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RETURN TO: Andrew C. Brandsness 411 Pine Street Klamath Falls, OR 97601	TAX STATEMENT TO South Valley Bank & Trust P. O. Box 5210 Klamath Falls, OR 97601
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Vol M03 Page 17749

State of Oregon, County of Klamath
Recorded 03/24/2003 3:05 p.m.
Vol M03 Pg 17749 - 52
Linda Smith, County Clerk
Fec \$ 36 # of Pgs 4

mtc
59514

DEED IN LIEU OF FORECLOSURE - NO MERGER

THIS INDENTURE between William L. Rudesill by and through his duly appointed Conservator, Michael O'Brien, hereinafter called Grantor, and South Valley Bank & Trust, an Oregon banking corporation, hereinafter called Grantees:

The premises being conveyed is described in the attached Exhibit "A" situated in Klamath County, Oregon.

Grantor covenants that:

This deed is absolute in effect and conveys fee simple title of the premises described above to grantee and does not operate as a mortgage, trust conveyance, or security of any kind.

Grantor is the owner of the premises free of all encumbrances except the trust deed executed to grantee, dated August 30, 1995, and recorded on September 7, 1995, at Volume M95, page 24151, Microfilm Records of Klamath County, Oregon, and except: The encumbrances set out in the attached Exhibit "B", and the trust deed dated March 24, 1989, and recorded March 24, 1989, in Volume M89, page 4971, Microfilm Records of Klamath County, Oregon, wherein William L. Rudesill is Grantor and Klamath First Federal Savings and Loan Association is Beneficiary, the promissory note secured by said trust deed having a balance not exceeding the amount of \$63,962 as of December 31, 2002; the trust deed dated June 30, 1992, recorded July 7, 1992, in Volume M92, page 14746, Microfilm Records of Klamath County, Oregon, wherein William L. Rudesill is Grantor and Klamath First Federal Savings and Loan Association is Beneficiary, the promissory note secured by said trust deed having a balance not exceeding the amount of \$21,941 as of December 31, 2002; the trust deed dated December 3, 1992, and recorded December 9, 1992, in Volume M92, page 29161, Microfilm Records of Klamath County, Oregon, wherein William L. Rudesill is Grantor and Klamath First Federal Savings and Loan Association is Beneficiary, the promissory note secured by said trust deed having a balance not exceeding the amount of \$19,014 as of December 31, 2002; and the trust deed dated August 20, 1993, and recorded September 2, 1993, in Volume M93, page 22459, Microfilm Records of Klamath County, Oregon, wherein William L. Rudesill is Grantor and Highland Community Federal Credit Union is Beneficiary, the promissory note secured by said trust deed having a balance not exceeding the amount of \$28,402 as of December 31, 2002.

This deed does not effect a merger of the fee ownership and the lien of the trust deed described above. The fee and lien shall hereafter remain separate and distinct.

The consideration of this transfer is debt settlement.

By acceptance of this deed, grantee covenants and agrees that it shall forever forbear taking any action whatsoever to collect against grantor on the promissory note given to secure the trust deed described above, other than by foreclosure of that trust deed and other security held by grantee, and that in any proceeding to foreclose the trust deed it shall not seek, obtain,

or permit a deficiency judgment against grantor, or his heirs or assigns, such rights and remedies being waived.

Grantor waives, surrenders, conveys, and relinquishes any equity of redemption and statutory rights of redemption concerning the real property and trust 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, grantee's agent or attorney, or any other person.

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.

IN WITNESS WHEREOF the Grantors above-named have executed this instrument.

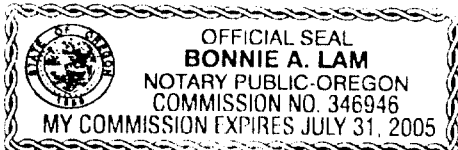
DATED this 13 day of Feb., 2003.

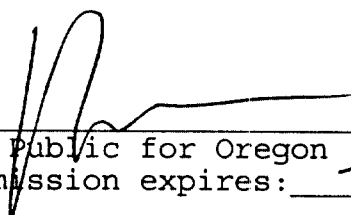


William L. Rudesill by Michael
O'Brien, his Conservator

STATE OF OREGON)
) ss.
County of Klamath)

Personally appeared before me this 13 day of Feb., 2003 the above named Michael O'Brien, as Conservator of William L. Rudesill, and acknowledged the foregoing instrument to be his voluntary act and deed.




Notary Public for Oregon

My Commission expires: 7/31/05

EXHIBIT "A"
LEGAL DESCRIPTION

17751

PARCEL 1:

Lot 47 in Block 1 of FIRST ADDITION TO HARBOR ISLES, TRACT NO. 1252, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 2:

Lots 45 and 46 in Block 1 of FIRST ADDITION TO HARBOR ISLES, TRACT 1252, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

GENERAL EXCEPTIONS:

1. *Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records; proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.*
2. *Easements, liens encumbrances, interests or claims thereof which are not shown by the public records. Any facts, rights, interest, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.*
3. *Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.*
4. *Unpatented mining claims, reservations or exceptions in patents or in acts authorizing the issuance thereof, water rights, claims or title to water, whether or not the matters excepted are shown by public record.*
5. *Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the public records.*

SPECIAL EXCEPTIONS:

6. Rights of the public and of governmental bodies in and to that portion of the premises herein described lying below the high water mark of Klamath Lake and the ownership of the State of Oregon in and to that portion lying below the usually high water mark thereof.
7. Covenants, conditions and restrictions as shown on the recorded plat, as follows:

"(1) All applicable terms set forth in Exhibit B of the Special Ordinance of the City of Klamath Falls, No. 6267; (2) All easements as shown on the annexed plat; (3) The maintenance of the canal, including fresh water input, will be the responsibility of the Homeowners Association and will be accessible for public use, (4) All easement and reservations of record, and (5) Additional restrictions and obligations of membership and assessments in the Harbor Isles Homeowners Association as set forth in the declaration of protective covenants, conditions and restrictions recorded in Volume M86, page 13842, of Deed Records of Klamath County, Oregon."
8. Subject to a 10 foot slope easement over the Northwest lot line as shown on dedicated plat. (Affects Parcel 1)
9. Subject to a 10 foot slope easement over the Northerly lot line as shown on dedicated plat. (Affects Parcel 2)
10. Covenants, conditions and restrictions, but omitting restrictions, if any, based on race, color, religion, sex, handicap, familial status or national origin, imposed by instrument, subject to the terms and provisions thereof,

Recorded: August 6, 1986
 Volume: M86, page 13842, Microfilm Records of Klamath County, Oregon
 (Affects Lots 43 through 71 inclusive of Block 1)

Said covenants, conditions and restrictions were amended by instrument.
 Recorded: August 24, 1987
 Volume: M87, page 15172, Microfilm Records of Klamath County, Oregon

Amendment to Bylaws of Harbor Isles Homeowners Association, subject to the terms and provisions thereof;
 Recorded: August 24, 1987
 Volume: M87, page 15175, Microfilm Records of Klamath County, Oregon

Articles of Amendment of Harbor Isles Homeowners' Association, Inc., a nonprofit corporation, subject to the terms and provisions thereof;
 Recorded: August 24, 1987
 Volume: M87, page 15178, Microfilm Records of Klamath County, Oregon

Revised Declaration of Protective Covenants, Conditions and Restrictions, subject to the terms and provisions thereof;
 Recorded: February 16, 1994
 Volume: M94, page 5169, Microfilm Records of Klamath County, Oregon
11. Liens and assessments of Harbor Isles Homeowners Association, a nonprofit corporation.