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AFTER RECORDING RETURN TO:

Washington Mutual Bank
12655 S.W. Center Street, Suite 520
WST786B
Beaverton, Oregon 97005-1690

State of Oregon, County of Klamath
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Linda Smith, County Clerk
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**TRUST DEED, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS,
AND FIXTURE FILING**

[Loan No. _____]

THIS TRUST DEED, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FILING ("Trust Deed") is made as of the 14th day of March, 2003 among DEBRA A. PADDOCK, an individual with an address at 410 Nosler Street, Klamath Falls, OR 97601 ("Grantor"); ASPEN TITLE & ESCROW, INC., the address of which is 525 Main Street, Klamath Falls, Oregon 97601, and its successors in trust and assigns ("Trustee"), and WASHINGTON MUTUAL BANK, a Washington corporation, having an address or addresses as specified in Section 9.2 below ("Beneficiary").

1. **GRANTING CLAUSE.** Grantor, in consideration of the acceptance by Trustee of the trust hereunder, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the obligations described in Section 3 below, grants, bargains, sells, assigns and conveys to Trustee and its successors in trust and assigns, forever, in trust, with power of sale, all of Grantor's estate, right, title, interest, claim, and demand in and to the property in the county of Klamath, state of Oregon, described as follows, whether now existing or hereafter acquired (all of the property described in all parts of this Section 1 and all additional property, if any, described in Section 2 is herein called the "Property"):

1.1 **Land and Appurtenances.** The land described on Exhibit A hereto, and all tenements, hereditaments, rights-of-way, easements, appendages, and appurtenances thereto belonging or in any way appertaining, including without limitation all of the right, title and interest of Grantor in and to any avenues, streets, ways, alleys, vaults, strips, or gores of land adjoining that property, all rights to water, water stock, drains, drainage and air rights relating to that property and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in, and to that property; and

1.2 **Improvements and Fixtures.** All buildings, structures, and other improvements now or hereafter erected on the property described in 1.1 above, and all facilities, and fixtures now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described that is now owned or hereafter acquired by Grantor and that is affixed or attached to, stored upon, or used in connection

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with the property described in 1.1 above shall be, remain, or become a portion of that property and shall be covered by and subject to the lien of this Trust Deed.

1.3 Enforcement and Collection. Any and all rights of Grantor without limitation to make claim for, collect, receive, and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil, and gas rights and profits, insurance proceeds of any kind (whether or not Beneficiary requires such insurance and whether or not Beneficiary is named as an additional insured or loss payee of such insurance), condemnation awards, and other moneys, payable or receivable from or on account of any of the Property, including interest thereon, or to enforce all other provisions of any other agreement (including those described in Section 1.2 above) affecting or relating to any of the Property, to bring any suit in equity, action at law, or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award, or judgment, in the name of Grantor or otherwise, and to do any and all things that Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards, or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and

1.4 Accounts and Income. Any and all rights of Grantor in any and all accounts, rights to payment, contract rights, chattel paper, documents, instruments, licenses, contracts, agreements, and general intangibles relating to any of the Property, including, without limitation, income and profits derived from the operation of any business on the Property or attributable to services that occur or are provided on the Property or generated from the use and operation of the Property; and

1.5 Leases. All of Grantor's rights as landlord in and to all existing and future leases and tenancies, whether written or oral and whether for a definite term or month to month or otherwise, now or hereafter demising all or any portion of the property described in 1.1 and 1.2 above, including all renewals and extensions thereof and all rents, deposits, and other amounts received or receivable thereunder and including all guaranties, supporting obligations, letters of credit and letter of credit rights guaranteeing or supporting any of the foregoing. In accepting this Trust Deed neither Beneficiary nor Trustee assumes any liability for the performance of any such lease.

1.6 Books and Records. All books and records of Grantor relating to the foregoing in any form.

2. SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS.

2.1 Security Agreement. To the extent any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code of the state of Oregon (the "UCC"), on the terms and conditions contained herein. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein. Grantor hereby authorizes

Beneficiary to file any financing statement, fixture filing or similar filing to perfect the security interests granted in this Trust Deed without Grantor's signature.

2.2 Assignment of Leases and Rents.

(a) **Assignment.** Subject to any other agreements between Grantor and Beneficiary, Beneficiary hereby grants, transfers, conveys, sells, sets over and assigns to Beneficiary all of Grantor's right, title and interest now existing and hereafter arising in and to the leases, subleases, concessions, licenses, franchises, occupancy agreements, tenancies, subtenancies and other agreements, either oral or written, now existing and hereafter arising which affect the Property, Grantor's interest therein or any improvements located thereon, together with any and all security deposits, guarantees of the lessees' or tenants' obligations (including any and all security thereunder) and other security under any such leases, subleases, concessions, licenses, franchises, occupancy agreements, tenancies, subtenancies and other agreements (all of the foregoing, and any and all extensions, modifications and renewals thereof, shall be referred to, collectively, as the "Leases"), and hereby gives to and confers upon Beneficiary the right to collect all the income, rents, issues, profits, royalties and proceeds from the Leases and any business conducted on the Property and any and all prepaid rent and security deposits thereunder (collectively, the "Rents"). This Trust Deed is intended by Beneficiary and Grantor to create and shall be construed to create an assignment for security purposes to Beneficiary of all of Grantor's right, title and interest in and to the Leases and the Rents and shall be deemed merely to create a security interest therein for the payment of any indebtedness or the performance of any obligations under the Loan Documents (as hereinafter defined). Grantor irrevocably appoints Beneficiary its true and lawful attorney at the option of Beneficiary at any time to demand, receive and enforce payment, to give receipts, releases and satisfactions and to sue, either in the name of Grantor or in the name of Beneficiary, for all such Rents and apply the same to the obligations secured by this Trust Deed.

(b) **Revocable License to Collect.** Notwithstanding the foregoing assignment of Rents, so long as no Event of Default (as hereinafter defined) remains uncured, Grantor shall have a revocable license, to collect all Rents, and to retain the same. Upon any Event of Default, Grantor's license to collect and retain Rents shall terminate automatically and without the necessity for any notice.

(c) **Collection and Application of Rents by Beneficiary.** While any Event of Default remains uncured, (i) Beneficiary may at any time, without notice, in person, by agent or by court-appointed receiver, and without regard to the adequacy of any security for the obligations secured by this Trust Deed, enter upon any portion of the Property and/or, with or without taking possession thereof, in its own name sue for or otherwise collect Rents (including past due amounts), and (ii) without demand by Beneficiary therefor, Grantor shall promptly deliver to Beneficiary all prepaid rents, deposits relating to Leases or Rents, and all other Rents then held by or thereafter collected by Grantor, whether prior to or during the continuance of any Event of Default. Any Rents collected by or delivered to Beneficiary may be applied by Beneficiary against the obligations secured by this Trust Deed, less all expenses, including attorneys' fees and disbursements, in such order as Beneficiary shall determine in its sole and absolute discretion. No application of Rents against any obligation secured by this Trust Deed or other action taken by

Beneficiary under this Section 2.2 shall be deemed or construed to cure or waive any Event of Default, or to invalidate any other action taken in response to such Event of Default, or to make Beneficiary a mortgagee-in-possession of the Property.

(d) **Direction to Tenants.** Grantor hereby irrevocably authorizes and directs the tenants under all Leases to pay all amounts owing to Grantor thereunder to Beneficiary following receipt of any written notice from Beneficiary that states that an Event of Default remains uncured and that all such amounts are to be paid to Beneficiary. Grantor further authorizes and directs all such tenants to pay all such amounts to Beneficiary without any right or obligation to inquire as to the validity of Beneficiary's notice and regardless of the fact that Grantor has notified any such tenants that Beneficiary's notice is invalid or has directed any such tenants not to pay such amounts to Beneficiary.

3. OBLIGATIONS SECURED. This Trust Deed is given for the purpose of securing:

3.1 **Performance and Payment.** The performance of the obligations contained herein and in the other Loan Documents (as defined in Section 19) and the payment of TWO HUNDRED SEVENTY FIVE THOUSAND AND NO/100THS DOLLARS (\$275,000.00) with interest thereon and all other amounts payable according to the terms of a promissory note of even date herewith made by Daniel G. Brown and Elouise Brown (Collectively "Borrower"), payable to Beneficiary or order, having a maturity date of December 31, 2007, and any and all extensions, renewals, modifications, or replacements thereof, whether the same be in greater or lesser amounts (the "Note"), which Note may provide for one or more of the following: (a) a variable rate of interest, or (b) a balloon payment at maturity; and

3.2 **Future Advances.** The repayment of any and all sums advanced or expenditures made by Beneficiary subsequent to the execution of this Trust Deed for the maintenance or preservation of the Property or advanced or expended by Beneficiary pursuant to any provision of this Trust Deed subsequent to its execution, together with interest thereon.

4. WARRANTIES AND COVENANTS OF GRANTOR. Grantor warrants, covenants, and agrees:

4.1 Warranties

(a) Grantor has full power and authority to grant the Property to Trustee and warrants the Property to be free and clear of all liens, charges, and other monetary encumbrances except those appearing of record on the date hereof.

(b) None of the Property is used principally or at all for agricultural or farming purposes.

(c) Except as otherwise approved by Beneficiary in writing, and in its sole discretion, after disclosure of all material facts:

(i) Grantor is the sole legal and beneficial owner (in its own true and correct legal name and not in the name of any other person or entity whether affiliated or unaffiliated with Grantor) of all property described in Section 1 hereinabove. All of the personal property described in Section 1 hereinabove is owned by Grantor free and clear of all ownership interests, liens, charges, encumbrances, leases and other interests of any and all other persons and entities, whether affiliated or unaffiliated with Grantor, except for liens in favor of Beneficiary and liens securing non-delinquent taxes and the rights of Jefferson State Redi-Mix.

(ii) Grantor will not permit any personal property described in Section 1 hereinabove to be removed at any time from the Property unless the removed item is: (A) consumed or sold in the usual and customary course of business, (B) removed temporarily for maintenance and repair, or (C) if removed permanently, disposed of for fair value and replaced by an item of equivalent suitability and not materially less value which is owned by Grantor free and clear of all ownership interests, liens, charges, encumbrances, leases and other interests of any and all other persons and entities, whether affiliated or unaffiliated with Grantor, excepting only liens in favor of Beneficiary and liens securing non-delinquent taxes.

(d) The Property is free from damage and no matter has come to Grantor's attention (including, but not limited to, knowledge of any construction defects or nonconforming work) that would materially impair the value of the Property as security.

(e) The loan evidenced by the Note and secured by this Trust Deed is primarily for commercial, industrial, or business purposes and is not primarily for personal, family, or household purposes.

4.2 Preservation of Lien and Perfection: Letters of Credit. Grantor will preserve and protect the priority of this Trust Deed as a first lien on the Property and all portions thereof, and will take all actions, and execute and deliver to Beneficiary all documents, that Beneficiary may require in order to perfect the liens and security interests granted in this Trust Deed or in any other Loan Document. Without limiting the generality of the foregoing, Grantor will notify Beneficiary in writing prior to becoming the beneficiary under any letter of credit in which a security interest is granted under Section 1.5 of this Trust Deed and will take all actions, and execute all documents, necessary or appropriate to give Beneficiary control (as defined in the UCC, including but not limited to Section 9-107 thereof) of such letter of credit and all letter of credit rights thereunder and, if so required by Beneficiary, to constitute Beneficiary the transferee beneficiary of such letter of credit.

4.3 Repair and Maintenance of Property. Grantor will keep the Property in good condition and repair, and she will not remove or demolish, alter, or make additions to any building or other improvement that is part of the Property, or construct any new structure on the Property, without the express written consent of Beneficiary; will underpin and support when necessary any such building or other improvement and protect and preserve the same; will complete or restore promptly and in good and workmanlike manner any such building or other improvement that may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor; will not commit, suffer, or permit any act upon the Property in violation of law;

and will do all other acts that from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

4.4 **Insurance** [This Section intentionally omitted.]

4.5 **Right of Inspection.** Grantor shall permit Beneficiary or its agents or independent contractors (including, but not limited to, appraisers, environmental consultants and construction consultants), at all reasonable times, to enter upon and inspect the Property.

4.6 **Compliance with Laws, Etc.; Preservation of Licenses.**

4.6.1 Grantor shall comply in all material respects with (a) all laws, statutes, ordinances, rules, regulations, licenses, permits, approvals, orders, judgments and other requirements of governmental authorities relating to the Property or Grantor's use thereof, and (b) all easements, licenses and agreements relating to the Property or Grantor's use thereof.

4.6.2 Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises, and concessions relating to any existing or presently contemplated use of the Property, including but not limited to any zoning variances, special exceptions, and nonconforming use permits.

4.7 **Further Assurances.** Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Trust Deed.

4.8 **Legal Actions.** Grantor will appear in and defend any action or proceeding before any court or administrative body purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and will pay all costs and expenses, including cost of evidence of title, title insurance premiums, and any fees of attorneys, appraisers, environmental inspectors, and others, incurred by Beneficiary or Trustee, in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear and in any suit brought by Beneficiary or Trustee to foreclose this Trust Deed and in any nonjudicial foreclosure of this Trust Deed.

4.9 **Taxes, Assessments, and Other Liens.** Grantor will pay not later than when due all taxes, assessments, encumbrances, charges, and liens with interest, on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto, including but not limited to any tax on or measured by rents of the Property, the Note, this Trust Deed, or any obligation or part thereof secured hereby.

4.10 **Expenses.** Grantor will pay all costs, fees, and expenses reasonably incurred by Beneficiary or Trustee in connection with this Trust Deed.

4.11 **Repayment of Expenditures.** Grantor will pay within five (5) days after

written demand all amounts secured by this Trust Deed, other than principal of and interest on the Note, with interest from date of expenditure at the default rate of interest specified in the Note (the "Default Rate") and the repayment thereof shall be secured hereby.

4.12 **Sale, Transfer, or Encumbrance of Property.** Grantor shall not, without the prior written consent of Beneficiary, further encumber the Property or any interest therein, cause or permit any change in the entity, ownership, or control of Grantor or agree to do any of the foregoing without first repaying in full the Note and all other sums secured hereby.

Grantor shall not, without the prior written consent of Beneficiary (which consent shall be subject to the conditions set forth below), sell, transfer, or otherwise convey the Property or any interest therein, voluntarily or involuntarily, or agree to do any of the foregoing without first repaying in full the Note and all other sums secured hereby.

4.13 **Advance Collection of Rent.** Grantor shall not receive or collect any rents from any present or future tenant of the Property or any part thereof in advance in excess of one (1) year's rent.

5. **DEFAULT.**

5.1 **Definition.** Any of the following shall constitute an "Event of Default" as that term is hereinafter used (and the term "Default" shall mean any of the following, whether or not any requirement for notice or lapse of time has been satisfied):

(a) Any representation or warranty made by or on behalf of Grantor herein or elsewhere in connection with the loan secured hereby, including but not limited to any representations in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect;

(b) Grantor or any other person or entity liable therefor shall fail to pay within five (5) days after the date when due any indebtedness secured hereby;

(c) Grantor or any other signatory thereto shall default in the performance of any covenant or agreement contained in this Trust Deed, the Note, any other Loan Document, and shall fail to cure such default within thirty (30) days after written notice thereof from Beneficiary; provided, however, that Grantor shall have no right to notice and opportunity to cure such default and such default shall immediately constitute an Event of Default (i) if any encumbrance or transfer of any interest in the Property, occurs without any required consent of Beneficiary having been obtained, or (ii) in any circumstance when a delay in effecting a cure is in the reasonable judgment of Beneficiary reasonably likely to result in any of the Property being materially damaged, becoming uninsured or the value thereof being materially and adversely affected, or (iii) in the case of any default of the same type or nature that is repeated more than twice in any one (1) calendar year or more than three (3) times throughout the time this Trust Deed remains in effect;

(d) Grantor or any other person or entity liable for the repayment of the indebtedness secured hereby shall become unable or admit in writing its inability to pay its debts as they mature, or file, or have filed against it, a voluntary or involuntary petition in bankruptcy, or make a general assignment for the benefit of creditors, or become the subject of any other receivership or insolvency proceeding (unless, in the case of any such petition or proceeding against Grantor or any such other person or entity, and not acquiesced in by Grantor or such other person or entity, such petition or proceeding is dismissed with sixty (60) days after it is filed);

(e) Grantor or any other signatory thereto shall be in default in the performance of any covenant or agreement contained in any mortgage or deed of trust encumbering the Property, or the note or any other agreement evidencing or securing the indebtedness evidenced thereby, which default continues beyond any applicable cure period;

(f) A tax, charge, or lien shall be placed upon or measured by the Note, this Trust Deed, or any obligation secured hereby that Grantor does not or may not legally pay in addition to the payment of all principal and interest as provided in the Note.

Beneficiary's and Trustee's Right to Perform. Upon the occurrence of any Event of Default, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may: make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; commence, appear in, and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien in accordance with the following paragraph; and in exercising any such powers, pay necessary expenses, employ counsel, and pay a reasonable fee therefor. All sums so expended shall be payable on demand by Grantor, be secured hereby and bear interest at the rate of interest specified in the Note from the date advanced or expended until repaid.

Beneficiary or Trustee in making any payment herein is hereby authorized, in the place and stead of the Grantor, in the case of a payment of taxes, assessments, water rates, sewer rentals, and other governmental or municipal charges, fines, impositions, or liens asserted against the Property, to make such payment in reliance on any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement, or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien, or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien, encumbrance, deed of trust, claim, or charge Beneficiary or Trustee, as the case may be, shall be the sole judge of the legality or validity of same; and in the case of a payment for any other purpose herein and hereby authorized, but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument, provided further, that in connection with any such advance, Beneficiary at its option may and is hereby authorized to obtain a continuation report of title prepared by a title insurance company, the cost and expenses of which shall be repayable by the Grantor without demand and shall be secured hereby.

5.3 Remedies on Default. Upon the occurrence of any Event of Default all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may:

(a) Have a receiver appointed as a matter of right on an ex parte basis without notice to Grantor and without regard to the sufficiency of the Property or any other security for the indebtedness secured hereby and, without the necessity of posting any bond or other security, such receiver shall take possession and control of the Property and shall collect and receive all of the rents, issues, and profits thereof;

(b) Foreclose this Trust Deed as a mortgage or otherwise realize upon the Property;

(c) Cause Trustee to exercise its power of sale;

(d) Sue on the Note as permitted under applicable law;

(e) Avail itself of any and all other remedies available under this Trust Deed or the other Loan Documents, or applicable law.

5.4 No Waiver. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so.

5.5 Waiver of Marshaling, Etc. In connection with any trustee's sale or other foreclosure sale under this Trust Deed, Grantor hereby waives, for itself and all others claiming by, through or under Grantor, any right Grantor or such others would otherwise have to require marshaling or to require that the Property be sold in parcels or in any particular order.

5.6 Remedies Cumulative. The rights and remedies accorded by this Trust Deed shall be in addition to, and not in substitution of, any rights or remedies available under now existing or hereafter arising applicable law. All rights and remedies provided for in this Trust Deed or afforded by law or equity are distinct and cumulative and may be exercised concurrently, independently or successively. The failure on the part of Beneficiary to promptly enforce any right hereunder shall not operate as a waiver of such right and the waiver of any Default or Event of Default shall not constitute a waiver of any subsequent or other Default or Event of Default.

6. CONDEMNATION. Any award of damages, whether paid as a result of judgment or prior settlement, in connection with any condemnation or other taking of any portion of the Property, for public or private use, or for injury to any portion of the Property is hereby assigned and shall be paid to Beneficiary, provided that if the taking results in a loss of the Property to an extent which, in the reasonable opinion of Beneficiary, renders or will render the Property not economically viable or which substantially impairs Beneficiary's security or lessens to any extent the value, marketability or intended use of the Property, Beneficiary may apply the condemnation proceeds to

reduce the unpaid indebtedness secured hereby in such order as Beneficiary may determine, and without any adjustment in the amount of installments due under the Note. If so applied, any proceeds in excess of the unpaid balance of the Note and other sums due to Beneficiary shall be paid to Grantor or Grantor's assignee. Beneficiary shall in no case be obligated to see to the proper application of any amount paid over to Grantor. Such application or release shall not cure or waive any Default or notice of default hereunder or invalidate any act done pursuant to such notice. Should the Property or any part or appurtenance thereof or right or interest therein be taken or threatened to be taken by reason of any public or private improvement, condemnation proceeding (including change of grade), or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any reasonable compromise or settlement in connection with such taking or damage, and obtain all compensation, awards or other relief therefor, and Grantor agrees to pay Beneficiary's costs and reasonable attorneys' fees incurred in connection therewith. No condemnation award at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such award with its general assets and shall not be liable for the payment of any interest thereon.

7. TRUSTEE.

7.1 **General Powers and Duties of Trustee.** At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the indebtedness secured hereby, upon written request of Beneficiary, payment of its own fees and presentation of this Trust Deed and the Note for endorsement (in case of full reconveyance, for cancellation or retention), Trustee may:

- (a) Consent to the making of any map or plat of the Property;
- (b) Join in granting any easement or creating any restriction thereon;
- (c) Join in any subordination or other agreement affecting this Trust Deed or the lien or charge thereof; or
- (d) Reconvey, without warranty, all or any part of the Property.

7.2 **Reconveyance.** Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Trust Deed and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Trust Deed of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

7.3 **Powers and Duties on Default.** Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of default and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be

recorded and otherwise given according to law.

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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 breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, as provided by statute, 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 time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property that may be personal property Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the UCC. Whenever notice is permitted or required hereunder or under the UCC, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or Beneficiary, may purchase at such sale.

After deducting all costs, fees, and expenses of Trustee and of this trust, including the cost of evidence of title search and title insurance and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums secured hereby in such order as Beneficiary may determine; and the remainder, if any, shall be distributed in accordance with Chapter 86 of the Oregon Revised Statutes.

7.4 Reassignment of Security Interest. At the request of Beneficiary, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Trust Deed, independent of any action of Trustee, pursuant to the UCC.

7.5 Acceptance of Trust. Trustee accepts this trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

7.6 Reliance. Intentionally omitted.

7.7 Replacement of Trustee. Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein.

7.8 No Impairment of Right to Pursue Unsecured Obligations. The foreclosure

of this Trust Deed or sale by Trustee of the Property through the exercise of its power of sale granted hereunder shall not preclude or impair any action to collect or enforce any obligation of Grantor or any guarantor or other party liable for any of the obligations secured by this Trust Deed, or the substantial equivalent of such obligation, which obligation is not secured by this Trust Deed including, without limitation, the obligations of Grantor under the Indemnity Agreement and the obligations of each such guarantor under its guaranty. All of such obligations (and all substantial equivalents of such obligations) shall constitute separate recourse obligations of Grantor and each such guarantor or other party and shall not be deemed to be evidenced by the Note or secured by this Trust Deed.

8. **SUBROGATION.** Beneficiary shall be subrogated to the claims and liens of those whose claims or liens are discharged or paid with the proceeds of the loan secured hereby.

9. **NOTICES.**

9.1 **Trustee.** Any notice or demand upon Trustee may be given or made at the address set forth above for Trustee.

9.2 **Grantor and Beneficiary.** Any notice to or demand upon Grantor (including any notice of default or notice of sale) or notice to or demand upon Beneficiary shall be deemed to have been sufficiently made for all purposes when deposited in the United States mails, postage prepaid, registered or certified, return receipt requested, addressed to Grantor or Beneficiary at its address set forth above and, in the case of notices directed to Beneficiary, with a copy to each of the following addresses:

Washington Mutual Bank
12655 S.W. Center Street, Suite 520
WST786B
Beaverton, Oregon 97005-1690

or to such other address or addresses as the recipient may have directed by notice in accordance herewith.

9.3 **Waiver of Notice.** The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

10. **MODIFICATIONS.** Upon written request of any party then liable for any sum secured hereby, Beneficiary reserves the right to extend the term, or otherwise modify the terms, hereof or of the Note as Beneficiary and such person may from time to time deem appropriate and any such change shall not operate to release, in any manner, the liability of the original Grantor or Grantor's successors in interest.

11. **SUCCESSORS AND ASSIGNS.** All provisions herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties.

12. **GOVERNING LAW; SEVERABILITY.** This Trust Deed shall be governed by the law of the state of Oregon. In the event that any provision or clause of this Trust Deed or the Note conflicts with applicable law, the conflict shall not affect other provisions of this Trust Deed or the Note that can be given effect without the conflicting provision and to this end the provisions of this Trust Deed and the Note are declared to be severable.

13. **GRANTOR'S RIGHT TO POSSESSION.** Grantor may be and remain in possession of the Property for so long as no Event of Default exists and Grantor may, while it is entitled to possession of the Property, use the same.

14. **MAXIMUM INTEREST.** No provision of this Trust Deed or of the Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is herein or in the Note provided for, neither Grantor nor its successors or assigns shall be obligated to pay that portion of such interest that is in excess of the maximum permitted by law, and the right to demand the payment of any such excess shall be and is hereby waived and this Section shall control any provision of this Trust Deed or the Note that is inconsistent herewith.

15. **ATTORNEYS' FEES AND LEGAL EXPENSES.** In the event of any Default under this Trust Deed, or in the event that any dispute arises relating to the interpretation, enforcement, or performance of any obligation secured by this Trust Deed as set forth herein, Beneficiary shall be entitled to collect from Grantor on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators, and court reporters. Without limiting the generality of the foregoing, Grantor shall pay all such costs and expenses incurred in connection with (a) arbitration or other alternative dispute resolution proceedings, trial court actions, and appeals; (b) bankruptcy or other insolvency proceedings of Grantor, any guarantor or other party liable for any of the obligations secured by this Trust Deed, or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) postjudgment collection proceedings; (e) all claims, counterclaims, cross-claims, and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Trust Deed; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

16. **PREPAYMENT PROVISIONS.** If at any time after an Event of Default and acceleration of the indebtedness secured hereby there shall be a tender of payment of the amount necessary to satisfy such indebtedness by or on behalf of the Grantor, its successors or assigns, the same shall be deemed to be a voluntary prepayment such that the sum required to satisfy such indebtedness in full shall include, to the extent permitted by law, the additional payment required under the prepayment privilege as stated in the Note.

17. **TIME IS OF THE ESSENCE.** Time is of the essence under this Trust Deed and in the performance of every term, covenant, and obligation contained herein.

18. **FIXTURE FILING.** This Trust Deed constitutes a financing statement, filed as

a fixture filing in the real estate records of the county of the state in which the real property described in Exhibit A is located, with respect to any and all fixtures included within the list of improvements and fixtures described in Section 1.2 of this Trust Deed and to any goods or other personal property that are now or hereafter will become a part of the Property as fixtures.

19. MISCELLANEOUS.

19.1 Whenever the context so requires the singular number includes the plural herein, and the impersonal includes the personal.

19.2 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit, or expand the express provisions of this Trust Deed.

19.3 This Trust Deed and the other documents, instruments, and agreements entered into by Grantor and Beneficiary or by Borrower and Beneficiary in connection therewith (collectively, the "Loan Documents") constitute the final expression of the entire agreement of the parties with respect to the transactions set forth therein. No party is relying upon any oral agreement or other understanding not expressly set forth in the Loan Documents. The Loan Documents may not be amended or modified except by means of a written document executed by the party sought to be charged with such amendment or modification.

20. WAIVER OF JURY TRIAL. EACH OF GRANTOR AND BENEFICIARY (FOR ITSELF AND ITS SUCCESSORS, ASSIGNS AND PARTICIPANTS) WAIVES ITS RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATED TO THIS DEED OF TRUST, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS PROVIDED FOR HEREIN OR THEREIN, IN ANY LEGAL ACTION OR PROCEEDING OF ANY TYPE BROUGHT BY ANY PARTY TO ANY OF THE FOREGOING AGAINST ANY OTHER SUCH PARTY, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT SITTING WITHOUT A JURY.

DATED as of the day and year first above written.

THIS TRUST DEED WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS TRUST DEED IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS OR LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.390.

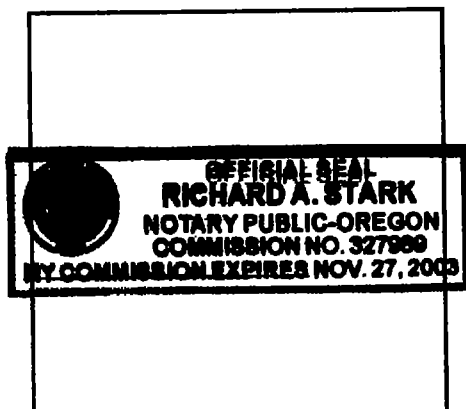
GRANTOR:

Debra A. Paddock
 DEBRA A. PADDOCK

STATE OF Oregon)
) ss.
 COUNTY OF Jackson)

This instrument was acknowledged before me on March 18, 2003, by
 DEBRA A. PADDOCK.

Dated this 18th day of March, 2003.



Richard A. Stark
 (Signature of Notary)

Richard A. STARK
 (Legibly Print or Stamp Name of Notary)

Notary Public in and for the State of
Oregon, residing at

Medford, Oregon
 My appointment expires 11-27-03

(Use this space for Notarial stamp/seal.)

EXHIBIT A

The land is located in the county of KLAMATH, state of OREGON, and is described as follows:

NE ¼ NW ¼ Section 26, Township 34 South, Range 6 East of the Willamette Meridian, Klamath County, Oregon.

LESS AND EXCEPT that portion that lies within West Side Road.

THIRD PARTY GRANTOR ADDENDUM

1. Warranties. Debra A. Paddock as Third Party Grantor warrants that (i) the foregoing instrument is being executed by him at the request of Daniel G. Brown and Elouise Brown, husband and wife (together, "Borrower"); (ii) this instrument complies with all agreements between Third Party Grantor and Borrower regarding the execution hereof; (iii) Lender has made no representation to Third Party Grantor as to the creditworthiness of Borrower, and (iv) Third Party Grantor has established adequate means of obtaining from Borrower on a continuing basis financial and other information pertaining to Borrower's financial condition. Third Party Grantor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect its risks hereunder. Third Party Grantor further agrees that Lender shall have no obligation to disclose to Third Party Grantor any information or material about Borrower which is acquired by Lender in any manner. The liability of Third Party Grantor hereunder shall be reinstated and revived, and the rights of Lender shall continue if and to the extent for any reason any amount at any time paid on account of any secured obligation is rescinded or must otherwise be restored by Lender, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid.

2. Waivers.

A. Third Party Grantor waives any right to require Lender to: (i) proceed against any Borrower or other person, (ii) proceed against or exhaust any security held from Borrower or any other person; (iii) give notice of the terms, time and place of any public or private sale of personal property or security held from Borrower or any other person, or otherwise comply with any other provisions of the Oregon Uniform Commercial Code; (iv) pursue any other remedy in Lender's power; or (v) make any presentments or demands for performance, or give any notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any obligations or evidences of indebtedness held by Lender as security for any secured obligation or in connection with the creation of new or additional obligations.

B. Third Party Grantor waives any defense to the obligations hereunder based upon or arising by reason of: (i) any disability or other defense of Borrower or any other person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the secured obligations; (iii) the application by Borrower of the proceeds of any secured obligation for purposes other than the purposes represented by Borrower to Lender or intended or understood by Lender or Third Party Grantor; (iv) any act or omission by Lender which directly or indirectly results in or aids the discharge of Borrower or any secured obligation by operation of law or otherwise; or (v) any modification of the secured obligations, in any form whatsoever, including any modification made after the revocation hereof to any such obligations incurred prior to

such revocation, and including without limitation the renewal, extension, acceleration or other change in time for payment of such secured obligations, or other change in the terms, including any increase or decrease of the rate of interest thereon. Until all secured obligations shall have been paid in full, Third Party Grantor shall have no right of subrogation, and waives any defense it may have based upon any election or remedies by Lender which destroys Third Party Grantor's subrogation rights or Third Party Grantor's rights to proceed against Borrower for reimbursement, including without limitation any loss of rights Third Party Grantor may suffer by reason of any rights, powers or remedies of Borrower in connection with any anti-deficiency laws or any other laws limiting Borrower's obligations. Third Party Grantor further waives any rights to enforce any remedy which Lender now has or may hereafter have against Borrower or any other person, and waives any benefit of, or any right to participate in any security whatsoever now or hereafter held by Lender.

3. Third Party Grantor's Understanding with Respect to Waivers. Third Party Grantor warrants and agrees that each of the waivers set forth above is made with Third Party Grantor's full knowledge of its significance and consequences, and that under the circumstances, each waiver is reasonable and not contrary to public policy or law. If any of the said waivers is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

4. Subordination. Any indebtedness of Borrower held by Third Party Grantor and secured by any lien or encumbrance on the Real Property described in Exhibit A to the Trust Deed is hereby subordinated to the obligations secured hereby. Such indebtedness of Borrower to Third Party Grantor is assigned to Lender as security for this Deed of Trust and the secured obligations and, if Lender requests, shall be collected and received by Third Party Grantor as trustee for Lender and paid over to Lender on account of the secured obligations but without reducing or affecting in any manner the liability of Third Party Grantor under the other provisions of this Instrument. Any notes now or hereafter evidencing such indebtedness of Borrower to Third Party Grantor shall be marked with a legend that the same are subject to this instrument and if Lender so requests, shall be delivered to Lender. Third Party Grantor will, and Lender is hereby authorized, in the name of Third Party Grantor, from time to time to execute such documents and take such actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights hereunder.

By signing below, Third Party Grantor accepts and agrees to the terms and provisions contained in this Rider.

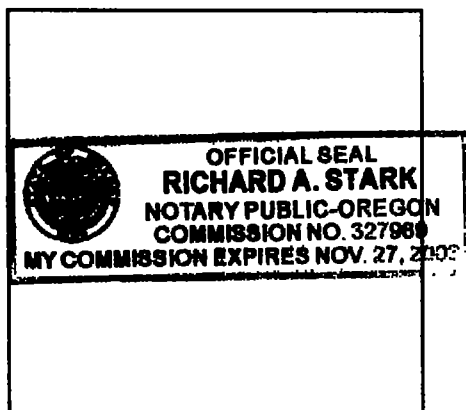
THIRD PARTY GRANTOR:

Debra A. Paddock
 Debra A. Paddock
 Date 3/18/03

STATE OF Oregon)
) ss.
 COUNTY OF Jackson)

This instrument was acknowledged before me on March 18, 2003,
 by DEBRA A. PADDOCK.

Dated this 18th day of March, 2003.



Richard A. Stark
 (Signature of Notary)

Richard A. STARK
 (Legibly Print or Stamp Name of Notary)

Notary Public in and for the State of
Oregon, residing at
Medford, Oregon
 My appointment expires 11-27-03

(Use this space for Notarial stamp/seal.)