RECORDATION REQUESTED BY:

South Velley Bank and Trust P O Box 5210 Klamath Falls, OR 97(0) 199 July -3 P3:39

Vol. M99 Page 22053

WHEN RECORDED N'AIL TO:

Sibuth Velley Bank and Trust P O Box 5210 Klemath Falls, OR 97/01

SEND TAX NOTICES TO:

Paggy J Blaggi and Multirew C Blaggi 17000 VV Langell Valley Rd Bonanan, OR 97623

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MTC 47573

DEED OF TRUST

THIS DEED OF TRUST IS DATED MAY 25, 1999, among Peggy J Biaggi and Matthew C Biaggi, whose address is 17000 W Langell Valley Rd, Bonanza, OR 97623 (referred to below as "Grantor"); South Valley Bank and Trust, whose address is P O Box 5210, Klamath Falls, OR 97601 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and William P. Brandsness, whose address is 411 Pine Street, Klamath Falls, OR 97601 (referred to below as "Trustee").

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

See attached Exhibit "A" and by this reference incorporated herein

The Real Property or its address is commonly known as 17000 W. Langell Valley Rd., Bonanza, OR 97623.

Grantor presently ussigns to Lander (also known as Benefic ary in this Deed of Trust) all of Grantor's right, title, and interest in and to at present and future Isases of the Property and all Rents from the Property. In addition, Grantor grants Lender a Uniform Commercial Code security interest in the Rents and the Personal Property defined below.

DEFINITIONS: The following words shall have the following meanings when used in this Deed of Trust. Terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dottar amounts shall mean amounts in lawful money of the United States of America.

Beneficiary. The word "Beneficiary" means South Valley Bank and Trust, its successors and assigns. South Valley Bank and Trust also is referred to as "Lender" in this Deed of Trust.

Borrower. The word "Borrower" means each and every person or entity signing the Note, including without limitation Peggy J. Biaggi and Matthaw C. Biaggi.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Grantor The word "Grantor" means any and all persons and entities executing this Deed of Trust, including without limitation Peggy J Biaggi and Mathaw C Biaggi. Any Grantor who signs this Deed of Trust, but does not sign the Note, is signing this Deed of Trust only to grant and convey that Grantor's inferest in the Real Property and to grant a security interest in Grantor's interest in the Rents and Personal Property to Lender and is not personally liable under the Note except as otherwise provided by contract or law.

Guarantor. The word "Guarantor" means and includes without limitation any and all guarantors, sureties, and accommodation parties in connection with the Indebtedness.

Improvements. The word "improvements" means and includes without limitation all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Trustee or Lender to enforce obligations of Grantor under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust. In addition to the Note, the word "Indebtedness" includes all obligations, debts and liabilities, plus interest thereon, of Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower, or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, absolute or contingent, liquidated or unliquidated and whether Borrower may be liable individually or jointly with others, whether obligated as guarantor or otherwise, and whether recovery upon such Indebtedness may be or hereafter may become barred by any statute of limitations, and whether such Indebtedness may be or hereafter may become otherwise unenforceable.

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

Note. The word "Note" means the Promissory Note #830054871 from Swan Lake Feeders, Inc., in the principal amount of \$620,000.00, a Promissory Note #830054897 from Swan Lake Feeders, Inc., in the principal amount of \$703,500.00, a Promissory Note #830054897 from Blaggi Enterprises, in the principal amount of \$120,000.00, and a Promissory Note #830054904 from Peggy and Matthew Blaggi in the principal amount of \$133,000.00 all dated April 10, 1398, from Borrower to Lender, together with all renewals, extensions, modifications, refinancings, and substitutions for the Notes. The maturity date of the Note is June 1, 2000. The rate of interest on the Note is subject to indexing, adjustment, renowal, or renegotiation.

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

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

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

Related Documents. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whother now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royallies, profits, and other benefits derived from the Property.

Trustee. The word "Trustee" means William P. Brandsness and any substitute or successor trustees.

4.

22054

THIS DIED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE MIDTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Deed of Trust is executed at Borrower's request and not at the request of Lender; (b) Grantor has the full power, right, and authority to enter into this Deed of Trust and to hypothecate the Property. (c) the provisions of this Deed of Trust do not conflict with, or result in a default under any agreement or either instrument binding upon Grantor and do not result in a violation of any law, regulation, court decree or order applicable to Grantor; (d) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (e) Lender has made no representation to Grantor about Borrower (including without limitation the creditworthiness of Borrower).

GRANTOR'S WAIVERS. Cirantor waives all rights or defenses arising by reason of any "one action" or "anti-deficiency" law, or any other law which may prevent Lender from bringing any action against Grantor, including a claim for deficiency to like extent Lender is otherwise entitled to a claim for deficiency, before or after Lender's commencement or complication of any foreclosure action, either judicially or by exercise of a power of sale.

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Borrower shall pay to centier all Indebtedness secured by this Deed of Trust as it becomes due, and Borrower and Grantor shall strictly perform all their respective obligations under the Note, this Deed of Trust, and the Related Documents.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor and Borrower agree that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (a) remain in possession and control of the Property. (b) use, operate or manage the Property, and (c) collect any Faints from the Property. The following provisions relate to the use of the Property or to other limitations on the 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 AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30,930.

Duty to Haintein. Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Hazardous Substances. The terms "hazardous wasis," "hazardous substance," "disposal," "release," and "threatened release," as used in this Decd of Trust, shell have the same meanings as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9501, et seq., ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99–499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6501, at seq., or other applicable state or Faderal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms hazardous waste" and "hazardous substance" shall a so include, without limitation, petroleum and petroleum by-products or any fraction thereof and absestos. Grantor represents and warrants to Lender that: (a) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, undor, about or from the Property; (b) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (i) any use, generation, manufacture, storage, treatment, disposal, release or threatened titigation or claims of any kind by any person relating to such matters; and (c) Except as previously disclosed to and acknowledged by Lender in writing, (i) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property and (ii) any such activity shall be conducted in compilarce with all applicable federal, state, and losal laws, regulations and ordinances, including without limitation those laws, regulations, and ordinances described above. Grantor authorizes Lender for laws, regulations, and ordinances or generated may be person. The representations and warranties contained herein are based on Grantor's due d

Nulsance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the loregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

Removal of Improvements. Granter shall not demot; hior remove any Improvements from the Real Property without the prior written consent of Lender. As a condition to the removal of any improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and its agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appears, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Granter agrees neither to abandon nor leave unattended the Property. Granter shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at its option, declare immediately due and payable all sums secured by this Daed of Trust upon the sale or fransfer, without the Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale conveyance of Real Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any "their method of conveyance of Real Property interest. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Oregon law.

TAXES AND LIERS. The following provisions relating to the taxes and liens on the Property are a part of this Deed of Trust.

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all ciains for work done on or for services rendered or material furnished to the Property. Grantit shall maintain the Property free of all liens having priority over or equal to the interest of Lendor under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

Right To Contest. Grunter may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the filen, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactor to Lender in an amount sufficient to discharge the lien plius any costs and attorneys feels or other charges that could accrue as a result of a forediscure or safe under the ien—in any contest, Grantor shall defend itself and Lender end shall safisty any adverse judgment before enforcement against the Property. Grantor shall not be bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are turnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials and the cost exceeds \$1,000,00. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.

Maintenance of Insurance. Grantor shall produce and maintain policies of fire insurance with standard extended coverage endorsements on a Maintenance of insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagen clause in favor of Lender. Grantor shall also procure and maintain comprehensive general insurance in such coverage amounts as Lender may request with trustee and Lender being named as additional insureds in such liability insurance, as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and Issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time the policies or cartificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person.

tayor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property if the estimated cost of repair or replacement exceeds. \$500.00. Lender may make proof of loss if Grantor fails to do so within lifteen (15) days of the casualty. Whether or not reduction of the Indebtedness, payment of any lien affecting the Property or the restoration and repair of the Property. If Lender elects to apply Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Dead of Trust. Any proceeds which have not been disbursed within 180 days after their receipt Dead of Trust, then to pay accrued interest, and the remainder, if any, shall be used first to pay any amount owing to Lender under this holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Dead of Trust at any trustee's sale or other sale held under the provisions of this Dead of Trust, or at any foreclosure sale of such Property.

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

shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

TAX AND INSUFIANCE RESERVES. Subject to any limitations set by applicable law, Lender may require Grantor to maintain with Lender reserves for estimated by Lender to be sufficient to produce amounts at least equal to the taxes, assessments, and insurance premiums of a sum funds shall be held by Lender as a general deposit from Grantor, which Lender may satisfy by payment or the taxes, assessments, and insurance premiums required to be paid by Grantor as they become due. Lender shall have the right to draw upon the reserve funds to pay such items, and requiring Lender to advance other monies for such purposes, and Lender shall have the right to draw upon the reserve funds to pay such items, and requiring Lender to advance other monies for such purposes, and Lender shall not incur any liability for anything it may do or omit to do with respect to shortage or deficiency as required by Lender. All amounts in the reserve account are hereby pledged to further secure the Indebtedness, and Lender required to pay any interest or earnings on the reserve funds unless required by Lender in writing. Lender does not hold the reserve funds in trust for Grantor, and Lender is not Grantor's agent for payment of the taxes and assessments required to be paid by Grantor.

EXPENDITURES BY LENDER. If Grantor fails to comply with any provision of this Deed of Trust, or if any action or proceeding is commenced that

EXPENDITURES BY LENDER. If Grantor fails to comply with any provision of this Deed of Trust, or if any action or proceeding is commenced that would materially affect Lender's interests in the Property. Lender on Grantor's behalf may, but shall not be required to, take any action that Lender expends in sc doing will bear interest at the rate provided for in the Note from the date incurred or paid the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable This Deed of Trust also will secure payment of these amounts. The rights provided for in this paragraph shall be in addition to any other rights or any bar Lender from any remedy that it otherwise would have here.

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

Title. Granter warrants that: (a) Granter holds good and marketable title of record to the Property in fee simple, free and clear of all liens and favor of, and accepted by, Lender in connection with this Deed of Trust, and (b) Granter has the full right, power, and authority to execute and

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

Compilerce With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws,

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

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

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding end to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments as may be requested by it from time to time to permit such participation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERN MENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

Taxes. The following shall constitute taxes to which this section applies: (a) a specific tax upon this type of Deed of Trust or upon all or any part of the Indebtedness secured by this Deed of Trust; (b) a specific tax on Borrower which Borrower is authorized or required to deduct from payments on the indebtedness secured by this type of Det 1 of Trust; (c) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (d) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Borrower.

Subsequent Texes. If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same stable-print reach. If any lax to which this section applies is enacted subsequent to the date of this beed of this, this event shall have the same effect as an Event of Default (as defined below), and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either. (a) pays the tax before it becomes delinquent, or (b) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

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

Security Agreement. This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures or other personal property, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall execute financing statements and take whatever other action is requested by Lender to

DEED OF TRUST

(Continued)

22056

perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Deed of Trust in the real property personal and commuse Lender's security interest in the Henris and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses in our perfecting or continuing this security interest. Upon default, Grantor shall exsemble the Personal Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Londer within three (3) days after receipt of written demand from Lender.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party), from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code), are as stated on the first page of this Deed of Trust.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust.

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages. deeds of trust, security deeds, security agreements, fluancing statements, continuation statements, instruments of further assurance, certificates, deeds of trust, security deeds, security agreements, mancing statements, continuation statements, instruments or turner assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, compilete, perfect, continue, or preserve (a) the obligations of Grantor and Borrowa: under the Note, this Deed of Trust, and the Related Documents, and (b) the sens and security interests created by this Deed of Trust as first and prior liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or agreed to the contrary by Lender in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matter referred to in this proposable. connection with the maiters referred to in this paragraph.

Attorney-In-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filling, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to recommiss the matter referred to the the proceeding paragraph. accomplish the matters referred to in the preceding paragraph.

FUAL PERFORMANCE. If Borrower pays all the Indebtedriess when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee: request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Bents and the Personal Property. Any reconveyance fee required by law shall be paid by Grantor, if permitted by applicable law.

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

Default on Indebtedness. Failure of Borrower to make any payment when due on the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Deed of Trust Ic make any payment for laxes or insurance, or any other payment necessary to prevent filling of or to effect discharge of any lien.

Delault in Favor of Titled Parties. Should Borrower or any Granter default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's or any Granter's ability to repay the Loans or perform their respective obligations under this Deed of Trust or any of the Related Documents.

Compliance Default. Failure of Grantor or Borrower to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor or Borrower under this Dead of Trust, the Note or the Related Documents is talse or misleading in any material respect, either now or at the time made or furnished.

Defective Collateralization. This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

Death or insolvency. The death of Grantor or Borrovier or the dissolution or termination of Grantor or Borrower's existence as a going business, the insolvency of Grantor or Borrower, the appointment of a receiver for any part of Grantor or Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor or Borrower.

Foreclosure, Forfeiture, etc. Commencement of foreclosure or forfeiture preceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any of the Property. However, this subsection shall not apply in the event of a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the foreclosure or forefeiture proceeding, provided that Grantor gives Lender written notice of such claim and furnishes reserves or a surety bond for the claim satisfactory to

Breach of Other Agreement. Any breach by Grantor or Borrower under the terms of any other agreement between Grantor or Borrower and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any incebtedness or other obligation of Grantor or Borrower to Lender, whether existing now or later.

Events Affecting Guzzantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indiobtedness is impaired.

Insecurity. Lender in good faith deams itself insecur-

Right to Cure. If such a failure is curable and if Grantor or Borrower has not been given a notice of a breach of the same provision of this Deed of Trust within the precading twelve (12) months, it may be cured (and no Event of Default will have occurred) if Grantor or Borrower, after Lender sends written notice cemending cure of such failure: (a) cures the failure within fifteen (15) days; or (b) if the cure requires more than fifteen (15) days, immediately initiates steps sufficient to cure the failure and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Trustee or Lender, at its option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor or Borrower to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Borrower would be required to pay.

Foreclosure. With respect to all or any part of the Heal Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law. If this Deed of Trust is foreclosed by judicial foreclosure, Lender will be entitled to a judgment which will provide that if the foreclosure sale proceeds are in the provided by publical foreclosure, Lender will be entitled to a judgment which will provide that if the foreclosure sale proceeds are installed to activate the provided by applicable law. insufficient to satisfy the judgment, execution may issue for the amount of the unpaid balance of the judgment.

UCC Remodies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Cellect Rents. Lender shall have the right, without notice to Grantor or Borrower, to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufference. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (a) pay a reasonable rental for the use of the Property, or (b) vacate the Property immediately upon the demand of Lender.

Other Remedias. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or by law.

Notice of Sale. Lender shall give Grantor reasonable redice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Fleasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of Personal Property may be made in conjunction with any sale of the Real ten (10) days before the time of the sale or disposition.

Sale of the Property. To the extent permitted by applicable law, Grantor and Borrower hereby waive any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in mersioners. The exercising his highes and remedies, the trusted of centure shall be need to serial or any part of the Property. one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Waiver; Election of Remadies. A waiver by any party of a breach of a provision of this Deed of Trust shall not constitute a waiver of or prejudice waver; Election of Reinadies. A waiver by any party of a breach of a provision of this Deed of Trust shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy provided in this Deed of Trust, the Note, in any Related Document, or provided by law shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor or Borrower under this Deed of Trust after failure of Grantor or Borrower to perform shall not affect Lender's right to declare a default and to exercise any of its remedies.

Attorneys' Foes; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Lender which in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the trial trial trial trial trial to the enforcement of its rights shall become a part of the trial tria

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

FOWERS AND COLIGATIONS OF TRUSTEE. The following provisions relating to the powers and obligations of Trustee are part of this Deed of Trust.

Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall its at the power to take the following actions with respect to the Property upon the written request of Lender and Grantor: (a) join in preparing and filling a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement a fecting this Deed of Trust or the interest of Lender under this Deed of Trust.

Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Lender, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

Successor Trustee. Lendar, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed hereunder by an Successor Trustee. Lender, at Lender's 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 Klamath County, Oregon. The instrument shall instrument executed and acknowledged by Lender and recorded in the office of the original Lender, Trustee, and Grantor, the book and page where contain, in addition to all other matters required by sate law, the names of the original Lender, Trustee, and Grantor, the book and page where this Deed of Trust is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor mustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Deed of Trust and by applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

HOTICES TO GRANTOR AND OTHER PARTIES. Any notice under this Dead of Trust shall be in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered, or when deposited with a nationally recognized overnight courier, or, if otherwise required by law), and shall be described in the United States mail first class, certified or registered mail, postage prepaid, directed to the mailed, shall be deamed effective when deposited in the United States mail first class, certified or registered mail, postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal addresses shown near the beginning of this Deed of Trust shall be sent to the charge the party's address. All copies of notices of foreclosure from written notice to the other parties, specifying that the purpose of the notice is to change the party's address. All copies of notices of foreclosure from written notice to the other parties, specifying that the purpose of the notice is to change the party's address. All copies of notices of foreclosure from written notice to the other parties, specifying that the purpose of the notice is to change the party's address. Shown near the beginning of this Deed of Trust shall be sent to the notice of Grantor's current address.

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

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

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

Applicable Law. This Deed of Trust has been delivered to Lender and accepted by Lender in the State of Oregon. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Oregon.

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

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

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

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

Successors and Assigns. Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other binding upon and inure to the benefit of the parties, their successors with reference to this Deed of Trust and the Indebtedness by their property of the parties of the parties of the Indebtedness by the parties of the parties of the Indebtedness. way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the Indebtedness.

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

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

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

DEED OF TRUST

22058 (Continued)

Page 6

EACH GRANTOR ACKNOWLEDGES HAVING READ AL., THE PROVISIONS OF THIS DEED OF TRUST, AND EACH GRANTOR AGREES TO ITS GRANTOR INDIVIDUAL ACKNOWLEDGMENT OFFICIAL BEAL STATE OF HAL STURGEON) SS MOTARY PUBLIC-OREGON COUNTY OF COLEGESSION NO. 049053 MY COMMISSION EXPIRES MOV. 16, 1940 On this day before me, the undersigned Notary Public, personally appeared Reggi-d-Bleggi and Matthew C Bleggi, to me known to be the individuals described in and who executed the Deed of Trust, and acknowledged that they signed the Deed of Trust as their free and voluntary act and deed, for the uses and purposes therein mentioned. 274 Given under my hand and official seal this Oregus Holary Public in and for the State of _ N100 16 My commission expires REQUEST FOR FULL RECONVEYANCE (To be used only when obligations have been paid in full) To: _, Trustee The undersigned is the legal owner and holder of all Indebtedness secured by this Deed of Trust. All sums secured by this Deed of Trust have been fully paid and salisfied. You are hereby directed, upon payment to you of any sums owing to you under the larms of this Deed of Trust or pursuant to any applicable statute, to cancel the Note secured by this Deed of Trust (which is delivered to you together with this Deed of Trust), and to reconvey, without warranty, to the parties designated by the terms of this Deed of Trust, the estate now held by you under this Deed of Trust. Please mail the reconveyance and Related Decuments to: Date: Beneficiary: By: LASER PRO. Rec. U.S. Pat. & T.M. Off.. Ver. 3.25 (c) 1889 CFI ProServices Inc. All rights reserved. [OR -Go1 PEGBIAGG.LN C2.0VL] . STATE OF OREGON, COUNTY OF _ Klamath BE IT REMEMBERED, That on this _ 281:h day of. before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named known to me to be the identical individual. _ described in and who executed the within instrument and acknowledged to me that she executed the same freely and voluntarily. IMONY WHEREOF, I have hersunto set my hand and officed my official seal the day and year last above written OFFICIAL SEAL
CONTINA L. JENSEN
NOTARY PUBLIC-OREGON
COMMISSION NO. 063321
MY COMMISSION EXPIRES MAR. 30, 2001 My Commission expires THE CONTRACTOR OF THE PROPERTY OF THE PARTY N-65 11-81

EXHIBIT "A" LEGAL DESCRIPTION

PARCEL 1

Township 40 South, Range 13 East of the Willamette Meridian

Section 23: SE1/4
Section 26: E1/2 NW1/4, N1/2 SW1/4, NE1/4, N1/2 SE1/4 and portion of the W1/2 NW1/4 described as follows:

Beginning at a point 1020 feet East of the corner common to Sections 22, 23, 26 and 27, all in Township 40 South, Range 13 East of the Willamette Meridian, thence Southerly and Easterly 1500 feet, more or less, to a point where said course intersects the East line of the SW1/4 NW1/4 of Section 26, thence North along said subdivision line to the Northeast corner of the NW1/4 NW1/4 of said Section 26, thence West 300 feet to the point of beginning.

PARCEL 2

Township 40 South, Range 13 East of the Willamette Meridian

Section 25: NW1/4, W1/2 NE1/4, and all that portion of the E1/2 NE1/4 lying Westerly of the Lost River Diversion Channel.

EXCEPTING THEREFROM: That portion lying within the main drain as conveyed to the United States of America by deed recorded October 23, 1927 in Volume 79, page 131, Deed Records of Klamath County, Oregon and by deed recorded January 22, 1929 in Volume 85, page 186, Deed Records of Klamath County, Oregon.

State of Oregon, County of Klamath Recorded 6/03/99, at <u>3:39 p.m.</u> In Vol. M99 Page <u>22053</u> Linda Smith, County Clerk

Fee & 40 - Chinda Smith