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AFTER RECORDING, RETURN TO:
William M. Ganong
Attorney at Law
514 Walnut Avenue
Klamath Falls OR 97601

**TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING**

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Trust Deed") is made as of the 1st day of January, 2001, by William L. Schmeck and Cindy M. Schmeck, 735 Commercial Street, Klamath Falls, Oregon 97601 ("Grantor"), to William M. Ganong, Attorney at Law, 514 Walnut Avenue, Klamath Falls, Oregon 97601 ("Trustee"), for the benefit of Michael F. Schmeck, as Trustee of the Michael F. Schmeck Revocable Trust, uda December 13, 2000, 735 Commercial Street, Klamath Falls, Oregon 97601 ("Beneficiary").

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.01 of the MASTER FORM recorded July 28, 2000 in Volume M00 at Page 27587 of the records of the Clerk of Klamath County, Oregon, all the provisions of which said MASTER FORM are incorporated herein by this reference and payment of the sum of \$1,099,000.00, which is due and payable in full on December 15, 2031, Grantor irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of the Beneficiary, with power of sale and right of entry and possession, all of Grantor's right, title, and interest in and to the real property located in Klamath County, state of Oregon (the "Property") and more particularly described as follows:

Lots 1 through 12, inclusive, and Lots 15 through 18, inclusive, Block 16, Second Railroad Addition to the City of Klamath Falls, excepting therefrom that portion of said Lot 11, Block 16, conveyed to the State of Oregon by Deed recorded in Book 280, Page 284, Deed Records of the Clerk of Klamath County, Oregon.

Klamath County Tax Assessor's Account No. 3809-033BC-07400

TOGETHER WITH all interests, estates, and rights that

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Grantor now has or may acquire in (1) the Property; (2) any and all options, agreements, and contracts for the purchase or sale of all or any part or parts of the Property or interests in the Property; (3) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and (4) all tenements, hereditaments, and appurtenances in any manner belonging, relating, or appertaining to the Property; and

TOGETHER WITH all interests, estates, and rights of Grantor, now owned or hereafter acquired, in and to any land lying within any streets, sidewalks, alleys, strips, and gores adjacent to or used in connection therewith; and

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Property and all fixtures, machinery, equipment, and other personal property located on the Property or attached to, contained in, or used in any such buildings and other improvements, and all appurtenances and additions to and substitutions and replacements of the Property (all of the foregoing being collectively referred to below as the "Improvements"); and

TOGETHER WITH any and all mineral, oil and gas rights, air rights, development rights, water rights, water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds; and

TOGETHER WITH all present and future rights in and to the trade name by which all or any portion of the Property and the Improvements are known; all books and records relating to the use and operation of all or any portion of the Property and Improvements; all right, title, and interest of Grantor in, to, and under all present and future plans, specifications, and contracts relating to the design, construction, management, or inspection of any Improvements; all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division, or

use of all or any portion of the Property to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law; and all other general intangibles relating to the Property, the Improvements, or their use and operation; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing and sales agreements, and service contracts that are in any way relevant to the ownership, development, improvement, management, sale, or use of all or any portion of the Property or any of the Improvements; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of any Improvements; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may acquire with respect to any damage to or taking of all or any part of the Property or the Improvements, including without limitation any and all proceeds of insurance in effect with respect to the Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property or the Improvements, and any and all awards resulting from any other damage to the Property or the Improvements, all of which are assigned to Beneficiary, and, subject to the terms of this Trust Deed, Beneficiary is authorized to collect and receive such proceeds, to give proper receipts and acquittances for the proceeds, and to apply them to the Obligations secured by this Trust Deed.

All of the above is sometimes referred to below as the "Trust Property."

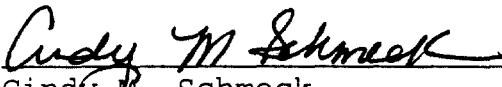
TO HAVE AND TO HOLD the Trust Property to Trustee and his successors and assigns for the benefit of Beneficiary and his successors and assigns, forever.

PROVIDED ALWAYS, that if all the Obligations as defined in Section 1.01 shall be paid, performed, and satisfied in full, then the lien and estate granted by this Trust Deed shall be reconveyed.

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This Trust Deed, the Note, and all other agreements or instruments executed at any time in connection therewith, as they may be amended or supplemented from time to time, are sometimes collectively referred to in the MASTER FORM as the "Loan Documents."

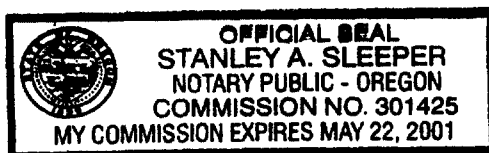
Grantor hereby acknowledges receipt of a copy of said MASTER FORM.



Cindy M. Schmeck


William L. Schmeck

STATE OF OREGON, County of Klamath) ss.

On this 9th day of April, 2001, before me personally appeared William L. Schmeck and Cindy M. Schmeck, who acknowledged the foregoing instrument to be their voluntary act and deed.




Notary Public for Oregon
My commission expires: 5/22/01

State of Oregon, County of Klamath
Recorded 06/20/01, at 9:34 a. m.
In Vol. M01 Page 29462
Linda Smith,
County Clerk Fee \$ 51⁰⁰

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