

State of Oregon, County of Klamath
 Recorded 05/26/2004 3:11 p m
 Vol M04 Pg 33812-15
 Linda Smith, County Clerk
 Fee \$ 36.00 # of Pgs 4

1st 378793

Until a change is requested all tax statements shall be sent to
 the following address.

SPACE ABOVE FOR RECORDERS USE

WHEN RECORDED MAIL TO:

GATEWAY BUSINESS BANK, DBA MISSION HILLS MORTGAGE BANKERS
3709 CITATION WAY, SUITE 102
MEDFORD, OREGON 97504

DOC ID #: 140800112

ESCROW/CLOSING #:

Tax Account Number 3909-12cb-4600

TRUST DEED

(LINE OF CREDIT TRUST DEED)

CHL #:

MIN 100071200000220671

THIS TRUST DEED, dated MAY 24, 2004, is between
 Glenn Eric Peterson and Rashell E. Peterson, as tenants by the entirety

residing at 3915 Grenada Way, Klamath Falls, OREGON 97603

the person or persons signing as "Grantor(s)" below and hereinafter referred to as "we" or "us" and
 First American Title Company of Oregon

as trustee and hereinafter referred to as the "Trustee," with an address at

for the benefit of "Mortgage Electronic Registration Systems, Inc. ("MERS") (solely as nominee for
GATEWAY BUSINESS BANK, DBA MISSION HILLS MORTGAGE BANKERS

(hereinafter "you" or "Lender") and Lender's successors and assigns)," with an address at P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS, referred to as the "Beneficiary."

Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Deed of Trust; but, if necessary to comply with law or custom, MERS, (as nominee for Lender and Lender's successors and assigns), has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Premises; and to take any action required of Lender including, but not limited to, releasing or canceling this Deed of Trust.

PREMISES: In consideration of the loan hereinafter described, we hereby mortgage, grant and convey to the Trustee the premises located at:

3915 Grenada Way

Klamath Falls	Street	OREGON	97603	(the "Premises").
Municipality	Klamath	State	ZIP	
and further described as:	County			

Lot 4 in block 4 of first addition to Sunset Village, according to the official plat thereof on file in the office of the county clerk of Klamath County, Oregon.

The Premises includes all buildings and other improvements now or in the future on the Premises and all rights and interests which derive from our ownership, use or possession of the Premises and all appurtenances thereto.

TERM: The maximum term of the Note is 30 years, including any renewals or extensions thereof.

LOAN: The Trust Deed will secure your loan in the principal amount of \$ 22,275.00 or so much thereof as may be advanced and readvanced from time to time to
 Glenn Eric Peterson
 Rashell E. Peterson

the Borrower(s) under the Home Equity Credit Line Agreement And Disclosure Statement (the "Note") dated **MAY 24, 2004**, plus interest and costs, late charges and all other charges related to the loan, all of which sums are repayable according to the Note. This Trust Deed will also secure the performance of all of the promises and agreements made by us and each Borrower and Co-Signer in the Note, all of our promises and agreements in this Trust Deed, any extensions, renewals, amendments, supplements and other modifications of the Note, and any amounts advanced by you under the terms of the section of this Trust Deed entitled "Our Authority To You." Loans under the Note may be made, repaid and remade from time to time in accordance with the terms of the Note and subject to the Credit Limit set forth in the Note.

OWNERSHIP: We are the sole owner(s) of the Premises. We have the legal right to mortgage, grant and convey the Premises to the Trustee.

BORROWER'S IMPORTANT OBLIGATIONS:

(a) **PAYMENT AND PERFORMANCE:** We will pay to you all amounts secured by this Trust Deed as they become due, and shall strictly perform our obligations.

(b) **TAXES:** We will pay all real estate taxes, assessments, water charges and sewer rents relating to the Premises when they become due. We will not claim any credit on, or make deduction from, the loan under the Note because we pay these taxes and charges. We will provide you with proof of payment upon request.

(c) **MAINTENANCE:** We will maintain the building(s) on the Premises in good condition. We will not make major changes in the building(s) except for normal repairs. We will not tear down any of the building(s) on the Premises without first getting your consent. (We will not conduct or permit any nuisance or waste on or to the Premises.) We will not use the Premises illegally. If this Trust Deed is on a unit in a condominium or a planned unit development, we shall perform all of our obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development and constituent documents.

(d) **INSURANCE:** We will keep the building(s) on the Premises insured at all times against loss by fire, flood and any other hazards you may specify. We may choose the insurance company, but our choice is subject to your reasonable approval. The policies must be for at least the amounts and the time periods that you specify. We will deliver to you upon your request the policies or other proof of the insurance. The policies must name you as "mortgagee" and "loss-payee" so that you will receive payment on all insurance claims, to the extent of your interest under this Trust Deed, before we do. The insurance policies must also provide that you be given not less than 10 days prior written notice of any cancellation or reduction in coverage, for any reason. Upon request, we shall deliver the policies, certificates or other evidence of insurance to you. In the event of loss or damage to the Premises, we will immediately notify you in writing and file a proof of loss with the insurer. You may file a proof of loss on our behalf if we fail or refuse to do so. You may also sign our name to any check, draft or other order for the payment of insurance proceeds in the event of loss or damage to the Premises. If you receive payment of a claim, you will have the right to choose to use the money either to repair the Premises or to reduce the amount owing on the Note.

(e) **CONDEMNATION:** We assign to you the proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Premises, or part thereof, or for conveyance in lieu of condemnation, all of which shall be paid to you, subject to the terms of any Prior Trust Deed or Deed of Trust.

(f) **GOVERNMENTAL REQUIREMENTS:** We will comply with all laws, ordinances and regulations applicable to the use or occupancy of the Premises.

(g) **SECURITY INTEREST:** We will join with you in signing and filing documents and, at our expense, in doing whatever you believe is necessary to perfect and continue the perfection of your lien and security interest in the Premises.

(h) OUR AUTHORITY TO YOU: If we fail to perform our obligations under this Trust Deed, you may, if you choose, perform our obligations and pay such costs and expenses. You will add the amounts you advance to the sums owing on the Note, on which you will charge interest at the interest rate set forth in the Note. If, for example, we fail to honor our promises to maintain insurance in effect, or to pay filing fees, taxes or the costs necessary to keep the Premises in good condition and repair or to perform any of our other agreements with you, you may, if you choose, advance any sums to satisfy any of our agreements with you and charge us interest on such advances at the interest rate set forth in the Note. This Trust Deed secures all such advances. Your payments on our behalf will not cure our failure to perform our promises in this Trust Deed. Any replacement insurance that you obtain to cover loss or damages to the Premises may be limited to the amount owing on the Note plus the amount of any Prior Trust Deed or Deeds of Trust.

(i) PRIOR TRUST DEED OR DEED OF TRUST: If the provisions of this paragraph are completed, this Trust Deed is subject and subordinate to a Prior Trust Deed dated **MAY 24, 2004** and given by us for the benefit of **Countrywide**

as beneficiary, in the original amount of \$ **118,000.00** (the "Prior Trust Deed or Deed of Trust"). We shall not increase, amend or modify the Prior Deed of Trust without your prior written consent and shall upon receipt of any written notice from the holder of the Prior Deed of Trust promptly deliver a copy of such notice to you. We shall pay and perform all of our obligations under the Prior Deed of Trust as and when required under the Prior Deed of Trust.

(j) HAZARDOUS SUBSTANCES: We shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Premises. We shall not do, nor allow anyone else to do, anything affecting the Premises that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Premises of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Premises. As used in this paragraph, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph, "Environmental Law" means federal laws and laws of the jurisdiction where the Premises are located that relate to health, safety or environmental protection.

(k) SALE OF PREMISES: We will not sell, transfer ownership of, mortgage or otherwise dispose of our interest in the Premises, in whole or in part, or permit any other lien or claim against the Premises without your prior written consent.

(l) INSPECTION: We will permit you to inspect the Premises at any reasonable time.

NO LOSS OF RIGHTS: The Note and this Trust Deed may be negotiated or assigned by you without releasing us or the Premises. You may add or release any person or property obligated under the Note and this Trust Deed without losing your rights in the Premises.

DEFAULT: Except as may be prohibited by applicable law, and subject to any advance notice and cure period if required by applicable law, if any event or condition described in Paragraph 12.A. of the Note occurs, the Trustee may foreclose upon this Trust Deed by notice and sale or you may foreclose judicially, in either case in accordance with and to the extent provided by law. You may bid at any public sale on all or any portion of the property. In addition, you or the Trustee may, in accordance with applicable law, (i) enter on and take possession of the Premises; (ii) collect the rental payments, including over-due rental payments, directly from tenants; (iii) manage the Premises; and (iv) sign, cancel and change leases. We agree that the interest rate set forth in the Note will continue before and after a default, entry of a judgment and foreclosure or public sale. In addition, you shall be entitled to collect all reasonable fees and costs actually incurred by you in proceeding to foreclosure or to public sale, including, but not limited to, trustee's fees, reasonable attorneys' fees (whether or not there is a judicial proceeding) and costs of documentary evidence, abstracts and title reports.

ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER: As additional security, we assign to you the rents of the Premises. You or a receiver appointed by the courts shall be entitled to enter upon, take possession of and manage the Premises and collect the rents of the Premises including those past due.

WAIVERS: To the extent permitted by applicable law, we waive and release any error or defects in proceedings to enforce this Deed of Trust and hereby waive the benefit of any present or future laws providing for stay of execution, extension of time, exemption from attachment, levy and sale and homestead exemption.

BINDING EFFECT: Each of us shall be fully responsible for all of the promises and agreements in this Trust Deed. Until the Note has been paid in full and your obligation to make further advances under the Note has been terminated, the provisions of this Trust Deed will be binding on us, our legal representatives, our heirs and all future owners of the Premises. This Trust Deed is for your benefit and for the benefit of anyone to whom you may assign it. Upon payment in full of all amounts owing to you under the Note and this Trust Deed, and provided any obligation to make further advances under the Note has terminated, this Trust Deed and your rights in the Premises shall end.

NOTICE: Except for any notice required under applicable law to be given in another manner, (a) any notice to us provided for in this Trust Deed shall be given by delivering it or by mailing such notice by regular first class mail addressed to us at the last address appearing in your records or at such other address as we may designate by notice to you as provided herein, and (b) any notice to you shall be given by certified mail, return receipt requested, to your address at **3709 CITATION WAY, SUITE 102, MEDFORD, OREGON 97504**

or to such other address as you may designate by notice to us. Any notice provided for in this Trust Deed shall be deemed to have been given to us or you when given in the manner designated herein.

RELEASE: Upon payment of all sums secured by this Trust Deed and provided your obligation to make further advances under the Note has terminated, the Trustee shall discharge this Trust Deed without charge to us, except that we shall pay any fees for recording of a reconveyance of this Trust Deed.

SEVERABILITY: If any provision in this Trust Deed is held invalid or unenforceable, the remaining provisions shall continue in full force and effect.

GENERAL: You (or the Trustee) can waive or delay enforcing any of your rights under this Trust Deed without losing them. Any waiver by you of any provisions of this Trust Deed will not be a waiver of that or any other provision on any other occasion.

SUBSTITUTE TRUSTEE: Beneficiary may, from time to time, appoint a successor trustee by an instrument executed and acknowledged by Beneficiary and recorded in the county in which this Trust Deed is recorded, and upon such recordation the successor trustee shall become vested with the same powers, rights, duties and authority of the Trustee with the same effect as if originally made Trustee hereunder.

MERGER: There shall be no merger of the interest or estate created by this Trust Deed with any other estate or interest in the Premises at any time held by you or for your benefit without your written consent.

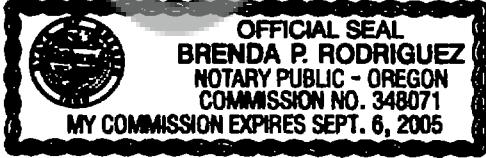
THIS TRUST DEED has been signed by each of us under seal on the date first above written.

 (SEAL)

Rachel B. Peterson (SEAL)

Grantor: _____ (SEAB)

Grantor: _____ (SEAL)



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