished in the event of proceedings.

Evidence of Payment. Grantor shall authorize the appropriate governmental authority to deliver to Lender at any time a written statement of the taxes and assessments against the

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any notices are furnished, or any materials are supplied to the Property, or any mechanic's lien, materialman's lien, or other lien could be asserted on account of the work, services, or materials and the cost exceeds \$1,000. Grantor will upon request of Lender furnish to Lender advance assurance satisfactory to Lender that Grantor owns 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.

1. 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 coinsurance clause, and with a standard liability insurance in such coverage and insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler and machinery insurance, in form, amounts, coverages and basis 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 coverages 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 any way by any act, omission or default of Grantor or any other person, should the Real Property at any time become involved in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor shall maintain and maintain Federal Flood Insurance for the full unpaid principal balance of this loan, up to the maximum policy limits set under the National Flood Insurance Program, or otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. "Any settlement or proceeds received by the Lender shall be promptly paid to the Landlord of any loss or damage to the Property if the estimated cost of repair or replacement exceeds \$500.00. Lender shall retain proof of loss. Grantor has to his own will, at its election, replace 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 decides to apply

for proceeds of restoration and repair. Grantor shall report or obtain to Lender a statement of the proceeds for the reasonable cost of repair or restoration if such statement is not in the hands of the Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not been notified by the Trust of its receipt shall be paid to Lender under the Deed of Trust, then to pay such interest and the remainder, if any, shall be applied to the principal balance of the indebtedness. If Lender holds 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, and pass to, the purchaser of the Property covered by this Deed of Trust if any trustee's sale or other sale is held under the provisions of this Deed of Trust, or at any foreclosure sale of such Property.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the date insured; (c) the amount of the policy; (d) the property insured, the then current replacement value of such property, and the manner of determining that value; and (e) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraisal satisfactory to Lender determine the cash value replacement cost of the Property.

EXPENDITURES 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 interests in the Property, Lender on Grantor's behalf may, but shall not be required to, take any action that Lender deems appropriate. Any amount that Lender expends in so doing will be interest at the rate provided for in the Note from the date incurred or paid by Lender to the date of repayment by Grantor. If such expenditure, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be amortized among the installments, or (c) be treated as a balloon payment which will be due and payable at the maturity of the Note, or (d) be treated as a balloon payment which will be due and payable at the maturity of the Note, then Lender may, at its option, elect to add such expenditure to the balance of the Note. The right provided for in this paragraph shall be in addition to, and not in lieu of, any other rights or remedies to which Lender may be entitled or to which Lender from any remedy that it otherwise would have had.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust.

Title. Grantor warrants that: (a) Grantor has good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property Description in any life insurance policy, title report, title opinion issued in favor of, and accepted by, Lender in connection with this Deed of Trust; and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exceptions in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action of Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

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

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may, at its option require that all or any portion of the net proceeds of the sale be applied to the indebtedness or the repair or restoration of the Property. The net proceeds of the sale shall mean the award after payment of all reasonable costs, expenses, and attorney's fees incurred by Trustee or Lender in connection with the condemnation.

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. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and 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 requested by Lender from time to time to permit such participation.

REPOSITION 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, fines, 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 tax upon 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 under this Deed of Trust, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (a) pays the tax before it becomes delinquent, or (b) cures the tax as provided above in the Taxes and Liens section and deposits with Lender cash or sufficient corporate surety bond or other security satisfactory to Lender.

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

Security Agreement. The instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures or other personal property, and Lender shall have all 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 procure 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 assemble the Real and Personal Property in its manner 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.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party), from which information concerning the security interest granted by this Deed of Trust may be obtained (each as verified by the Uniform Commercial Code), are as stated on the first page of this 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 or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or unrecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole discretion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or otherwise protect, confirm, or enforce the obligations of Grantor under the Note, this Deed of Trust, and by Related Documents, and (b) the liens and security interests created by this Deed of Trust on first and second mortgages on the 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 (a) do so for and in the name of Grantor and at Grantor's expense. 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 all the indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Grantor a full release and discharge, and shall execute and deliver to Grantor suitable statements of satisfaction of any financing statement on the basis of which Lender's security interest in the Real and Personal Property. Any reconveyance fee required by law shall be paid by Grantor, if applicable, by official fee.

DEFAULT. Each of the following, at the option of Lender, shall constitute an event of default ("Event of Default") under this Deed of Trust:

Default in Indebtedness. Failure of Grantor to make any payment when due on the indebtedness.

Obligations to Notify. Trustee shall be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Lender or Trustee may be a party, unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all claims with respect to all or any part of the foreclosed by judicial foreclosure, in order to exercise its powers under applicable law.

Successor Trustee. Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed hereunder by an instrument recorded and acknowledged by Lender and recorded in the office of the recorder of Klamath County, Oregon. The instrument shall be signed by the Trustee, and the instrument shall be executed and acknowledged by the successor Trustee, without conveyance of the Property, shall succeed to all the title, power, and duties of Trust and be applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

NOTICES TO GRANTOR AND OTHER PARTIES. Any notice under this Deed of Trust shall be in writing, may be sent by telefacsimile, and shall be effective when actually delivered, or when deposited in the United States mail first class. Any party may change its address for notice under this Deed of Trust by giving formal written notice to the other parties, specifying that the notice shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. For notice purposes, Grantor agrees to keep Lender and Trustee informed of all changes in Grantor's current address.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Deed of Trust:

Amendments. This Deed of Trust, together with any Related Documents, constitutes the entire understanding and agreement of the parties to this Deed of Trust. No alteration or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be changed or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Applicable Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Oregon.

Caption Headings. Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

Merger. There shall be no merger of time held by or for the benefit of Lender with any other interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time or in any capacity, without the written consent of Lender.

Multiple Parties. All obligations of Grantor under this Deed of Trust shall be joint and several, and all references to Grantor shall mean each and every Grantor. This means that each of the persons signing below is responsible for all obligations in this Deed of Trust.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be invalid or unenforceable as to any person or for that provision invalid or unenforceable as to any other persons or circumstances, if feasible, any such provision shall be modified so as to be valid and enforceable within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Deed of Trust in all other respects shall remain valid and enforceable.

Successors and Assigns. Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Grantor's successors with reference to this Deed of Trust and the indebtedness by releasing Grantor from the obligations of this Deed of Trust or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Deed of Trust.

Waivers and Consents. Lender shall not be deemed to have waived any right under this Deed of Trust (or under the Related Documents) unless such waiver is in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver by any party of a provision of this Deed of Trust that not constitute a waiver of or prejudice the party's right with that provision or any other provision. No prior waiver by Lender, nor any course of dealing, shall constitute a waiver of any of Lender's rights or any of Grantor's obligations as to any future transactions. Whenever consent by Lender is required in this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute as where such consent is required.

COMMERCIAL DEED OF TRUST. Grantor agrees with Lender that this Deed of Trust is a commercial deed of trust and that Grantor will not change the use of the Property without Lender's prior written consent.

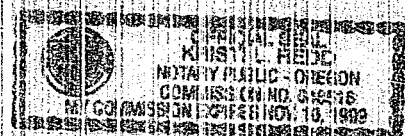
EACH GRANITOR ACKNOWLEDGES HAVE READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND EACH GRANITOR AGREES TO ITS TERMS.

GRANTOR
Billy Skillington
B J Skillington

A. R. Skillington
A R Skillington

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath



On this day before me, the undersigned Notary Public, personally appeared Billy Skillington and A. R. Skillington, to me known to be the individuals named, and acknowledged that they signed the Deed of Trust, as their free and voluntary act and deed, for the purpose and intent herein expressed.

Given under my hand and official seal this 31st day of October, 1997.

My commission expires 11/10/99.

Notary Public in and for the State of OR

THE UNIVERSITY OF CHICAGO

12

REQUEST FOR FULL FEE CONVEYANCE

(To be used only when obligations have been paid in full)

Text

Trust: 1

[illegible]

Thammasak 132

11

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FORM 200, Rev. 1-5-78, & T.M. CIE, Ver. 3.0 (3)

10-11-12-13-14-15-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1

STATE OF OREGON: COUNTY OF KIMMATH: ss

Filed for record at request of _____ Year 19____ at _____ o'clock _____ M. and filed for
 of _____ of _____ Page 7190

FILE # 925-110

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STATE OF OREGON: COUNTY OF CLATSOP: 31

Filed for record and receipt of	Alternative #	the	20th	day
of <u>January</u>	<u>19</u> at <u>10:51</u>	clock	<u>AM</u>	and duly recorded in Vol. <u>499</u>
	Map page	on Page	<u>1423</u>	

FEB 13 1964 \$30.00 Re-record

Linda Smith, County Clerk
by Kathleen P. Smith

APPROXIMATE

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