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MTC 49138
DEED IN LIEU OF FORECLOSURE

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KNOW ALL MEN BY THESE PRESENTS, that JAMES J. HEITMAN, hereinafter called "Grantor", for good and valuable consideration, the receipt of which is hereby acknowledged, given by BILLY W. HOGUE, hereinafter called "Grantee", do hereby grant, bargain, sell and convey unto the said Grantee and Grantee's successors and assigns, that certain real property, with the tenements, hereditaments and appurtenances thereunto belonging or appertaining, situated in the County of Klamath, State of Oregon, described as follows:

(See Exhibit "A" attached hereto and by this reference incorporated herein.)

TO HAVE AND TO HOLD the same unto the said Grantee and Grantee's heirs, successors and assigns forever.

Grantor hereby covenants to and with said Grantee and Grantee's heirs, successors and assigns that Grantor is lawfully seized in fee simple of the above granted premises.

Grantor covenants that this Deed is absolute in effect and conveys fee simple title of the above described premises to the Grantee and does not operate as a mortgage, trust conveyance or security of any kind. Grantor is the owner of the premises free and clear of all liens and encumbrances except as noted on Exhibit "A" attached hereto.

AFTER RECORDING, RETURN TO:

JAMES L. GRANTLAND, JR.
204 WEST NINTH STREET
MEDFORD OR 97501

-1- DEED IN LIEU OF FORECLOSURE

Law Offices Of
GRANTLAND, GRENSKY & BLODGETT
204 West 9th St.
Medford, OR 97501
(541) 773-8712

This Deed does not effect the merger of the fee ownership and the lien of Grantee's Trust Deed described in Exhibit "A". The fee and lien shall hereafter remain separate and distinct.

By acceptance and recording of this Deed, Grantee covenants and agrees that he will forever forbear taking any action whatsoever to collect against Grantor on the Promissory Note and Trust Deed dated June 10, 1996, other than by foreclosure of that Trust Deed, and that in any proceeding to foreclose the Trust Deed, he will not seek, obtain or permit a deficiency judgment or attorney fees and costs to be awarded against Grantor, his heirs or assigns, such rights and remedies being hereby waived.

Grantor does hereby waive, surrender, convey and relinquish any redemption rights concerning the real property and Trust Deed described above.

Grantor is not acting under any misapprehension as to the legal effect of this Deed nor under any duress, undue influence or misrepresentation of Grantee, his agent or attorney, or any other person.

Grantor, by his execution of this Deed and Grantee by his acceptance of this Deed hereby releases the other and their heirs, successors and assigns from all liability, obligations or expense, including attorney's fees relating to Grantor's purchase of the subject real property from Grantee and the Grantor's execution of the Promissory Note and Trust Deed described herein.

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.

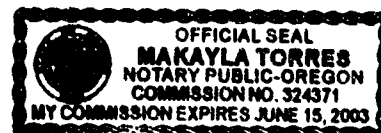
THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

IN WITNESS WHEREOF, the Grantor has executed this instrument this 24TH day of August, 1999.

James J. Heitman
JAMES J. HEITMAN

STATE OF OREGON)
) ss.
County of Klamath)

Personally appeared before me this 24 day of August, 1999, the above named JAMES J. HEITMAN, and acknowledged the foregoing instrument to be his voluntary act and deed.



Makayla Torres
Notary Public for Oregon

40345

EXHIBIT "A"

Lots 3, 4 and 5 in Block 29 of FIRST ADDITION TO THE CITY OF
KLAMATH FALLS, according to the official plat thereof on file in
the office of the County Clerk of Klamath County, Oregon.

State of Oregon, County of Klamath
Recorded 10/11/99, at 11:48 a.m.
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Linda Smith.
County Clerk Fee \$ 45.00