

This is a **LINE OF CREDIT TRUST DEED**
Maximum Principal Amount \$ 121,600.00

Maturity Date May 5, 2000

WHEN RECORDED MAIL TO:

First Security Bank, N.A.
Bond Loan Center
450 NE Windy Knolls Dr.
Bend, OR 97701

ATTN: Linda K. Fisher

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

(Oregon)

NOTE: THIS TRUST DEED SECURES A PROMISSORY NOTE WHICH BEARS INTEREST AT A RATE WHICH VARIES ACCORDING TO CHANGES IN THE "PRIME RATE", ALL AS DEFINED IN THE LOAN AGREEMENT. THE MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED MAY BE EXCEEDED TO COMPLETE CONSTRUCTION PURSUANT TO ORS 86.155(2)(c).

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING is made this 15th day of April, 1999, between KEN KATSUDA

as GRANTOR AND TRUSTOR (referred herein as the "Trustor," with all references herein to "Trustor" to include Trustor as a Grantor under this Trust Deed), whose address is 1520 NW AMBREY, BEND, OR 97701 and

First American Title of Willamette Valley

TRUSTEE, whose address is 280 Liberty Street SE Salem, OR 97308

and First Security Bank, N.A.

450 NE Windy Knolls Dr. Bend, OR 97701

as BENEFICIARY, whose address is
Attn: Linda K. Fisher

WITNESSETH: That Trustor CONVEYS, TRANSFERS, ASSIGNS AND WARRANTS TO TRUSTEE IN TRUST, WITH POWER OF SALE, the following described property, situated in KLAMATH County, State of OREGON

LOT 13, TRACT 1901 - BASIN VIEW ESTATES, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

Together with all the estate, right, title and interest that Trustor now has or may hereafter acquire, either in law or in equity, in and to the property described above; to have and to hold the same, together with all buildings, structures and improvements now or hereafter placed on the property and all alterations, additions or improvements now or hereafter made thereto, together with all tangible personal property, goods, fixtures, equipment, machinery, building materials, tools, supplies, appliances and mechanical systems of every nature whether now or hereafter located in, on or used or intended to be used in connection said buildings, structures and improvements or on the property, including without limitation those for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air and light and including without limitation all plumbing, plumbing fixtures, water heaters, furnaces, air conditioners, kitchen appliances, light fixtures, awnings, storm windows, storm doors, screens, blinds, shades, curtains, curtain rods, mirrors, cabinets, wall coverings, rugs, carpeting, floor coverings, telephone equipment, landscaping trees and plants, fences, security systems and outdoor lighting, and all other similar items and goods and all additions and replacements therefor, whether now or hereafter placed on the property or in any of the buildings or improvements thereon, and together with all easements, rights of way, covenants benefitting the property, singular lands, tenements, hereditaments, reversions, remainders, rents, leases, receipts, accounts contract rights, contracts of sale or other dispositions, instruments, documents, general intangibles, issues, profits, privileges, water rights, water company shares of stock (with all certificates therefor to be delivered to Beneficiary), governmental permits, governmental entitlements, utility deposits and rebates, voting and other rights under any recorded or unrecorded declaration, articles, bylaws, or rules and regulations established by any owners' association or similar entity, declarant and other rights under any recorded or unrecorded covenants, conditions and restrictions, Plans and Specifications, studies, data, tests, reports and drawings, and appurtenances of every kind and nature thereunto belonging, relating or in any way appertaining, or which may be hereafter acquired and used or related to said property, or any part thereof, and together with all proceeds therefrom including without limitation insurance proceeds (all of the foregoing shall hereinafter be referred to as the "Property").

WITNESSETH: I, FEM KATZUDU County Clerk of said County, do hereby certify that the foregoing is a true and correct copy of the original as recorded in my office on this day of APRIL, 1999.

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FOR THE PURPOSE OF SECURING (1) payment of the indebtedness evidenced by a Promissory Note, dated April 15, 1999 in the principal sum of \$ 121,600.00 (such principal sum being the "Maximum Principal Amount" as defined in the Agreement), made by KEN KATSUDA

(the "Maker" if other than Trustor) payable to the order of Beneficiary at the times, in the manner and with interest as therein set forth, and any extensions, renewals or modifications thereof (the "Note"); (2) the payment and performance of all obligations and liabilities of Trustor (and, as applicable, Maker) under the terms of that certain Residential Construction Loan Agreement, dated on or about the date herewith (as may be amended or supplemented, the "Agreement"); (3) the performance of each agreement of Trustor set forth in this Trust Deed; (4) the payment of such additional loans or advances as hereafter may be made to Trustor or Maker, or their respective successors or assigns, when evidenced by a promissory note or other document reciting that they are secured by this Trust Deed; and (5) the payment of all sums expended or advanced by Beneficiary under or pursuant to the terms hereof, together with interest thereon as herein provided. If the terms of the Agreement provide for more than one disbursement under the Loan (as defined in the Agreement) the principal balance of the indebtedness may increase or decrease in an amount not to exceed the Maximum Principal Amount stated above in accordance with the terms of the Agreement, with the disbursements made under the terms of the Agreement to be considered future advances, and this Trust Deed will secure future advances, as that term is defined by applicable law. The maximum amount of principal outstanding at any one time to be secured by this Trust Deed is the amount of the Maximum Principal Amount outlined above and in the Agreement. The maximum amount of total outstanding advances of principal to be secured by this Trust Deed may increase or decrease, from time to time, by written amendment of this Trust Deed and the Agreement.

1. Upon request of Beneficiary and from and after the date of such request, Trustor agrees to pay to Beneficiary, in addition to the payments of principal and interest payable under the terms of the Note, on the first day of each month until the Note is fully paid, the following sums:

(a) An installment of the taxes and assessments levied or to be levied against the Property, and an installment of the premium or premiums that will become due and payable to renew the insurance on the Property covering against loss by fire or such other hazards as required by the Agreement or as may reasonably be required by Beneficiary in amounts, and in a company or companies, satisfactory to Beneficiary. Such installments shall be equal, respectively, to the estimated premium or premiums for such insurance, and taxes and assessments, next due (as estimated by Beneficiary) less all installments already paid therefor, divided by the number of months that are to elapse before one month prior to the date when such premium or premiums and taxes and assessments will become due. Such added payments shall not be, nor be deemed to be, trust funds but may be commingled with the general funds of Beneficiary, and no interest shall be payable in respect thereof. Beneficiary shall use such monthly payments to the extent they will suffice to pay such premium or premiums and taxes and assessments when due.

(b) If monthly payments are required under the Note, all monthly payments mentioned in the preceding subsection (a) of this paragraph 1, and all payments to be made under the Note shall be added together, and the aggregate amount thereof shall be paid each month on the date specified in the Note for the payment of monthly installments in a single payment to be allocated by Beneficiary to the following items in the order set forth:

- i. Taxes, assessments, fire and other hazard insurance premiums;
- ii. Interest on and late fees with respect to the indebtedness secured hereby;
- iii. Principal of the indebtedness secured hereby.

Any failure to comply with the terms of this paragraph 1 shall constitute an event of default under this Trust Deed.

2. If the total of the payments made under subsection (a) of paragraph 1 shall exceed the amount of payments actually made by Beneficiary for taxes, assessments, or insurance premiums, as the case may be, such excess may be released, applied on any indebtedness secured hereby, or be credited by Beneficiary on subsequent payments to be made by Trustor. If, however, the monthly payments made under subparagraph (a) of paragraph 1 shall not be sufficient to pay taxes, and assessments, and insurance premiums, as the case may be, when the same shall become due and payable, then Trustor shall pay to Beneficiary any amount necessary to make up the deficiency on or before the date when payment of such taxes, assessments, or insurance premiums shall be due. If there shall be a default under any of the provisions of this Trust Deed or the Agreement or the indebtedness secured by this Trust Deed and thereafter a sale of the Property in accordance with the provisions thereof, or if Beneficiary acquires the Property otherwise after default, Beneficiary, at its option may apply, at the time of commencement of such proceedings, or at the time the Property is otherwise sold or acquired, the balance then remaining in the funds accumulated under subsection (a) of paragraph 1, as a credit against the amount of principal then remaining unpaid under the Note or other indebtedness secured hereby.

TO PROTECT THE SECURITY OF THIS TRUST DEED, TRUSTOR AGREES:

3. To keep the Property in good condition and repair; not to remove or demolish any building or improvement; to complete or restore promptly and in good workmanlike manner any building which may be constructed, damaged or destroyed thereon; to comply with all laws, covenants and restrictions affecting the Property including without limitation all applicable local, state and federal laws, rules, regulations and ordinances relating to land use, zoning or protection of the environment, or to the generation, use, storage, removal, transportation, handling or disposal of toxic materials, hazardous substances, hazardous waste or other similar materials or substances; not to commit or permit waste on the Property; not to commit, suffer or permit any act upon the Property in violation of law; to do all other acts which from the character or use of the Property may be reasonably necessary; and, if the terms of the Agreement or the Note provide that the loan or loans granted thereby or any part thereof is being obtained for the purpose of financing construction of improvements on the Property, Trustor further agrees:

(a) To commence any construction promptly and to pursue construction with reasonable diligence to completion in accordance with plans and specifications satisfactory to Beneficiary,

- (b) To allow Beneficiary to inspect the Property at all times during construction, and
- (c) To comply with all terms of the Agreement regarding construction on the Property.

4. To provide and maintain insurance, of such type or types and amounts required by the Agreement or as Beneficiary may otherwise require, on the improvements now existing or hereafter constructed or placed on the Property. Such insurance shall be carried in companies approved by Beneficiary with loss payable clauses and mortgage clauses in favor of and in form acceptable to Beneficiary. In the event of a loss, Trustor shall give immediate notice to Beneficiary, who may make proof of loss, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Beneficiary alone instead of to Trustor and Beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by Beneficiary, at its option, to the reduction of the indebtedness hereby secured or to the restoration or repair of the damage. In the event that the Trustor shall fail to provide satisfactory hazard insurance within thirty days prior to the expiration of any expiring policy, Beneficiary may procure, on the Trustor's behalf, insurance in favor of Beneficiary alone with Trustor being obligated to reimburse Beneficiary immediately for such costs. If insurance cannot be secured by the Trustor to provide the required coverage, or if Trustor fails to reimburse Beneficiary immediately for the costs of insurance incurred by Beneficiary, such event will constitute an event of default under the terms of this Trust Deed. In the event of the foreclosure of this Trust Deed or other transfer of title to the Property in extinguishment, in whole or in part, of the debt secured hereby, all right, title and interest of the Trustor in and to any insurance policy then in force shall pass to the purchaser or grantee.

5. To deliver to, pay for and maintain with Beneficiary until the indebtedness secured hereby is paid in full, such evidence of title as required by the Agreement or as Beneficiary may require, including policies of title insurance and any extensions or renewals thereof or supplements or endorsements thereto.

6. To appear in and defend any action or proceeding purporting to affect the liens and security interests granted hereby, the title to the Property, or the rights or powers of Beneficiary or Trustee; and should Beneficiary or Trustee elect to also appear in or defend any such action or proceeding, to pay all costs and expenses, including cost of evidence of title and attorney's fees incurred by Beneficiary and Trustee.

7. To pay at least 10 days before delinquency all taxes and assessments affecting the Property, including all assessments upon water company stock and all rents, assessments and charges for water, apportioned to or used in connection with the Property; to pay, when due, all encumbrances, charges, and liens with interest on the Property or any part thereof, which at any time appear to be prior or superior hereto; to pay all costs, fees, and expenses incurred in connection with this Trust Deed.

8. Upon an event of default under the Agreement including a default under the Note and including Trustor's failure to make any payment or to do any act as provided in this Trust Deed, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof or under the Agreement, may (i) make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (ii) commence, appear in and defend any action or proceeding purporting to affect the Property or the rights or powers of Beneficiary or Trustee; (iii) pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and (iv) in exercising any such powers, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title and the employment of attorneys.

9. That the Beneficiary shall have the right to inspect the Property after construction is completed at any and all times during usual business hours.

10. To pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee with interest from date of expenditure until paid at the default rate set forth in the Note or the Agreement. If no default rate is given, such interest shall accrue at the per annum rate set forth in the Note until paid. The repayment of such sums and interest shall be secured hereby.

IT IS MUTUALLY AGREED THAT:

11. Should the Property or any part thereof be taken or damaged by reason of any public improvements or condemnation proceeding, or damaged by fire, earthquake, or flood, or in any other manner, Beneficiary shall be entitled to receive independently and solely all compensation, awards, and other payments or relief therefor, and shall be entitled at its option to commence, appear in and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, right of action and proceeds, including the proceeds of any policies of fire and other insurance affecting the Property, are hereby assigned to Beneficiary, who may, after deducting therefrom all its expenses, including attorney's fees, apply the same on any indebtedness secured hereby. Trustor agrees to execute such further assignments of any compensation, award, damages, and rights of action and proceeds as Beneficiary or Trustee may require.

12. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Trust Deed and the Note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness secured hereby, Trustee may (a) consent to the making of any map or plat of the Property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Trust Deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the Property; and (e) take other or additional security for the payment thereof. The grantee in any reconveyance may be described as "the person or persons entitled thereto" and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustor agrees to pay reasonable Trustee's fees for any of the services mentioned in this paragraph.

13. So long as the indebtedness secured hereby is outstanding, Trustor hereby assigns absolutely to Beneficiary all leases, rents, issues,

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enclosure or separation of this Trust Deed or the transfer of the Property encumbered hereby, (b) is separate and distinct from the other obligations under this Trust Deed and the indebtedness secured hereby, (c) is not secured by this Trust Deed and (d) shall be in addition to any other such indications.

29. This Trust Deed shall be construed according to the laws of the State of Oregon, except that to the extent that the Property or any of it is located outside of the State of Oregon and enforcement of the provisions of this Trust Deed against the Property requires the application of the law of the jurisdiction where such Property is located, the law of such jurisdiction shall govern for such enforcement purposes only.

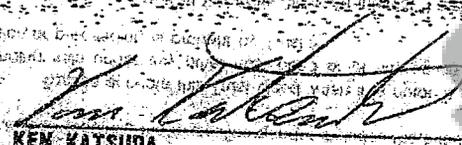
30. Notwithstanding any provision herein or in the Note, the total liability for payments in the nature of interest shall not exceed the limits that may be imposed by the applicable laws of the State of Oregon.

31. If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Trust Deed or the rights of Beneficiary hereunder.

32. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address hereinbefore set forth.

33. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY FIRST SECURITY BANK OF OREGON AFTER OCTOBER 3, 1989 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 SIGNED BY THE BANK TO BE ENFORCEABLE.

SIGNATURE OF TRUSTOR:


KEN KATSUDA

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

The undersigned is the holder of the note or notes secured by the Deed of Trust. Said note or notes together with all the other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Officer, First Security Bank, N.A. Today's Date

22. This Trust Deed is intended to be an assignment, security agreement and pledge pursuant to the Uniform Commercial Code and other applicable law for any of the items specified above as part of the Property which, under applicable law, may be subject to an assignment, security interest or pledge pursuant to the Uniform Commercial Code or such other law, and Trustor hereby grants Beneficiary a security interest in the items specified above as part of the Property which are personal property. This Trust Deed is also a financing statement and fixture filing to be recorded in the real estate records of the county in which the Property is located. Trustor agrees that Beneficiary may file this Trust Deed, or a photocopy thereof, in any other jurisdiction or other appropriate index, as a financing statement for any of the items specified above as part of the Property or for any other purpose; in addition, Trustor agrees to execute and deliver to Beneficiary, upon Beneficiary's request, any other financing statements, as well as extensions, renewals, and amendments thereto, and reproductions of this Trust Deed in such form as Beneficiary may require to perfect a security interest with respect to said items. Upon Trustor's breach of any covenant or agreement of Trustor contained in this Trust Deed, or after the occurrence of an event of default under the Agreement, including breach of the covenants to pay when due all sums secured by this Trust Deed, Beneficiary shall have the remedies of a secured party under the Uniform Commercial Code and other applicable law and, at Beneficiary's option, may also invoke the remedies provided in this Trust Deed as to such items. In exercising any of said remedies, Beneficiary may proceed against the items of real property and any items of personal property collateral specified above as part of the Property separately or together and in any order whatsoever without in any way affecting the availability of Beneficiary's remedies under the Uniform Commercial Code or of the remedies provided in this Trust Deed and without affecting the personal liability of Trustor (and, as applicable, Maker) under the indebtedness secured by this Trust Deed. Portions of the Property may constitute goods which are or are to become fixtures on or relating to the improvements constructed on the Property, and this Trust Deed is to be recorded in the real estate records of the county in which the Property is located. Trustor covenants and agrees that, from and after the time of the recording of this Trust Deed, this Trust Deed shall constitute a fixture filing under the Uniform Commercial Code. Information concerning the security interest created hereby may be obtained from Beneficiary. The legal description of the Property in this Trust Deed is the legal description of the real estate upon which any fixtures covered by this Trust Deed are located, and the Trustor is the record owner of such Property. This Trust Deed is a "Construction Mortgage" within the meaning of the Uniform Commercial Code. For purposes of applying the provisions of the Uniform Commercial Code relating to a "Construction Mortgage", the occurrence of "completion of construction" shall not be deemed to have occurred until completion of all work, and installation or incorporation into the improvements on the Property of all materials for which sums are disbursed under the Agreement and secured by this Trust Deed.

23. Beneficiary may appoint a successor trustee at any time by filing for record in the office of the county recorder of each county in which the Property or some part thereof is situated, a substitution of trustee. From the time the substitution is filed for record, the new trustee shall succeed without notice to all the powers, duties, authority and title of the trustee named herein or of any successor trustee.

24. The rights and remedies of Beneficiary under this Trust Deed are cumulative and are in addition to any other remedies provided by law or under the Agreement. The exercise by Beneficiary of one right or remedy under this Trust Deed shall not constitute an election of remedies to the exclusion of other rights and remedies. Trustor hereby waives all claims that Beneficiary marshal assets of Trustor or Maker in collecting the indebtedness secured hereby. This Trust Deed shall apply to, inure to the benefit of, and bind all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. All obligations of Trustor hereunder are joint and several. In this Trust Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

25. Trustee accepts this Trust Deed when it is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other trust deed or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party, unless such action or proceeding is brought by Trustee.

26. If all or any part of the Property or an interest therein is sold or transferred voluntarily or involuntarily by Trustor (or if a beneficial interest in Trustor is sold or transferred and Trustor is not a natural person or persons but is a corporation, partnership, trust or other legal entity) without Beneficiary's prior written consent, excluding a transfer by devise, descent or by operation of law upon the death of a joint tenant, then Beneficiary may, at Beneficiary's option, declare all the sums secured by this Trust Deed to be immediately due and payable in full.

Beneficiary agrees to consider consent to a sale or transfer if: (1) Trustor causes to be submitted to Beneficiary information required by Beneficiary to evaluate the transferee; (2) Beneficiary determines that Beneficiary's security will not be impaired and that the risk of a breach of any covenant or agreement in this Trust Deed or the Agreement by reason of the involvement of such transferee is acceptable; (3) interest will be payable on the sums secured by this Trust Deed at a rate acceptable to Beneficiary; (4) changes in the terms of the Note, the Agreement and this Trust Deed required by Beneficiary are made, including, for example, periodic adjustment in the interest rate, a different final payment date for the Note, and the addition of unpaid interest to principal; and (5) the transferee signs an assumption agreement that is acceptable to Beneficiary and that obligates the transferee to keep all the promises and agreements made in the Note, the Agreement and this Trust Deed, as modified. To the extent permitted by applicable law, Beneficiary may also charge a fee as a condition to Beneficiary's consent to any sale or transfer. This paragraph does not limit Beneficiary's absolute discretion to refuse consent and to accelerate the indebtedness secured by this Trust Deed upon a transfer that is not permitted by this Trust Deed.

In the event of a permitted transfer, Trustor (or Maker, as the case may be) still continues to be obligated under the Note and this Trust Deed, unless Beneficiary releases Trustor (or Maker) in writing.

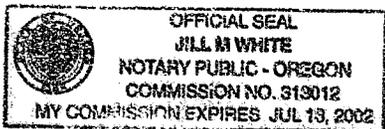
27. Trustor shall promptly furnish Beneficiary with copies of all tax returns and financial reports and statements as required by the Agreement or as requested by Beneficiary, all prepared in a manner and form and at such times as are acceptable to Beneficiary.

28. Trustor hereby agrees to indemnify, defend, and hold harmless Beneficiary, its successors, assigns, officers, directors, employees and agents against any loss, liability, cost, injury, expense or damage, including without limitation court costs and attorneys fees and expenses, in connection with or arising from the presence, escape, seepage, leakage, spillage, discharge or emission on or from the Property of any hazardous or toxic substances, materials or waste that are or may be regulated by federal, state or local law. This indemnification (a) shall survive the release,

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF Oregon)
COUNTY OF Deschutes) SS.
)

On this 21 day of April in the year of 1999, before me Jill M White personally appeared Ken Katsuda known or identified to me (or proved to me on the oath of _____), to be the person(s) whose name(s) is (or are) subscribed to the within instrument, and acknowledged to me that he (or she or they) executed the same. The foregoing instrument was acknowledged before me on the date set forth above by the subscribing person(s) named above.



Jill M White
Notary Public

My commission expires: 7/13/02
Residing at: Bend, OR

UNOFFICIAL COPY

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of First American Title the 23rd day of April A.D., 1999 at 2:53 o'clock P. M., and duly recorded in Vol. M99 of Mortgages on Page 15142

FEE \$45.00

by Linda Smith County Clerk