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Klamath County, Oregon

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WHEN RECORDED MAIL TO:

Attn: REAL ESTATE DEPARTMENT

F&A Federal Credit Union

P.O. Box 30831

Los Angeles, CA 90030-0831

SPACE ABOVE THIS LINE FOR RECORDERS USE ONLY

LINE OF CREDIT TRUST DEED

APN#: SEE ATTACHED EXHIBIT "B"

Loan#: 52070 L71

Title#: 22428

THIS LINE OF CREDIT TRUST DEED IS DATED MARCH 28, 2006 AMONG KENNETH CLIFTON KNOWLES AND JOAN KATHLEEN KNOWLES, AS TENANTS BY THE ENTIRETY, whose address is 12844 OLD FORT ROAD, KLAMATH FALLS, OREGON 97601 (referred to below as "Trustor"); F&A Federal Credit Union, whose address is P.O. Box 30831, Los Angeles, CA 90030-0831 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and Fidelity National Title Company of California, whose address is 1300 Dove Street, Ste #210, Newport Beach CA 92660 (referred to below as "Trustee").

This Line of Credit Trust Deed secures the Home Equity Plan Credit Agreement and Disclosures ("Agreement") dated MARCH 28, 2006 in the maximum principal amount at any one time of \$250,000.00.

The term of the Agreement commences on the date of this Line of Credit Trust Deed and for purposes of ORS 88.110, ends twenty-five (25) years after that date.

This Line of Credit Trust Deed, is given to secure (1) payment of the indebtedness and (2) performance of any and all obligations of Trustor under the Agreement and this Line of Credit Trust Deed. This Line of Credit Trust Deed is given and accepted on the following terms:

1. **CONVEYANCE AND GRANT.** For valuable consideration, Trustor conveys to Trustee in trust, with power of sale for the benefit of Lender as Beneficiary all of Trustor's right, title, and interest in and to the following described real property (Real Property), together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters. Property description:

PLEASE SEE ATTACHED EXHIBIT "A" LEGAL DESCRIPTION

2. **DEFINITIONS.** The following words shall have the following meanings when used in this Line of Credit Trust Deed:
 - a. **Indebtedness.** The word "Indebtedness" means all principal and interest payable under the Agreement and any amounts advanced or expended by Lender to discharge obligations of Trustor or expenses incurred by Trustee or Lender to enforce obligations of Trustor under this Line of Credit Trust Deed, together with interest on such amounts as provided in this Line of Credit Trust Deed. This Line of Credit Trust Deed secures a line of credit. The term "Line of Credit" means a revolving line of credit which obligates Lender to make advances to Trustor at a fixed or variable rate of interest in the maximum principal amount at any one time as set forth above until the Agreement is terminated or suspended or if advances are made up to the maximum credit limit, and Trustor complies with the terms of the Agreement. Funds may be advanced by Credit Union, repaid by Trustor, and subsequently readvanced by Credit Union in accordance with the Agreement. Notwithstanding the amount outstanding at any particular time, this Line of Credit Trust Deed secures the total indebtedness under the Agreement. The unpaid balance of the line of credit under the Agreement will remain in full force and effect notwithstanding a zero outstanding balance on the line from time to time. Any principal advance under the line of credit that exceeds the amount shown above as the principal amount of the Agreement will not be secured by this Line of Credit Trust Deed.
 - b. **Personal Property.** The words "Personal Property" mean all equipment, fixtures, and other articles of personal property owned by Trustor, now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.
 - c. **Property.** The word "Property" means collectively the Real Property and the Personal Property.
 - d. **Related Documents.** The words "Related Documents" mean and include without limitation all advance vouchers, loan agreements, guaranties, security agreements, mortgages, deeds of trust, and all other documents, whether now or hereafter existing, executed in connection with Trustor's Indebtedness to Lender.
3. **PAYMENT AND PERFORMANCE.** Trustor shall pay to Lender all amounts secured by this Line of Credit Trust Deed as they become due, and shall strictly perform all of Trustor's obligations under the Agreement and Line of Credit Trust Deed.
4. **POSSESSION AND MAINTENANCE OF THE PROPERTY.** Trustor agrees that its possession and use of the Property shall be governed by the following provisions:
 - a. **Possession and Use.** Unless and until Lender takes any action under paragraph 17, Trustor may (a) remain in possession and control of the Property, and (b) operate and manage the Property.
 - b. **Duty to Maintain.** Trustor shall maintain the Property in tenantable condition and promptly perform all repairs and maintenance necessary to preserve its value.
 - c. **Hazardous Substances.** Trustor represents and warrants that the Property never will be so long as this Line of Credit Trust Deed remains a lien on the Property, used for the generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act ("SARA"), as applicable state laws, or regulations adopted pursuant to any of the foregoing. Trustor authorizes Lender and its agents to enter upon the Real Property to make such inspections and tests as Lender may deem appropriate to determine compliance of the Property with this paragraph. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Trustor or to any other person. Trustor agrees to indemnify and hold Lender harmless against any and all claims and losses resulting from a breach of this paragraph of the Line of Credit Trust Deed. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Line of Credit Trust Deed.

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- d. **Nuisance, Waste.** Trustor shall not cause, conduct or permit any nuisance nor commit or suffer any strip or waste on or to the Property or any portion thereof. Specifically without limitation, Trustor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.
 - e. **Lender's Right to Enter.** Lender and its agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interest and to inspect the Property for purposes of Trustor's compliance with the terms and conditions of this Line of Credit Trust Deed.
 - f. **Compliance with Governmental Requirements.** Trustor shall promptly comply with all laws, ordinances, and regulations of all governmental authorities applicable to the use or occupancy of the Property. Trustor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Trustor has notified Lender in writing prior to doing so and so long as Lender's interests in the Property are not jeopardized. Lender may require Trustor to post adequate security reasonably satisfactory to Lender, to protect Lender's interest.
 - g. **Duty to Protect.** In addition to the acts set forth above in this section, Trustor shall do all other acts that from the character and use of the Property are reasonably necessary to protect and preserve the Property.
5. **INDEMNITY.** Trustor shall indemnify Lender and hold Lender harmless from any and all claims or liabilities arising out of or in connection with the Property or its use, provided that such claims or liabilities arise out of acts or omissions occurring subsequent to the date Trustor first holds title to the Property.
6. **DUE ON SALE - CONSENT BY LENDER.** Trustor shall not sell, or transfer its interest in the Real Property or any interest or part thereof, without the Lender's prior written consent. A sale, assignment, or transfer means the conveyance of real property or any right, title or interest therein; whether legal or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of real property interest. Transfer also includes any change in ownership of more than fifty percent (50%) of the interests of Trustor. However, this option shall not be exercised by Lender if exercise is prohibited by federal law or by Oregon law.
7. **LEASES - CONSENT REQUIRED.** Trustor may not lease or sublet the Property. Trustor represents and agrees that the Property will remain owner-occupied.
8. **TAXES AND LIENS.** The following provisions relating to the taxes and liens on the Property are a part of this Line of Credit Trust Deed.
- a. **Payment.** Trustor shall pay when due before they become delinquent all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions 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. Trustor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Line of Credit Trust Deed, except for the lien of taxes and assessments current but not yet due, except as otherwise provided in this Line of Credit Trust Deed. If Trustor objects in good faith to the validity or amount of any tax, assessment, or related lien, Trustor at its sole expense may contest the validity and amount of the tax, assessment, or lien.
 - b. **Evidence of Payment.** Trustor shall upon demand furnish to Lender evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.
9. **PROPERTY DAMAGE INSURANCE.** The following provisions relating to insuring the Property are a part of this Line of Credit Trust Deed.

WARNING - UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPER COVERAGE ELSEWHERE. YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR LOAN BALANCE. IF THE COST IS ADDED TO THE LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE. THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IN OREGON.

- a. **Maintenance of Insurance.** Trustor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount not less than the total unpaid balance on the Agreement, and with a standard mortgagee clause in favor of Lender. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Trustor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be canceled or diminished without at least ten (10) days prior written notice to Lender.
- b. **Application of Proceeds.** In the event that the Improvements are damaged or destroyed by casualty, Trustor shall promptly restore the Improvements and Lender shall make the insurance proceeds available to Trustor for restoration, subject to the following conditions: (a) Lender shall have reasonably determined that the Improvements can be restored to as good or better condition as the Improvements were in immediately prior to the casualty on account of which such proceeds were paid; (b) Lender shall have determined that such net proceeds, together with any funds paid by Trustor to Lender, shall be sufficient to complete the restoration; (c) No default and no event of failure which, with the passage of time or the giving of notice, would constitute a default under this Line of Credit Trust Deed shall have occurred; (d) At the time of such casualty, there are at least two (2) years to the maturity date of the Note; (e) Lender shall have approved the plans and specifications to be used in connection with the restoration, which approval shall not be unreasonably withheld, and shall have received written evidence, satisfactory to Lender, that such plans and specifications have been approved by all governmental and quasi-governmental authorities having jurisdiction and by all other persons or entities required to approve such plans and specifications; (f) Lender may require that the funds be disbursed by it or by a disbursement agent appointed by it in a manner similar to that utilized for the disbursement of funds under a construction loan, including without limitation, requirement of certificates of architect as to percentage of completion and the furnishing of appropriate mechanics and materialmen's lien waivers, the furnishing of

- appropriate bonds and other items as reasonably required by Lender. Net proceeds in excess of the amount necessary to complete the restoration shall, at the option of Lender, be applied to the outstanding indebtedness as a prepayment thereof.
- c. **Unexpired Insurance at Sale.** Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Line of Credit Trust Deed at any trustee's or other sale held under the provisions of this Line of Credit Trust Deed, or at any foreclosure sale of such Property.
 - d. **Trustor's Report on Insurance.** Upon request of Lender, however not more than once a year, Trustor shall furnish to Lender a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured, the then current replacement value of such property, and the manner of determining that value; and (e) the expiration date of the policy.
10. **EXPENDITURES BY LENDER.** If Trustor fails to comply with any provision of this Line of Credit Trust Deed, or if any action or proceeding is commenced that would materially affect Lender's interest in the Property, Lender on Trustor's behalf may, but shall not be required to pay all such expenses including but not limited to taxes, insurance and maintenance costs, and at Lender's option, will (a) be payable on demand, or (b) be added to the principal loan balance and be payable in accordance with the Agreement. This Line of Credit Trust Deed also will secure payment of these amounts. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Lender may be entitled on account of the default. Any such action by Lender shall not be construed as curing the default so as to bar Lender from any remedy that it otherwise would have had.
11. **WARRANTY; DEFENSE OF TITLE.** The following provisions relating to ownership of the Property are a part of this Line of Credit Trust Deed.
- a. **Title.** Trustor warrants that (a) Trustor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in any policy of title insurance issued in favor of or in any title opinion given to, and accepted by, Lender in connection with this Line of Credit Trust Deed and (b) Trustor has the full right, power, and authority to execute and deliver this Line of Credit Trust Deed to Lender.
 - b. **Defense of Title.** Subject to the exceptions in the paragraph above, if any, Trustor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Trustor's title or the interest of Trustee or Lender under this Line of Credit Trust Deed, Trustor shall defend the action at its expense. Trustor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Trustor will deliver, or cause to be delivered, to Lender such instruments as may be requested by it from time to time to permit such participation.
 - c. **Compliance With Laws.** Trustor warrants that its use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.
12. **CONDEMNATION.** The following provisions relating to proceedings in condemnation are a part of this Line of Credit Trust Deed.
- a. **Application of Net Proceeds.** If all or any part of the Property is condemned, Lender shall apply the net proceeds of the award in any reasonable manner necessary to satisfy Trustor's obligations under the Agreement of this Line of Credit Trust Deed. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorney fees necessarily paid or incurred by Trustee or Lender in connection with the condemnation. However, there shall be no obligation to pay Trustor's costs, expenses or attorney fees from such awards.
 - b. **Proceedings.** If any proceeding in condemnation is filed, Trustor shall promptly notify Lender in writing and Trustor shall promptly take such steps as may be necessary to defend the action and obtain the award. Trustor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Trustor will deliver or cause to be delivered, to Lender such instruments as may be requested by it from time to time to permit such participation.
13. **IMPOSITION OF TAXES BY GOVERNMENTAL AUTHORITIES.** The following provisions relating to taxes are a part of this Trust Deed.
- a. **Taxes Covered.** The following shall constitute taxes to which this section applies: (a) a specific tax upon this type of Trust Deed or upon all or any part of the Indebtedness secured by this Trust Deed; (b) a specific tax on Borrower which Borrower is authorized or required to deduct from payments on the Indebtedness secured by this type of Trust Deed; (c) a tax on this type of Trust Deed chargeable against the Lender; and (d) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by a Borrower.
 - b. **Remedies.** If any tax to which this section applies is enacted subsequent to the date of this Trust Deed, Grantor shall either (a) pay the tax before it becomes delinquent, or (b) contest the tax as provided above in the Taxes and Liens section and deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.
14. **SECURITY AGREEMENT; FINANCING STATEMENTS.** The following provisions relating to this Line of Credit Trust Deed as a security agreement are a part of this Line of Credit Trust Deed.
- a. **Security Agreement.** This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures or other personal property, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code.
 - b. **Security Interest.** Upon request by Lender, Trustor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Line of Credit Trust Deed in the real property records, Lender may, at any time and without further authorization from Trustor, file executed counterparts, copies or reproductions of this Line of Credit Trust Deed as a financing Statement. Trustor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Trustor shall assemble the Personal Property in a manner and at a place reasonably convenient to Trustor and Lender and make it available to Lender within three (3) business days after receipt of written demand from Lender.
 - c. **Addresses.** The mailing address of Trustor (debtor) and the mailing address of Lender (secured party) from which information concerning the security interest granted by this Line of Credit Trust Deed may be obtained (each as required by the Uniform Commercial Code of the state where the Property is located) are as stated on the first page of this Line of Credit Trust Deed.
15. **FURTHER ASSURANCES; ATTORNEY-IN-FACT.** The following provisions relating to further assurances are a part of this Line of Credit Trust Deed.
- a. **Further Assurances.** At any time, and from time to time, upon request of Lender, Trustor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, re-filed, or re-recorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (a) the obligations of Trustor under the Agreement, this Line of Credit Trust Deed, and the Related Documents, and (b) the liens and security interests created by this Line of Credit Trust Deed on the Property, whether now owned or hereafter acquired by Trustor. Unless prohibited by law or agreed to the contrary by Lender in writing, Trustor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.
 - b. **Attorney-in-Fact.** If Trustor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Trustor and at Trustor's expense. For such purposes, Trustor hereby irrevocably appoints Lender as Trustor's attorney-

in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

16. **FULL PERFORMANCE.** If Trustor pays all the Indebtedness, including without limitation all future advances, when due and otherwise performs all the obligations imposed upon Trustor under this Line of Credit Trust Deed and the Agreement, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Trustor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Any reconveyance fee required by law shall be paid by Trustor, if permitted by applicable law.
17. **POSSIBLE ACTIONS OF LENDER.** The Lender may take the following actions with respect to your Agreement under the circumstances listed below:
 - a. **Termination and Acceleration.** Except as set forth in the Agreement the Lender may, without further notice terminate your Agreement and require Trustor to pay the entire outstanding balance immediately, and charge Trustor certain fees if any of the following happen: i) Trustor engages in any fraud or material misrepresentation in connection with the Agreement. For example, if there are false statements or omissions on Trustor's application or financial statements; ii) Trustor does not meet the repayment terms of the Agreement; iii) Trustor's actions or inactions adversely affect the collateral or Lender's rights in the collateral. For example, if Trustor fails to: maintain insurance, pay taxes; transfer title to or sell the collateral, prevent the foreclosure of any items, or waste of the collateral.
 - b. **Suspension of Credit/Reduction of Credit Limit.** Lender may refuse to make additional advances on the line of credit or reduce the credit limit during any period in which the following exist or occur: i) Any of the circumstances listed in a., above; ii) The value of Trustor's dwelling securing the Indebtedness declines significantly below its appraised value for purposes of the Agreement; iii) Lender reasonably believes that Trustor will not be able to meet the repayment requirements of the Agreement due to a material change in Trustor's financial circumstances; iv) Trustor is in default under any material obligations of the Agreement and Line of Credit Trust Deed; v) Any government action prevents Lender from imposing the annual percentage rate provided for or impairs Lender's security interest such that the value of the interest is less than 120 percent of the credit line. vi) Lender has been notified by government agency that continued advances would constitute an unsafe and unsound practice.
 - c. **Change in Terms.** The Agreement permits Lender to make certain changes to the terms of the Agreement at specified times or upon the occurrence of specified events. The Agreement also permits Lender to prohibit additional extensions of credit or reduce the credit limit during any period in which the maximum annual percentage rate is reached.
18. **NOTICE OF DEFAULT.** In the event of a default under Paragraph 17.b.iv), Lender shall notify Borrower of the default as required by applicable law. Notice shall be deemed to have been given when deposited in the United States mail, postage fully prepaid, certified or return receipt requested and addressed to Borrower at the address listed above or to such other address as may be designated by written notice from Borrower.
19. **ACTIONS UPON TERMINATION.** In the event the Agreement is terminated, Trustee or Lender, at its option, may, not earlier than thirty (30) days after Trustor has been given written notice of the termination, exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law.
 - a. **Foreclosure.** With respect to all or any part of the Real Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law. Nothing contained herein shall be construed to limit the right of Lender to foreclose this Trust Deed by judicial action or by exercise of the power of sale or to bring a separate action on the indebtedness secured hereby, whether before or after foreclosure of this Trust Deed.
 - b. **UCC Remedies.** With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.
 - c. **Collect Rents.** Lender shall have the right, without notice to Trustor, to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Trustor irrevocably designates Lender as Trustor's attorney in fact to endorse instruments received in payment thereof in the name of Trustor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.
 - d. **Appoint Receiver.** Lender 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. Lender'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 Lender shall not disqualify a person from serving as a receiver.
 - e. **Other Remedies.** Trustee or Lender shall have any other right or remedy provided in this Line of Credit Trust Deed or the Agreement or by law.
 - f. **Notice of Sale.** Lender shall give Trustor 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 (10) days before the time of the sale or disposition. Any sale of Personal Property may be made in conjunction with any sale of the Real Property.
 - g. **Sale of the Property.** To the extent permitted by applicable law, Trustor hereby waives any and all rights to have the Property marshaled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.
20. **WAIVER; ELECTION OF REMEDIES.** A waiver by any party of a breach of a provision of this Line of Credit Trust Deed shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy provided in this Line of Credit Trust Deed, the Agreement, in any Related Document, or provided by law shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Trustor under this Line of Credit Trust Deed after failure of Trustor to perform shall not affect Lender's right to declare a default and to exercise any of its remedies.
21. **ATTORNEY FEES; EXPENSES.** If Lender institutes any suit or action to enforce any of the terms of this Line of Credit Trust Deed, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Lender which in Lender's opinion are necessary at any time 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 at the Note rate or default rate, whichever is higher, from the date of expenditure until repaid. Expenses covered by this paragraph include, without limitation however subject to any limits under applicable law, Lender's attorney fees whether or not there is a lawsuit, including attorney fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees, title insurance, and fees for the Trustee, to the extent

permitted by applicable law. Trustor also will pay any court costs, in addition to all other sums provided by law. In the event of foreclosure of this Line of Credit Trust Deed, Lender shall be entitled to recover from Trustor Lender's attorney fees and actual disbursements necessarily incurred by Lender in pursuing such foreclosure.

22. **RIGHTS AND DUTIES OF TRUSTEE.** Trustee shall have all of the following rights and duties:

- a. **Power 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 Lender and Trustor: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Line of Credit Trust Deed or the interest of Lender under this Line of Credit Trust Deed. In the event of default, Lender may execute or cause the Trustee to execute a written notice of such default and of its election to cause to be sold the Property to satisfy the obligations secured hereby, and may cause such notice to be recorded in the office of the recorder for the recording district in which said property or some part thereof is located. Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of default, Trustee, without demand on Borrower, shall sell said property at the place provided by law and at the time fixed by Trustee in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at the time of sale.
- b. **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 Trustor, Lender, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.
- c. **Trustee.** Trustee shall meet all qualifications required for Trustee under applicable state law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.
- d. **Successor Trustee.** Lender, at Lender's option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Lender and recorded in the office of the Recorder of the County where the property is now located. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Trustor, the book and page where this Line of Credit Trust Deed is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, powers, and duties conferred upon the Trustee in this Line of Credit Trust Deed and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.
- e. **Sale by Trustee.** When the Trustee sells pursuant to the powers provided, Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the lawful fees of the Trustee and the reasonable fees of Trustee's attorney, (2) the obligations secured by this Trust Deed, (3) to all persons having recorded liens subsequent to the interest of the Beneficiary and the Trust Deed as their interest may appear in the order of their priority and (4) the surplus, if any, to the Trustor or to his successor in interest entitled to such surplus. Trustee may postpone the sale of all or any portion of said property by public announcement at the time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying the property sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Borrower or Trustee, as hereunder defined, or Lender, may purchase at such sale.

23. **NOTICES TO TRUSTOR AND OTHER PARTIES.** Any notice under this Line of Credit Trust Deed, including without limitation any notice of default and any notice of sale to Trustor, shall be in writing and shall be effective when actually delivered or, if mailed, shall be deemed effective when deposited in the United States mail first class or registered mail, postage prepaid, directed to the addresses shown at the top of page one (1). Any party may change its address for notices under this Line of Credit Trust Deed by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. All copies of notices of foreclosure from the holder of any lien which has priority over this Line of Credit Trust Deed shall be sent to Lender's address, as shown near the top of the first page of this Line of Credit Trust Deed. For notice purposes, Trustor agrees to keep Lender and Trustee informed at all times of Trustor's current address.

24. **MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Line of Credit Trust Deed.

- a. **Amendments.** This Line of Credit Trust Deed, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Line of Credit Trust Deed. No alteration or amendment of this Line of Credit Trust Deed shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.
- b. **Annual Reports.** Trustor shall furnish to Lender, upon request, a statement of net cash profit received from the Property during Trustor's previous fiscal year in such detail as Lender shall require. "Net cash profit" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.
- c. **Applicable Law.** This Line of Credit Trust Deed shall be governed by and construed in accordance with the laws of the State of Oregon.
- d. **Caption Headings.** Caption headings in this Line of Credit Trust Deed are for convenience purposes only and are not to be used to interpret or define the provisions of this Line of Credit Trust Deed.
- e. **Entire Agreement.** The parties agree that the Agreement, Line of Credit Trust Deed, and subsequent advance vouchers from Lender to Borrower, are the entire agreement between the parties and supersede any prior agreements between Borrower and Lender relating to the Property.
- f. **Merger.** There shall be no merger of the interest or estate created by this Line of Credit Trust Deed with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.
- g. **Multiple Parties.** All obligations of Trustor under this Line of Credit Trust Deed shall be joint and several, and all references to Trustor shall mean each and every Trustor. This means that each of the persons signing below is responsible for all obligations in this Line of Credit Trust Deed. It is not necessary for Lender to inquire into the powers of any of the parties or of the officers, directors partners, or agents acting or purporting to act on behalf of Trustor, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under and secured by this Line of Credit Trust Deed.
- h. **Severability.** If a court of competent jurisdiction finds any provision of this Line of Credit Trust Deed to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances, and all provisions of this Line of Credit Trust Deed in all other respects shall remain valid and enforceable.
- i. **Successors and Assigns.** Subject to the limitations stated in this Line of Credit Trust Deed on transfer of Trustor's interest, this Line of Credit Trust Deed shall be binding upon and inure to the benefit of the parties, their successors, and assigns. If ownership of the Property becomes vested in a person other than Trustor, Lender, without notice to Trustor, may deal with Trustor's successors with reference to this Line of Credit Trust Deed and the Indebtedness by way of forbearance or extension without releasing Trustor from the obligations of this Line of Credit Trust Deed or liability under the Indebtedness.
- j. **Time is of the Essence.** Time is of the essence in the performance of this Line of Credit Trust Deed.

- k. **Waiver of Homestead Exemption.** Trustor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all Indebtedness secured by this Line of Credit Trust Deed.

EACH TRUSTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS LINE OF CREDIT TRUST DEED, AND EACH TRUSTOR AGREES TO ITS TERMS.

TRUSTOR(S):

x Kenneth Clifton Knowles

Name: KENNETH CLIFTON KNOWLES

x Joan Kathleen Knowles

Name: JOAN KATHLEEN KNOWLES

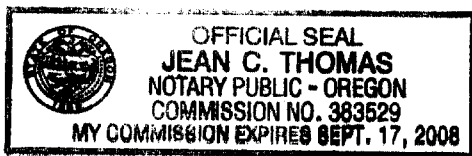
INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON

County of Klamath

This is to certify that on the 29TH day of MARCH, 2006, before me the undersigned Notary Public in and for the State of Oregon, duly commissioned and sworn as such, personally appeared KENNETH CLIFTON KNOWLES and JOAN KATHLEEN KNOWLES, known to me to be said individual(s) that executed the Line of Credit Trust Deed and acknowledged the Line of Credit Trust Deed to be the free and voluntary act of his/her/their will, by authority of statute, for the uses and purposes therein mentioned, and on oath stated that he/she/they was/were authorized to execute this Line of Credit Trust Deed and in fact executed the Line of Credit Trust Deed.

Witness my hand and official seal the day and year last above written.



Notary Public in and for the State of Oregon

My commission expires: 9-17-08

Notary: Jean C Thomas

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 Line of Credit Trust Deed. All sums secured by this Line of Credit Trust Deed have been fully paid and satisfied. You are hereby directed, upon payment to you under the terms of this Line of Credit Trust Deed or pursuant to any applicable statute, to cancel the Agreement secured by this Line of Credit Trust Deed (which is delivered to you together with this Line of Credit Trust Deed), and to reconvey, without warranty, to the parties designated by the terms of this Line of Credit Trust Deed, the estate now held by you under this Line of Credit Trust Deed. Please mail the reconveyance and Related Documents to:

DATE: _____

Beneficiary: F&A Federal Credit Union

By: _____

Its: _____

EXHIBIT "A"
LEGAL DESCRIPTION

A parcel of land situated in the N1/2 of Section 20, Township 37 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, described as follows:

Beginning at the W1/4 corner of said Section 20; thence South 87° 42' 43" East along the East-West centerline of Section 20 a distance of 1121.67 feet to an iron pin found which marks the Northeasterly corner of 93.53 acre parcel and the TRUE POINT OF BEGINNING; thence along the centerline of a 60 foot wide easement North 15° 30' 40" West a distance of 67.32 feet to an iron pin; thence North 26° 27' 44" West a distance of 160.39 feet to an iron pin; thence North 15° 54' 19" West a distance of 181.11 feet to an iron pin; thence North 19° 33' 36" West a distance of 225.32 feet to an iron pin; thence North 21° 28' 13" West a distance of 344.16 feet to an iron pin; thence North 28° 27' 04" West a distance of 602.44 feet to an iron pin; thence North 38° 09' 04" West a distance of 383.61 feet to an iron pin; thence North 37° 39' 39" West a distance of 282.43 feet to an iron pin; thence North 17° 42' 31" West a distance of 164.34 feet to an iron pin; thence, leaving said easement centerline North 46° 00' 54" East to a point on the centerline of the existing Old Fort Road, (60 feet wide); thence Easterly along said centerline to the point of intersection of the North line of said Section 20; thence South 86° 42' 18" East along said North line of Section 20 to the point of intersection of the centerline of said Old Fort Road; thence Southeasterly along the said centerline of Old Fort Road to the point of intersection of the East-West centerline of said Section 20; thence North 87° 42' 43" West along said East-West centerline of said Section 20 to an iron pin and the true point of beginning. EXCEPTING THEREFROM that portion thereof lying in Old Fort Road.

TOGETHER WITH a 1/4 interest in and to a well located 820 feet North and 220 feet West from SE corner of Section 29, Township 37 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Tax Account No: 3709-02000-00301-000
Tax Account No: 3709-02000-00301-000
Tax Account No: 3709-02000-00501-000
Tax Account No: 3709-02000-00400-000
Tax Account No: 3709-02000-00400-000

Key No: 861384
Key No: 600335
Key No: 861375
Key No: 379085
Key No: 600157

EXHIBIT "B"

NOTE B: Taxes for fiscal year 2005-2006, paid.

Account No: 3709-02000-00301-000
Amount: \$3,315.94
(Affects a portion of the property herein described)

Key No: 861384
Code No: 183

Account No: 3709-02000-00301-000
Amount: \$16.78
(Affects a portion of the property herein described)

Key No: 600335
Code No: 053

Account No: 3709-02000-00501-000
Amount: \$22.25
(Affects a portion of the property herein described)

Key No: 861375
Code No: 183

Account No: 3709-02000-00400-000
Amount: \$20.96
(Affects a portion of the property herein described and other property. Said taxes are assessed to Kenneth Knowles and Kathleen Knowles)

Key No: 379085
Code No: 053

Account No: 3709-02000-00400-000
Amount: \$2.80
(Affects the remainder of the property herein described and other property. Said taxes are assessed to Kenneth Knowles and Kathleen Knowles)

Key No: 600157
Code No: 183