



After recording return to:
First American Title
1225 Crater Lake Ave.
Medford, OR 97504

File No.: 7161-533885 (DJ)
Date: March 11, 2005

THIS SPACE RESERVED FOR RECORDER'S USE

State of Oregon, County of Klamath
Recorded 04/04/2005 3:38 Pm
Vol M05 Pg 23117-23
Linda Smith, County Clerk
Fee \$ 51.00 # of Pgs 1

Map/Tax Lot # **3909-002CA-01900**
Tax Account # **R518318**

INFERIOR TRUST DEED

(Assignment Restricted)

THIS DEED OF TRUST, made this **Eleventh day of March, 2005**, between **MARK J. ERICKS and BRENDA A. ERICKS**, as GRANTOR, and **First American Title Insurance Company of Oregon**, as TRUSTEE, and **South Valley Bank & Trust, an Oregon Banking Corporation**, its successors and assigns, Custodian fbo **Len R. Merryman Rollover IRA**, as BENEFICIARY.

WITNESSETH: Grantor irrevocably conveys to Trustee in trust, with power of sale, certain real property in **Klamath County, Oregon**, described as:

See Legal Description attached hereto as Exhibit A and by this reference incorporated herein.

Together with all tenements, hereditaments and appurtenances, including easements, and all other rights thereunto belonging or in any way now or hereafter appertaining, and the rents, issues, and profits thereof, together with all fixtures now or hereafter attached to or used in connection with said real estate.

Note: The Trust Deed Act provides that the Trustee hereunder must be either an attorney who is an active member of the Oregon State Bar, a bank, trust company or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real property of the state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 896.505 to 896.585.

***WARNING:** 12 USC 1701/-S regulates and may prohibit exercise of this option.

THIS TRUST DEED IS INFERIOR TO A TRUST DEED RECORDED ON APRIL 10, 1992 IN THE AMOUNT OF \$440,000.00 IN FAVOR OF LEON R. ANDRIEU AND MINNIE R. ANDRIEU, OFFICIAL RECORDS OF KLAMATH COUNTY, OREGON.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of **One Hundred Seven Thousand dollars (\$107,000.00)**, with interest thereon according to the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable the 1 day of April, 2010.

In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be sold, conveyed, assigned or alienated by the Grantor without first having obtained the written consent or approval of the Beneficiary, then, at the Beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, shall become immediately due and payable.

Grantor agrees:

1. To protect, preserve and maintain the property in good condition and repair; not to remove or demolish any building or improvement therein; not to commit or permit any waste of said property.

2. To complete or restore promptly and in good and workmanlike manner any building or improvement, which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefore.

3. To provide and continuously maintain insurance on the buildings now or hereafter erected on the said property against loss or damage by fire and other hazards as the Beneficiary may require, in an amount not less than **\$107,000.00**, written by companies acceptable to the Beneficiary, with loss payable to Beneficiary; proof of insurance shall be delivered to the Beneficiary as soon as issued.

4. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said property.

5. To keep said premises free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipt of payment to Beneficiary.

6. Should the Grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by Grantor, either by direct payment or by providing Beneficiary with funds with which to make such payment, Beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations of Grantor, described in paragraphs 7 and 8 of this Trust Deed section, shall be added to and become a part of the debt secured by this Trust Deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property herein before described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described and all such payments shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of the Beneficiary, render all sums secured by this Trust Deed immediately due and payable and constitute a breach of this Trust Deed.

7. To pay all costs, fees and expenses of this trust including the cost of title search, as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation together with trustees' and attorneys' fees actually incurred.

8. To appear in and defend any action or proceeding purporting to affect the security rights or powers of Beneficiary or Trustee; and in any suit, action or proceeding in which the Beneficiary or Trustee may appear, including evidence of title and the Beneficiary's or Trustee's attorneys' fees. The

amount of attorneys' fees mentioned in this paragraph 7 above in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, Grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the Beneficiary's or Trustee's attorneys' fees on such appeal.

The parties mutually agree:

1. In the event that any portion of the property is taken under the right of eminent domain or condemnation, Beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorneys' fees, both in the trial and appellate courts, necessarily paid or incurred by Beneficiary in such proceedings, be applied upon the indebtedness secured hereby; and Grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation promptly upon Beneficiary's request.

2. Upon any default by Grantor hereunder, Beneficiary may, at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the property or any part thereof, in its own name, sue or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees upon any indebtedness secured hereby, in such order as Beneficiary may determine.

3. The entering upon and taking possession of the property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder, or invalidate any act done pursuant to such notice.

4. Upon default by Grantor in payment of any indebtedness secured hereby or in Grantor's performance of any agreement contained hereunder, time being of the essence with respect to such payment and/or performance, the Beneficiary may declare all sums secured hereby immediately due and payable. In such event Beneficiary, at its election, may proceed to foreclose this trust deed by advertisement and sale, or may direct the Trustee to pursue any other right or remedy, either at law or in equity, which the Beneficiary may have. In the event the Beneficiary elects to foreclose by advertisement and sale, the Beneficiary or the Trustee shall execute and cause to be recorded a written notice of default and election to sell the said described real property to satisfy the obligation secured hereby whereupon the Trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 86.735 to 86.795.

5. The Grantor and those persons authorized by ORS 86.753 may cure any default(s) 5 days before the date the Trustee has designated for sale. Any cure of default(s) shall require payment of or tendering performance and the payment of all costs and expenses actually incurred in enforcing the obligations of this Trust Deed, including, but not limited to, trustees' and attorneys' fees as authorized by law.

In the absence of any such cure, the Trustee will enforce the obligations of this Trust Deed in accordance with paragraph 4 herein and as authorized and required by applicable law.

6. When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney, (2) the obligation secured by the trust deed, (3) to all persons having recorded liens subsequent to the interest of the Trustee in the trust deed as their interest may appear in the order of their priority and (4) the surplus, if any, to the Grantor or to his successor in interest entitled to such surplus.

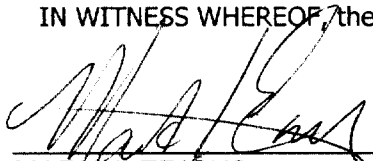
7. Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor trustee appointed hereunder. Upon such an appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

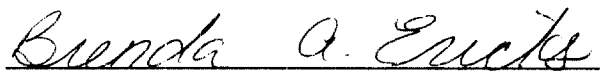
The Grantor covenants to and agrees with the Beneficiary and the Beneficiary's successors in interest that the Grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto, except as may be set forth in any addendum or exhibit attached hereto, and that the Grantor will warrant and forever defend the same against all persons whomsoever.

This deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term Beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a Beneficiary herein. In construing this deed and whenever the context so requires the singular number includes the plural.

Grantor warrants, represents and covenants that there is and has been no discharge or disposal on the property of any hazardous or toxic wastes or substances (as such terms are defined by any applicable federal, state, or local government law, rule, ordinance, or regulation) or contamination of the property by any such substance.

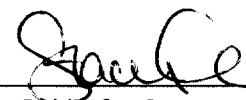
IN WITNESS WHEREOF, the Grantor has hereunto set his hand the day and year first above written.


 MARK J. ERICKS


 BRENDA A. ERICKS

STATE OF Oregon)
)ss.
 County of Klamath)

This instrument was acknowledged before me on this 29 day of MARCH, 2005
 by **MARK J. ERICKS and BRENDA A. ERICKS.**


 Notary Public for Oregon

My commission expires: 3-2-07

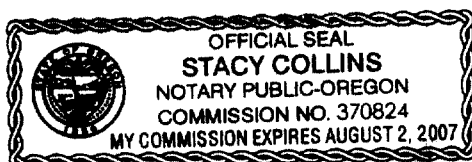


EXHIBIT A**LEGAL DESCRIPTION:****PARCEL 1:**

Tract 4, GIENGER'S HOME TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

EXCEPTING from the above described parcels that portion granted to the State of Oregon, by and through its State Highway Commission by Final Judgment filed October 25, 1964 in Case No. 64-163L for the widening of South Sixth Street.

PARCEL 2:

The Southerly 415 feet of Tract 5, GIENGER'S HOME TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 3:

The Northerly 280 feet of Tract 6 of GIENGER'S HOME TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, LESS that portion thereof contained in the right of way of the Dalles-California Highway.

PARCEL 4:

Beginning at the Northwesterly corner of Lot 5 of GIENGER'S HOME TRACTS, in the County of Klamath, State of Oregon, as is shown on the official plat thereof of said addition on file in the office of the County Clerk of Klamath County, Oregon, (being situated in the E 1/2 E 1/2 SW 1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian); thence from said point of beginning running Easterly 100 feet to a point; thence from said point and at right angles running Southerly 225 feet to a point; thence from said point and at right angles running Westerly 100 feet to a point; thence from said point and at right angles to said Southerly line running Northerly to the point of beginning 225 feet; thereby constituting a tract of land 100 x 225 feet, less portion thereof contained in the right of way of the Dalles-California Highway.

LESS FURTHER EXCEPTING from Parcels 3 and 4 above that portion thereof conveyed to the State of Oregon, by and through its Highway Commission by Deed recorded April 23, 1964 in Book 352 at page 443, Deed records of Klamath County, Oregon.

ASSIGNMENTS OF RENTS

23122

THIS ASSIGNMENT OF RENTS is made this 22 day of MARCH 2005, and is incorporated into and shall be deemed to amend and supplement the Deed of Trust (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrowers Note to South Valley Bank & Trust, an Oregon banking corporation, its successors and assigns, custodian fbo Len R Merryman rollover IRA (the "Lender") of the same date and covering the property described in the Security Instrument and located at: 4710 and 4784 South sixth Street, Klamath Falls, Oregon.

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

- A. **USE OF PROPERTY; COMPLIANCE WITH LAW.** Borrower shall not seek, agree to or make a change in the use of the Property or its zoning classification, unless Lender has agreed in writing to the change. Borrower shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property.
- B. **SUBORDINATE LIENS.** Except as permitted by law, Borrower shall not allow any lien inferior to the Security Instrument to be 'perfected against the Property without Lender's prior written permission.
- C. **ASSIGNMENT OF LEASES.** In the event of default, Borrower hereby assigns to Lender all leases of the Property and all security deposits made in connection with leases of the Property. Lender shall then have the right to modify, extend or terminate the existing leases and to execute new leases, in Lender's sole discretion. As used in this paragraph C, the word "lease" shall mean "sublease" if applicable.
- D. **ASSIGNMENT OF RENTS.** Borrower unconditionally assigns and transfers to Lender all the rents and revenues of the Property. Borrower authorizes Lender or Lender's agents to collect the rents and revenues and hereby directs each tenant of the Property to pay the rents to Lender or Lender's agents. However, prior to Lender's Notice to Borrower of Borrower's breach of any covenant or agreement in the Security Instrument, Borrower shall collect and receive all rent and revenues of the Property as trustee for the benefit of Lender and Borrower.

Borrower shall apply all such rents and reserves to the payment of all reasonable and necessary operating costs and expenses of the property, debt service on the indebtedness secured hereby, and a reasonable reserve for future expenses, repairs and replacements for the property, before using the rents and revenues for borrowers personal use or any other purpose not for the direct benefit of the property.

This assignment of rents constitutes an absolute assignment and not an assignment for additional security only.

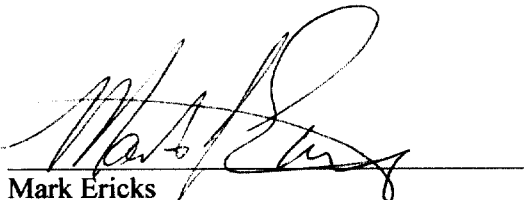
If Lender gives notice of breach to Borrower: (i) all rents received by Borrower shall be held by Borrower as trustee for benefit of Lender only, to be applied to the sums secured by the Security Instrument; (ii) Lender shall be entitled to collect and receive all the rents of the Property; and (iii) each tenant of the Property shall pay all rents due and unpaid to Lender or Lender's agent on Lender's written demand to the tenant.


Borrower has not executed any prior assignment of the rents and has not and will not perform any act that would prevent Lender from exercising its rights under this paragraph D.

Lender shall not be required to enter upon, take control of: or maintain the Property before or after giving notice of breach to Borrower. However, Lender or a judicially appointed receiver may do so at any time there is a breach. Any application of rents shall not cure or waive any default or invalidate any other right or remedy of lender. This assignment of rents of the Property shall terminate when the debt secured by the Security Instrument is paid in full.

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

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this Assignment of Rents.


Mark Ericks
Borrower


Brenda Ericks
Borrower