

MTT-72133KR

M06-01140

Klamath County, Oregon

01/19/2006 02:54:49 PM

Pages 13 Fee: \$86.00

Return Address:

WADOT Capital, Inc.
13751 Lake City Way, N.E., #222
Seattle, Washington 98125

The tax account number for the real property covered by this Deed of Trust is **see attached EXHIBIT "A"**. In the event of any discrepancy between the real property covered by the tax account number and the legal description set forth in this Deed of Trust, the legal description controls.

DEED OF TRUST AND SECURITY AGREEMENT

This Deed of Trust and Security Agreement ("Deed of Trust") is made this 18 day of Jan, 20 06, by and between Harold E. Hartman and Linda C. Hartman, as tenants by the entirety ("Grantor"), whose address is 35243 Malin Loop Rd., Malin, OR. 97632, and WADOT CAPITAL, INC., a Washington corporation ("Beneficiary"), whose address is 13751 LAKE CITY WAY, N.E., SUITE 222, SEATTLE, WASHINGTON 98125, and Amerititle ("Trustee"), whose address is 300 Klamath Ave., Klamath Falls, Oregon 97601.

COVENANTS AND TERMS

1. Conveyance: Grantor hereby bargains, sells, and conveys to Trustee, in trust, with power of sale, all of Grantor's right, title, and interest in and to the real property, including easements and appurtenances, mineral, water, and timber rights, and all existing or subsequently erected or affixed improvements or fixtures located thereon that are legally described on Exhibit "A" to this Deed of Trust, which is attached hereto and is incorporated herein by this reference. The real property described in Exhibit "A" and all improvements and fixtures thereon are hereafter referred to as the "Property." The Property has a street address of 35243 Malin Loop Rd., Malin, OR. 97632.

2. Security Interest: Grantor hereby grants to Beneficiary a Uniform Commercial Code security interest in all of Grantor's right, title, and interest in and to all rents, revenues, income, refunds of insurance premiums, proceeds of insurance policies, issues, and profits from or relating to the Property (the "Income") and in all crops, equipment, fixtures (including, but limited to irrigation equipment, wheel lines, pumps, generators, and windmills), furnishings,

01.0
1300

inventory, and other articles of personal property owned by Grantor now or subsequently attached or affixed to the Property (the "Personal Property").

2.1 Financing Statements: Grantor hereby authorizes Beneficiary to file any financing statements and continuation statements and to take whatever other action is requested by Beneficiary to perfect and continue Beneficiary's security interest in the personal property described in paragraph 2 above.

2.2 Attorney-in-Fact: Grantor hereby appoints Beneficiary as Grantor's attorney-in-fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein. Grantor will reimburse Beneficiary for all expenses incurred in perfecting or continuing this security interest.

3. Use: Grantor and Beneficiary acknowledge that the Property is not used principally for agricultural or farming purposes.

4. Indebtedness: The term "Indebtedness" as used in this Deed of Trust means all principal and interest payable under the Promissory Note of even date herewith, in the sum of Three Hundred Thirty Thousand and 00/100's Dollars (\$330,000.00) payable to Beneficiary or order, and made by Grantor, and all renewals, modifications, and extensions thereof (the "Promissory Note"), and any amounts expended or advanced by Beneficiary to discharge obligations of Grantor or expenses incurred by Beneficiary or Trustee to enforce obligations of Grantor hereunder, as permitted under this Deed of Trust, together with interest thereon as provided in the Promissory Note. This Deed of Trust, including the security interest, is given to secure payment of the Indebtedness and the performance of all obligations of Grantor under this Deed of Trust and is given and accepted on the terms and conditions specified in the Promissory Note and in this Deed of Trust. The maturity date of the Promissory Note is February 1, 2009.

5. Possession and Maintenance of the Property:

5.1 Possession: Unless Grantor is in default, Grantor may remain in possession and control of and operate and manage the Property and the Personal Property and collect the Income from the Property.

5.2 Duty to Maintain: Grantor shall maintain the Property and the Personal Property in first-class condition and promptly perform all repairs and maintenance necessary to preserve its value. Grantor warrants that the Property is used primarily for commercial farming purposes. Without limiting the foregoing sentences, Grantor will care for the Property using the best practices of husbandry in the area.

5.3 Nuisance; Waste: Grantor may neither conduct or permit any nuisance nor commit or suffer any strip or waste on or to the Property or any portion thereof, including, without limitation, removal or alienation by Grantor of the right to remove any timber, minerals (including oil and gas), or gravel or rock products.

5.4 Removal of Improvements: Grantor may not demolish any improvements or remove them from the Property without the prior written consent of Beneficiary. Beneficiary shall consent if Grantor makes arrangements satisfactory to Beneficiary to replace any improvement that Grantor proposes to remove with one of at least equal value. "Improvements" include but are not limited to all existing and future buildings, irrigation system and components, structures, and parking facilities.

5.5 Compliance With Governmental Requirements: Grantor shall promptly comply with all laws, ordinances, and regulations of all governmental authorities applicable to the use or occupancy of the Property. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Beneficiary in writing prior to doing so and Beneficiary's interest in the Property is not jeopardized. Beneficiary may require Grantor to post adequate security (reasonably satisfactory to Beneficiary) to protect Beneficiary's interest. Grantor may not seek, agree to, or make change in the use of the Property or its zoning classification unless Beneficiary has agreed in writing to the change. Grantor shall comply with all laws, ordinances, regulations, and requirements of any governmental body applicable to the Property.

5.6 Duty to Protect: Grantor shall do all other acts, in addition to those set forth in this section, that from the character and use of the Property are reasonably necessary to protect and preserve the Property.

6. Beneficiary's Right to Enter: Beneficiary and its agents and representatives may enter upon the Property at all reasonable times to attend to Beneficiary's interest and to inspect the Property.

7. Protection of Beneficiary's Rights in the Property: If Grantor fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Beneficiary's rights in the Property (such as a proceeding in bankruptcy or probate, for condemnation or forfeiture, or to enforce laws or regulations), then Beneficiary may do and pay for whatever is necessary to protect the value of the Property and Beneficiary's rights in the Property. Beneficiary's actions may include paying any sums secured by a lien that has priority over this Deed of Trust, appearing in court, paying reasonable attorney fees, and entering on the Property to make repairs. Although Beneficiary may take action under this paragraph, Beneficiary does not have to do so. Any amounts disbursed by Beneficiary under this paragraph will become additional debt of Grantor secured by this Deed of Trust. Unless Grantor and Beneficiary agree in writing to other terms of payment, these amounts will bear interest from the date of disbursement at the rate promised in the Promissory Note and will be payable, with interest, upon notice from Beneficiary to Grantor requesting payment.

8. Due on Sale: Upon the sale or transfer of all or any part of the Property without Beneficiary's prior written consent, Beneficiary may, at its option: (a) declare immediately due and payable all sums secured by this Deed of Trust, if Beneficiary reasonably believes itself to be insecure; or (b) increase the interest rate in the Promissory Note to an amount equal to

105 percent of the original interest rate in the Promissory Note, whether or not Beneficiary believes itself to be insecure. "Sale or transfer" means the conveyance of real property or any right, title, or interest therein, whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than one year, lease-option contract, or any other method of conveyance of real property interests. If any Grantor is a limited partnership, general partnership, limited liability company, or corporation, "transfer" also includes any change in ownership of more than 25 percent of the voting stock or ownership or membership interests of Grantor. If Grantor or a prospective transferee applies to Beneficiary for consent to a transfer, Beneficiary may require any information concerning the prospective transferee that Beneficiary deems to be necessary and appropriate. Beneficiary may also condition approval upon the increase in the interest chargeable to and payable by Grantor to a rate not more than 105 percent of the original interest rate set forth in the original Promissory Note. The consent to the sale or assignment does not relieve Grantor from liability under the terms and provisions of the Promissory Note or this Deed of Trust, unless Beneficiary specifically agrees to the release of Grantor.

9. Taxes and Liens:

9.1 Payment: Grantor shall pay when due before they become delinquent all taxes and assessments levied against or on account of the Property and the Personal Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property, the Income, and the Personal Property free of any liens having priority over or equal to the interest of Beneficiary under this Deed of Trust, except for the lien of taxes and assessments not due, except for liens of public record filed and in effect 30 days before the date of this Deed of Trust, and except as otherwise provided in this Deed of Trust.

9.2 Right to Contest: Grantor may withhold payment of any tax, assessment, or claim in connection with a good-faith dispute over the obligation to pay, so long as Beneficiary's interest in the Property or Personal Property is not jeopardized. If any tax becomes past due or if a lien arises or is filed as a result of nonpayment, Grantor shall, within 15 days after such taxes becoming past due, a lien arises, or a lien is filed, secure the discharge of the lien or deposit with Beneficiary cash or a sufficient corporate surety bond or other security satisfactory to Beneficiary in an amount sufficient to discharge the lien plus any costs, attorney fees, or other charges that could accrue as a result of a foreclosure or sale under the lien.

9.3 Evidence of Payment: Grantor shall on demand furnish to Beneficiary evidence of payment of the taxes or assessments and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

9.4 Notice of Construction: Grantor shall notify Beneficiary at least 15 days before any work is commenced, any services are furnished, or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services, or materials and the cost

exceeds \$5,000 (if the Property is to be used for nonresidential or commercial purposes) or \$1,000 (if the Property is to be used as a residence). Grantor will on request furnish to Beneficiary advance assurances satisfactory to Beneficiary that Grantor can and will pay the cost of the improvements.

10. Property Damage Insurance: Grantor shall procure and maintain policies of all-risk insurance with standard extended-coverage endorsements on a replacement basis for the full insurable value of the Property, including all improvements, in an amount sufficient to avoid application of any coinsurance clause, and with a mortgagee's loss-payable clause in favor of Beneficiary. Policies are to be written by the insurance companies and in the form reasonably acceptable to Beneficiary. Grantor shall deliver to Beneficiary certificates of coverage from each insurer containing a stipulation that coverage will not be canceled or diminished without a minimum of ten days' written notice to Beneficiary. Grantor shall, upon request, have an independent appraiser satisfactory to Beneficiary determine the cash-value replacement cost of the Property.

10.1 Grantor's Report on Insurance: Within 60 days after the close of each calendar year, Grantor shall furnish to Beneficiary a report on each existing policy of insurance showing the name of the insurer; the risks insured; the amount of the policy; the identification of the property insured; the then current replacement value of the improvements on the Property; the manner of determining that value; and the expiration date of the policy.

10.2 Application of Proceeds: Grantor shall promptly notify Beneficiary of any loss or damage to the Property. Beneficiary may make proof of loss if Grantor fails to do so within 15 days of the casualty. Beneficiary may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration and repair of the Property. If Beneficiary elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Beneficiary. Beneficiary shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default hereunder. Any proceeds not paid out by Grantor for restoration within 180 days after their receipt that Beneficiary has not committed to the repair or restoration of the Property will be used to prepay first accrued interest, then late charges and other charges, and then the principal of the Indebtedness. If Beneficiary holds any proceeds after payment in full of the Indebtedness, those proceeds will be paid to Grantor.

11. Hazardous Waste: Grantor represents and warrants to Beneficiary that to the best of Grantor's knowledge after due and diligent inquiry, no hazardous or toxic waste or substances are or have been located, stored, or used on the Property or any adjacent property in violation of Environmental Laws (as defined below). Grantor agrees that at all times Grantor and the Property will comply in all material respects with all applicable local, state, and federal environmental laws and laws relating to the existence, cleanup, generation, use, storage, handling, transportation, or disposal of hazardous or toxic waste or substances (collectively, the "Environmental Laws"). Grantor agrees to provide written notice to Beneficiary immediately if Grantor becomes aware that the Property or any adjacent property is being or has been

contaminated with hazardous or toxic waste or substances. Grantor may not cause or permit any activities on the Property that directly or indirectly could result in the contamination of Property or any other property with hazardous or toxic waste or substances. Grantor acknowledges that as between Beneficiary and Grantor, Grantor is solely responsible for all costs and expenses relating to compliance with the Environmental Laws, including, but not limited to, costs associated with the cleanup of hazardous or toxic waste or substances from the Property or from any other properties that become contaminated with hazardous or toxic waste or substances as a result of the contamination of or activities on the Property. Nothing herein constitutes a waiver of any rights or claims that Grantor may have against any third party, and no third party is an intended beneficiary of Grantor's obligations, duties, and agreements hereunder, which run only in favor of Beneficiary (and its successors and assigns). For purposes of this Deed of Trust, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic by any applicable federal, state, or local statute, regulation, or ordinance now or hereafter in effect. Grantor hereby agrees to execute documents deemed necessary or desirable in connection with Grantor's obligations regarding environmental matters, including an environmental questionnaire and an environmental indemnity agreement.

12. Expenditure by Beneficiary: If Grantor fails to comply with any provision of this Deed of Trust, including the obligation to maintain any prior indebtedness in good standing, timely satisfy taxes, maintain insurance, or maintain the Property, Beneficiary may at its option on Grantor's behalf take the required action, and any amount that it expends in so doing will be added to the Indebtedness and bear interest at the rate set forth in the Promissory Note. Amounts so added are payable on demand with interest from the date of expenditure. The rights provided for in this section are in addition to any other rights or any remedies to which Beneficiary may be entitled on account of the default. By taking the required action, Beneficiary is not barred from pursuing any remedy that it otherwise has.

13. Condemnation: If all or any part of the Property is condemned, Beneficiary may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness. "The net proceeds of the award" means the award after payment of all reasonable costs, expenses, and attorney fees necessarily paid or incurred by Grantor, Beneficiary, or Trustee in connection with the condemnation. If any proceedings in condemnation are filed, Grantor shall promptly notify Beneficiary in writing and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

14. Defense of Title: Grantor warrants that it holds merchantable title to the Property in fee simple free of all encumbrances other than those in favor of Beneficiary. Subject to the exceptions in the paragraph above, Grantor warrants and will forever defend the title against the lawful claims of all persons. Any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this Deed of Trust, Grantor shall defend the action at its expense.

15. Power and Obligations of Trustee: In addition to all powers of Trustee arising as a matter of law, Trustee has the power to take the following actions with respect to the Property

upon the request of Beneficiary and Grantor: to join in preparing and filing a map or plat of the Property, including the dedication of streets or other rights in the public; to join in granting any easement or creating any restriction on the Property; and to join in any subordination or other agreement affecting this Deed of Trust or the interest of Beneficiary under this Deed of Trust.

16. Reconveyance on Full Performance: If Grantor pays all the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust and the Promissory Note, Beneficiary shall execute and deliver to Trustee a request for full reconveyance in the form set forth on this Deed of Trust and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Beneficiary's security interest in the Income and the personal property. Any reconveyance fee or termination fee required by law is to be paid by Grantor, if permitted by applicable law.

17. Default: The following constitute events of default by Grantor:

17.1 The failure of Grantor to pay any portion of the Indebtedness when it is due.

17.2 Any tax affecting the property is not paid when due. Any liens other than liens described in paragraphs 9.2 and 14 encumber the Property or any portion thereof. The insurance required by law is not maintained.

17.3 The breach of the Due on Sale provisions of this Deed of Trust.

17.4 The insolvency of Grantor; or the appointment of a receiver for any part of the Property; or the assignment for the benefit of creditors by Grantor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor; or the failure of Grantor to obtain the dismissal of any petition filed under any bankruptcy or insolvency laws within the time required to answer.

17.5 The failure by Grantor to perform any other obligation under this Deed of Trust; or any breach by Grantor under the terms of the Loan Agreement that refers to the Promissory Note and any other note or agreement between Grantor and Beneficiary, even if not secured by this Deed of Trust, that is not remedied within any grace period provided therein, including, without limitation, any agreement concerning any indebtedness of Grantor to Beneficiary, whether made now or later.

18. Rights and Remedies on Default of Grantor: Upon the occurrence of any event of default and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

18.1 Beneficiary has the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty that Grantor would be required to pay.

18.2 With respect to all or any part of the Property, Trustee has the right to foreclose by notice and sale, and Beneficiary has the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

18.3 With respect to all or any part of the Income and the Personal Property, Beneficiary has all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the state of Oregon.

18.4 Beneficiary has the right, without notice to Grantor, to take possession of the Property and the Personal Property and to collect the Income, including amounts past due and unpaid, and apply the net proceeds, over and above Beneficiary's costs, against the Indebtedness. In furtherance of this right, Beneficiary may require any tenant or other user to make payments of rent or use fees directly to Beneficiary. If the Income is collected by Beneficiary, then Grantor irrevocably designates Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Beneficiary in response to Beneficiary's demand satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand exist. Beneficiary may exercise its rights under this subparagraph in person, by agent, or through a receiver.

18.5 Beneficiary has the right to have a receiver appointed to take possession of any or all of the Property and the Personal Property, with the power to protect and preserve such assets, 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. Beneficiary's right to the appointment of a receiver exists whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount.

18.6 If Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor will become a tenant at will of Beneficiary or the purchaser of the Property and shall pay while in possession a reasonable rental for use of the Property.

18.7 If the Property is submitted to unit ownership, Beneficiary or its designee may vote on any matter that may come before the members of the association of unit owners, pursuant to the power of attorney granted Beneficiary in this Deed of Trust.

18.8 Trustee and Beneficiary have all other rights and remedies provided in this Deed of Trust, the Promissory Note, and applicable law.

19. Trustee's Sale: Upon written request of Beneficiary, Trustee or its authorized agent shall sell the Property, in accordance with the provisions of the laws of the state of Oregon pertaining to the foreclosure of deeds of trust, at public auction to the highest bidder. In exercising its rights and remedies, Trustee or Beneficiary may sell all or any part of the Property together or separately, in one sale or by separate sales. Beneficiary may bid at any public sale on all or any

portion of the Property. Any person except Trustee may bid at the trustee's sale. Trustee shall apply the proceeds of the sale as follows: (a) to the expense of sale, including a reasonable Trustee's fee and attorney fee; and (b) to the obligations secured by this Deed of Trust. The surplus, if any, will be distributed in accordance with the laws of the state of Oregon.

19.1 Trustee's Deed: Trustee shall deliver to the purchaser at the sale its deed, without warranty, which conveys to the purchaser the interest in the Property that Grantor had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor may have acquired thereafter. The Trustee's deed will recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust; the recital is prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

19.2 Unexpired Insurance at Sale: Any unexpired insurance will inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's or other sale held under the provision contained within, or at any foreclosure sale of the Property.

19.3 Foreclosure as Mortgage: The power of sale by notice and public sale conferred upon Beneficiary by this Deed of Trust does not, in any way, limit Beneficiary's right to foreclose the interest provided in this deed of trust by judicial means.

20. Successor Trustee: In the event of the death, incapacity, disability, or resignation of Trustee, Beneficiary shall appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee will be vested with all powers of the original Trustee. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee, or Beneficiary is a party unless such action or proceeding is brought by Trustee. Trustee shall meet all the statutory requirements for trustees as provided under the laws of the state of Oregon.

21. Notice: Any notice under this Deed of Trust must be in writing and is effective when actually delivered or, if mailed, on the second day after being deposited as registered or certified mail, postage prepaid, directed to the address stated in this Deed of Trust. Any party may change its address for notices by written notice to the other parties. Beneficiary requests that copies of notices of foreclosure from the holder of any lien that has priority over this Deed of Trust be sent to Beneficiary's address as set forth on page 1 of this Deed of Trust.

22. Grantor: The term "Grantor" is used in this Deed of Trust for convenience of the parties, and use of that term does not affect the liability of any Grantor on the Promissory Note. Any Grantor who cosigns this Deed of Trust but does not execute the Promissory Note: (a) is cosigning this Deed of Trust only to grant and convey that Grantor's interest in the Property to Trustee under the terms of this Deed of Trust; (b) is not personally liable under the Promissory Note except as otherwise provided by law or contract; and (c) agrees that Beneficiary and any other Grantor hereunder may agree to extend, modify, forbear, or make any other

accommodations or amendments with regard to the terms of this Deed of Trust or the Promissory Note, without that Grantor's consent and without releasing that Grantor or modifying this Deed of Trust as to that Grantor's interest in the Property.

23. Waiver, Election of Remedies: A waiver by any party of a breach of a provision of this Deed of Trust does 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 Beneficiary to pursue any remedy does not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Deed of Trust after failure of Grantor to perform does not affect Beneficiary's right to declare a default and exercise its remedies under this Deed of Trust.

24. Attorney Fees and Expenses: If Beneficiary institutes any suit or action to enforce any of the terms of this Deed of Trust or commences a nonjudicial foreclosure through the Trustee, Beneficiary may recover reasonable attorney fees in the nonjudicial foreclosure as well as at trial and on any appeal. Whether or not any court action is commenced, all reasonable expenses incurred by Beneficiary that in Beneficiary's opinion are necessary at any time for the protection of its interest or the enforcement of its rights will become a part of the Indebtedness payable on demand and will bear interest from the date of expenditure until repaid at the rate specified in the Promissory Note. Expenses covered by this paragraph include, without limitation, all attorney fees incurred by Beneficiary whether or not there is a lawsuit, including fees for any proceeding in any bankruptcy case under Title 11 USC, and the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees, title insurance, and fees for Trustee, to the extent permitted by applicable law.

25. Miscellaneous:

25.1 Successors and Assigns: Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, and subject to the provisions of applicable law with respect to successor trustees, this Deed of Trust is binding on and inures to the benefit of the parties and their heirs, devisees, legatees, administrators, executors, successors, and assigns. The term "Beneficiary" means the holder and owner of the Promissory Note secured hereby, whether or not named as Beneficiary herein.

25.2 Applicable Law: The laws of the state of Oregon apply for the purpose of construing and determining the validity and enforceability of this Deed of Trust.

25.3 Joint and Several Liability: Grantor's obligations imposed under this Deed of Trust are joint and several.

25.4 Time of Essence: Time is of the essence of this Deed of Trust and the performance of each covenant and obligation contained and specified herein.

25.5 Merger: The interest or estate created by this Deed of Trust may not be merged with any other interest or estate in the Property at any time held by or for the benefit of Beneficiary in any capacity, without the written consent of Beneficiary.

25.6 Waiver of Marshaling: Notwithstanding the existence of Beneficiary's other security interests in the Property, Personal Property, or Income, held by Beneficiary or by any other party, Beneficiary has the right to determine the order in which any or all of the Property, Personal Property, or Income is subject to the remedies provided in this Deed of Trust, the Promissory Note, any other loan documents describing the Promissory Note, or applicable law. Beneficiary has the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Grantor and any party who now or in the future acquires a security interest in the Property, Personal Property, or Income and who has actual or constructive notice of this Deed of Trust waives any and all right to require the marshaling of assets of Grantor, or to require that any of Grantor's assets be sold in the inverse order of alienation, or that any of Grantor's assets be sold in parcels or entirely in connection with the exercise of any of the remedies permitted by applicable law or provided in this Deed of Trust.

This Deed of Trust and Security Agreement is executed by Grantor as of the 18 day
of Jan, 2006.

GRANTOR:

Harold E. Hartman
Harold E. Hartman

GRANTOR:

Linda C. Hartman
Linda C. Hartman

STATE OF OREGON)

COUNTY OF Klamath) SS

This instrument was acknowledged before me on Jan 18, 2006, by

Harold E. Hartman & Linda C. Hartman



Kristi L. Redd
Notary Public for Oregon
My commission expires: 11/16/2007

EXHIBIT "A"
LEGAL DESCRIPTION

Township 41 South, Range 12 East of the Willamette Meridian, Klamath County, Oregon:

Section 1: N1/2 SW1/4, NW1/4 SE1/4, SW1/4 NE1/4, S1/2 NW1/4, NW1/4 NW1/4, NE1/4 SE1/4, S1/2 S1/2

Section 2: SE1/4

Section 12: N1/2 NW1/4

EXCEPTING THEREFROM: Beginning at a point on the North right of way line of the County Road, which point lies 30 feet North and 40 feet East of the Southwest corner of the NW1/4 NW1/4 of Section 12, Township 41 South, Range 12 East of the Willamette Meridian and running thence; continuing East along the North right of way line of the said County Road a distance of 505 feet; thence North, parallel to the West line of Section 12 a distance of 147 feet; thence West parallel to the North right of way line of the County Road a distance of 200 feet; thence North, parallel to the West line of Section 12, a distance of 103 feet; thence West parallel to the North right of way line of the County Road a distance of 305 feet to a point which lies 40 feet East of the West line of Section 12; thence South, parallel to the West line of Section 12 and 40 feet Easterly at right angles therefrom a distance of 250 feet, more or less, to the point of beginning, said tract being in the NW1/4 of NW1/4 of Section 12, Township 41 south, Range 12 East of the Willamette Meridian.

Section 14: NW1/4 NW1/4

Tax Account No.:	4112-00000-00200-000	Key No.:	108056
Tax Account No.:	4112-00000-00400-000	Key No.:	714739
Tax Account No.:	4112-00000-00500-000	Key No.:	108047
Tax Account No.:	4112-00000-00500-000	Key No.:	595546
Tax Account No.:	4112-00000-00800-000	Key No.:	595458
Tax Account No.:	4112-00000-00800-000	Key No.:	714757
Tax Account No.:	4112-01200-00200-000	Key No.:	109643
Tax Account No.:	4112-01400-00500-000	Key No.:	109992
Tax Account No.:	4112-01400-0500-000	Key No.:	891056