

Loan No. 01-0240-001212875-7
AMERITITLE, 43508-MG
AFTER-RECORDING, MAIL TO
WASHINGTON MUTUAL
Loan Servicing
P.O. Box 91006, SAS0304
Seattle, WA 98111

MTC 43508-MG

(Space Above This Line For Recording Data)

DEED OF TRUST

THIS DEED OF TRUST, (Security Instrument) is made on February 19th 1998. The grantor is WILLIAM C. SMITH, JR and DIANNE M. SMITH, husband and wife

(Borrower): The trustee is AMERITITLE, an Oregon Corporation, which is organized and existing under the laws of Washington, and whose address is 1201 THIRD AVENUE, SEATTLE, WA 98101 (Lender).

Borrower owes Lender the principal sum of ONE HUNDRED SIXTY-FIVE THOUSAND SEVEN HUNDRED FIFTY & 00/100-- Dollars (U.S. \$ 165,750.00). 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 December 1st, 2027.

Secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. 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:

PARCEL 2 OF LAND PARTITION 14-92 SITUATED IN THE NW1/4NW1/4, SECTION 1, TOWNSHIP 40 SOUTH, RANGE 7 EAST OF THE WILLAMETTE MERIDIAN, Klamath County, Oregon. ACCOUNT #4007-001B0-01000 AND M-225592

1998 PALM HARBOR MODEL #1067 MADISON SERIAL # FACTORY ORDER
1993 STONE CREEK FLEETWOOD SERIAL #CALFLP17AB153095K

which has the address of 16953 HIGHWAY 66, Klamath Falls, Oregon 97601 (Property Address)

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements 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 and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

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

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

10. **Condemnation.** The proceeds of any award of claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in fee 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 in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

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.

11. **Borrower Not Released; Forbearance By Lender 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 of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. **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 17. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. **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 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 partial prepayment without any prepayment charge under the Note.

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 any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument 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. In the event 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 one conformed copy of the Note and of this Security Instrument.

17. **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 or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, 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 federal law as of 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 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.

18. **Borrower's Right to Reinstate.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred 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 lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this 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 paragraph 17.

19. **Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 14 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

20. **Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

21. **Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration, and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall give notice of sale in the manner prescribed by applicable law to Borrower and to other persons prescribed by applicable law. After the time required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

22. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and Lender shall charge Borrower a release fee in an amount allowed by applicable law. Such person or persons shall pay any recordation costs.

23. Substitute Trustee. Lender may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

24. Attorneys' Fees. As used in this Security Instrument and in the Note, "attorneys' fees" shall include any attorneys' fees awarded by an appellate court.

25. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)]

- | | | |
|---|---|--|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider | <input checked="" type="checkbox"/> 1-4 Family Rider |
| <input type="checkbox"/> Graduated Payment Rider | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Biweekly Payment Rider |
| <input type="checkbox"/> Balloon Rider | <input type="checkbox"/> Rate Improvement Rider | <input type="checkbox"/> Second Home Rider |
| <input checked="" type="checkbox"/> Other(s) (specify) <u>Construction Addendum Rider</u> | | |

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

x William C. Smith, Jr.
WILLIAM C. SMITH, JR.

x Dianne M. Smith
DIANNE M. SMITH

STATE OF OREGON
Klamath County ss:
On this 24 day of February, 1998, personally appeared the above named
WILLIAM C. SMITH, JR. and DIANNE M. SMITH

I, MARION GRANTHAM, Notary Public for Oregon, do hereby certify that the foregoing instrument to be his/her/their voluntary act and deed.
My Commission expires 1/22/01
Notary Public for Oregon

REQUEST FOR RECONVEYANCE
TO TRUSTEE:
The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.
DATED: 2/24/98 WASHINGTON MUTUAL BANK
By [Signature]
a corporation

Mail reconveyance to _____
TO BE RECORDED
Page 4 of 4
TO BE RECORDED

6314

6313

Loan #01-0240-001212875-7
 in Uniform Covenant 8 concerning Borrower's occupancy of the Property is deleted. All remaining covenants
 and provisions set forth in Uniform Covenant 8 shall remain in effect.
 C. ASSIGNMENT OF RENTS. Upon Lender's request after default, Borrower shall assign to Lender all
 of the Property and all security deposits made in connection with leases of the Property. Upon the
 assignment, Lender shall have the right to modify, extend or terminate the existing leases and to execute new
 leases in Lender's sole discretion. As used in this paragraph C, the word "lease" shall mean "assignment."
 Lender's assignment is on a leasehold basis.

WASHINGTON MUTUAL

Loan Servicing
 P.O. Box 91006, SAS0304
 Seattle, WA 98111



Washington
 Mutual

**1-4 FAMILY RIDER
 Assignment of Rents**

Loan #01-0240-001212875-7

THIS 1-4 FAMILY RIDER is made this 19th day of February, 1998 at Bellevue, Washington
 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 Note to WASHINGTON MUTUAL BANK, a Washington Corporation (the "Lender")
 of the same date and covering the Property described in the Security Instrument and located at:

16953 HIGHWAY 66, KLAMATH FALLS, OR 97601

(Property Address)
 and to be secured by only these Rents (v) Lender, Lender's agents or any judicially appointed receiver
 shall be authorized to take possession of and apply the rents as security.
 Lender shall be entitled to collect the Rents and to use the proceeds thereof to pay the debt secured by the Security Instrument and to cover the costs of taking control of and managing the Property without showing as to the insolvency of the Property as security.
 Lender's assignment is on a leasehold basis.

A. ADDITIONAL PROPERTY SUBJECT TO THE SECURITY INSTRUMENT. In addition to the Property
 described in the Security Instrument, the following items are added to the Property description, and shall also
 constitute the Property covered by the Security Instrument: building materials; appliances and goods of every
 nature whatsoever now or hereafter located (in, on, or used, or intended to be used in connection with the
 Property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling,
 electricity, gas, water, air and light; fire prevention and extinguishing apparatus; security and access control
 apparatus; plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers,
 disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and
 curtain rods, attached mirrors, cabinets, panelling and attached floor coverings now or hereafter attached to the
 Property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of
 the Property covered by the Security Instrument. All of the foregoing together with the Property described in the
 Security Instrument (or the leasehold estate if the Security Instrument is on a leasehold) are referred to in this
 1-4 Family Rider and the Security Instrument as the "Property."

B. USE OF PROPERTY; COMPLIANCE WITH LAW. Borrower shall not seek, agree to or make a change
 in the use of the Property or its zoning classification, unless Lender has agreed in writing to the change.
 Borrower shall comply with all laws, ordinances, regulations and requirements of any governmental body
 applicable to the Property.

C. SUBORDINATE LIENS. Except as permitted by federal law, Borrower shall not allow any lien inferior to
 the Security Instrument to be perfected against the Property without Lender's prior written permission.

D. RENT LOSS INSURANCE. Borrower shall maintain insurance against rent loss in addition to the other
 hazards for which insurance is required by Uniform Covenant 5.

E. 'BORROWER'S RIGHT TO REINSTATE' DELETED. Uniform Covenant 18 is deleted.

F. BORROWER'S OCCUPANCY. Unless Lender and Borrower otherwise agree in writing, the first sentence

TO BE RECORDED

TO BE RECORDED

In Uniform Covenant 6 concerning Borrower's occupancy of the Property is deleted. All remaining covenants and agreements set forth in Uniform Covenant 6 shall remain in effect.

G. ASSIGNMENT OF LEASES. Upon Lender's request after default, Borrower shall assign to Lender all leases of the Property and all security deposits made in connection with leases of the Property. Upon the assignment, Lender shall have the right to modify, extend or terminate the existing leases and to execute new leases, in Lender's sole discretion. As used in this paragraph G, the word "lease" shall mean "sublease" if the Security Instrument is on a leasehold.

H. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION. Borrower absolutely and unconditionally assigns and transfers to Lender all the rents and revenues ("Rents") of the Property, regardless of to whom the Rents of the Property are payable. Borrower authorizes Lender or Lender's agents to collect the Rents, and agrees that each tenant of the Property shall pay the Rents to Lender or Lender's agents. However, Borrower shall receive the Rents until (i) Lender has given Borrower notice of default pursuant to paragraph 21 of the Security Instrument and (ii) Lender has given notice to the tenant(s) that the Rents are to be paid to Lender or Lender's agent. This assignment of Rents constitutes an absolute assignment and not an assignment for additional security only.

If Lender gives notice of breach to Borrower: (i) all Rents received by Borrower shall be held by Borrower as trustee for the benefit of Lender only, to be applied to the sums secured by the Security Instrument; (ii) Lender shall be entitled to collect and receive all of the Rents of the Property; (iii) Borrower agrees that each tenant of the Property shall pay all Rents due and unpaid to Lender, or Lender's agents upon Lender's written demand to the tenant; (iv) unless applicable law provides otherwise, all Rents collected by Lender or Lender's agents shall be applied first to the costs of taking control of and managing the Property and collecting the Rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, repair and maintenance costs, insurance premiums, taxes, assessments and other charges on the Property, and then to the sums secured by the Security Instrument; (v) Lender, Lender's agents or any judicially appointed receiver shall be liable to account for only those Rents actually received; and (vi) Lender shall be entitled to have a receiver appointed to take possession of and manage the Property and collect the Rents and profits derived from the Property without any showing as to the inadequacy of the Property as security.

If the Rents of the Property are not sufficient to cover the costs of taking control of and managing the Property and of collecting the Rents any funds expended by Lender for such purposes shall become indebtedness of Borrower to Lender secured by the Security Instrument pursuant to Uniform Covenant 7.

Borrower represents and warrants that Borrower has not executed any prior assignment of the Rents and has not and will not perform any act that would prevent Lender from exercising its rights under this paragraph. Lender, or Lender's agents or a judicially appointed receiver, shall not be required to enter upon, take control of, or maintain the Property before or after giving notice of default to Borrower. However, Lender, or Lender's agents or a judicially appointed receiver, may do so at any time when a default occurs. Any application of Rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of Rents of the Property shall terminate when all the sums secured by the Security Instrument are paid in full.

CROSS-DEFAULT PROVISION. Borrower, at default or breach under any note or agreement in which Lender has an interest shall be a breach under the Security Instrument and Lender may invoke any of the remedies permitted by the Security Instrument.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this 1-4 Family Rider.

WILLIAM C SMITH, JR. DIANNE M SMITH

to the extent of the loss sustained by the insured, but not exceeding the amount of the premium paid by the insured for the policy, and the amount of the premium paid by the insured for the policy shall be paid to the insured or to the beneficiary of the policy, as the case may be, in full satisfaction of the claim of the insured or of the beneficiary of the policy, as the case may be, and the amount of the premium paid by the insured for the policy shall be paid to the insured or to the beneficiary of the policy, as the case may be, in full satisfaction of the claim of the insured or of the beneficiary of the policy, as the case may be.

F. BORROWER'S OCCUPANCY. Unless Lender and Borrower otherwise agree in writing, the first sentence

E. BORROWER'S RIGHT TO REINSTATE; DELETED. Uniform Covenant; 8 is deleted.

MULTISTATE 1-4 FAMILY RIDER - Fannie Mae/Freddie Mac Uniform Instrument Form 317D 9/90 (page 2 of 2 pages)
886B (02-97)

TO BE RECORDED

TO BE RECORDED

B. PAYMENT DURING CONSTRUCTION LOAN PERIOD.

Loan #: 01-0240-001212875-7

Notwithstanding anything to the contrary in the Note or any other document related to my Loan, I will make payments of all accrued interest on the amount of funds actually disbursed by the Lender under the Construction Loan Agreement beginning on the 1st day of April, 1998 and on that day of each of the following 8 calendar months. I will begin making payments of principal and interest as provided in the Note on the 1st day of January, 1999.

Notwithstanding the above, if construction of the Improvements has been completed in accordance with the provisions of the Construction Loan Agreement and the loan is fully disbursed prior to the due date of any interest only payment to be made under the immediately preceding paragraph, I will instead begin making payments of principal and interest as provided in the Note on the next Monthly Payment Date if requested to do so by the Lender.

C. SALE OR TRANSFER OF PROPERTY DURING CONSTRUCTION LOAN PERIOD.

Any provisions in the Note and Security Instrument which permit me to sell or otherwise transfer the property without paying my loan off in full are inapplicable until construction of the Improvements has been completed, the loan has been fully disbursed, and I have commenced making principal and interest payments as provided above.

D. OCCUPANCY AS PRINCIPAL RESIDENCE.

Borrower's obligation pursuant to Section 6 of the Security Instrument to use the Property as Borrower's principal residence shall commence 60 days after construction of the Improvements have been completed.

IN WITNESS WHEREOF, Borrower has executed this Construction Term Rider as of the day and year first written above.

William C. Smith, Jr.
X WILLIAM C. SMITH, JR.

Dianne M. Smith
X DIANNE M. SMITH

THE TERMS OF THE BORROWER'S LOAN PROVIDE FOR BOTH CONSTRUCTION AND PERMANENT FINANCING. THIS RIDER SETS FORTH THE PAYMENT TERMS AND CERTAIN OTHER PROVISIONS OF THE BORROWER'S LOAN APPLICABLE TO THE CONSTRUCTION LOAN PERIOD.

ADDITIONAL COVENANTS: The Lender, the Borrower, and the Borrower's construction contractor agree to enter into a construction loan agreement (the "Construction Loan Agreement") which provides for the construction of the Improvements and certain other improvements (the "Improvements") on the property. Additionally, the Borrower and the Lender agree to the covenants and agreements made in the Note, Borrower and Lender have signed as follows:

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle of February A.D., 19 98 at 3:33 o'clock P. M., and duly recorded in Vol. M98 of Mortgages on Page 6309

FEE \$45.00

By Bernetha G. Letsch, County Clerk
Kathleen Knox