

96001

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Aspen 33063
SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST

DATED: January 10, 1989

BETWEEN: Hershel B. Knotts and Nancy E. Knotts ("Trustor," hereinafter "Grantor,")

whose address is HC 61 Box 1064, LaPine, Oregon 97739

AND: Wood Products Credit Union Beneficiary ("Credit Union,")

whose address is 1143 N. E. 4th Street, Bend, Oregon 97701 ("Trustee.")

AND: Aspen Title & Escrow, Inc. - Klamath Falls, Oregon

Grantor conveys to Trustee for benefit of Credit Union as beneficiary all of Grantor's right, title, and interest in and to the following described real property (the Real "Property"), together with all existing or subsequently erected or affixed improvements or fixtures.

(Check one of the following.)

- ☒ This Deed of Trust is part of the collateral for the Note. In addition, other collateral also may secure the Note.
- ☐ This Deed of Trust is the sole collateral for the Note.

Lots 1 and 2, Block 6, ANTELOPE MEADOWS, THIRD ADDITION, in the
County of Klamath, State of Oregon.

Including 1972 Broadmore 12' X 60' Mobilehome, serial #1060,
Klamath County # M 104138.

Grantor presently assigns to Credit Union (also known as Beneficiary and Secured Noteholder) all of Grantor's right, title, and interest in and to all rents, revenues, income, issues, and profits (the "Income") from the Real Property described above.

Grantor grants Credit Union a Uniform Commercial Code security interest in the Income and in all equipment, fixtures, furnishings, and other articles of personal property owned by Grantor, new or subsequently attached or affixed to the Real Property described above, together with all accessions, parts, or additions to, all replacements of and all substitutions for any of such property, and together with all proceeds (including insurance proceeds and refund of premium) from any sale or other disposition (the "Personal Property"). The Real Property and the Personal Property are collectively referred to as the "Property."

(Check if Applies)

- ☒ There is a mobile home on the Real Property, which is covered by this security instrument, and which is and shall remain:

(Please check which is applicable)

- ☐ Personal Property
- ☒ Real Property

Grantor has borrowed from Credit Union, has guaranteed to Credit Union, or otherwise has agreed to provide the Property as collateral for a debt to Credit Union in the maximum principal amount at any one time of \$ 39,000.00. This amount is repayable with interest in accordance with the terms of a promissory note or other credit agreement given to evidence the debt, dated January 10, 1989, due not later than ten years from the date executed unless otherwise indicated.

The term "Indebtedness" as used in this Deed of Trust, shall mean the debt to Credit Union described above, including interest thereon as described in the note or credit agreement, plus (a) any amounts expended or advanced by Credit Union to discharge Grantor's obligations hereunder, and (b) any expenses incurred by Credit Union or Trustee to enforce Grantor's obligations hereunder, with interest thereon at the Note rate.

The promissory note or other credit agreement describing the repayment terms of the Indebtedness, and any notes, agreements, or documents given to renew, extend or substitute for the promissory note or credit agreement originally issued is referred to as "the Note." The rate of interest on the Note is subject to indexing, adjustment, renewal, or renegotiation. The term "Borrower" is used in the Deed of Trust for the convenience of the parties, and use of that term shall not affect the liability of any such Borrower on the Note or create any legal or equitable interest in the Property in Borrower by reason of this Deed of Trust. Any Borrower who cosigns this Deed of Trust, but does not execute the Note: (a) is cosigning this Deed of Trust only to grant and convey that Borrower's interest in the Property to Trustee under the terms of this Deed of Trust; (b) is not personally liable under the Note except as otherwise provided by law or contract; and (c) agrees that Credit Union and any other borrower hereunder may agree to extend, modify, forbear, release any collateral, or make any other accommodations or amendments with regard to the terms of this Deed of Trust or the Note, without notice to that Borrower, without that Borrower's consent and without releasing that Borrower or modifying this Deed of Trust as to that Borrower's interest in the Property.

This Deed of Trust secures (check if applicable):

- ☒ **Revolving Line of Credit.** A revolving line of credit which obligates Credit Union to make advances to Grantor until the credit agreement is terminated, so long as Grantor complies with the terms of the credit agreement and this Deed of Trust. Funds may be advanced by Beneficiary, repaid by Grantor, and subsequently readvanced by Beneficiary. Notwithstanding the amount outstanding at any particular time, this Deed of Trust secures the total amount of the Note that is shown above. The unpaid balance of the revolving line of credit under the Note may at certain times be zero. A zero balance does not affect the Beneficiary's agreement to advance to the Grantor. Therefore, the interest of Beneficiary under this Deed of Trust will remain in full force and effect notwithstanding a zero balance on the Note. Any principal advance under the line of credit that exceeds the amount completed above as the principal of the Note will not be secured by this Deed of Trust.
- ☐ **Promissory Note.** A note under which the final payment of principal and interest will be due on or before _____.
- ☐ **Future Advances.** Indebtedness includes all loans of Beneficiary to Grantor, whether now existing or made later. This includes future loans in addition to the Note principal, up to a limit of \$ _____ . However, no loan that would require providing a right of rescission being given to Grantor shall be secured by this Deed of Trust unless a right of rescission is in fact given to Grantor.

This Deed of Trust including the assignment of income and the security interest is given to secure payment of the Indebtedness and performance of all Grantor's obligations under this Deed of Trust and the Note and is given and accepted under the following terms:

1. **Rights and Obligations of Borrower.** Borrower/Grantor has various rights and obligations under this Deed of Trust. These rights and responsibilities are set forth in the following paragraphs: 1.1. Payments and Performance; 2. Possession and Maintenance of Property; 3. Taxes and Liens; 4. Property Damage Insurance; 5. Expenditure by Credit Union; 7. Condemnation; 8.2. Remedies; 10.1. Consent by Credit Union; 10.3. Effect of Consent; 11. Security Agreement, Financing Statements; 14. Consequences of Default; 14.5. Attorneys Fees and Expenses; 16.2. Unit Ownership Power of Attorney; 16.3. Annual Reports; 16.5. Joint and Several Liability; 16.8. Waiver of Homestead Exemption, and 17.3. No Modifications.
- 1.1 **Payment and Performance.** Grantor shall pay to Credit Union all amounts secured by this Deed of Trust as they become due, and shall strictly perform all of Grantor's obligations.
- 2.1 **Possession and Maintenance of the Property.**
- 2.2 **Possession.** Until in default, Grantor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.
- 2.3 **Duty to Maintain.** Grantor shall maintain the Property in first class condition and promptly perform all repairs and maintenance necessary to preserve its value.
- 2.4 **Nuisance, Waste.** Grantor shall neither conduct or permit any nuisance nor commit or suffer any strip or waste on or to the Property or any portion thereof including without limitation removal or alienation by Grantor of the right to remove any timber, minerals (including oil and gas), or gravel or rock products.
- 2.4 **Removal of Improvements.** Grantor shall not demolish or remove any improvements from the Real Property without the prior written consent of Credit Union. Credit Union shall consent if Grantor makes arrangements satisfactory to Credit Union to replace any improvement which Grantor proposes to remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures, and parking facilities.
- 2.5 **Credit Union's Right to Enter.** Credit Union, its agents and representatives, may enter upon the Property at all reasonable times to attend to Credit Union's interest and to inspect the Property.
- 2.6 **Compliance with Governmental Requirements.** Grantor shall promptly comply with all laws, ordinances, and regulations of all governmental authorities applicable to the use or occupancy of the Property. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Credit Union in writing prior to doing so and Credit Union's interest in the Property is not jeopardized. Credit Union may require Grantor to post adequate security (reasonably satisfactory to Credit Union) to protect Credit Union's interest.
- 2.7 **Duty of Protect.** Grantor shall do all other acts, in addition to those set forth in this section, that from the character and use of the Property are reasonably necessary to protect and preserve the security.

2.8 Construction Loan. If some or all of the proceeds of the loan creating the Indebtedness are to be used to construct or complete construction of any improvement on the Property, the improvement shall be completed within six months from the date of this Deed of Trust and Grantor shall pay in full all costs and expenses in connection with the work.

3. Taxes and Liens.

3.1 Payment. Grantor shall pay when due before they become delinquent all taxes and assessments levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Credit Union under this Deed of Trust, except for the lien of taxes and assessments not due, except for the prior indebtedness referred to in Section 17, and except as otherwise provided in Subsection 3.2.

3.2 Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Credit Union's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within 15 days after the lien arises or, if a lien is filed, within 15 days after Grantor has notice of the filing, secure the discharge of the lien or deposit with Credit Union, cash or a sufficient corporate surety bond or other security satisfactory to Credit Union in an amount sufficient to discharge the lien plus any costs, attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien.

3.3 Evidence of Payment. Grantor shall upon demand furnish to Credit Union evidence of payment of the taxes or assessments and shall authorize the appropriate county official to deliver to Credit Union at any time a written statement of the taxes and assessments against the Property.

3.4 Notice of Construction. Grantor shall notify Credit Union at least 15 days before any work is commenced. Any services are furnished, or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services, or materials, and the cost exceeds \$5,000 (if the Property is used for nonresidential or commercial purposes) or \$1,000 (if the Property is used as a residence). Grantor will on request furnish to Credit Union advance assurances satisfactory to Credit Union that Grantor can and will pay the cost of such improvements.

3.5 Tax Reserves. Subject to any limitations set by applicable law, Credit Union may require Borrower to maintain with Credit Union reserves for payment of taxes and assessments, which reserves shall be created by advance payment or monthly payments of a sum estimated by Credit Union to be sufficient to produce, at least 15 days before due, amounts at least equal to the taxes and assessments to be paid. If 15 days before payment is due the reserve funds are insufficient, Borrower shall upon demand pay any deficiency to Credit Union. The reserve funds shall be held by Credit Union as a general deposit from Borrower and shall constitute a non-interest bearing debt from Credit Union to Borrower, which Credit Union may satisfy by payment of the taxes and assessments required to be paid by Borrower as they become due. Credit Union does not hold the reserve funds in trust for Borrower, and Credit Union is not the agent of Borrower for payment of the taxes and assessments required to be paid by Borrower.

4. Property Damage Insurance.

4.1 Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard all-risk extended coverage endorsements on a replacement basis for the full insurable value basis covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a mortgagee's loss payable clause in favor of Credit Union. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Credit Union. Grantor shall deliver to Credit Union certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of 10 days' written notice to Credit Union.

4.2 Application of Proceeds. Grantor shall promptly notify Credit Union of any loss or damage to the Property. Credit Union may make proof of loss if Grantor fails to do so within 15 days of the casualty. Credit Union may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration and repair of the Property. If Credit Union elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Credit Union. Credit Union shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default hereunder. Any proceeds which have not been paid out within 180 days after their receipt and which Credit Union has not committed to the repair or restoration of the Property shall be used to prepay first accrued interest and then principal of the Indebtedness. If Credit Union holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor.

4.3 Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's or other sale held under the provision contained within, or at any foreclosure sale of such Property.

4.4 Compliance with Prior Indebtedness. During the period in which any prior Indebtedness described in Section 17 is in effect, exceptance with the insurance provisions contained in the instrument evidencing such prior Indebtedness shall constitute compliance with the insurance provisions under this Deed of Trust to the extent compliance with the terms of this Deed of Trust would constitute a duplication of insurance requirements. If any proceeds from the insurance become payable on loss, the provisions in this Deed of Trust for division of proceeds shall apply only to that portion of the proceeds not payable to the holder of the prior Indebtedness.

4.5 Association of Unit Owners. In the event the Real Property has been submitted to unit ownership pursuant to a Unit Ownership Law, or similar law for the establishment of condominiums or cooperative ownership of Real Property, the insurance may be carried by the association of unit owners in Grantor's behalf, and the proceeds of such insurance may be paid to the association of unit owners for the purpose of repairing or reconstructing the Property. If not so used by the association, such proceeds shall be paid to Credit Union.

4.6 Insurance Reserves. Subject to any limitations set by applicable law, Credit Union may require Borrower to maintain with Credit Union reserves for payment of insurance premiums, which reserves shall be created by monthly payments of a sum estimated by Credit Union to be sufficient to produce, at least 15 days before due, amounts at least equal to the insurance premiums to be paid. If 15 days before payment is due the reserve funds are insufficient, Borrower shall upon demand pay any deficiency to Credit Union. The reserve funds shall be held by Credit Union as a general deposit from Borrower and shall constitute a noninterest bearing debt from Credit Union to Borrower, which Credit Union may satisfy by payment of the insurance premiums required to be paid by Borrower as they become due. Credit Union does not hold the reserve funds in trust for Borrower, and Credit Union is not the agent of Borrower for payment of the insurance premiums required to be paid by Borrower.

5. Expenditure by Credit Union.

If Grantor fails to comply with any provision of this Deed of Trust, including the obligation to maintain the prior Indebtedness in good standing as required by Section 17, Credit Union may at its option on Grantor's behalf take the required action and any amount that it expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest from the date of expenditure at the rate the Note bears. The rights provided for in this section shall be in addition to any other rights or any remedies to which Credit Union may be entitled on account of the default. Credit Union shall not by taking the required action cure the default so as to bar it from any remedy that it otherwise would have had.

6. Warranty; Defense of Title.

6.1 Title. Grantor warrants that it holds marketable title to the Property in fee simple free of all encumbrances other than those set forth in Section 17 or in any policy of title insurance issued in favor of Credit Union in connection with the Deed of Trust.

6.2 Defense of Title. Subject to the exceptions in the paragraph above, Grantor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Credit Union or Trustee under this Deed of Trust, Grantor shall defend the action at Grantor's expense.

7. Condemnation.

7.1 Application of Net Proceeds. If all or any part of the Property is condemned, Credit Union may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees necessarily paid or incurred by Grantor, Credit Union, or Trustee in connection with the condemnation.

7.2 Proceedings. If any proceedings in condemnation are filed, Grantor shall promptly notify Credit Union in writing and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

8. Imposition of Tax By State.

8.1 State Taxes Covered. The following shall constitute state taxes to which this section applies:

- A specific tax upon trust deeds or upon all or any part of the Indebtedness secured by a trust deed or security agreement.
- A specific tax on a Grantor which the taxpayer is authorized or required to deduct from payments on the Indebtedness secured by a trust deed or security agreement.
- A tax on a trust deed or security agreement chargeable against the Credit Union or the holder of the note secured.
- A specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by a Grantor.

8.2 Remedies. If any state tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this shall have the same effect as a default, and Credit Union may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

- Grantor may lawfully pay the tax or charge imposed by the state tax, and
- Grantor pays or offers to pay the tax or charge within 30 days after notice from Credit Union that the tax law has been enacted.

9. Power and Obligations of Trustee.

9.1 Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the request of Credit Union and Grantor:

- Join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights in the public.
- Join in granting any easement or creating any restriction on the Real Property.
- Join in any subordination or other agreement affecting this Deed of Trust or the interest of Credit Union under this Deed of Trust.

9.2 Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Credit Union, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

10. Transfer by Grantor.

10.1 Consent by Credit Union. Grantor shall not transfer or agree to transfer all or part of Grantor's interest in the Property without the prior written consent of Credit Union. Any attempt to transfer shall constitute a default under this Deed of Trust.

A "sale or transfer" means the conveyance of real property or any right, title, or interest therein, whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three years, lease-option contract, or any other method of conveyance of real property interest. If any Borrower is a corporation, transfer also includes any change in ownership of more than 25% of the voting stock of Borrower.

If Grantor or prospective transferee applies to Credit Union for consent to a transfer, Credit Union may require such information concerning the prospective transferee as would normally be required from the new loan applicant.

10.2 Condition to Consent. As a condition of its consent to any transfer, Credit Union may in its discretion impose an assumption fee in accordance with Credit Union's fee schedule then in effect, and may increase the interest rate of the Indebtedness to the prevailing rate for similar rates then charged by Credit Union. Credit Union may increase the amount of each remaining installment so that the Indebtedness will be fully paid by the original maturity date. In no event, however, shall the interest rate be increased, nor any fee imposed, beyond the maximum rate permitted under applicable law. This paragraph sets forth terms that Credit Union may impose as a condition to consent. This paragraph is not exclusive and Credit Union, at its sole discretion, may impose additional terms or may decline to consent to a transfer.

10.3 Effect of Consent. If Credit Union consents to one transfer, that consent shall not constitute a consent to other transfers or a waiver of this section. No transfer by Grantor shall relieve Grantor of liability for payment of the Indebtedness. Following a transfer, Credit Union may agree to any extension of time for payment or modification of the terms of this Deed of Trust or the Note or waive any right or remedy under this Deed of Trust or the Note without relieving Grantor from liability. Grantor waives notice, presentment, and protest with respect to the Indebtedness.

11. Security Agreement; Financing Statements.

11.1 Security Agreement. This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures, and Credit Union shall have all of the rights of a secured party under the Uniform Commercial Code of the state in which the Real Property is located.

11.2 Security Interest. Upon request by Credit Union, Grantor shall execute financing statements and take whatever other action is requested by Credit Union to perfect and continue Credit Union's security interest in the Income and Personal Property. Grantor hereby appoints Credit Union as Grantor's attorney in fact for the purpose of executing any documents necessary to perfect or continue this security interest. Credit Union may, at any time and without further authorization from Grantor, file copies or reproductions of this Deed of Trust as a financing statement. Grantor will reimburse Credit Union for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assemble the Personal Property and make it available to Credit Union within three days after receipt of written demand from Credit Union.

11.3 Mobile Homes. If the Property includes mobile homes, motor homes, modular homes, or similar structures, such structures shall be and shall remain Personal Property or Real Property as stated above regardless of whether such structures are affixed to the Real Property, and irrespective of the classification of such structures for the purpose of tax assessments. The removal or addition of axles or wheels, or the placement upon or removal from a concrete base, shall not alter the characterization of such structures.

12. Reconveyance on Full Performance.

If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust and the Note, Credit Union shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Credit Union's security interest in the Income and the Personal Property. Any reconveyance fee or termination fee required by law shall be paid by Grantor.

13. Default.

The following shall constitute events of default:

- Failure of Grantor to pay any portion of the Indebtedness when it is due.
- Failure of Grantor within the time required by this Deed of Trust to make any payment for taxes, insurance, or for any other payment necessary to prevent filing of or to affect discharge of any lien.
- Dissolution or termination of existence (if Grantor is a corporation), insolvency, business failure, appointment of a receiver for any part of the Property of, assignment for the benefit of creditors by, the commencement of any proceeding under any bankruptcy or insolvency laws by or against, or the failure to obtain dismissal or deny the contents of any petition filed under any bankruptcy or insolvency laws within the time required to answer by, Grantor or any of the individuals or entities who are herein collectively referred to as "Grantor."
- Default of Grantor under any prior obligation or instrument securing any prior obligation, or commencement of any suit or other action to foreclose any prior lien.

(e) If the Real Property has been submitted to unit ownership pursuant to a Unit Ownership Law or any similar law, failure of Grantor to perform any of the obligations imposed on Grantor by the declaration submitting the Real Property to unit ownership, by the bylaws of the association of unit owners, or by any rules or regulations thereunder. If Grantor's interest in the Real Property is a leasehold interest and such Property has been submitted to unit ownership, failure of Grantor to perform any of the obligations imposed on Grantor by the lease of the Real Property from its owner, any default under such lease which might result in termination of the lease as it pertains to the Real Property, or any failure of Grantor as a member of an association of unit owners to take any reasonable action within Grantor's power to prevent a default under such lease by the association of unit owners or by any member of the association.

(f) Failure by Grantor to perform any other obligation under this Deed of Trust if:

(1) Credit Union has sent to Grantor a written notice of the failure and the failure has not been cured within 15 days of the notice, or if the default cannot be cured within 15 days, Grantor has not commenced curative action or is not diligently pursuing such curative action; or

(2) Grantor has given notice of a breach of the same provision(s) of this Deed of Trust within the preceding 12 months.

(g) If the interest of Grantor in the Property is a leasehold interest, any default by Grantor under the terms of the lease, or any other event (whether or not the fault of Grantor) that results in the termination of Grantor's leasehold rights; provided, that such events shall not constitute a default if Grantor provides Credit Union with prior written notice reasonably satisfactory to Credit Union setting forth Grantor's intent to place the Personal Property and all Improvements at another location, subject to a lease of at least equal benefit to Grantor of the terminated lease, stating the location, and evidencing Grantor's right to do so.

(h) Any breach by Grantor under the terms of any other agreement between Grantor and Credit Union that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness of Grantor to Credit Union, whether made now or later.

(i) If Credit Union reasonably deems itself insecure.

14. Consequences of Default.

14.1 Remedies. Upon the occurrence of any event of default and at any time thereafter, Trustee or Credit Union may declare a default and exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

(a) Credit Union shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

(b) With respect to all or any part of the Real Property, the Trustee shall have the right to foreclose by notice and sale, and Credit Union shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

(c) With respect to all or any part of the Personal Property, Credit Union shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the state in which the Credit Union is located.

(d) Credit Union shall have the right, without notice to Grantor, to take possession of the Property and collect the Income, including amounts past due and unpaid, and apply the net proceeds, over and above Credit Union's costs, against the Indebtedness. In furtherance of this right, Credit Union may require any tenant or other user to make payments of rent or use fees directly to Credit Union. If the Income is collected by Credit Union, then Grantor irrevocably designates Credit Union as Grantor's attorney in fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Credit Union in response to Credit Union's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Credit Union may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

(e) Credit Union shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Income from the Property and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Credit Union's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Credit Union shall not disqualify a person from serving as a receiver.

(f) If Grantor remains in possession of the Property after the Property is sold as provided above or Credit Union otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Credit Union or the purchaser of the Property and shall pay while in possession a reasonable rental for use of the Property.

(g) If the Real Property is submitted to unit ownership, Credit Union or its designee may vote on any matter that may come before the members of the association of unit owners, pursuant to the power of attorney granted Credit Union in Section 16.2.

(h) Trustee and Credit Union shall have any other right or remedy provided in this Deed of Trust, or the Note.

14.2 Sale of the Property. In exercising its rights and remedies, the Trustee or Credit Union, shall be free to sell all or any part of the Property together or separately, or to sell certain portions of the Property and refrain from selling other portions. Credit Union shall be entitled to bid at any public sale on all or any portion of the Property.

14.3 Notice of Sale. Credit Union shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

14.4 Waiver, Election of Remedies. A waiver by any party of a breach of a provision of this Deed of Trust shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Credit Union to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Deed of Trust after failure of Grantor to perform shall not affect Credit Union's right to declare a default and exercise its remedies under this Deed of Trust.

14.5 Attorneys' Fees; Expenses. If Credit Union institutes any suit or action to enforce any of the terms of this Deed of Trust, Credit Union shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Credit Union that are necessary at any time in Credit Union's opinion for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the rate of the Note. Expenses covered by this paragraph include (without limitation) all attorney fees incurred by Credit Union whether or not there is a lawsuit, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees, title insurance, and fees for the Trustee. Attorney fees include those for bankruptcy proceedings and anticipated post-judgment collection actions.

15. Notice.

Any notice under this Deed of Trust shall be in writing and shall be effective when actually delivered or, if mailed, shall be deemed effective on the second day after being deposited as first-class registered or certified mail, postage prepaid, directed to the address stated in this Deed of Trust. Unless otherwise required by applicable law, any party may change its address for notices by written notice to the other parties. Credit Union requests that copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust be sent to Credit Union's address, as set forth on page one of this Deed of Trust. If the Property is in California, the notice shall be as provided by Section 2924b of the Civil Code of California. If this property is in Virginia, the following notice applies: NOTICE -- THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.

16. Miscellaneous.

16.1 Successors and Assigns. Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, and subject to the provisions of applicable law with respect to successor trustees, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns.

16.2 Unit Ownership Power of Attorney. If the Real Property is submitted to unit ownership, Grantor grants an irrevocable power of attorney to Credit Union to vote in its discretion on any matter that may come before the members of the association of unit owners. Credit Union shall have the right to exercise this power of attorney only after default by Grantor and may decline to exercise this power, as Credit Union may see fit.

16.3 Annual Reports. If the Property is used for purposes other than grantor's residence, within 60 days following the close of each fiscal year of Grantor, Grantor shall furnish to Credit Union a statement of net operating income received from the Property during Grantor's previous fiscal year in such detail as Credit Union shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

16.4 Applicable Law. The law of the state in which the Property is located shall be applicable for the purpose of construing and determining the validity of this Deed of Trust and, determining the rights and remedies of Credit Union on default.

16.5 Joint and Several Liability. If Grantor consists of more than one person or entity, the obligations imposed upon Grantor under this Deed of Trust shall be joint and several.

16.6 Time of Essence. Time is of the essence of this Deed of Trust.

16.7 Use.

(a) If located in Idaho, the Property either is not more than twenty acres in area or is located within an incorporated city or village.

(b) If located in Washington, the Property is not used principally for agricultural or farming purposes.

(c) If located in Montana, the Property does not exceed fifteen acres and this instrument is a Trust Indenture executed in conformity with the Small Tract Financing Act of Montana.

(d) If located in Utah, this instrument is a Trust Deed executed in conformity with the Utah Trust Deed Act, UCA 57-1-19 et seq.

16.8 Waiver of Homestead Exemption. Borrower hereby waives the benefit of the homestead exemption as to all sums secured by this Deed of Trust.

16.9 Merger. There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Credit Union in any capacity, without the written consent of Credit Union.

16.10 Substitute Trustee. Credit Union, at Credit Union's option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Credit Union and recorded in the office of the Recorder of the county where the Property is located. The instrument shall contain the name of the original Credit Union, Trustee, and Borrower, the book and page where this Deed of Trust is recorded, and the name and address of the successor trustee. The successor trustee shall, without conveyance of the Property, succeed to all the title, powers, and duties conferred upon the Trustee herein and by applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

16.11 Statement of Obligation. If the Property is in California, Credit Union may collect a fee not to exceed \$50 for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California.

16.12 Severability. If any provision in this Deed of Trust shall be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired.

17. Prior Indebtedness.

17.1 Prior Lien. The lien securing the Indebtedness secured by this Deed of Trust is and remains secondary and inferior to the lien securing payment of a prior obligation in the form of a:

(Check which Applies)

_____ Trust Deed

Other (Specify) _____ None

_____ Mortgage

_____ Land Sale Contract

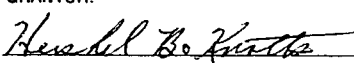
The prior obligation has a current principal balance of \$ _____ and is in the original principal amount of \$ _____

_____ Grantor expressly covenants and agrees to pay or see to the payment of the prior indebtedness and to prevent any default thereunder.

17.2 Default. If the payment of any installment of principal or any interest on the prior indebtedness is not made within the time required by the note evidencing such indebtedness, or should an event of default occur under the instrument securing such indebtedness and not be cured during any applicable grace period therein, then the Indebtedness secured by this Deed of Trust shall, at the option of Credit Union, become immediately due and payable, and this Deed of Trust shall be in default.

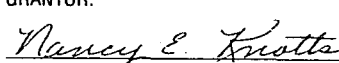
17.3 No Modifications. Grantor shall not enter into any agreement with the holder of any mortgage, deed of trust, or other security agreement which has priority over this Deed of Trust by which that agreement is modified, amended, extended, or renewed without the prior written consent of Credit Union. Grantor shall neither request nor accept any future advances under a prior mortgage, deed of trust, or other security agreement without the prior written consent of Credit Union.

GRANTOR:



Hershel B. Knotts

GRANTOR:



Nancy E. Knotts

INDIVIDUAL ACKNOWLEDGMENT

700

STATE OF Oregon)

) ss.

County of Deschutes)

On this day personally appeared before me Hershel B. Knotts and Nancy E. Knotts

to me known to be (or in California, personally known to me or proved to me on the basis of satisfactory evidence to be) the individual, or individuals described in
and who executed the within and foregoing instrument, and acknowledged that they signed the same as their
free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this 10th day of

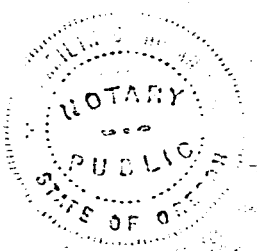
January, 19 89

By: Marilyn C. Roman

Notary Public in and for the State of: Oregon

Residing at: Bend, Oregon

My commission expires: 3-21-92



REQUEST FOR FULL RECONVEYANCE

(To be used only when obligations have been paid in full)

To: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by the Deed of Trust have been fully paid and satisfied. You are hereby directed, on payment to you of any sums owing to you under the terms of this Deed of Trust or pursuant to statute, to cancel all evidence of indebtedness secured by this Deed of Trust (which are delivered to you herewith together with the Deed of Trust), and to reconvey, without warranty, to the parties designated by the terms of the Deed of Trust, the estate now held by you under the Deed of Trust. Please mail the reconveyance and related documents to:

Date: _____, 19 _____

Credit Union: _____

By: _____

Its: _____

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co. the 12th day
of Jan. A.D., 19 89 at 10:57 o'clock A.M., and duly recorded in Vol. M89
of Mortgages on Page 697

Evelyn Biehn
By Daniel Mullenders County Clerk

FEE \$23.00

Return: A.T.C.