

After Recording Return to:  
Sabrina P. Loiselle  
Miller Nash LLP  
111 S.W. Fifth Avenue, Ste. 3500  
Portland, OR 97204-3699

Send Tax Statements to:  
Klamath First Federal Savings & Loan Association  
Attn: Arlene Dillard  
540 Main Street  
Klamath Falls, OR 97601-9982

### DEED IN LIEU OF FORECLOSURE

(Nonmerger)

Patti Ann Newell, as the personal representative of the Estate of Michael A. Abts (the "Grantor"), grants, bargains, sells and conveys to Klamath First Federal Savings and Loan Association and its heirs, successors, and assigns, (the "Grantee") all of the right, title, and interest of the Estate of Michael A. Abts (the "Estate") in and to the following described real property:

A portion of Tract 8 of EMPIRE TRACTS and a portion of the SW1/4 NW1/4 SW1/4 SW1/4 of Section 35, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the Southwest corner of Tract 8 of Empire Tracts; thence North 89 degrees 59' East 171.0 feet to the true point of beginning of this description; thence North 0 degrees 15' East 66.3 feet; thence North 89 degrees 59' East 73.0 feet; thence South 0 degrees 15' West 81.3 feet; thence South 89 degrees 59' West 73.0 feet; thence North 0 degrees 15' East, 15 feet more or less to the point of beginning (the "Property").

together with all of the tenements, hereditaments, improvements, fixtures, easements, profits, and rents thereunto belonging or in anyway appertaining to the Property.

The true and actual consideration for this conveyance is value and other than monetary consideration.

Reference is hereby made to the trust deed executed and delivered by Michael A. Abts, as grantor, to William L. Sisemore, as trustee, for the benefit of Grantee, as beneficiary, dated July 31, 1998, and recorded on July 31, 1998, in Volume M98 at Page 28190, in the official Mortgage Records of Klamath County, Oregon (the "Trust Deed"), to secure payment of a promissory note in the face amount of \$36,000 (the "Note"). The Note and Trust Deed are in default and the Property is subject to foreclosure. In consideration of Grantee's acceptance of this deed in lieu of foreclosure and agreement to not seek any remedy against the Estate for the Estate's obligation under the Note except foreclosure of its interest in the Trust Deed and

acceptance of this deed in lieu of foreclosure, Grantee may retain all payments previously made on the Note, with no duty to account therefor.

Grantor warrants that the Estate is the owner in fee simple of the Property free and clear of all encumbrances except the Trust Deed and those encumbrances identified in the attached Exhibit A. Grantor further warrants and will forever defend the above Property against the lawful claims and demands of all persons whomsoever, other than the Trust Deed and the encumbrances expressly identified in the attached Exhibit A.

This deed in lieu of foreclosure is intended as a conveyance absolute in legal effect, as well as in form, of the title to said Property to Grantee and this deed in lieu of foreclosure is not intended as security of any kind. Grantor for herself and the Estate waives, surrenders, and relinquishes any equity of redemption and statutory rights of redemption that Grantor or the Estate may have in connection with the Property and possession of the Property is hereby surrendered and delivered to Grantee.

It is the intent of Grantor and Grantee that upon the execution and delivery of this conveyance to Grantee there not be a merger of any kind or nature of Grantee's interest under the Trust Deed in the fee simple title of the Property. It is the intent of Grantor and Grantee that the Trust Deed remain in full force and effect. Further, nothing in this deed shall be, or be deemed to be, a satisfaction of the indebtedness secured by the Trust Deed or of the lien thereof upon the Property or shall preclude the holder of the indebtedness secured by the Trust Deed from foreclosing it or from enforcing any rights under and by virtue of it. This deed shall not and does not impair the priority of the lien of the Trust Deed over other liens, charges, or encumbrances, if any, known or unknown.

*to the best of her knowledge*

Grantor warrants that during the time period that the Property was owned by Michael A. Abts or the Estate, the Property was never used for the generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. §§ 9601, et seq.) ("CERCLA"), the Superfund Amendments and Reauthorization Act ("SARA"), and applicable state or federal laws or regulations adopted pursuant to any of the foregoing. Grantor agrees to indemnify and hold Grantee harmless against any and all claims and losses resulting from a breach of this warranty.

Grantee does not expressly or impliedly agree to assume or pay any contract balances, debts, liens, charges or obligations which relate or attach to the Property.

Grantor has read and fully understands the above terms and is not acting under misapprehensions as to the effect of this deed in lieu of foreclosure, or under any duress, undue influence or misrepresentations of Grantee, its agents, attorneys or any other person.

THIS DEED IN LIEU OF FORECLOSURE WILL NOT ALLOW USE OF THE PROPERTY IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS DEED IN LIEU OF FORECLOSURE, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK 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.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE BY LENDERS 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 BE SIGNED BY LENDER TO BE ENFORCEABLE.

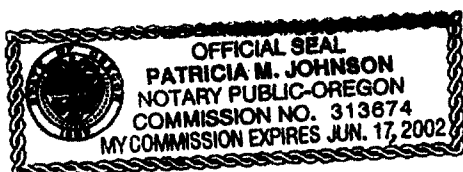
IN WITNESS WHEREOF, Grantor has executed this deed in lieu of foreclosure as of the date written below.

DATED this 18 day of December, 2000.

Patti Ann Newell  
PATTI ANN NEWELL as personal  
representative of the Estate of Michael A. Abts

STATE OF Oregon )  
COUNTY OF Klamath ) SS

The foregoing instrument was acknowledged before me this 18 day of December, 2000, by Patti Ann Newell as the personal representative of the Estate of Michael A. Abts.



Patricia M. Johnson  
Notary Public for Oregon  
My commission expires: 6-17-2002

1. Taxes for the fiscal year 2000-2001 a lien not yet payable.

NOTE: Taxes for the year 1998-2000 paid in full.

Tax Amount : \$393.71  
 Code No. : 041  
 Account No. : 3809-035CC-01600-000  
 Key No. : R447779

2. Liens and assessments of Klamath Project and Enterprise Irrigation District, and regulations, contracts, easements, water and irrigation rights in connection therewith.

3. Any unpaid charges or assessments of the Enterprise Irrigation District.

4. Rules, regulations and assessments of South Suburban Sanitary District.

5. Trust Deed, including the terms and provisions thereof, given to secure an indebtedness of \$36,000.00

Dated : July 31, 1998  
 Recorded : July 31, 1998 in Volume M98 page 28190, Mortgage records of Klamath County, Oregon  
 Grantor : Michael A. Abts  
 Trustee : William L. Sisemore  
 Beneficiary : Klamath First Federal Savings and Loan Association

6. Due Probate and Administration of the Estate of Michael A. Abts, deceased, Probate No. 00-2460CV, which proceedings are pending in the Circuit Court for Klamath County. Patti Ann Newell was appointed as Personal Representative and has power to execute the forthcoming conveyance. Attorney for Estate, Jerry M. Molatore.

Lien or liens of any long term care facility, under 1995 Oregon Laws, Chapter 749, whether perfected or unperfected by recording in another county, against any individual person who holds, or held a legal, equitable or beneficial interest in the subject property on or after September 9, 1995.

7. Matters not disclosed by an examination of the public record.

State of Oregon, County of Klamath  
 Recorded 01/02/01, at 1059Am.  
 In Vol. Mo/ Page 39  
 Linda Smith,  
 County Clerk Fee \$ 36<sup>00</sup>

EXHIBIT A  
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