

This Non-Merger Deed in lieu of Foreclosure is made, executed and entered into this 4th day of Mar, 1996 between Sandi Smeltzer and Gerry York, ("Grantor") and Harold Elliot (Grantee).

Grantor holds an interest in the real property described as Lot 6, Block 1, PLAT NO. 1204, LITTLE RIVER RANCH, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

To evidence and secure a loan made by Grantee to Grantor in the original sum of Twenty Thousand and no/100 Dollars (\$20,000), Grantor made, executed and delivered to Grantee a Note and Deed of Trust covering the Subject Real Property, both dated February 25, 1994, which Deed of Trust was filed in the Mortgage Records of Klamath County on April 4, 1994, in Volume M94, page 9802.

Grantor and Grantee agree that the Note and Deed of Trust are in default and subject to foreclosure; that the value of the Subject Real Property, the improvements thereon and any other property constituting security for the Note and Deed of Trust is less than the outstanding principal balance, interest accrued, and other expenses owing on the Note. The parties desire to resolve the defaults under the Note and Deed of Trust by providing for the conveyance of the Subject Real Property, and the improvements thereon, to Grantee.

WHEREFORE, in consideration of Grantee's agreement to release Grantor from any liability on the Note, and for other good and valuable consideration, Grantor hereby grants, conveys and warrants to Grantee, its successors and assigns, the Subject Real Property and the improvements thereon, together with all the interest, easements, rights, privileges, fixtures and appurtenances now or hereafter belonging to, located on or used in connection with the Subject Real Property. Grantor also grants, conveys and transfers to Grantee, its successors and assigns, all equitable and statutory rights of redemption which Grantor may have to the Subject Real Property.

Grantor acknowledges and agrees that the conveyance of the Subject Real Property to Grantee, according to the terms of this Non-Merger Deed in lieu of Foreclosure, is an absolute conveyance of all of Grantor's rights, title and interest in and to the Subject Real Property, in fact as well as in form, and was not and is not now intended as a mortgage, trust conveyance, deed of trust, or other security instrument of any kind, the consideration for such conveyance being exactly as recited herein; the Grantor shall have no further interest or claim in and to the Subject Real Property or to the proceeds and profits that may be derived thereon of any kind whatsoever; that possession of the Subject Real Property hereby is surrendered and delivered to the Grantee; that in executing this deed, Grantor is not acting under any misapprehension as to the effect thereof or any duress, undue influence or misrepresentation by Grantee, or its representatives, agents or attorneys; that this Non-Merger Deed in Lieu of Foreclosure is not given as a preference over other creditors of Grantor; and that Grantor knows of no person, partnership or corporation, other than Grantee, interested in the real property, directly or indirectly in any manner whatsoever, with the exception of the mortgages of record.

It is the expressed intent of Grantee and Grantor that the interest of the Grantee, as owner, shall not merge with the interest of Grantee as beneficiary under the Deeds of Trust so as to forfeit or in any way prejudice the rights of Grantee with respect to the Subject Real Property, but shall be and remain at all times separate and distinct, notwithstanding any union of said interest in the Grantee at any time by purchase, termination or otherwise; and that the lien of the Grantee in the Subject Real Property evidenced by its Deed of Trust shall be and remain at all times a valid and continuous lien upon the Subject Real Property.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.



Sandi Smeltzer
SANDI SMELTZER
Gerry York
GERRY YORK

STATE OF OREGON

County of Deschutes) ss.
On this 4 day of March 1996

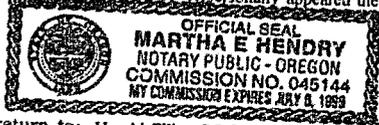
personally appeared the above named Sandi Smeltzer, and acknowledged the foregoing instrument to be her act and deed.

Martha E Hendry
Notary Public for Oregon
My commission expires: 7-8-99

STATE OF OREGON

County of Deschutes) ss.
On this 4 day of March 1996

personally appeared the above named Gerry York, and acknowledged the foregoing instrument to be his voluntary act and deed.



Martha E Hendry
Notary Public for Oregon
My commission expires: 7-8-99

After recording, return to: Harold Elliot, PO Box 413, LaPine, OR 97739 Tax Account No.:

2/35

7961

STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the 5th day
of March A.D., 1999 at 2:02 o'clock P. M., and duly recorded in Vol. M99
of Deeds on Page 7960

Linda Smith, County Clerk

FEE \$35.00

by Kathleen Ross

RECEIVED
COUNTY CLERK
MARCH 10 1999

RECORDED
COUNTY CLERK
MARCH 10 1999

[Signature]
COUNTY CLERK

[Signature]
COUNTY CLERK