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BOOK 222 PAGE 446

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BY J. MICHAEL GARVISON

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*Q. Lasny*  
AUDITOR

J. MICHAEL GARVISON

Recording Requested By and  
When Recorded, Mail to:  
Bendich, Stobaugh & Strong, P.C.  
900 Fourth Avenue, Suite #3800  
Seattle, WA 98164

**DEED OF TRUST AND ASSIGNMENT OF RENTS AND LEASES**

*SCR 24630*  
Reference Number:

Grantor/Assignor: 1) Reed, Donald G.  
2) Reed, Suzanne

Grantee/Assignee: Evergreen Community Development Association, Beneficiary  
Bendich, Stobaugh & Strong, P.C., Trustee

Legal description: SE 1/4 SEC 17 T3N R8E  
Additional legal is on page 17

Tax Parcel ID#: 03-08-17-4-0-2400-00

By deed  
Recorded in  
Book 222  
Page 446  
Date  
3/29/02

THIS DEED OF TRUST, AND ASSIGNMENT OF RENTS AND LEASES (herein "Deed of Trust") is made this 18th day of March, 2002, by Grantor, Donald G. Reed and Suzanne Reed, husband and wife (herein "Borrower"), whose mailing address is P. O. Box 1050, Carson, WA 98610. The Trustee is Bendich, Stobaugh & Strong, P.C., whose mailing address is 900 Fourth Avenue, Suite #3800, Seattle, WA 98164. The Beneficiary is Evergreen Community Development Association (herein "Lender"), whose mailing address is 900 Fourth Avenue, Suite 2900, Seattle, WA 98164. For purpose of Article 9 of the Uniform Commercial Code (RCW 62A.9), the Borrower is the Debtor, and Beneficiary is the Secured Party.

In consideration of the Loan described below, Borrower hereby irrevocably GRANTS, TRANSFERS, CONVEYS and ASSIGNS to Trustee, IN TRUST, WITH POWER OF SALE, all of Borrower's present and future estate, rights, title, claim, interest and demand, either in law or in equity, of, in and to the following property (the "Property"):

- (a) The real property and all rights to the alleys, streets and roads adjoining or abutting the real property described on Exhibit "A" attached hereto (the "Realty");
- (b) All buildings, improvements and tenements now or hereafter located on the Realty;



(c) All fixtures and articles of property now or hereafter attached to, or used or adapted for use in the ownership, development, operation or maintenance of the buildings, improvements, and Realty (whether such items be leased, be owned absolutely or subject to any title retaining or security instrument, or be otherwise used or possessed), including without limitation all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas electric and communication fixtures, equipment and apparatus, all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces, all ranges, stoves, disposers, refrigerators and other appliances, all escalators and elevators, baths, sinks, all cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash, all carpeting, underpadding, floor covering, paneling, and draperies, all furnishings of public spaces, halls and lobbies, and all shrubbery and plants; all of which items shall be deemed part of the real property and not severable wholly or in part without material injury to the freehold;

(d) All easements, all access, air and development rights, all minerals and oil, gas and other hydrocarbon substances, all royalties, all water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises and appurtenances now or hereafter belonging or in any way appertaining to the Realty;

(e) All of the rents, revenues, issues, profits and income of the Property, and all right, title and interest of Borrower in and to all present and future leases, tenancies, and other agreements for the occupancy or use of all or any part of the Realty, and all right, title and interest of Borrower thereunder, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, together with all guaranties of tenants' or occupants' performance thereunder. (Additional details concerning the Assignment of Rents and Leases are set forth in Article IV of this deed of trust.)

TO SECURE THE FOLLOWING (collectively the "Secured Obligations"):

(1) Payment of the sum of one hundred twelve thousand seven hundred ten and 0/100 dollars (\$112,710.00) with interest thereon, according to the terms and provisions of a promissory note made by Borrower and payable to Lender, or order, together with any and all modifications, extensions, renewals and replacements thereof (collectively the "Note"); the Note, if not sooner paid, is due and payable in full in accordance with the terms of the Note.

(2) Payment of all sums advanced to protect the security of this Deed of Trust, including but not limited to the costs of insurance, appraisal costs, environmental report or investigation costs, environmental remediation costs, the costs of repairing the property for rent or sale, payment of any liens that interfere with the Lender's collateral, payment of utility charges or other such charges, together with interest thereon as herein provided;

(3) The performance of the covenants and agreements of Borrower contained in any loan agreement between Borrower and Lender, including payment of all sums due under such agreement;



(4) Payment of all other sums which are or which may become owing under the Loan Documents; and

(5) Performance of all of Borrower's other obligations under the Loan Documents.

As used herein, the term "Loan Documents" means the Note, this Deed of Trust, the Loan Agreement, Servicing Agreement, Security Agreement, and Uniform Commercial Code Financing Statement executed in connection herewith, and any other agreement, instrument or document securing the Note or otherwise executed in connection therewith, together with all modifications, extensions, renewals and replacements thereof.

BORROWER HEREBY REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

#### ARTICLE I TITLE AND USE

1.1 Warranty of Title. Borrower covenants that it is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the property (and if this Deed of Trust is on a leasehold, that the ground lease is in full force and effect without modification, and without default on the part of either Lessor or Lessee thereunder).

1.2 Nonagricultural Use. Borrower represents and warrants to Lender that the Property is not used principally for agricultural or farming purposes.

1.3 Term of Note. The term of the note is for a period of seven (7) years.

#### ARTICLE II BORROWER'S COVENANTS

2.1 Payment and Performance of Secured Obligations. Borrower will pay when due all sums which are now or which may become owing on the Note, and will pay and perform all other Secured Obligations, in accordance with their terms.

2.2 Payment of Taxes, Utilities, Liens and Charges.

(a) Taxes and Assessments. Borrower will pay when due directly to the payee thereof all taxes and assessments (including without limitation, nongovernmental levies or assessments such as maintenance charges, owner association dues or charges, or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Deed of Trust. Upon request, Borrower shall promptly furnish to Lender all notices of amounts due under this subparagraph and all documents or receipts evidencing such payments.



(b) Utilities. Borrower will pay when due all utility charges and assessments for services furnished the Property.

(c) Liens and Charges. Borrower will pay when due the claims of all persons supplying labor or materials to or in connection with the Property. Without waiving the restrictions of paragraph 4.1, Borrower will promptly discharge any lien or other charge, whether superior or inferior to this Deed of Trust, which may be claimed against the Property.

**2.3 Insurance.**

The Borrower will maintain insurance as specified in the loan and security agreement.

**2.4 Preservation and Maintenance of Property; Right of Entry.**

(a) Preservation and Maintenance. Borrower (i) will not commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) will not abandon the Property, (iii) will restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) will keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair and shall replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and (v) will generally operate and maintain the Property in a manner to ensure maximum revenue.

(b) Alterations. No building or other improvement on the Realty will be structurally altered, removed or demolished, in whole or in part, without Lender's prior written consent, nor will any fixture or chattel covered by this Deed of Trust and adapted to the use and enjoyment of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability, owned by Borrower, free and clear of any lien or security interest except such as may be approved in writing by Lender.

(c) Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property and for the purpose of performing any of the acts it is authorized to perform hereunder.

**2.5 Parking.** If any part of the automobile parking areas included within the Property is taken by condemnation, or before said areas are otherwise reduced, Borrower will take all actions as are necessary to provide parking facilities in kind, size and location to comply with all governmental zoning and other regulations and all leases. Before making any contract for substitute parking facilities, Borrower will furnish to Lender satisfactory assurance of completion thereof free of liens and in conformity with all government zoning and other regulations.



2.6 Use of Property. Borrower will comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions, applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower will not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed. Borrower will not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.

2.7 Condemnation.

(a) Proceedings. Borrower will promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation change of grade), whether direct or indirect, of the Property or part thereof or interest therein, and Borrower will appear in and prosecute any such action or proceeding unless otherwise directed by Beneficiary in writing. Borrower authorizes Lender, at its option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking; provided, however, that Lender shall have no obligation to do so. All awards, payments, damages, direct, consequential and otherwise, claims, and proceeds thereof, in connection with any such condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Lender, and all proceeds of any such awards, payments, damages or claims shall be paid to Lender subject to the rights of the lessor under any ground lease, if any.

2.8 Leaseholds. To the extent, if any, that this Deed of Trust is on a leasehold, Borrower hereby covenants and agrees: (a) to pay all rents and other sums when due under the ground lease, and otherwise to comply with and observe Borrower's obligations thereunder and do all that is necessary to preserve the ground lease in effect; (b) to give immediate written notice to Lender of any notice of default under the lease received by Borrower; (c) to exercise any option to renew or extend the ground lease and give written confirmation thereof to Lender within thirty (30) days after such option becomes exercisable; and (d) to give immediate notice to Lender of the commencement of any remedial proceedings under the ground lease by any party thereto and if required by Lender, to permit Lender as Borrower's attorney-in-fact to control and act for Borrower in any such remedial proceedings. Upon request, Borrower will promptly furnish to Lender receipts or other evidence satisfactory to Lender evidencing payment of all rents and other sums due under the ground lease. Borrower will not surrender the ground lease or its leasehold estate thereunder, nor terminate nor cancel the ground lease, and will not, without the prior written consent of Lender, alter or amend the ground lease. Borrower further covenants and agrees that there shall not be a merger of the ground lease, or of the leasehold estate created thereby, with the fee estate covered by the ground lease by reason of the leasehold estate and fee estate, or any part of either, coming into common ownership, unless Lender shall consent in writing to such merger; and if Borrower acquires such fee estate, then this Deed of Trust shall simultaneously and automatically become a lien on such fee estate.

2.9 Hazardous Substances.



(a) No Future Hazardous Substances. Borrower will not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Substance, except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws, nor shall Borrower cause or permit, as a result of any intentional or unintentional act or omission on the part of Borrower or any tenant, subtenant or other user or occupier of the Property, a release of any Hazardous Substance onto the Property, or onto any other property.

(b) Compliance With Laws. Borrower will comply and will cause all tenants, subtenants and other users and occupants of the Property to comply, with all federal, state and local laws, ordinances, rules and regulations and other laws and requirements pertaining to Hazardous Substances, and pay, or cause such tenants, subtenants and other users and occupants, to pay all fees and charges in connection therewith.

(c) Notification of Lender. Borrower will promptly notify Lender of any violation of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and will promptly furnish Lender with a copy of all notices, pleadings and other correspondence received by Lender pertaining to any actual or alleged violation of any such statute, ordinance, rule, regulation or other law.

(d) Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property to ascertain the accuracy of all representations and warranties herein relating to Hazardous Substances, and the observance of all covenants herein relating thereto.

(e) Indemnity. Borrower agrees to hold harmless, indemnify and defend Lender from and against any and all loss, liability, clean-up costs and expenses resulting from any breach of this covenant, including attorneys' fees (including charges for the services of paralegals, experts, and staff members and the use of equipment and facilities). This indemnity shall survive payment of the Loan in full or satisfaction of the Loan through foreclosure or otherwise.

### ARTICLE III RESTRICTIONS ON TRANSFER OR ENCUMBRANCE

3.1 Restrictions on Transfer or Encumbrance of the Property. Neither the Property nor any part thereof or interest therein shall be encumbered, pledged as security for a loan, mortgaged, subjected to judgment or tax liens, sold (by contract or otherwise), conveyed, or otherwise transferred by Borrower without Beneficiary's prior written consent, nor without Lender's prior written consent shall there be any change in the ownership of any stock in a corporate Borrower, in the ownership of any general partnership interest in any general or limited partnership Borrower or in the ownership of any beneficial interests in any other Borrower which is not a natural person or persons. Any such action without Lender's prior written consent shall constitute an event of default hereunder and shall be deemed to increase the risk of Lender, and Lender may declare all sums secured hereby immediately due and payable or may at its sole option consent to such changes.



ARTICLE IV  
COLLECTION OF RENT, FORM OF LEASES;  
APPOINTMENT OF RECEIVER; BENEFICIARY IN POSSESSION

4.1 **Collection of Rents.** Prior to written notice given by Lender to Borrower of an event of default hereunder, Borrower shall have a license to, and will, collect and receive all Rents of the Property as trustee for the benefit of Lender and Borrower, to apply the Rents so collected first to the payment of taxes, assessments and other charges on the Property prior to delinquency, second to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust, third to the costs of discharging any obligation or liability of Borrower under the Leases, and fourth to the indebtedness secured hereby, with the balance, if any, so long as no such event of default has occurred, to the account of Borrower. Upon delivery of written notice by Lender to Borrower of an event of default hereunder and stating that Lender exercises its rights to the Rents, and without the necessity of Lender entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all Rents from the Property as the same become due and payable, including without limitation Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Borrower as trustee for the benefit of Lender only. Upon delivery of such written notice by Lender, Borrower hereby agrees to direct each tenant or occupant of the Property to pay all Rents to Beneficiary on Lender's written demand therefor, without any liability on the part of said tenant or occupant to inquire further as to the existence of a default by Borrower; Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make such direction to tenants and occupants upon Borrower's failure to do so as required herein. Payments made to Beneficiary by tenants or occupants shall, as to such tenants and occupants, be in discharge of the payors' obligations to Borrower. Lender may exercise, in Lender's or Borrower's name, all rights and remedies available to Borrower with respect to collection of Rents. Nothing herein contained shall be construed as obligating Lender to perform any of Borrower's obligations under any of the Leases.

4.2 **Leases of the Property.** Borrower will comply with and observe Borrower's obligations as landlord under all Leases and will do all that is necessary to preserve all Leases in force and free from any right of counterclaim, defense or setoff. At Lender's request, Borrower will furnish Lender with executed copies of all Leases now existing or hereafter made and all Leases hereafter entered into will be on a form and in substance satisfactory to Lender. All Leases will specifically provide that the tenant attorns to any person succeeding to the interest of Borrower upon any foreclosure of this Deed of Trust or conveyance in lieu thereof; such attornment shall be in such form as Lender may approve but shall provide that Tenant shall not have the right of setoff or defense to payment of rents for any event or act that occurred prior to such successor obtaining title to Borrower's interest except to the extent such event or act is continuing at the time such successor obtains such title. Tenant must also agree to execute such further evidences of attornment as Lender may from time to time request. Without Lender's written consent, Borrower will not collect or accept payment of any Rents of the Property more than two (2) months prior to the due dates thereof; will not execute, modify, surrender or terminate any Lease now existing or hereafter made providing for a term (including any renewal term(s)) of five (5) years or more, will not in any manner waive, discharge, release or modify the



obligations of any tenant or other occupant of the Property under any Lease, or request or consent to the subordination of any Lease to any lien subordinate to this Deed of Trust.

**4.3 Lender in Possession; Appointment of Receiver.** Upon any event of default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property to perform all acts necessary and appropriate for the operation and maintenance thereof and in the same manner and to the same extent as Borrower could do the same, including without limitation the execution, enforcement, cancellation and modification of Leases, the collection of all Rents of the Property, the removal and eviction of tenants and other occupants, the making of alterations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Deed of Trust. From and after the occurrence of any such event of default, if any owner of the Property shall occupy the Property or part thereof such owner shall pay to Lender in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure to do so Lender shall be entitled to remove such owner from the Property by any appropriate action or proceedings. Following an event of default hereunder, Lender shall be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Borrower hereby consenting to the appointment of such receiver, and the receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Lender in this Article. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

**4.4 Application of Rents.** All Rents collected subsequent to delivery of written notice by Lender to Borrower of an event of default hereunder shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including without limitation attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Borrower under the Leases, and then to the indebtedness secured hereby. Lender or the receiver shall be liable to account only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the property by reason of anything done or left undone by Lender under this Article.

**4.5 Deficiencies.** To the extent, if any, that the costs of taking control of and managing the property, collecting the Rents, and discharging obligations and liabilities of Borrower under the Leases, exceed the Rents of the Property, the excess sums expended for such purposes shall be indebtedness secured by this Deed of Trust. Such excess sums shall be payable upon demand by Lender and shall bear interest from the date of disbursement at the default interest rate under the Note, or the maximum rate which may be collected from Borrower therefor under applicable law, whichever is greater.

**4.6 Lender Not Mortgagee in Possession.** Nothing herein shall constitute Lender a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property, entry upon and taking possession by a receiver not constituting possession by Lender.



4.7 **Enforcement.** Lender may enforce this assignment of rent without first resorting to or exhausting any security or collateral for the indebtedness. As used in this Article, the word "lease" shall mean "sublease" if this Deed of Trust is on a leasehold. This assignment shall terminate at such time as this Deed of Trust ceases to secure payment of indebtedness held by Lender.

ARTICLE V  
EVENTS OF DEFAULT

5.1 **Events of Default.** The occurrence of any one or more of the following shall constitute an event of default hereunder:

(a) Failure to make any payment when due under the Note, this Deed of Trust, the Loan Agreement, Servicing Agent Agreement, or any of the other Loan Documents, if not cured within 10 days of written notice.

(b) Failure to make any payments when due under the note or other loan documents of any other lender or creditors with a lien or security interest in the property which is secured by this Deed of Trust, if not cured within 10 days of written notice.

(c) Failure to perform any other covenant, agreement or obligation under the Note, this Deed of Trust or any of the other Loan Documents, if not cured within thirty (30) days after written notice thereof given to Borrower by Lender (or if such cure cannot be completed within such thirty (30) day period through the exercise of diligence, the failure by Borrower to commence the required cure within such thirty (30) day period and thereafter to continue the cure with diligence and to complete the cure within ninety (90) days following Lender's notice of default).

(d) Borrower or any trustee of Borrower files a petition in bankruptcy or for an arrangement, reorganization or any other form of debtor relief; or such a petition is filed against Borrower or any trustee of Borrower and the petition is not dismissed within forty-five (45) days after filing.

(e) A decree or order is entered for the appointment of a trustee, receiver or liquidator for Borrower or Borrower's property, and such decree or order is not vacated within forty-five (45) days after the date of entry.

(f) Borrower commences any proceeding for dissolution or liquidation; or any such proceeding is commenced against Borrower and the proceeding is not dismissed within forty-five (45) days after the date of commencement.

(g) Borrower makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due.



(n) There is an attachment, execution or other judicial seizure of any portion of Borrower's assets and such seizure is not discharged within ten (10) days.

(i) Any representation or disclosure made to Beneficiary by Borrower or any maker of the note or any guarantor of the Loan proves to be materially false or misleading when made, whether or not that representation or disclosure is contained herein.

(j) A default occurs under any other indebtedness now or hereafter owing to Lender on which Borrower or any other maker of the Note or any guarantor of the Note is a maker or a guarantor, and such default is not cured within the applicable cure period, if any, under the instrument(s) evidencing such indebtedness.

(k) The borrower abandons the property.

5.2 Form of Notice. At Lender's option, any written notice of default required to be given to Borrower may be given in the form of a statutory notice of default under the Deed of Trust statute or any other form as Lender may elect.

#### ARTICLE VI REMEDIES

6.1 Acceleration Upon Default; Additional Remedies. In the event of default hereunder, Lender may, at its option and without notice to or demand upon Borrower, exercise any one or more of the following actions:

(a) Declare any or all indebtedness secured by this Deed of Trust to be due and payable immediately.

(b) Bring a court action to enforce the provisions of this Deed of Trust or any of the indebtedness or obligations secured by this Deed of Trust.

(c) Foreclose this Deed of Trust as a mortgage and obtain a deficiency judgment, if applicable.

(d) Cause any or all of the Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law.

(e) Elect to exercise its rights with respect to the Leases and the Rents (notice of exercising this right will be given by Lender to Borrower).

(f) Exercise any or all of the other rights and remedies provided for herein in the event of default hereunder.

(g) Take possession of the property if the Borrower has abandoned it.



(h) Exercise any other right or remedy available under law or in equity.

**6.2 Exercise of Power of Sale.** For any sale under the power of sale granted by this Deed of Trust, Lender or Trustee shall record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Lender and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several lots or parcels, Lender in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee shall be acting as the agent of the Lender in selling such Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

**6.3 Application of Sale Proceeds.** The proceeds of any sale under this Deed of Trust will be applied in the following manner:

**FIRST:** Payment of the costs and expenses of the sale, including without limitation Trustee's fees, legal fees of trustee or Lender and disbursements of trustee or Lender, title search, guaranty or other charges, transfer taxes, appraisal fees, environmental report or investigation fees or costs, environmental remediation costs, utility costs, the costs of insurance, the payment of taxes if they result in a lien on the property, and payment of all other expenses, liabilities and advances of Trustee and/or Lender for the sale of the property or to preserve the collateral, together with interest on all advances made by Trustee and/or Lender from date of disbursement at the applicable interest rate under the Note from time to time.

**SECOND:** Payment of all sums expended by Lender under the terms of this Deed of Trust and not yet repaid, together with interest on such sums from date of disbursement at the applicable interest rate under the Note from time to time or the maximum rate permitted by applicable law if that is less.

**THIRD:** Payment of all other indebtedness secured by this Deed of Trust in any order that the Lender chooses.

**FOURTH:** The remainder, if any, to the person or person legally entitled to it.

**6.4 Waiver of Order of Sale and Marshalling.** Lender shall have the right to determine the order in which any or all portions of the secured indebtedness are satisfied from the proceeds realized upon the exercise of any remedies provided herein. Borrower, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshalling of assets in connection with the exercise of any of the remedies permitted by



applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust.

6.5 Non-Waiver of Defaults. The entering upon and taking possession of the Property, the collection of Rents 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 herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6.6 Expenses During Redemption Period. If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the Purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the default rate of interest stated in the Note, or the highest lawful rate if that is less, shall be added to and become a part of the amount required to be paid for redemption from such sale.

6.7 Remedies Cumulative. To the extent permitted by law, every right and remedy provided in this Deed of Trust is distinct and cumulative to all other rights and remedies under this Deed of Trust or afforded by law or equity or any other agreement between Lender and Borrower, and may be exercised concurrently, independently or successively, in any order whatsoever. Beneficiary may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

6.8 Lender's and Trustee's Expenses. Borrower will pay all of Lender's and Trustee's expenses incurred in any effort to enforce any terms of this Deed of Trust, or to protect or preserve the collateral whether or not any suit is filed, including without limitation legal fees and disbursements, foreclosure costs, title charges, the costs of insurance, appraisal costs, environmental report or investigation costs, environmental remediation costs, costs of repairing the property for rent or sale, payment of any liens that interfere with the Lender's collateral, payment of utility charges or such charges paid by Lender. All such sums, with interest thereon, shall be additional indebtedness of Borrower secured by this Deed of Trust. Such sums shall be immediately due and payable and shall bear interest from the date of disbursement at the default rate of interest stated in the Note.

#### ARTICLE VII GENERAL

7.1 Application of Payments. Except as applicable law or this Deed of Trust may otherwise provide, all payments received by Lender under the Note or this Deed of Trust shall be applied by Lender in the following order of priority: (a) Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust; (b) interest payable on advances made to protect the security of this Deed of Trust; (c) principal of such advances; (d) interest and late charges payable on the Note and/or Servicing Agent Agreement; (e) principal of the Note; and (f) any other sums secured by this Deed of Trust in such order as Lender, at its



option, may determine; provided, however, that Lender may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Deed of Trust.

**7.2 Reconveyance.** Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.

**7.3 Successor Trustee.** In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

**7.4 Lender's Powers.** Without affecting the liability of any person for payment or performance of the Secured Obligations, Lender, at its option, may extend the time for payment of the indebtedness secured hereby or any part thereof, reduce payment thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the indebtedness, release the lien of this Deed of Trust on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof. Borrower shall pay Lender a reasonable service charge, together with such title insurance company premiums and charges and attorney's fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

**7.5 Subrogation.** Lender shall be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured hereby.

**7.6 Additional Documents; Power of Attorney.** Borrower, from time to time, will execute, acknowledge and deliver to Beneficiary upon request, and hereby irrevocably appoints Lender its attorney-in-fact to execute, acknowledge, deliver and if appropriate file and record, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Lender, as Lender may request in order to perfect, preserve, continue, extend or maintain the assignments herein contained, the lien and security interest under this Deed of Trust, and the priority thereof. Borrower will pay to Lender upon request therefor all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document.



7.7 Waiver of Statute of Limitations. To the full extent Borrower may do so, Borrower hereby waives the right to assert any statute of limitations as a defense to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Note or any other obligation secured by this Deed of Trust.

7.8 Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy; and no waiver by Lender of any particular default by Borrower shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Lender of payment of any sum secured by this Deed of Trust after the due date thereof shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Lender's receipt of any awards, proceeds or damages under Article II hereof operate to cure or waive Borrower's default in payment of sums secured by this Deed of Trust.

7.9 Modifications and Waivers. This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

7.10 Notice. Except as applicable law may otherwise require, all notices and other communications shall be in writing and shall be deemed given when delivered by personal service or when mailed, by certified or registered mail, postage prepaid, addressed to the address set forth at the beginning of this Deed of Trust. Any party may at any time change its address for such purposes by delivering or mailing to the other parties hereto as aforesaid a notice of such change.

7.11 Governing Law; Severability; Captions. This Deed of Trust shall be governed by the law of the State in which the property is located, provided that all other terms and conditions of the Loan, the Note and all other loan documents are governed by the law of the State of Washington. If any provision or clause of this Deed of Trust conflicts with applicable law, such conflicts shall not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and articles of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

7.12 Definitions. As used herein: the term "Borrower" means the Borrower herein named, together with any subsequent owner of the Property or any part thereof or interest therein; the term "Trustee" means the Trustee herein named, together with any successor Trustee; and the term "Lender" means the Beneficiary herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants.



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7.13 Successors and Assigns Bound; Joint and Several Liability; Agents. This Deed of Trust shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the provisions of Article IV hereof. All obligations of Borrower hereunder are joint and several. In exercising any rights hereunder or taking actions provided for herein, Lender and Trustee may act through their respective employees, agents or independent contractors as authorized by Lender and Trustee.


7.14 Number, Gender. This Deed of Trust shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders.

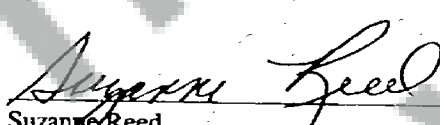
7.15 Time. Time is of the essence in connection with all obligations of Borrower herein.

7.16 Request for Notice. Borrower hereby requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Deed of Trust.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the date first above written.

BORROWER:


  
Donald Reed

  
Suzanne Reed

State of Washington )  
 ) ss.  
County of Skamania )

I certify that I know or have satisfactory evidence that Donald Reed is the person who appeared before me, and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.



Dated: March 18, 2002  


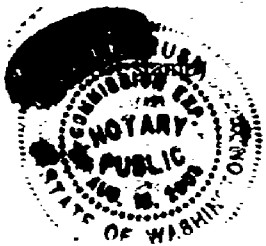
NOTARY PUBLIC in and for the State of  
Washington, residing at Steverson  
My commission expires 8-15-03



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State of Washington )  
County of Skamania ) ss.

I certify that I know or have satisfactory evidence that Suzanne Reed is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.



Dated: March 18, 2002

Donna Rush

NOTARY PUBLIC in and for the State of  
Washington, residing at Steubenson  
My commission expires 8-15-03

1526.4m



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Donald G. and Suzanne Reed

Exhibit A

A tract of land in the Southeast Quarter of Section 17, Township 3 North, Range 8 East of the Willamette Meridian, in the County of Skamania, State of Washington, described as follows:

Lot 1 of the Short Plat, recorded in Book 3 of Short Plats, Page 320, Skamania County Records.