

Recording Requested By:

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Klamath County, Oregon

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AFTER RECORDING RETURN TO:
C.N. SMITH
P.O. BOX 3302
JACKSONVILLE, OREGON 97530

TRUST DEED
(BALLOON PAYMENT)
(CONSENT REQUIRED)

THIS TRUST DEED MADE SEPTEMBER 14, 2005 BETWEEN AARON J. LACEY AND JAMIE LACEY, AS TENANTS BY THE ENTIRETY, AS GRANTORS, TICOR TITLE COMPANY OF OREGON, AS TRUSTEE AND CAROL SMITH, TRUSTEE OF THE CAROL NINA WARFEL SMITH REVOCABLE TRUST, AS BENEFICIARY

WITNESSETH:

GRANTORS IRREVOCABLY CONVEY TO TRUSTEE IN TRUST, WITH POWER OF SALE, THE PROPERTY IN KLAMATH COUNTY, STATE OF OREGON, DESCRIBED AS FOLLOWS:

LOTS 1,2,3, and 4, Block 56, LAKEVIEW ADDITION TO THE CITY OF KLAMATH FALLS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Real Property Tax Account No; 3809-029BA-02600000
A.K.A. NHN HAWTHORNE STREET, KLAMATH FALLS, OREGON

TOGETHER WITH ALL 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 APPERTAINING, AND THE RENTS, ISSUES AND PROFITS THRREROF AND ALL FIXTURES NOW OR HEREAFTER ATTACHED TO BE USED IN CONNECTION WITH THE PROPERTY.

FOR THE PURPOSE OF SECURING - PERFORMANCE OF EACH AGREEMENT OF GRANTORS herein contained and payment of the sum of **FOUR HUNDRED THIRTY THOUSAND DOLLARS (\$430,000.00)** with interest thereon according to the terms of a 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 **OCTOBER 1, 2007.**

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of the note becomes due and payable. Should the grantors sell, convey, or assign all (or any part) of the property, of all (or any part) of grantors' interest in it without first obtaining 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. The execution by grantors of an earnest money agreement does not constitute a sale, conveyance or assignment.

To protect the security subject to this trust deed, grantor agrees:

1. To maintain said property in good condition and repair, not to remove or demolish any building or improvement thereof, not to commit or permit any waste of said property.
2. To complete or restore promptly and in good and habitable condition 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.

3000

4. To provide and continuously maintain insurance on the buildings, now or hereafter erected on the property against loss or damage by fire and such other hazards as the beneficiary may from time to time require, in an amount not less

*WARNING 12USC 1701j3 regulates and may prohibit exercise of this option.

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 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 grantors 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 hereunder or invalidate any act done pursuant to such notice.

5. To keep the property 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 sure 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 herein before 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 the trust deed.

6. to pay all costs, fees and expenses of the 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 of powers of beneficiary or trustee; and in any suit, action or proceedings 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 the 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 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.

8. **It is mutually agreed that:** in the event that any portion or all of the 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 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 from 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. Upon any default by grantor hereunder, beneficiary may at any time without notice, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any such 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 rents, issues and profits, including those past due and unpaid, and apply the same, less cost and expenses of operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as beneficiary may determine.

10. 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.

11. 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 event the beneficiary may elect 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 a written notice of default and election to sell the property to satisfy the

obligation secured hereby and whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceeds to foreclose this trust deed in the manner provided in ORS 86.735 to 86.795.

12. 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 be due had no default occurred. Any other default that is capable of being cured may be cured by tending 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.

13. 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, expressed 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.

14. When trustee sells pursuant to the powers herein, trustee shall apply the proceeds of sale to payment of (1) the expense 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 his successor in interest entitled to such surplus.

15. Beneficiary may from time to time appoint a successor or successors to any trustee names herein or to any successor trustee appointed hereunder. Upon such appointments, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named. 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 appointment of the successor 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, except as may be set forth herein or in an addendum or exhibit attached hereto, and that the grantor will warrant and forever defend the same against all persons whomsoever.

Taxes, easements, covenants, conditions, restrictions, setback lines of record, if any.

NONE

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 the Grantor's prior coverage lapsed or the date the 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 primarily for the grantor's personal family or 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 pledge, of the contract secured hereby, whether or not named as a beneficiary herein.

In construing this trust deed, it is understood that the grantor, trustee, and/or beneficiary may each 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 corporation and to individuals **IN**

WITNESS WHEREOF, said grantors have executed this instrument the day and year signed below.

Dated September 15, 2005

[Signature]
AARON J. LACEY

Jamie Lacey
JAMIE LACEY

State of Oregon, County of Jackson)//SS.

Personally appeared the above named and acknowledged the forgoing instrument to be their voluntary act and deed.

Before me:

[Signature]
Notary Public for Oregon

My commission Expires 10-3-07
(SEAL)

