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NTC- 61532 NS

TRUST DEED

APPLEGATE DEVELOPMENT CORPORATION
1431 AVALON
KLAMATH FALLS, OR 97603
Grantor
MONTE YOUNG AND MARVIN WILLIAMS

Vol M03 Page 55671

State of Oregon, County of Klamath
Recorded 08/4/2003 3:29 P m
Vol M03 Pg 55671-76
Linda Smith, County Clerk
Fee \$ 46.00 # of Pgs 6

Beneficiary

After recording return to:

AMERITITLE
222 SOUTH SIXTH STREET
KLAMATH FALLS, OR 97601
ESCROW NO. MT61532-MS

TRUST DEED

THIS TRUST DEED, made on JULY 9, 2003, between **APPLEGATE DEVELOPMENT CORPORATION**, as Grantor, **AMERITITLE**, an Oregon Corporation, as Trustee, and **MONTE YOUNG AND MARVIN WILLIAMS**, EACH AS TO AN UNDIVIDED 1/2 INTEREST, as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in **KLAMATH**, Oregon, described as:
SEE EXHIBIT A WHICH IS MADE A PART HEREOF BY THIS REFERENCE

THIS TRUST DEED IS SECOND AND SUBJECT TO A FIRST TRUST DEED OF RECORD IN THE ORIGINAL AMOUNT OF \$250,000.00, IN FAVOR OF **KLAMATH FIRST FEDERAL SAVINGS AND LOAN**

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 the property.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of ****NINETY THOUSAND AND NO/100ths**** Dollars, with interest thereon according to the terms of a promissory note of even date herewith, payable to beneficiary or order and made payable by grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable 12/01/2008.

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 immediately due and payable.

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 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 the 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 buildings now or hereafter erected on 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 \$90,000.00, 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 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 same at grantor's expense. The amount collected under any fire or

NOTE: The Trust Deed Act provides that the Trustee hereunder must be either an attorney, who is an active member of the Oregon State Bar, a bank, trust company, or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real property of this state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 696.505 to 696.585.

46- *an Oregon Corporation

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 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 without notice, and the nonpayment thereof shall, at the option of the beneficiary, render all sums secured by this trust deed immediately due and payable and constitute a breach of this trust deed.

6. To pay all costs, fees and expenses of this trust deed 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 in 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 judgement or decrees 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 such 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 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 (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.

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, time being of the essence with respect to such payment and/or performance, 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, or may direct the trustee to pursue any other right or remedy, either at law or in equity, which the beneficiary may have. In the event the beneficiary elects to foreclose by advertisement and sale, 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.

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, 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. The grantor covenants and agrees to and with the beneficiary and the beneficiary's successor in interest that the grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto and that the grantor will warrant and forever defend the same against all persons whomsoever.

WARNING: Unless grantor provides beneficiary with evidence of insurance coverage as required by the contract or loan agreement between them, beneficiary may purchase insurance at grantor's expense to protect beneficiary's interest. This insurance may, but need not, also protect grantor's interest. If the collateral becomes damaged, the coverage purchased by beneficiary may not pay any claim made by or against grantor. Grantor may later cancel the coverage by providing evidence that grantor has obtained property coverage elsewhere. Grantor is responsible for the cost of any insurance coverage purchased by beneficiary, which cost may be added to grantor's contract or loan balance. If it is so added, the interest rate on the underlying contract or loan will apply to it. The effective date of coverage may be the date grantor's prior coverage lapsed or the date grantor failed to provide proof of coverage. The coverage beneficiary purchases may be considerably more expensive than insurance grantor might otherwise obtain alone and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are:

for an organization, or (even if grantor is a natural person) are for business or commercial 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 mortgage, it is understood that the mortgagor or mortgagee

may be more than one person; that if the context so requires, the singular shall be taken to mean and include the plural and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, said grantor has hereunto set his hand the day and year first above written.

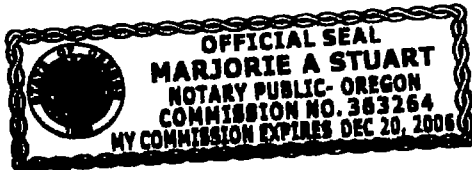
APPLEGATE DEVELOPMENT CORPORATION

BY: *David MacIvor*
DAVID MAC IVOR, DIRECTOR/SHAREHOLDER

BY: *Vince Dutcher*
VINCE DUTCHER, DIRECTOR/SHAREHOLDER

State of Oregon
County of KLAMATH

This instrument was acknowledged before me on 7/16/03 by David MacIvor and Vince Dutcher, as Directors/Shareholders of APPEL GATE DEVELOPMENT CORPORATION.



Marjorie A. Stuart
(Notary Public for Oregon)
My commission expires 12/20/06

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

All of ENTERPRISE TRACT NO. 26, EXCEPT the South 697 feet and EXCEPT the East 260 feet.

All of ENTERPRISE TRACT NO. 31, EXCEPT that portion which is included in the plat of SUNNYLAND.

ALSO EXCEPTING THEREFROM the following 5 parcels of property:

Beginning at the Northeast corner of Lot 9, ELM PARK in Klamath County, Oregon; thence North 0 degrees 53' West 246.95 feet to a point on the South line of a Canal; thence along the South line of said Canal and along the arc of a 714.22 foot radius curve to the left (the chord of which bears North 55 degrees 55' West 93.57 feet) a distance of 93.63 feet; thence South 0 degrees 05' East 300.63 feet to a point on the North line of said Lot; thence North 89 degrees 06' East 80.87 feet to the place of beginning, being situated in the SW1/4 of Section 34, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Beginning on the North line of Lot 9, ELM PARK in Klamath County, Oregon, at a point which is 80.87 feet South 89 degrees 06' West from the Northeast corner of said Lot; thence North 0 degrees 05' West 300.63 feet to a point on the South line of a Canal; thence along the South line of said Canal and along the arc of a 714.22 foot radius curve to the left (the chord of which bears North 65 degrees 25' West 143.05 feet) a distance of 143.29 feet; thence South 0 degrees 05' East 362.19 feet to a point on the North line of said Elm Park; thence North 89 degrees 06' East 130.01 feet to the place of beginning, being situated in the SW1/4 of Section 34, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Beginning on the North line of ELM PARK in Klamath County, Oregon, at a point which is 210.88 feet South 89 degrees 06' West from the Northeast corner of Lot 9, ELM PARK; thence South 89 degrees 06' West 170.52 feet to a point; thence North 0 degrees 05' West 400.59 feet to a point on the South line of a Canal; thence along the South line of said Canal and along the arc of a 714.22 foot radius curve to the left to a point which is North 0 degrees 05' West 362.19 feet from the point of beginning; thence South 0 degrees 05' East 362.19 feet to the place of beginning, being situated in the SW1/4 of Section 34, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Commencing at the Northeast corner of Lot 37, Enterprise Tracts, Klamath County, Oregon; thence South 0 degrees 15' 30" East, along the centerline of Avalon Street, 355.75 feet; thence South 56 degrees 38' 10" East, 36.03 feet to a point on the East Boundary of said street for the true point of beginning; thence South 56 degrees 38' 10" East, 108.05 feet; thence South 73 degrees 31' 10" East, 41.51 feet; thence North 79 degrees 52' East, 103.20 feet; thence North 70 degrees 29' 20" East, 154.58 feet; thence North 89 degrees 25' 40" East, 82.78 feet; thence North 1 degrees 24' 20" West, 31.01 feet; thence North 89 degrees 25' 40" East, 50.00 feet; thence North 134.58 feet, to the Southwesterly boundary of the U.S.R.S. "A" Canal; thence along said canal boundary North 81 degrees 17' West, 23.93 feet; thence 299.22 feet along the arc of a curve right (which arc has a radius of 433.10 feet and a long chord of North 61 degrees 29' 30" West 293.30 feet); thence North 41 degrees 42' West, 183.35 feet to the Southeasterly boundary of Eberlein Avenue; thence along said boundary South 47 degrees 52' 54" 30" West, 144.93 feet to the East boundary of Avalon Street; thence along said boundary South 0 degrees 15' 30" East, 348.87 feet to the true point of beginning.

A Parcel of land, situated in Tract 31 Enterprise Tracts, in Klamath County, Oregon; being more particularly described as follows:

(Legal description continued)

Beginning at a 1/2" rebar marking the Northwest corner of Block 1, Sunnyland Subdivision, said point also being on the Easterly right-of-way line of Avalon Street; thence North 00 degrees 15' 30" West 237.85 feet, along the Easterly right-of-way line of Avalon Street, to a 1/2" rebar; thence South 56 degrees 38' 10" East 99.79 feet to a 1/2" rebar; thence South 73 degrees 31' 10" East, 47.66 feet to a 1/2" rebar; thence North 79 degrees 52' 00" East, 108.29 feet to a 1/2" rebar; thence North 70 degrees 29' 20" East, 50.00 feet to a 1/2" rebar; thence South 89 degrees 24' 00" East 54.07 feet to a 1/2" rebar; thence South 00 degrees 11' 48" East, 183.24 feet to a 1/2" rebar; thence South 89 degrees 45' 30" West, 20.00 feet to a 1/2" rebar; thence South 00 degrees 11' 48" East, 20.00 feet to a 1/2" rebar on the Northerly boundary of Sunnyland Subdivision; thence South 89 degrees 45' 30" West, 316.48 feet, along the Northerly boundary of Sunnyland Subdivision to the place of beginning.

PARCEL 2:

Beginning at a point on the Northerly boundary of SUNNYLAND SUBDIVISION being North 89 degrees 45' 30" East 316.48 feet from the Northwest corner of Block 1 of said Subdivision and being the Southeast corner of that tract of land described in Deed Volume M80, page 18,566 of the Klamath County Deed Records; thence South 89 ° 45'30" West, along said Northerly boundary, 15.00 feet; thence along the arc of a curve to the right (radius point bears North 89 degrees 45' 30" East 35.00 feet and central angle equals 90 degrees 02'42") 55.01 feet to a point on the East line of said Deed Volume; thence along the boundaries of said Deed Volume South 00 ° 11' 48" East 15.00 feet, South 89 degrees 45' 30" West 20.00 feet and South 00 degrees 11' 48" East 20.00 feet to the point of beginning with bearings based on recorded Survey No. 2954.