

090-19-5746

After Recording Please Return To:
 Klamath First Federal
 540 Main Street
 Klamath Falls, OR 97601

(Space Above This Line For Recording Data)

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on February 21, 1995.
 The grantor is John G. Millard and Susan R. Millard, husband and wife.
 The Borrower is William L. Stiemme.
 The Trustee is Klamath First Federal Savings and Loan Association, which is organized and existing under the laws of the United States of America, and whose address is 540 Main Street, Klamath Falls, Oregon 97601. ("Lender")
 Borrower owes Lender the principal sum of forty thousand and No/100- (US \$ 40,000.00). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on March 10, 2020.
 This Security Instrument is subject to the Note with interest, and all renewals, extensions and modifications, the payment of all other sums due to interest advanced under paragraph 7 to protect the security of this Security Instrument, the performance of Borrower's covenants and agreements under this Security Instrument and the Note, and the repayment of any future advances with interest thereon, made to Borrower by Lender pursuant to the paragraph below. Future Advances: FUTURE ADVANCES: Upon request to Borrower, Lender, at Lender's option prior to full reconveyance of the property by Trustee, Borrower may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this deed of Trust when evidenced by promissory notes stating that said notes are secured hereby. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in Klamath County, Oregon:

Lot 1, LEWIS TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Account No. 3809-0350-09100

Key No. R449278

**Attached Adjustable Rate Rider Made A Part Herein

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US AFTER THE EFFECTIVE DATE OF THIS DEED OF TRUST CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

which has the address of 1624 - 132 Ward Street, Klamath Falls, Oregon 97603 ("Property Address")

TOGETHER WITH all the improvements now or hereafter erected on the property and all easements, rights, power, tenancies, interests, minerals, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All improvements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants that it will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT contains uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the insurance in effect until such time as the requirement for the insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

8. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

10. Borrower Not Released. Forfeiture of Security Instrument Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest shall not constitute a release of the liability of the original Borrower or Borrower's successors in interest. The proceedings against any successor in interest or refusal to extend time for the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest shall not be a waiver of or preclude the exercise of any right or remedy.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 12. Borrower's covenant under this Security Instrument binds and obligates Borrower, whether or not Borrower executes the Note, that Borrower's interest in the Property subject to the sums secured by this Security Instrument shall not be a waiver of or preclude the exercise of any right or remedy.

12. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (b) any sums already collected from Borrower which exceeded the permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a charge under the Note.

13. Legislation Affecting Lender's Rights. If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security Instrument unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by paragraph 19. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 17.

14. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or to another address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated on the Note or by any other address Lender designates by notice to Borrower. Any notice shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

15. Governing Law; Severability. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. If the ever, that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Security Instrument and the Note are declared to be severable.

16. Borrower's Copy. Borrower shall be given a true and correct copy of the Note and of this Security Instrument.

17. Transfer of the Property or Beneficial Interest in Borrower. If all or any part of the Property or any beneficial interest in Borrower is sold or transferred or if Borrower is not a natural person, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by applicable law or if the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have the enforcement of this Security Instrument continued after the expiration of the time prior to the earlier of (a) 5 days or such other period as applicable law may specify for reinstatement of the Property pursuant to any power of sale contained in this Security Instrument. Those conditions are that Borrower (i) pays Lender all sums which then are due under this Security Instrument and the Note had no acceleration (ii) cures any default of any of the covenants or agreements (iii) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, and (d) takes such action as Lender may reasonably require to assure that the obligations secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, the Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraphs 13 or 17.

ADJUSTABLE RATE RIDER
1 Year Treasury Index—Rate Caps

4239

THIS ADJUSTABLE RATE RIDER is made this 21st day of February, 1995, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Adjustable Rate Note (the "Note") to Klamath First Federal Savings & Loan Assn. (the "Lender") of the same date and covering the property described in the Security Instrument and located at:

1014 - 1632 Wind Street, Klamath Falls, Oregon 97603
(the "Property Address")

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT THE BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE THE BORROWER MUST PAY.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender, by this Rider, agree as follows:

A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 7.75%. The Note provides for changes in the interest rate and the monthly payment as follows:

1. INTEREST RATE AND MONTHLY PAYMENT CHANGES

A. Change Dates

The interest rate will be automatically changed on the first day of March, 1996, and on that day thereafter, the month thereafter. The date on which the interest rate could change is called a "Change Date."

B. The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. The next available Index figure available as of the date 45 days before each Change Date is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

C. Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding 3.875% to 3.875% to the Current Index. The Note Holder will then round the result to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section D, my new interest rate will be the new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the debt on the Change Date if I call on the maturity date at my new interest rate in accordance with this calculation. The result of this calculation will be the new amount of my monthly payment.

D. Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 9.75% or less than 5.75%. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than two percentage points (2.00%) from the rate of interest I have been paying for the preceding twelve months. My interest rate will never be greater than 13.75%.

E. Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

F. Notice of Changes

The Note Holder will deliver to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of the change. The notice will include information required by law to be given me and also the name and telephone number of a person who will answer any question I may have regarding the notice.

B. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Except as provided in the Security Instrument, it is intended to read as follows:

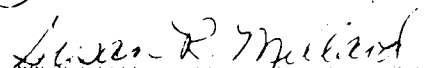
Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold, conveyed, assigned, or otherwise disposed of, or if the Borrower is sold or transferred and Borrower is not a natural person) or if the Borrower is sold or transferred and Borrower is not a natural person) and the transferee is not a natural person, the transferee shall not be bound by the terms of this Security Instrument unless the transferee has agreed in writing to be bound by the terms of this Security Instrument. If the transferee is a natural person, the transferee shall not be bound by the terms of this Security Instrument unless the transferee has agreed in writing to be bound by the terms of this Security Instrument. If the transferee is a natural person, the transferee shall not be bound by the terms of this Security Instrument unless the transferee has agreed in writing to be bound by the terms of this Security Instrument. If the transferee is a natural person, the transferee shall not be bound by the terms of this Security Instrument unless the transferee has agreed in writing to be bound by the terms of this Security Instrument.

To the extent permitted by applicable law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

By Signing Below, Borrower accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.


John C. Millard (Seal)
Borrower


Susan R. Millard (Seal)
Borrower

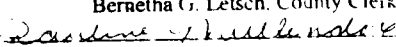
STATE OF OREGON COUNTY OF KLAMATH

Filed for record and request of Klamath County Title Co the 24th day
of Feb A.D. 1999 at 3:27 o'clock P. M., and duly recorded in Vol. M95
of Mortgages on Page 4235

Bernetha G. Letsch, County Clerk

FEE:

\$35.00

By  _____