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TRUST DEED

Vol. M99 Page 28283

THIS TRUST DEED, made this 9th day of July, 1999,  
between Brian P. Horne and Michelle M. Horne as tenants by the entirety, as Grantor,  
Aspen Title and Escrow, Inc., as Trustee, and

ASSOCIATES FINANCIAL SERVICES COMPANY OF OREGON, INC.

as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in Klamath  
County, Oregon, described as:

See Attached Exhibit "A"

which real property is not currently used for agricultural, timber or grazing purposes, together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now appertaining, and the rents, issues and profits thereof and all fixtures now attached to or used in connection with said real estate:

For the purpose of securing: (1) Payment of the indebtedness in the principal sum of \$25097.54 and all other lawful charges evidenced by a loan agreement of even date herewith, made by grantor, payable to the order of beneficiary at all times, in monthly payments, with the full debt, if not paid earlier, due and payable on 07/15/09; and any extensions thereof;

(2) performance of each agreement of grantor herein contained; (3) payment of all sums expended or advanced by beneficiary under or pursuant to the terms hereof, together with interest at the note rate thereon.

To protect the security of this trust deed, grantor agrees:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; and do all other acts which from the character or use of said property may be reasonably necessary; the specific enumerations herein not excluding the general.

2. To provide, maintain and keep the improvements now existing or hereinafter erected on the premises insured against loss or damage by fire and other hazards and perils included within the scope of a standard extended coverage endorsement, and such other hazards as Beneficiary may require, in such amounts and for such periods as Beneficiary may require, and in an insurance company or insurance companies acceptable to Beneficiary. All insurance policies and renewals shall designate Beneficiary as mortgage loss payee and shall be in a form acceptable to Beneficiary. Grantor hereby confers full power on Beneficiary to settle and compromise all loss claims on all such policies; to demand, receive, and receipt for all proceeds becoming payable thereunder; and, at Beneficiary's option, to apply same toward either the restoration or repair of the premises or the payment of the note. Any application of such proceeds toward payment of the note shall not extend or postpone the due date of monthly installments due under the note.

3. To pay all costs, fees and expenses of this trust including the cost of title search as well as other costs and expenses of the trustee incurred in connection with or enforcing this obligation, and trustee's and attorney's fees actually incurred as permitted by law.

4. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of beneficiary or trustee; and to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum as permitted by law, in any such action or proceeding in which beneficiary or trustee may appear.

5. To pay at least ten (10) days prior to delinquency all taxes or assessments affecting the property; to pay when due all encumbrances, charges and liens with interest on the property or any part thereof that at any time appear to be prior or superior hereto.

6. If Grantor fails to perform the covenants and agreements contained in this Trust Deed, including, without limitation, covenants to pay taxes, procure insurance, and protect against prior liens, Beneficiary may at its option, but shall not be required to, disburse such sums and take such actions necessary to pay such taxes, procure such insurance, or otherwise to protect Beneficiary's interest. Any amount disbursed by Beneficiary hereunder shall be an additional obligation of Beneficiary secured by this Trust Deed. Unless Grantor and Beneficiary agree otherwise, all such amounts shall be payable immediately by Grantor upon notice from Beneficiary to Grantor, and may bear interest from the date of disbursement by Beneficiary at the lesser of the rate stated in the note or the highest rate permissible by applicable law. Nothing contained in this paragraph shall require Beneficiary to incur any expense or take any action whatsoever.

It is mutually agreed that:

7. Any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned and shall be paid to beneficiary who may apply or release such monies received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

Deliver to

ASSOCIATES FINANCIAL SERVICES COMPANY OF OREGON, INC.

2047 Washburn Way Klamath Falls, Oregon 97603 Phone (541)885-9991

(Address)

<input checked="" type="checkbox"/>	ORIGINAL (1)
<input type="checkbox"/>	BORROWER COPY (1)
<input type="checkbox"/>	RETENTION (1)

8. Upon any default by grantor or if all or any part of the property is sold or transferred by grantor without beneficiary's consent, the beneficiary may at any time, without notice, either in person or by agent, and without regard to the adequacy of any security for the indebtedness secured, enter upon and take possession of the property or any part of it, and that the entering upon and taking possession of the property shall not cure or waive any default or notice of default or invalidate any act done pursuant to such notice.

9. Upon default by grantor in payment of any indebtedness secured or in his performance of any agreement, the beneficiary may declare all sums secured immediately due and payable. In such event beneficiary at its election may proceed to foreclose this trust deed in equity in the manner provided by law for mortgage foreclosures or direct the trustee to foreclose this trust deed by advertisement and sale. In the latter event the beneficiary or the trustee shall execute and cause to be recorded its written notice of default and its election to sell the said described real property to satisfy the obligations secured hereby and proceed to foreclose this trust deed in a manner provided by law.

10. If after default and prior to the time and date set by trustee for the trustee's sale, the grantor or other person pays the entire amount then due under the terms of the trust deed and the obligation secured thereby, the grantor or other person making such payment shall also pay to the beneficiary all the costs and expenses actually incurred in enforcing the terms of the obligations as permitted by law.

11. Upon any default by grantor hereunder, grantor shall pay beneficiary for any reasonable attorney fees incurred by beneficiary consequent to grantor's default. Grantor will pay these fees upon demand.

12. After a lawful lapse of time following the recordation of the notice of default and the giving of notice of sale the trustee shall sell the property as provided by law at public auction to the highest bidder for cash payable at the time of sale. Trustee shall deliver to the purchaser a deed without express or implied covenants or warranty. Any person excluding the trustee may purchase at the sale.

13. When the trustee sells pursuant to the powers provided, trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the lawful fees of the trustee and the reasonable fees of the trustee's attorney, (2) the obligations secured by this trust deed, (3) to all persons having recorded liens subsequent to the interest of the beneficiary and the trust deed as their interest may appear in the order of their priority, and (4) the surplus, if any, to the grantor or to his successor in interest entitled to such surplus.

14. 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 any 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.

The grantor covenants and agrees to and with the beneficiary and those claiming under him, that he is lawfully seized in fee simple of said described real property and has valid, unencumbered title thereto and that he will warrant and forever defend the same against all persons whomsoever.

THIS INSTRUMENT DOES NOT GUARANTEE THAT ANY PARTICULAR USE MAY BE MADE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT. A BUYER SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

This deed applies to, inures 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 construing this deed and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular number includes the plural.

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

James A. Lewis  
Witness

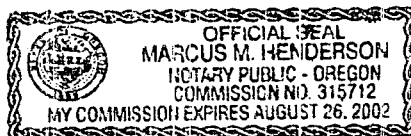
Brian P. Horne  
Grantor  
Michelle M. Horne  
Grantor

Witness

STATE OF OREGON )

) SS.

County of Klamath )



Personally appeared the above named Brian P. Horne and Michelle M Horne and

acknowledged the foregoing instrument to be Their voluntary act and deed.

Before me: [Signature]

My commission expires: August 26, 2002  
Notary Public

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

TO: \_\_\_\_\_, 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 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. Mail reconveyance and documents to \_\_\_\_\_

DATED: \_\_\_\_\_

Beneficiary

Do not lose or destroy this Trust Deed OR THE NOTE which it secures. Both must be delivered to the trustee for cancellation before reconveyance will be made.

## EXHIBIT "A"

A parcel of land situated in the SE 1/4 of Section 36, Township 39 South, Range 7 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the Southwest corner of Lot 8; thence South 89 degrees 35' 55" East along the South line of Lot 8 a distance of 360.29 feet, more or less, to the East line of the hereinafter described roadway; thence South 0 degrees 0' 32" West along said East line a distance of 30.00 feet; thence South 89 degrees 35' 55" East a distance of 228.16 feet; thence North 18 degrees 15' 57" West a distance of 480.42 feet; thence North 48 degrees 48' 55" West a distance of 587.39 feet, more or less, to a point on the West line of Lot 8, said point being South 0 degrees 17' 52" East, 550.00 feet from the Northwest corner of Lot 8; thence South 0 degrees 17' 52" East along the West line of Lot 8 a distance of 808.90 feet, more or less, to the point of beginning.

LESS AND EXCEPT the following 3 parcels:

PARCEL 1: A tract of land situated in the E 1/2 SE 1/4, Section 36, Township 39 South, Range 7 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a point on the South line of that tract of land described in Deed Volume M-77 at Page 22478, as recorded in the Klamath County Deed Records, said point located South 00 degrees 09' 58" East 850.01 feet and South 68 degrees 18' 48" East 390.82 feet from the center 1/16 corner of said Section 36; thence continuing South 68 degrees 18' 48" East 119.65 feet to the most Southerly point of the tract of land described in said Deed Volume M-77 at Page 22478; thence South 18 degrees 15' 02" East (South 18 degrees 15' 57" East by D. V. M-75 at Page 5012) 372.92 feet; thence North 89 degrees 35' 00" West (North 89 degrees 35' 55" West by D. V. M-75 at Page 5012) 228.16 feet; thence North 00 degrees 01' 34" East (North 00 degrees 00' 39" East by D. V. M-75 at Page 5012) 30.00 feet; thence continuing North 00 degrees 01' 34" East 366.72 feet to the point of beginning.

## EXHIBIT "A" CONTINUED

PARCEL 2: A parcel of land situated in the NE 1/4 SE 1/4 of Section 36, Township 39 South, Range 7 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the West line of said NE 1/4 SE 1/4 which bears South 0 degrees 17' 20" East a distance of 850.01 feet from the Northwest corner of said NE 1/4 SE 1/4; said point also being the Southwesterly corner of parcel described in Deed Volume M-77, Page 22478, Microfilm Records of Klamath County, Oregon; thence continuing South 0 degrees 17' 20" East a distance of 245.0 feet to a point; thence South 89 degrees 35' 55" East a distance of 360.25 feet to the West line of parcel described in Deed Volume M-82, Page 11220, Microfilm Records of Klamath County, Oregon; thence North along said West line to its intersection with the Southerly line of said parcel described in Volume M-77, Page 22478; thence along said Southerly line, North 68 degrees 18' 48" West a distance of 390.82 feet, more or less, to the point of beginning.

PARCEL 3: A tract of land situated in the NE 1/4 SE 1/4 of Section 36, Township 39 South, Range 7 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the West line of said NE 1/4 SE 1/4, from which the center 1/16 corner bears North 00 degrees 09' 58" West, North 00 degrees 17' 20" West by D.V. M75-5012, as recorded in the office of the Klamath County Clerk, 550.01 feet; thence South 48 degrees 48' 00 East 586.83 feet (South 48 degrees 48' 55" East 587.39 feet by said D.V. M75-5012); thence South 18 degrees 15' 02" East (South 18 degrees 15' 57" East by said D.V. M75-5012) 107.5 feet; thence North 68 degrees 18' 48" West 510.47 feet, more or less, to a point on the West line of said NE 1/4 SE 1/4 that is South 00 degrees 09' 58" East 300.00 feet from the point of beginning; thence North 00 degrees 09' 58" West 300.00 feet to the point of beginning, with bearings based on recorded Survey No. 2556, as recorded in the office of the Klamath County Surveyor.

CODE 21 MAP 3907-36DO TL 1100

State of Oregon, County of Klamath  
Recorded 7/15/99, at 11:01 a. m.  
In Vol. M99 Page 28283  
Linda Smith,  
County Clerk Fee \$ 25 RR