71497 Vol M98 Page 25427

WHEN RECORDED MAIL TO: 99 JAN 22 P2:41

Whittier Trust Company
Attention: Real Estate Department
1600 Huntington Drive
South Pasadena, CA 91030

MTC 46862-KR

FIRST MODIFICATION OF PROMISSORY NOTE AND DEED OF TRUST

THIS FIRST MODIFICATION OF PROMISSORY NOTE AND DEED OF TRUST (herein referred to as the "FIRST MODIFICATION") is made as of the 1st day of December, 1998, by and between LELAND WOODS, successor in interest to the Leland Woods Company, Inc., an Oregon Corporation ("Payee") and DONNIE J. ALLEN and DONNA LEE ALLEN ("Maker"), who agree as follows:

RECITALS

A. Maker executed to Payee a promissory note ("Note") dated February 1, 1994, in the principal face amount of One-hundred twenty-five thousand and 00/100 dollars ($125,000.00). A copy of the Note is shown on the attached Exhibit "A". The note is secured by a deed of trust ("Deed of Trust") encumbering the real property legally described in the attached Exhibit "B" ("Property"). The Deed of Trust was recorded on February 2, 1994 in the official records of the Klamath County Oregon Recorder.

B. Payee and Maker now desire to modify the Note and the Deed of Trust.

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

1. Modifications. The parties agree the terms of the note and the time for payment of the indebtedness evidenced thereby shall be extended and amended as follows:

   The expiration date of the note is changed from January 31, 1999 to January 31, 2002.

   On or before January 31, 1999, Maker shall remit to Payee an additional principal payment of twenty thousand and 00/100 dollars ($20,000.00).

   So long as Maker is current on their scheduled monthly payments of principal and interest to Payee under the terms of the Note and Maker has paid the additional principal payment of twenty thousand and 00/100 dollars ($20,000.00), then on February 1, 1999 the outstanding principal balance of the Note shall be $46,517.20.

   If on February 1, 1999 the remaining principal balance of the note is $46,517.20, then Maker shall make consecutive monthly installments of principal and interest to Payee in the amount of One Thousand Four Hundred Seventy Nine and 23/100 Dollars ($1,479.23) until the entire indebtedness evidenced by the Note is fully paid except that any remaining indebtedness evidenced by the Note and this First Modification, if any, shall be all due and payable on January 31, 2002.

2. Cost and Expenses. Maker agrees to pay all costs and expenses incurred in connection with recordation in Klamath County of a notice of this First Modification, all appropriate endorsements to the policy of title insurance issued to Payee to insure the continued lien priority of the Deed of Trust, and all processing fees and costs incurred by the Payee in connection herewith.

3. Further Assurances. The parties agree, without any additional consideration to execute such other and further documents, instruments and instructions, which may be necessary or proper to consummate the transactions contemplated hereby.

4. Reaffirmation. Maker hereby expressly and unconditionally reaffirms and ratifies all of the terms, covenants and conditions contained in the Note and the Deed of Trust as expressly modified hereby.

IN WITNESS WHEREOF, the parties have executed this First Modification as of the date first above written.

PAYEE:

LELAND WOODS COMPANY, INC.

By: Leland Woods
LELAND WOODS, PRESIDENT

MAKER:

DONNIE J. ALLEN

Donnie J. Allen

DONNA LEE ALLEN

Donna Lee Allen

STATE OF OREGON, County of Klamath } ss. January 22, 19 99

Personally appeared LELAND WOODS who being duly sworn (or affirmed) did say that he is the PRESIDENT (President or other officer or officers) of LELAND WOODS COMPANY, INC., an Oregon corporation (Name of corporation) and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors; and he acknowledged said instrument to be its voluntary act and deed.

Before me:

OFFICIAL SEAL
KRISTI L. REDD
NOTARY PUBLIC - OREGON
COMMISSION NO. 048516
MY COMMISSION EXPIRES NOV. 16, 1999

Official Seal

Kristi L. Redd
Notary Public for Oregon.
My Commission expires 11/16/99

FORM No. 23—ACKNOWLEDGMENT.
Stevens-Ness Law Publishing Co. NL
Portland, OR 97204 © 1992

STATE OF OREGON, County of Klamath } ss.

BE IT REMEMBERED, That on this 19th day of January, 19 99, before me, the undersigned, a Notary Public in and for the State of Oregon, personally appeared the within named DONNIE J. ALLEN & DONNA LEE ALLEN known to me to be the identical individuals described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

OFFICIAL SEAL
KRISTI L. REDD
NOTARY PUBLIC - OREGON
COMMISSION NO. 048516
MY COMMISSION EXPIRES NOV. 16, 1999

Kristi L. Redd
Notary Public for Oregon
My commission expires 11/16/99

PROMISSORY NOTE

$125,000.00 February 1, 1994

FOR VALUE RECEIVED, Donnie J. Allen and Donna Lee Allen, Husband and wife, (hereinafter referred to as "Maker"), hereby promises to pay to Leland Woods Company, Inc., an Oregon Corporation (hereinafter referred to as "Payee"), or order, the amount of One Hundred Twenty Five Thousand Dollars ($125,000.00), together with interest on said principal sum at the rate of nine percent (9%) per annum from the date such principal sum is advanced by Payee. Principle and interest shall be payable in consecutive monthly installments ("monthly installments") of One Thousand Two Hundred Sixty Seven and eighty three hundredths Dollars ($1,267.83) on the first day of each month, beginning March 1, 1994. In addition to the monthly installments, the Maker shall pay to the Payee the principal amount of Ten Thousand Dollars ($10,000.00) on or before January 31, 1995. The monthly installments shall continue until the entire indebtedness evidenced by this Note is fully paid, except that any remaining indebtedness if not sooner paid, shall be due and payable on January 31, 1999.

In addition, Maker agrees to make a minimum of Ten Thousand Dollars ($10,000.00) of improvements to the Property at 219-229 South 6th Street, Klamath Falls, Oregon on or before July, 1 1995.

Principal and interest hereunder shall be payable in lawful money of the United States of America. Payments shall be made to Payee or any successor holder ("Holder") of this Note by delivery thereof at 1601 Huntington Drive, South Pasadena, California 91030, or at such other address as may be specified in a written notice to Maker given by Payee or any successor holder of this Note. All payments shall be credited first to interest, and the remainder, if any, to principal.

Notwithstanding the foregoing, Maker shall have the right to prepay all or any part of the principal sum of this Note, without penalty of any kind whatsoever, at any time or from time to time. Payee may require that any partial prepayments (i) be made on the date monthly installments are due and (ii) be in the amount of that part of one or more monthly installments which would be applicable to principal. Any partial prepayment shall be applied against the principal amount outstanding and shall not postpone the due date or affect the amount of any subsequent monthly installments, unless Payee shall otherwise agree in writing.

The occurrence of any one or more of the following events shall constitute a default hereunder:

(a) Failure to pay any monthly installment when due.

(b) Any default under Deed of Trust dated the date hereof which secures this Note.

Upon any such default, Payee may, without notice, cause all of the unpaid principal of this Note, with interest, fees and charges accrued thereon, to become immediately due and payable.

In the event that any monthly installment hereunder shall not be made within fifteen (15) days after the date due a late charge of six cents ($.06) for each dollar ($1.00) so overdue may be charged by Payee. Maker recognizes that its default in making such payment will require the Holder to incur additional expenses in servicing the loan evidenced hereby, in loss to Holder of the use of the money due and in frustration to the Holder in meeting its other financial commitments, and that

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damages caused thereby would be extremely difficult and impracticable to ascertain. Maker agrees that an amount equal to six percent (6%) of the amount due and unpaid is a reasonable estimate of the damage to the Holder in the event the payment called for herein is delinquent. Nothing in this paragraph shall be construed as an obligation on the part of the Holder to accept at any time less than the full amount then due hereunder. Such late charge shall be paid without prejudice to the right of Payee to collect any other amounts provided to be paid or to declare a default hereunder or under the Deed of Trust which secures this Note.

Notwithstanding anything to the contrary contained herein or in the Deed of Trust, the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by the interest rate laws of the State of Oregon. If any payments in the nature of interest, additional interest and other charges made hereunder or under the Deed of Trust are held to be in excess of the applicable limits imposed by the interest rate laws of the State of Oregon, it is agreed that any such amount held to be in excess shall be considered payment of principal hereunder and the indebtedness evidenced hereby shall be reduced by such amount so that the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by the interest rate laws of the State of Oregon in compliance with the desires of Maker and Payee.

If this Note is not paid when due, Maker promises to pay all costs and expenses of collection and reasonable attorneys' fees, costs and expenses incurred by the Holder to enforce the terms of this Note and/or the Deed of Trust, including, without limitation, those expenses and fees which may be incurred in connection with the appointment of a receiver and all appearances in bankruptcy or insolvency proceedings. In any action brought under or arising out of this Note, Maker hereby consents to the jurisdiction of any competent court within the State of Oregon and to service of process by any means authorized by Oregon law. Holder shall, at all times, have the right to proceed against any portion of the security for this Note in such order and in such manner as the Holder may consider appropriate without waiving any rights with respect to any such security. Any delay or omission on the part of the Holder in exercising any right hereunder or under the Deed of Trust shall not operate as a waiver of such right, or any other right under this Note or the Deed of Trust. This Note may not be terminated or amended orally, but only by a termination or amendment in writing signed by the Holder and Maker. This Note shall be governed by and construed in accordance with the laws of the State of Oregon.

Maker, all endorsers, guarantors and sureties of this Note, and each of them, and their successors and assigns, hereby waive demand, presentment for payment, notice of non-payment, protest and notice of protest, and notice of dishonor, and expressly agree that without notice, this Note or any payment due date hereunder may be extended from time to time, and consent to the acceptance of additional or substitute security or both for this Note, including, without limitation, other types of security, and consent to acceptance of additional or substitute parties or both, or the release of any party liable with respect to this Note, all without affecting in any way their liability. The right to plead any and all statutes of limitation as a defense to any demand on this Note, or on any guarantee hereof on behalf of Maker, all endorsers, guarantors or sureties is expressly waived by each and all of such parties.

Maker hereby acknowledges that the payments described in this Note are for the payment of principal and interest only, and agrees to pay additional sums for the payment of taxes, insurance, assessments, and similar charges against the property as required and/or as set forth in the Deed of Trust.

Any failure by Payee to insist upon, or any election by Payee not to insist upon, strict performance by the undersigned of any of the covenants, terms, provisions or conditions hereof shall not be deemed to be a waiver of same or of any other covenant, term, provision or condition hereof, and Payee shall have the right at any time or times thereafter to insist upon strict performance by Maker of any and all of such covenants, terms, provisions and conditions.

Said Note shall be secured by a Deed of Trust of even date on certain real property located in Klamath County, Oregon.

The Deed of Trust contains the following provision:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than thirty (30) calendar days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

Notwithstanding the foregoing, Lender shall not exercise such option upon: (i) the creation of a lien or other encumbrance subordinate to Lender's security instrument which does not relate to a transfer of rights of occupancy in the Property, provided that such lien or encumbrance is not created pursuant to a contract for deed; (ii) the creation of a purchase-money security interest for household appliances; (iii) a transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety; (iv) the granting of a leasehold interest which has a term of three years or less and which does not contain an option to purchase (this is, either a lease of more than three years or a lease with an option to purchase will allow the exercise of a due-on-sale clause); (v) a transfer, in which the transferee is a person who occupies or will occupy the Property, which is (a) a transfer to a relative resulting from the death of Borrower, (b) a transfer where the spouse or child(ren) becomes an owner of the Property, or (c) a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or (vi) a transfer into an *inter vivos* trust in

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which Borrower is a and remains the beneficiary and occupant of the Property, unless, as a condition precedent to such transfer, Borrower refuses to provide Lender with reasonable means acceptable to Lender by which Lender will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy.

Upon receipt of evidence reasonably satisfactory to Maker of the loss, theft, destruction or mutilation of this Note and, in the case of loss, theft or destruction of this Note, upon receipt of indemnity reasonably satisfactory to Maker from the Holder hereof (except that if Payee is the Holder of this Note, an indemnification from Payee shall be sufficient) or, in the case of mutilation, upon surrender of the mutilated Note, the Maker will make and deliver a new Note of like tenor in lieu of this Note.

All persons, firms and entities identified by the designation "Maker" in this Note shall be jointly and severally liable for the faithful performance of each of the obligations and covenants of Maker set forth in this Note.

The terms of this Note apply to, inure to the benefit of, and bind all parties hereto and their respective successors and assigns.

Donnie J. Allen

Donnie J. Allen

Donna Lee Allen

Donna Lee Allen

c:\wp.in\john\egal\Allen.nte

Donnie J. Allen

Donna Lee Allen

EXHIBIT [illegible] PAGE [illegible] OF [illegible]

[illegible] Page 3794

WHEN RECORDED MAIL TO:

2343

Leland Woods Company, Inc.
1600 Huntington Drive
South Pasadena, CA 91030
Attn: John Watkins

MTC 31901-KR

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on February 1, 1994. The trustor is Dennis J. Allen and Donna Lee Allen, as husband and wife ("Borrower"). The trustee is Mountain Title Company of Klamath County ("Trustee"). The beneficiary is Leland Woods Company, Inc., an Oregon Corporation, whose address is 1600 Huntington Drive, South Pasadena, California ("Lender"). Borrower owes Lender the principal sum of One Hundred Twenty Five Thousand United States Dollars (U.S. $125,000.00). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for continuous consecutive monthly payments, one principal payment of Ten Thousand United States Dollars ($10,000.00) before January 31, 1995 and the remaining indebtedness due on January 31, 1999. This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by this Note, with interest, and all renewals, extensions and modifications thereof; (b) the payment of all other sums, with interest, advanced under paragraph 6 hereof to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the property located in Klamath County, Oregon, which is legally described in Exhibit A hereto and has the address of 219-225 South 6th Street, Klamath Falls, Oregon 97603 ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record. Borrower also warrants that the Property is not used principally for agricultural or farming purposes.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

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EXHIBIT "B" PAGE 2 OF 8

2. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraph 1 hereof shall be applied first to interest, and the remainder, if any, to principal.

3. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) calendar days of the giving of notice.

4. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards for which Lender requires insurance including earthquake coverage in the amount of One Hundred Twenty Five Thousand Dollars ($125,000.00). This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld.

Lender shall have the right to approve Borrower's insurance company(s) which approval shall not be unreasonably withheld. All insurance policies and renewals shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts and paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within thirty (30) calendar days after notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. Such thirty (30) day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or

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postpone the due date of the monthly payments referred to in paragraph 1 hereof or change the amount of the payments due under the Note. If, under paragraph 18 hereof, the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

5. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

6. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 6, Lender has no obligation to do so, and any such action by Lender shall not be deemed a cure of Borrower's default.

Any amounts disbursed by Lender under this paragraph 6 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

7. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or, if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) calendar days after such notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraph 1 hereof or change the amounts of such payments.

9. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

10. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 16 hereof. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument, but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear and/or make any accommodations with regard to the terms of this Security Instrument or the Note without Borrower's consent.

11. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

12. Legislation Affecting Lender's Rights. If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security Instrument unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by paragraph 18 hereof. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 16 hereof.

13. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

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14. Governing Law; Severability. This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provisions. To this end, the provisions of this Security Instrument and the Note are declared to be severable.

15. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

16. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than thirty (30) calendar days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

Notwithstanding the foregoing, Lender shall not exercise such option upon: (i) the creation of a lien or other encumbrance subordinate to Lender's security instrument which does not relate to a transfer of rights of occupancy in the Property, provided that such lien or encumbrance is not created pursuant to a contract for deed; (ii) the creation of a purchase-money security interest for household appliances; (iii) a transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety; (iv) the granting of a leasehold interest which has a term of three years or less and which does not contain an option to purchase (that is, either a lease of more than three years or a lease with an option to purchase will allow the exercise of a due-on-sale clause); (v) a transfer, in which the transferee is a person who occupies or will occupy the Property, which is (a) a transfer to a relative resulting from the death of Borrower, (b) a transfer where the spouse or child(ren) becomes an owner of the Property, or (c) a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or (vi) a transfer into an inter vivos trust in which Borrower is and remains the beneficiary and occupant of the Property, unless, as a condition precedent to such transfer, Borrower refuses to provide Lender with reasonable means acceptable to Lender by which Lender will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy.

17. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have the foreclosure proceedings then commenced under this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument, or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note had no

acceleration occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, costs and expenses; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged, and Lender's rights and remedies upon any subsequent default by Borrower shall continue as set forth in this Security Instrument. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraphs 12 or 16 hereof.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

18. <u>Acceleration; Remedies</u>. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraphs 12 and 16 hereof unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than thirty (30) calendar days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee shall cause this notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall mail copies of the notice as prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the time required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees, costs and expenses; (b) to all sums secured by this Security

[illegible]

Instrument; and (c) any excess to the person or persons legally entitled to it.

19. Lender in Possession. Upon acceleration under paragraph 18 hereof or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, costs and expenses, premiums on receiver's bonds and reasonable attorneys' fees, costs and expenses, and then to the sums secured by this Security Instrument.

20. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs.

21. Substitute Trustee. Lender, at its option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Lender and recorded in the office of the Recorder of the county in which the Property is located. The instrument shall contain the name of the original Lender, Trustee and Borrower, the book and page where, or instrument number of, this Security Instrument is recorded and the name and address of the successor trustee. Without conveyance of the Property, the successor trusted shall succeed to all the title, powers and duties conferred upon the Trustee herein and by applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

22. Request for Notices. Borrower requests that copies of the notices of default and sale be sent to Borrower's address which is the Property Address.

23. Statement of Obligation. Lender may collect a fee not to exceed the maximum amount permitted by law in the State of Oregon for furnishing the statement of obligation.

24. In addition to the other covenants and agreements hereunder and in the Note, Borrower agrees to make a minimum of Ten Thousand Dollars ($10,000.00) of improvements to the property located 219-229 South 6th Street Klamath Falls, Oregon on or before July 1, 1994.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument.

[signature]
Donald J. Allen

[signature]
Diana Lee Allen

2350

3711

[illegible] of Oregon

County of Klamath [illegible], 19 94

Personally appeared the above named [illegible] ALLEN and [illegible] ALLEN and acknowledged the foregoing instrument to be [illegible] voluntary act and deed.

WITNESS My hand and official seal. (seal)

Notary Public for Oregon
My Commission expires: 11/[illegible]/95

OFFICIAL SEAL
[illegible]
NOTARY PUBLIC - OREGON
COMMISSION NO. [illegible]
MY COMMISSION EXPIRES NOV. 1[illegible], 199[illegible]

Lots 6, 7 and 8 in Block [illegible] of KLAMATH ADDITION to the City of Klamath Falls, according to the official plat thereof in the office of the County Clerk of Klamath County, Oregon.

STATE OF OREGON : COUNTY OF KLAMATH : ss.

Filed for record at request of AMERITITLE the 22ND day of JANUARY A.D., 1999 at [illegible]:27 o'clock P. M., and duly recorded in Vol. 99 of MORTGAGES on Page 2337

Linda Smith, County Clerk

by [signature]

FEE 75.00