

THIS TRUST DEED, made this 23rd day of MARCH 19 99, between JOSEPH HERLINGER, JR. and LAURIE PEACOCK

as grantor, William Sisemore, as trustee, and KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION, a corporation organized and existing under the laws of the United States, as beneficiary;

WITNESSETH

The grantor irrevocably grants, bargains, sells and conveys to the trustee, in trust, with power of sale, the property in KLAMATH County, Oregon, described as: The W 1/2 NW 1/4 of Section 33, Township South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the South line of the NW 1/4 of Section 33, Township 39 South, Range 8 East of the Willamette Meridian, which is North 89 degrees 39' East 320.6 feet from the quarter section corner common to Sections 32 and 33; thence North 0 degrees 06' East 1420.7 feet to the South line of the Klamath Falls-Ashland Highway; thence along the South line North 72 degrees 19' East 346.3 feet; thence South 0 degrees 06' West 1523.9 feet; thence South 89 degrees 39' West 330 feet to the point of beginning.

Code 21 Map 3908-33B TL 1700

Maturity date: March 15, 2014

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US AFTER THE EFFECTIVE DATE OF THIS ACT CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE

Grantor's performance under this trust deed and note it secures may not be assigned to or be assumed by another party. In the event of an attempted assignment or assumption the entire unpaid balance shall become immediately due and payable. Which said described real property is not currently used for agricultural, timber or grazing purposes, together with all and singular the appurtenances, tenements, hereditaments, rents, issues, profits, waste, rights, easements or privileges now or hereafter belonging to or derived from or in anywise appertaining to the above described premises and all plumbing, lighting, heating, ventilating, air-conditioning, refrigerating, water and irrigation apparatus, equipment and fixtures together with all earnings, venetian blinds, floor covering in place such as wall to wall carpeting and linoleum, shades and built-in appliances now or hereafter installed in or used in connection with the above described premises including all interest thereon which the grantor has or may hereafter acquire for the purpose of securing performance of each agreement of the grantor herein contained and the payment of the sum of TWENTY FIVE THOUSAND AND NO/100 (\$25,000.00) Dollars.

with interest thereon according to the terms of a promissory note of even date herewith, payable to the beneficiary or order and made by the grantor principal and interest being payable in monthly installments of \$257.30 commencing APRIL 15, 19 99

This trust deed shall further secure the payment of such additional money if any as may be ordered hereafter by the beneficiary to the grantor or others having an interest in the above described property as may be evidenced by a note or notes if the indebtedness secured by this trust deed is evidenced by more than one note the beneficiary may credit payments received by it upon any of said notes or part of any payment on one note and part on another as the beneficiary may elect.

charges levied or imposed against said property, in the amounts as shown by the statements thereof furnished by the collector of such taxes, assessments or other charges, and to pay the insurance premiums in the amounts shown on the statements submitted by the insurance carriers or their representatives, and to charge said sums to the principal of the loan or to withdraw the sums which may be required from the reserve account, if any, established for that purpose. The grantor agrees in no event to hold the beneficiary responsible to failure to have any insurance written or for any loss or damage growing out of a defect in any insurance policy, and the beneficiary hereby is authorized in the event of any loss to compromise and settle with any insurance company and to apply any such insurance proceeds upon the obligations secured by this trust deed. In computing the amount of the indebtedness for payment and satisfaction in full of upon sale or other disposition of the property by the beneficiary after default in a balance remaining in the reserve account shall be credited in the indebtedness. If the reserve account for taxes, assessments, impositions, premiums and other charges is not sufficient at any time for the payment of such charges as they become due, the grantor shall pay the deficit to the beneficiary upon demand and shall be paid within ten days after such demand. The beneficiary may at its option add the amount of such deficit to the principal of the obligation secured hereby.

The grantor hereby covenants to and with the trustee and the beneficiary herein that the said premises and property conveyed by this trust deed are free and clear of all encumbrances and that the grantor will and its heirs, executors and administrators shall warrant and defend his said title thereto against the claims of all persons whomsoever.

The grantor covenants and agrees to pay said note according to the terms thereof and when due all taxes, assessments and other charges levied against said property to keep said property free from all encumbrances having precedence over this trust deed, to complete all buildings in course of construction or hereafter constructed on said premises within six months from the date hereof or the date construction is hereafter commenced, to repair and restore promptly and in a clear, workmanlike manner any building or improvements on said property which may be damaged or destroyed and pay when due all costs incurred thereby to the beneficiary to inspect said property at all times during construction to replace any work or materials unsatisfactory to the beneficiary within fifteen days after written notice from the beneficiary of such fact, not to remove or destroy any building or improvements now or hereafter constructed on said premises, to keep all buildings and improvements now or hereafter erected upon said property in good repair and to contain or suffer no waste of said premises, to keep all buildings, property and improvements now or hereafter erected on said premises continuously insured against loss by fire or such other hazards as the beneficiary may from time to time require, in a sum not less than the original principal sum of the note or obligation secured by this trust deed in a company or companies acceptable to the beneficiary, and to deliver the original policy of insurance in correct form and with approved loss payable clause in favor of the beneficiary attached and with premium paid to the principal place of business of the beneficiary at least fifteen days prior to the effective date of any such policy of insurance. If said policy of insurance is not so tendered, the beneficiary may in its own discretion obtain insurance for the benefit of the beneficiary, which insurance shall be non-cancelable by the grantor during the full term of the policy thus obtained.

When the grantor fails to keep any of the foregoing covenants then the beneficiary may at its option carry out the same and all its expenditures therefor shall draw interest at the rate specified in the note shall be repayable by the grantor on demand and shall be secured by the lien of this trust deed. In this connection, the beneficiary shall have the right in its discretion to complete any improvements made on said premises and also to make such repairs to said property as in its sole discretion it may deem necessary or advisable.

In order to provide regularly for the prompt payment of said taxes, assessments or other charges and insurance premiums the grantor agrees to pay to the beneficiary together with and in addition to the monthly payments of principal and interest payable under the terms of the note or obligation secured hereby, an amount equal to one-twelfth (1/12th) of the taxes, assessments and other charges due and payable with respect to said property within each succeeding twelve months, and also one-thirty-sixth (1/36th) of the insurance premiums payable with respect to said property within each succeeding three years while this trust deed remains in effect, as estimated and directed to the beneficiary such sums to be credited to the principal of the loan and applied for the several purposes thereof and shall thereupon be charged to the principal of the loan or at the option of the beneficiary the sums so paid shall be held by the beneficiary in trust as a reserve account, without interest to pay said premiums, taxes, assessments or other charges when they shall become due and payable.

The grantor further agrees to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said property to pay all costs, fees and expenses of this trust including the cost of title search as well as the other costs and expenses of the trustee incurred in connection with or in enforcing this obligation, and trustee's and attorney's fees actually incurred to appear in and defend any action or proceeding purporting to affect the security hereby or the rights or powers of the beneficiary or trustee and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum to be fixed by the court, in any such action or proceeding in which the beneficiary or trustee may appear and in any suit brought by beneficiary to foreclose the deed and all said sums shall be secured to this trust deed.

Where the grantor is to pay any and all taxes, assessments and other charges levied or assessed against said property or any part thereof, before the same begin to bear interest and also to pay premiums on all insurance policies upon said property, such payments are to be made through the beneficiary as aforesaid. The grantor hereby authorizes the beneficiary to pay any and all taxes, assessments and other

The beneficiary will furnish to the grantor on written request therefor an annual statement of account but shall not be obligated or required to furnish any further statements of account.

It is mutually agreed that:

In the event that any portion of all or said property shall be taken under the right of eminent domain or expropriation the beneficiary shall have the right to continue to prosecute in its own name, appear in or defend any action or proceedings or to make any compromise or settlement in connection with such taking and if so elects to require that all or any portion of the money's payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney's fees necessarily paid or incurred by the grantor in such proceedings, shall be paid to the beneficiary and applied by it first upon any reasonable costs and expenses and attorney's fees necessarily paid or incurred by the beneficiary in such proceedings and the balance applied upon the indebtedness secured hereby and the grantor agrees at its own expense to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon the beneficiary's request.

...from the proceeds of the sale of the property... government of its laws and regulations... of full reconveyance, for cancellation, without affecting the liability of any person for the payment of the indebtedness...

...when the under this trust deed and the obligations secured thereby (including costs and expenses actually incurred in enforcing the terms of the obligation and trustee's and attorney's fees not exceeding the amount provided by law) other than such portion of the principal as would not have been due had no default occurred and thereby cure the default.

3. As additional security grantor hereby assigns to beneficiary during the continuance of these trusts all rents, issues, royalties and profits of the property affected by this deed and of any personal property located thereon. Until grantor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, grantor shall have the right to collect all such rents, issues, royalties and profits earned prior to default as they become due and payable. Upon any default by the grantor hereunder, the beneficiary may at any time without notice either in person or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof in its own name and for or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same (less costs) and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as the beneficiary may determine.

8. After the lapse of such time as may then be required by law following the recordation of said notice of default and giving of said notice of sale, the trustee shall sell said property at the time and place fixed by him in said notice of sale, either as a whole or in separate parcels, and in such order as he may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at the time of sale. Trustee may postpone sale of all or any portion of said property by public announcement of such time and place of sale and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. The trustee shall deliver to the purchaser as deed in form as required by law, conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, excluding the trustee not including the grantor and the beneficiary, may purchase at the sale.

4. The entering upon and taking possession of said property, the collection of rents, issues and profits and the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

9. When the Trustee sells pursuant to the power provided herein, the trustee shall apply the proceeds of the trustee's sale as follows: (1) To the expenses of the sale including the compensation of the trustee and a reasonable charge by the trustee; (2) To the obligation secured by the trust deed; (3) To all persons having recorded liens subsequent to the interests of the trustee in the trust deed as they in earnest appear in the order of their priority; (4) The surplus, if any, to the grantor or the trust deed or to his successor in interest entitled to such surplus.

5. The grantor shall notify beneficiary in writing of any sale or contract for sale of the above described property and furnish beneficiary on a form supplied it with such personal information concerning the purchaser as would ordinarily be required of a loan applicant and shall pay beneficiary a service charge.

10. For any reason permitted by law, the beneficiary may from time to time appoint a successor or successors to any trustee named herein or to a successor trustee appointed hereunder. Upon such appointment and without conveyance to the successor trustee, the latter shall be vested with all title powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by the beneficiary, containing reference to this trust deed and its place of record, which when recorded in the office of the County Clerk or recorder of the county in which the property is situated shall be conclusive proof of proper appointment of the successor trustee.

6. Time is of the essence of this instrument and upon default by the grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, the beneficiary may demand all sums secured hereby immediately due and payable by delivery to the trustee of written notice of default and election to sell the trust property, which notice trustee shall cause to be duly filed for record. Upon delivery of said notice of default and election to sell, the beneficiary shall deposit with the trustee this trust deed and all promissory notes and documents evidencing encumbrances secured hereby, whereupon the trustee shall fix the time and place of sale and give notice thereof as then required by law.

11. Trustee accepts this trust when the deed duly executes and acknowledged is made a public record as provided by law. The trustee is not obligated to notify any party hereto of pending sale under any other deed or trust or of any action or proceeding in which the grantor, beneficiary or trustee shall be a party, unless such action or proceeding is brought by the trustee.

7. After default and any time prior to five days before the date set by the trustee for the trustee's sale, the grantor or other person so privileged may pay the entire amount

12. This deed applies to heirs to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "beneficiary" shall mean the holder and owner, including pledgee of the note secured hereby, whether or not named as a beneficiary herein, in carrying this deed and whenever the context so requires, the masculine gender includes the feminine and or neuter, and the singular number includes the plural.

IN WITNESS WHEREOF, said grantor has hereunto set his hand and seal the day and year first above written.

Joseph Werlinger, Jr. (SEAL)
Laurie Peacore (SEAL)

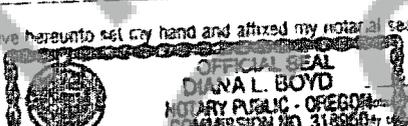
STATE OF OREGON
County of Klamath ss

THIS IS TO CERTIFY that on this 23RD day of MARCH 19 99 before me, the undersigned, a

Notary Public in and for said county and state, personally appeared the within named JOSEPH WERLINGER, JR AND LAURIE PEACORE

to me personally known to be the identical individual (S), named in and who executed the foregoing instrument and acknowledged in me that THEY executed the same freely and voluntarily for the uses and purposes therein expressed

IN TEST MONY WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.



[Signature]

Loan No 0603900045

TRUST DEED

Joseph Werlinger, Jr.
Laurie Peacore

Grantor

TO
KLAMATH FIRST FEDERAL SAVINGS
AND LOAN ASSOCIATION

Beneficiary

After Recording Return To
KLAMATH FIRST FEDERAL SAVINGS
AND LOAN ASSOCIATION

2300 Madison Ave.
Klamath Falls OR 97603

Fee: \$15.00

DO NOT USE THIS SPACE RESERVE FOR RECORDING LABEL OR INDICATE WHERE USED.

STATE OF OREGON
County of Klamath ss

I certify that the within instrument was received for record on the 29th day of March 19 99

at 11:43 o'clock A. M., and recorded in Book M99 on page 10883

Record of Mortgages of said County.

Witness my hand and seal of County affixed.
Linda Smith, County Clerk

By [Signature] Deputy

REQUEST FOR FULL RECONVEYANCE
To be used only when obligations have been paid.

TO: Within Signature, Trustee
The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by said trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same.
Klamath First Federal Savings & Loan Association, Beneficiary