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EFFECTIVE

DATE: December 1, 2000

PARTIES:

Nicholson Investments, L.L.C.,  
An Oregon limited liability  
Company ("Grantor")

First American Title  
Insurance Company ("Trustee")

Anita Nicholson ("Beneficiary")

RECITALS:

A. Grantor has purchased the following described real property situated in Klamath County Oregon from Beneficiary, to-wit:

NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$  and Lot 4 of Section 7 and Lot 1,  
Lot 2 and SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 18 in Township 33  
South, Range 7 $\frac{1}{2}$  East of the Willamette  
Meridian, Klamath County, Oregon

all of which real property is hereinafter referred to as "the Trust Property."

B. Grantor has agreed to finance the sale of the Trust Property and the Grantor has executed a Promissory Note in the principal sum of \$430,560.00.

THEREFORE, to secure payment by Grantor of the indebtedness to be evidenced by the promissory note in strict accordance with its terms, and performance by Grantor of the covenants contained herein Grantor hereby grants, bargains, sells and conveys to the Trustee, in trust, with power of sale, the Trust Property upon the terms set forth herein.

SECTION 1. GRANTOR'S COVENANTS AND WARRANTIES

1.1 Payment of the Note. Grantor will make all payments of the interest and principal for which provision is made in the Note promptly as such payments become due and payable.

1.2 Taxes and Assessments; Liens and Claims.

1.2.1 Payment. Grantor shall pay, when due, all taxes and all assessments imposed against the Trust Property and all claims and demands arising from the Grantor's use or occupancy of the Trust Property, including but not limited to any taxes caused by loss of the farm deferral for any reason.

1.2.2 Protection of the Trust Property From Liens.  
Grantor shall not permit any lien prior or equal to the Trustee's title to be imposed upon the Trust property, except liens for taxes or assessments assessed but not yet due.

1.3 Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all building and improvements, including additions thereto and replacements thereof, in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Beneficiary.

1.4 Use, Maintenance and Alterations. Grantor shall maintain the Trust Property in good condition and repair and promptly perform all repairs and maintenance necessary to preserve its value. Grantor shall not conduct or permit any nuisance on the

1. TRUST DEED

trust Property nor commit or suffer any strip or waste thereof. Grantor shall not demolish or remove any improvements on the Trust Property without prior written consent of Beneficiary but Grantor may make alterations, which it deems necessary for the use of the Trust Property. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Trust Property.

## SECTION 2. EVENTS OF DEFAULT

The following shall constitute events of default:

2.1 Nonpayment. Failure of Grantor to make any payment required by the Note or to make any payment for taxes, insurance premiums or any other payment necessary to prevent filing of or discharge of any lien within 10 days after written notice by Beneficiary (or Beneficiary's agents) of any such nonpayment. Failure of Grantor to make any payment upon any other Note issued by Grantor to Beneficiary.

2.2 Breach of Other Covenant. Failure of Grantor to perform any obligation contained in this Trust Deed within 30 days after notice from Beneficiary (or Beneficiary's representative) specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue with reasonable diligence curative action.

## SECTION 3. REMEDIES IN CASE OF DEFAULT

If an event of default shall occur, Beneficiary or Trustee, as the case may be, may exercise any of the following rights and remedies, in addition to any other remedies which may be available at law, in equity, or otherwise:

3.1 Acceleration. Beneficiary may declare all sums secured by this Trust Deed, including all interest, to be immediately due and payable.

3.2 Foreclosure. Beneficiary may obtain a decree foreclosing Grantor's interest in all or any part of the Trust Property.

3.3 Power of Sale. Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law. In exercising its rights and remedies, Beneficiary shall be free to sell all or any part of the collateral together or separately, or to sell certain portions of its collateral and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale of all or any portion of its collateral.

3.4 Cumulative Remedies. Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Trust Deed are cumulative and not exclusive.

## SECTION 4. GENERAL PROVISIONS

4.1 Due on Sale. In the event the collateral secured under this Trust Deed is sold, or in any way conveyed or transferred, the entire balance of both principal and interest due under Note will become immediately due and payable.

4.2 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding on and insure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

4.3 Indemnity. Grantor shall hold Beneficiary and Trustee harmless from any and all loss and expense, including but

not limited to attorney fees and court costs, in any suit, action or proceeding or any appeal therefrom brought against Trustee or Beneficiary by a third party resulting from or attributable to Beneficiary ownership of the Note or Trustee's interest under this Trust Deed, except suits, actions and proceedings based upon a claim that Beneficiary or Trustee improperly entered into this Trust Deed or Note.

4.4 Expenses and Attorney Fees. In the event that Beneficiary or Trustee shall take any action, judicial or otherwise, including matters in bankruptcy courts, to enforce the Note or any provision of this Trust Deed or if Beneficiary or Trustee shall be required to appear in any proceeding to protect and maintain the priority of Trustee's title to the Trust Property, Trustee or Beneficiary (or both) shall be entitled to recover from Grantor all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and its attorney fees, whether incurred in a suit or action or any appeals from a judgment or decree therein or petition for review, or in connection with non-judicial action.

4.5 Prior Encumbrance. This Trust Deed is subordinate to a Mortgage in the principal amount of \$120,000.00, dated November 14, 1967 and recorded November 17, 1967 in Volume M67 at page 8916 Mortgage Records of Klamath County, Oregon wherein Stewart E. Nicholson also known as Stewart Nicholson and Anita Nicholson also known as Aneta Nicholson, husband and wife, are Mortgagors and The Federal Land Bank of Spokane, a corporation, is Mortgagee, which mortgage the Beneficiary herein agrees to pay according to the terms thereof and to save the Grantor harmless thereon.

4.6 Applicable Law. This Trust Deed shall be governed by the laws of the State of Oregon.

4.7 Time of Essence. Time is of the essence of this Trust Deed.

IN WITNESS WHEREOF, Grantor has caused this Trust Deed to be executed effective as of the day and year first above written.

Nicholson Investments, L.L.C.

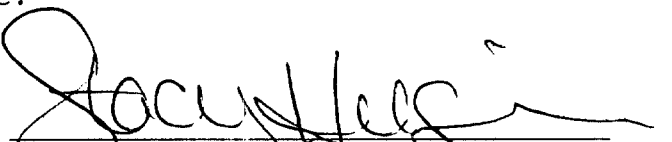


William Nicholson,  
Operating Manager

STATE OF OREGON            )  
                                      ) ss.  
County of Klamath        )

Personally appeared the above-named William Nicholson and being sworn stated that he executed the foregoing instrument on behalf of Nicholson Investments, L.L.C. with written authority of a majority of the members and as the Operating Manager of the company and acknowledged the foregoing instrument to be the voluntary act of the company. Before me:



  
Notary Public for Oregon  
My Commission expires: 8-2-03

3. TRUST DEED

RETURN TO;  
First American Title Co.

State of Oregon, County of Klamath  
Recorded 12/08/00, at 2:08 p. m.  
In Vol. M00 Page 44114  
Linda Smith,  
County Clerk Fee\$ 31<sup>00</sup>