

UNTIL REQUESTED OTHERWISE,  
SEND ALL TAX STATEMENTS TO:

Kenneth E. Bailey Estate  
Thomas E. Knapp, Personal Representative  
3030 Commercial St. SE  
Salem, OR 97302

AFTER RECORDING RETURN TO:

Scott W. McGraw, Esq.  
P.O. Box 430  
Bend, OR 97709

mtc 54277

**TRUST DEED**

THIS TRUST DEED, made this 31 day of July, 2001, between Thomas E. Knapp, as personal representative of the Kenneth E. Bailey Estate, Klamath County Circuit Court case number 990 3071CV, as Grantor, Scott W. McGraw, Esq., as Trustee, and R. Gunnar vonSchummer, as Beneficiary,

**WITNESSETH:**

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

**Parcel 1:**

The Westerly 132.00 feet of Lot 3, ALTAMONT SMALL FARMS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

EXCEPT the Westerly 65 feet thereof described in Deed to Klamath County recorded August 7, 1992 in Volume M92, page 17712, Microfilm Records of Klamath County, Oregon.

**Parcel 2:**

The easterly 132.00 feet of the Westerly 264 feet of Lot 3. ALTAMONT SMALL FARMS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

**Parcel 3:**

A tract of land situated in Lot 3 of ALTAMONT SMALL FARMS, Klamath County, Oregon, a duly recorded subdivision, said tract being more particularly described as follows:

Beginning at a point on the South line of said Lot 3, being South 88° 46' 35" East 264.00 feet from the Southwest corner of said Lot 3; thence North 00°11' 00" East 330.06 feet to the North line of said Lot 3; thence South 88°46' 35" East 369.20 feet to the Northeast corner of said Lot 3; thence South 00° 11' 00" West 330.06 feet to the Southeast corner of said Lot 3; thence North 88° 46' 35" West 369.20 feet to the to the point of beginning.

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said real estate.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of THIRTY THOUSAND and no/100--- Dollars, (\$30,000.00) with interest thereon according to the terms of the promissory note of even date herewith, payable to beneficiary or order and made by grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable February 1, 2002. The debt secured by this deed of trust may also be amended by additional promissory notes between the Kenneth E. Bailey Estate and R. Gunnar vonSchummer.

Unless extended by further agreement of the parties, the date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of said note becomes due and payable. In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be sold, conveyed, assigned or alienated by the grantor without first having obtained the written consent or approval of the beneficiary, then, at the beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, shall become

1 - Deed of Trust, Bailey Estate (Knapp), as GRANTOR,  
vonSchummer, as BENEFICIARY

immediately due and payable.

**The above described real property is not currently used for agricultural, timber or grazing purposes.**

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

1. To protect, preserve and maintain said property in good condition and repair, not to remove or demolish any building or improvement thereon; not to commit or permit any waste of said property.
2. To complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.
3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said property; if the beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the beneficiary.
4. To provide and continuously maintain insurance on the building now or hereafter erected on the said premises against loss or damage by fire and such other hazards as the beneficiary may from time to time require, in an amount not less than the full insurable value, through combined coverage as provided through the condominium homeowners' association and interior structural coverage provided by Grantor, written in companies acceptable to the beneficiary, with loss payable to the latter; all policies of insurance shall be delivered to the beneficiary as soon as insured; if the grantor shall fail for any reason to procure any such insurance and to deliver said policies to the beneficiary at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on said buildings, the beneficiary may procure the same at grantor's expense. The amount collected under any fire or other insurance policy may be applied by beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine, or at option of beneficiary the entire amount so collected, or any part thereof, may be released to grantor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.
5. To keep said premises free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to beneficiary; should the grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiary with funds with which to make such payment, beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 6 and 7 of this trust deed, shall be added to and become a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable and constitute a breach of this trust deed.
6. To pay all costs, fees and expenses of this trust including the cost of title search as well as the other costs and expenses of the trustee incurred in connection with or in enforcing this obligation and trustee's and attorney's fees actually incurred.
7. To appear and defend any action or proceeding purporting to affect the security rights or powers of beneficiary or trustee; and in any suit, action or proceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed, to pay all costs and expenses, including evidence of title and the beneficiary's or trustee's attorney's fees; the amount of attorney's fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the beneficiary's or trustee's attorney's fees on such appeal.

It is mutually agreed that:

8. In the event that any portion or all of said property shall be taken under the right of eminent domain or condemnation, beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney's fees necessarily paid or incurred by grantor in such proceedings, shall be paid to beneficiary and applied by it first upon any reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, necessarily paid or incurred by beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and the grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon beneficiary's request.

9. At any time and from time to time upon written request of beneficiary, payment of its fees and presentation of this deed and the note for endorsement (in case of full reconveyances, for cancellation), without affecting the liability of any person for the payment of the indebtedness, trustee may consent (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be not less than \$5.00.

10. Upon any default by grantor hereunder, beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as beneficiary may determine.

11. The entering upon and taking possession of said property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, the beneficiary may declare all sums secured hereby immediately due and payable. In such an event the beneficiary at his election may proceed to foreclose this trust deed in equity as a mortgage 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 his written notice of default and his election to sell the said described real property to satisfy the obligation secured hereby whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 86.735 to 86.795, or such substitute statute therefor as may be effected from time to time.

13. After the trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the trustee conducts the sale, the grantor or any other person so privileged by ORS 86.753 or a later substitute therefor, may cure the default or defaults. If the default consists of a failure to pay, when due, sums secured by the trust deed, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the obligation or trust deed. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the beneficiary all costs and expenses actually incurred in enforcing the obligation of the trust deed together with trustee's and attorney's fees not exceeding the amounts provided by law.

14. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The trustee may sell said property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the trustee, but including the grantor and beneficiary, may purchase at the sale.

15. When trustee sells pursuant to the powers provided herein, trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the trustee and a reasonable charge by trustee's attorney, (2) to the obligation secured by the trust deed, (3) to all persons having recorded liens subsequent to the interest of the trustee in the trust deed as their interests 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.

16. 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. Each such appointment and substitution shall be made by written instrument executed by beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

17. Trustee accepts this trust when this deed, duly executed and acknowledged is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which grantor, beneficiary or trustee shall

be a party unless such action or proceeding is brought by trustee.

**This form deed of trust has been prepared by Scott W. McGraw, attorney at law, of Bend, Oregon.** The terms of this deed of trust and the promissory note it secures contain the full agreement between grantor and beneficiary unless expressly set forth herein. Grantor and Beneficiary are expressly aware of these facts and has been provided full opportunity to obtain the assistance of separate counsel regardless whether Grantor or Beneficiary has taken advantage of that opportunity.

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 a valid, unencumbered title thereto and that he will warrant and forever defend the same against all persons whomsoever.

The grantor agrees and certifies that grantor has accepted and executed this deed of trust and the note secured by it without representation by beneficiary or its agents, unless expressly set forth herein, of the value or condition of the real or personal property, its title or the improvements described herein; further, that grantor has been provided full opportunity to inspect the premises and make any desired inquiries, and has inspected and inquired about said property and the improvements thereon, either personally or through grantor's agent(s), to grantor's full satisfaction. Moreover, Grantor certifies that no attempt has been made by beneficiary or its agents to influence grantor's judgment and that no covenant or promise has been made to grantor by beneficiary, or its agents, to alter, repair, or otherwise improve said premises unless expressly set forth herein. Further still, that grantor takes said property and the improvements thereon in the condition that exist at the time of execution of this deed of trust and the note secured thereby.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are primarily for grantor's person, family, and household purposes.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract 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, said grantor has hereunto set their hands the day and year first above written.

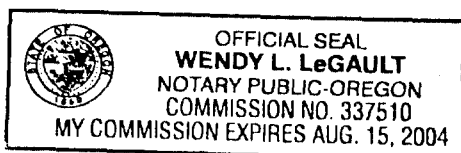
Kenneth E. Bailey Estate

  
by Thomas E. Knapp, Personal Representative

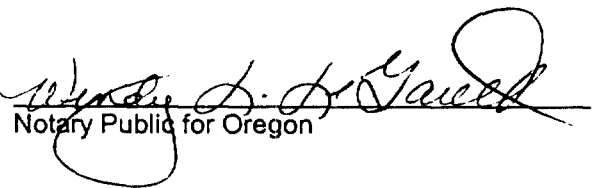
STATE OF OREGON    )  
                                  ) ss.  
County of Marion    )

July 31, 2001.

Personally appeared the above named Thomas E. Knapp and acknowledged the foregoing instrument to be their voluntary act and deed as personal representative of the Kenneth E. Bailey Estate.



Before me:

  
Notary Public for Oregon

State of Oregon, County of Klamath  
Recorded 08/06/01 at 3:24 p m.  
In Vol. M01 Page 39445  
**Linda Smith,**  
County Clerk    Fee\$ 36<sup>00</sup>