WTC - 65368

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After recording return to:

AmeriTitle

AmeriTitle, Inc.
P.O. Box 1609
Roseburg, OR 97470

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

RANDALL S. SEVERSON
PO Box 54
Crescent, OR 97733

This space reserved for recorder's use

Vol M04 Page 51647

State of Oregon, County of Klamath
Recorded 08/06/04 10:51 a m
Vol M04 Pg 51647-51
Linda Smith, County Clerk
Fee $ 41.00 # of Pgs 5

SECOND TRUST DEED
(Restrictions on Assignment)

THIS TRUST DEED, made August 6, 2004, between **RANDALL S. SEVERSON**, as **Grantor,** whose address is: 136740 Hwy 97 N., Crescent, OR 97733 AmeriTitle, Inc., as **Trustee**, and **CHARLES B. O'NEAL and JEANNE R. O'NEAL, husband and wife, or the survivor thereof**, as **Beneficiary**, whose address is: 37780 Coral Burst ST, Sandy, OR 97053

WITNESSETH:

Grantor irrevocably grants, bargains, sells, and conveys to trustee in trust, with power of sale, the property in KLAMATH County, Oregon, described as: SEE ATTACHED EXHIBIT "A"

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 **TWO HUNDRED THOUSAND and 00/100** Dollars, with interest thereon according to the terms of a 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 August 6, 2009.

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 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 buildings 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 FULL INSURABLE VALUE 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 of 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

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.

41.00 am

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 convenants 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 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 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 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 cost and expenses and attorney's fee, 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 of 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 of 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 an 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 those claiming under him, that he is lawfully seized in fee simple of said described real property and has a valid, unencumbered title thereto except TRUST DEED recorded as Instrument No. M04-51643, Deed Records of Klamath County, Oregon

and that he will warrant and forever defend the same against all persons whomsoever.

A default of the trust deed disclosed above shall constitute a default thereunder. Beneficiary hereunder has the right to, at its opinion, advance funds or perform any act necessary to remedy said default. Any funds so advanced shall be added to the balance due beneficiary under this trust deed and note at the option of beneficiary.

Also this trust deed is intended to secure all future loans or advances that may be made during the time this obligation is outstanding, also any advances made in accordance with the covenants of this agreement to protect collateral. Any such advances shall bear interest from the date made at the rate set forth in the note described above.

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.

Grantor herein agrees to maintain the care and condition of the property secured by this debt in such a manner which meets the AAA motel rating standards.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are (Choose one):*

(a) for an organization, or (even if grantor is a natural person) are for business or commercial purposes.

This deed applies to, insures 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 his hand the day and year first above written.

Randall S. Severson

RANDALL S. SEVERSON

STATE OF OREGON
County of Douglas } ss

This instrument was acknowledged before me on August 2, 2004
by **RANDALL S. SEVERSON**

OFFICIAL SEAL
TERRI JO MORGAN
NOTARY PUBLIC-OREGON
COMMISSION NO. 362177
MY COMMISSION EXPIRES DECEMBER 19, 2006

Terri Jo Morgan

Notary Public for Oregon

My commission expires 12-19-06

Do not lose or destroy this Trust Deed OR THE NOTE which it secures. Both must be delivered to the trustee for cancellation before reconveyance will be made.

EXHIBIT "A"
LEGAL DESCRIPTION

A tract of land situated in the ORIGINAL TOWN OF CRESCENT, Oregon, being a portion of the NE1/4 SW1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon and being all, or a portion of those parcels conveyed to Douglas E. Stumbaugh and Billie Jean Stumbaugh, husband and wife, by Deed Volumes M70, page 8697, M72, page 7232 and M74, page 6948, Microfilm Records of Klamath County, Oregon, said tract being more particularly described as follows:

Beginning at a point on the Northwesterly right-of-way line of the Dalles-California Highway (U.S. #97), as the same is presently located and constructed, which bears Northeasterly along said right-of-way a distance of 485.0 feet from its intersection with the Northeasterly line of Ward Street in said TOWN OF CRESCENT, said beginning point being the most Southerly corner of Parcel 2 in Deed Volume M70, page 8697, Microfilm Records of Klamath County, Oregon; thence continuing Northeasterly along said Highway right-of-way a distance of 205.0 feet to a point, said point being Southwesterly along said Highway right-of-way a distance of 30.0 feet from the most Easterly corner of Parcel described in Deed Volume M74, page 6948, Microfilm Records of Klamath County, Oregon; thence Northwesterly at right angles to said Highway a distance of 255.0 feet to the Southeasterly line of Riverview Street in said TOWN OF CRESCENT; thence Southwesterly along said Southeasterly line a distance of 205.0 feet to the most Westerly corner of Parcel described in Deed Volume M72, page 7232, Microfilm Records of Klamath County, Oregon; thence Southeasterly at right angles to said Highway a distance of 255.0 feet, more or less, to the point of beginning.

Account No.: 2409-030CA-00800-000 Key No.: 820017

51651

AmeriTitle

Subordination Agreement

(Seller Loan in Second Position)
(Attach to Seller's Trust Deed)

THIS AGREEMENT, Made and entered into this 6th day of AUGUST, 2004, by and between CHARLES B. O'NEAL and JEANNE R. O'NEAL, hereinafter called seller, and **RANDALL S. SEVERSON**, hereinafter called buyer, and **KIM EDWIN NEWMAN and CONNIE LOU NEWMAN**, hereinafter called lender.

WITNESSETH: Seller as Members of their LLC have sold to buyer the land described in the trust deed to which this agreement is attached and lender has loaned funds to buyer in the amount of **$350,000.00**, for said purchase. To induce lender to make the loan, seller heretofore agreed and consented to subordinate seller's lien created by the attached trust deed to lender's lien.

NOW THEREFORE, for value received and for the purpose of inducing lender to make the loan aforesaid, seller, for seller and seller's successors, hereby covenants, consents and agrees to and with lender and lender's successors, that seller's lien on said property is and shall always be subject and subordinate to the lien delivered to lender, as aforesaid, and that lender's lien in all respects shall be first, prior and superior to the lien of seller.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair seller's lien, except as hereinabove expressly set forth.

In construing this agreement and where the context requires, the singular includes the plural and all grammatical changes shall be applied to cause this agreement to apply to any legal entity.

IN WITNESS WHEREOF, seller has executed this agreement, and if seller is a legal entity other than an individual, the seller has caused this agreement to be signed by an officer, partner, member or other person duly authorized to do so.

Charles B. O'Neal
CHARLES B. O'NEAL

Jeanne R. O'Neal
JEANNE R. O'NEAL

STATE OF OREGON, County of Deschutes) ss.

This agreement was acknowledged before me on July 29, 2004, by CHARLES B. O'NEAL and JEANNE R. O'NEAL.

OFFICIAL SEAL
GLORIA J KANGAS
NOTARY PUBLIC-OREGON
COMMISSION NO. 349641
MY COMMISSION EXPIRES NOV. 17, 2005

Gloria J. Kangas
Notary Public for Oregon
My commission expires: NOV. 17, 2005