

13036

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K-41941

OREGON

DEED OF TRUST

THIS DEED OF TRUST, made this 2nd day of April, 1990,
between Donald E. & Jean Rowlett

as Grantor, whose address is Green Springs Box "R" Ranch, 16799 Highway 66,
Ashland, Oregon 97520, Klamath County Title Company,
Klamath Falls, Oregon, as Trustee, and The Franklin Life
Insurance Company

as Beneficiary.

WITNESSETH: That Grantor irrevocably GRANTS, BARGAINS, SELLS and CONVEYS
TO TRUSTEE IN TRUST, WITH POWER OF SALE, THE PROPERTY IN Klamath
County, State of Oregon, described as:

(See Exhibit "A" attached hereto and made a part hereof)

TOGETHER with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in anywise appertaining, including all fixtures and articles of personal property now or at any time hereafter attached to or used in any way in connection with the use, operation and occupation of the above described real estate, and any and all buildings now or hereafter erected thereon, such fixtures and articles of personal property including, but without being limited to, all machinery and equipment, all screens, awnings, storm windows, and doors, window shades, inlaid floor coverings, shrubbery, plants, stoves, boilers, tanks, furnaces, radiators, and all heating, lighting, plumbing, gas, electric, ventilating, refrigerating, air-conditioning and incinerating equipment of whatsoever kind and nature, now or hereafter attached to or used in connection with said premises, except office furniture and office equipment not specifically enumerated herein, all of which fixtures and articles of personal property are hereby declared and shall be deemed to be fixtures and accessory to the freehold and a part of the realty as between the parties hereto, their successors and assigns, and all persons claiming, by, through or under them and shall be deemed to be a portion of the security for the indebtedness herein mentioned and to be subject to this Deed of Trust, the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

TO HAVE AND TO HOLD the same, with the appurtenances, unto Trustee. The above described property does not exceed three acres.

FOR THE PURPOSE OF SECURING PERFORMANCE OF each agreement of Grantor herein contained and payment of the sum of \$ 1,550,000.00 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 thereof, if not sooner paid, shall be due and payable on the first day of April, 2000.

1. Grantor agrees to pay to Beneficiary in addition to the monthly payments of each principal and interest payable under the terms of said note, on the first day of each month until said note is fully paid, the following sums:

- 1 -

Form 5391-B

This instrument was prepared by:
James C. Rundblom, Associate Counsel
The Franklin Life Insurance Company
#1 Franklin Square, Springfield, IL 62713

- (a) A sum, as estimated by the Beneficiary, equal to the ground rents, if any, and the taxes and special assessments next due on the premises covered by this Deed of Trust, plus the premiums that will next become due and payable on policies of fire and other hazard insurance on the premises covered hereby as may be required by Beneficiary in amounts and in a company or companies satisfactory to Beneficiary, Grantor agreeing to deliver promptly to Beneficiary all bills and notices therefor, less all sums already paid therefor divided by the number of months to elapse before one (1) month prior to the date when such ground rents, premiums, taxes and assessments will become delinquent, such sums to be held by the Beneficiary in trust to pay said ground rents, premiums, taxes and special assessments, before the same become delinquent; and
- (b) All payments mentioned in the preceding subsection of this paragraph and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Beneficiary to the following items in order to set forth:
- (I) ground rents, if any, taxes, special assessments, fire and other hazard insurance premiums;
 - (II) interest on the note secured hereby; and
 - (III) amortization of the principal of the said note.

Any deficiency in the amount of any such aggregate monthly payment shall constitute an event of default under this Deed of Trust. In the event that any payment or portion thereof is not paid within fifteen (15) days from the date the same is due, Grantor agrees to pay a "late charge" of two cents (2c) for each dollar (\$1) so overdue, if charged by Beneficiary.

2. If the total of the payments made under (a) of Paragraph 1 preceding shall exceed the amount of payments actually made by Beneficiary for ground rents, taxes or assessments, or insurance premiums, as the case may be, such excess shall be credited by Beneficiary on subsequent payments to be made by Grantor. If, however the monthly payments made under (a) of Paragraph 1 preceding shall not be sufficient to pay ground rents, taxes and assessments and insurance premiums, as the case may be, when the same shall become due and payable, then Grantor shall pay to Beneficiary any amount necessary to make up the deficiency on or before the date when payment of such ground rents, taxes, assessments or insurance premiums shall be due. If at any time Grantor shall tender to Beneficiary, in accordance with the provisions hereof, full payment of the entire indebtedness secured hereby, Beneficiary shall, in computing the amount of indebtedness, credit to the account of Grantor any balance remaining in the funds accumulated under the provisions of (a) of Paragraph 1 hereof. If there shall be a default under any of the provisions of this Deed of Trust and thereafter a sale of the premises in accordance with the provisions hereof, or if the Beneficiary acquires the property otherwise after default, Beneficiary shall apply, at the time of commencement of such proceedings, or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (a) of Paragraph 1 preceding, as a credit against the amount of principal then remaining unpaid under said note.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR AGREES:

3. To keep said premises in as good order and condition as they are now and not to commit or permit any waste thereof.
4. To complete or restore promptly and in good workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.
5. Not to remove or demolish any building or improvement thereon.

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

7. To keep the improvements now existing or hereafter erected on the said property, insured as may be required from time to time by the Beneficiary against loss or damage by fire, windstorm and such other hazards, casualties and contingencies including public liability and rental loss insurance, in such amounts and for such periods as may be required by the Beneficiary and pay promptly, when due, any premiums on such insurance provision for payment of which has not been made hereinbefore. All insurance shall be carried in companies approved by the Beneficiary and the policies and renewals thereof shall be held by the Beneficiary and have attached thereto loss payable clauses in favor of and in form acceptable to the Beneficiary. Grantor will deposit with Beneficiary the renewal policy or policies at least fifteen (15) days prior to expiration of any insurance coverage provided for herein. In event of loss Grantor will give immediate notice by mail to the Beneficiary who may make proof of loss if not made promptly by Grantor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the Beneficiary instead of to the Grantor and the Beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by the Beneficiary at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In the event of foreclosure of this Deed of Trust or other transfer of title to the said property in extinguishment of the indebtedness secured hereby, all right, title and interest of the Grantor in and to any insurance policies then in force shall pass to the purchaser or grantee.

8. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and should Beneficiary or Trustee elect to also appear in or defend any such action or proceeding, to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum incurred by Beneficiary or Trustee.

9. To pay at least ten (10) days before delinquency all assessments upon water company stock, and all rents, assessments and charges for water appurtenant to or used in connection with said property; to pay, when due, all encumbrances, charges and liens with interest on said property or any part thereof, which at any time appear to be prior or superior hereto; to pay all costs, fees and expenses of this Trust. If after notice of default the Grantor prior to trustee's sale pays the entire amount then due, to pay in addition thereto, all costs and expenses actually incurred, and trustee's and attorney's fees actually incurred, not exceeding \$50.00.

10. To pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate of ten (10%) per cent per annum, and the repayment thereof shall be secured hereby.

IT IS MUTUALLY AGREED THAT:

11. Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof, may: Make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ counsel, and pay his reasonable fees.

12. Should the property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, or earthquake, or in any other manner, Beneficiary shall be entitled to all compensation,

awards, and other payments or relief therefor, and shall be entitled at its option to commence, appear in, and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds, including the proceeds of any policies of fire and other insurance affecting said property, are hereby assigned to Beneficiary, who may after deducting therefrom all its expenses, including attorney's fees, release any moneys so received by it or apply the same on any indebtedness secured hereby. Grantor agrees to execute such further assignments of any compensation, award, damage, and rights of action and proceeds as Beneficiary or Trustee may require.

13. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

14. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Deed and the note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Deed or the lien of charge thereof; (d) reconvey, without warranty, all or any part of the property. 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.

15. As additional security, Grantor hereby assigns to Beneficiary during the continuance of these trusts, all rents, issues, royalties, and profits of the property affected by this Deed and of any personal property located thereon. Until Grantor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Grantor shall have the right to collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable.

16. Upon any default, 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 said property or any part thereof, in his own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

17. The Grantor, as additional security for the payment of the indebtedness described in and secured hereby, will transfer and assign to Beneficiary, its successors and assigns, all of Grantor's right, title and interest in and to the rents, issues and profits from the premises and specifically all of the Grantor's interest in and to the lease or leases referred to in Exhibit "B" annexed hereto, demising and leasing all or a part of the premises hereinbefore described. Grantor covenants and agrees that any breach or default by the Grantor under the provisions of any assignment of any lease or leases of the premises given as additional security for the payment of the indebtedness secured hereby, or any failure or default of the Grantor to fully and faithfully perform all obligations of lessor in said lease or leases, or any failure of Grantor to fully preserve and enforce all obligations of the lessee or lessees in said lease or leases, shall constitute a default hereunder, and in such event, at the option of the Beneficiary, or of the then holder of the note secured hereby and without notice to Grantor, all unpaid indebtedness secured by this Deed of Trust shall notwithstanding anything in said note or in this Deed of Trust to the contrary, become due and payable immediately. Grantor further covenants and agrees to assign and transfer to the

Beneficiary all future leases upon all or any part of the premises hereinbefore described.

In the event said lease or leases referred to above provides for the payment of percentage rentals, the Grantor covenants and agrees to furnish annually, within four (4) months after the end of each fiscal or operational year, certified copies of statements of percentage rentals paid by lessee or lessees.

18. If required by Beneficiary, Grantor shall furnish annually, within four (4) months after the end of each fiscal or operational year, complete operating statements satisfactory to Beneficiary.

19. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the property to be sold, which notice Trustee shall cause to be duly filed for record. Beneficiary shall also deposit with Trustee this Deed, the note and all documents evidencing expenditures secured hereby.

20. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Grantor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine (but subject to any statutory right of Grantor to direct the order in which such property, if consisting of several known lots or parcels, shall be sold), at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its Deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the Deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Grantor, or Beneficiary, may purchase at the sale. After deducting all costs, reasonable fees, and expenses of Trustee and of this trust, including cost of title evidence and reasonable attorney's fees, in connection with sale, Trustee shall apply the proceeds of sale to the payment of all sums expended under the terms hereof not then repaid, with accrued interest at the rate provided on the principal debt; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

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

22. Nothing herein contained shall be construed or operate as to require the Grantor to pay interest on the note, or any other liability or debt now existing or hereafter to exist, at a rate greater than that allowed by the laws of the State of Oregon, and if any provisions herein contained do, or would presently or prospectively operate to make this Deed of Trust or any part thereof void, voidable or ineffective, then those provisions only shall be held for naught and as though not herein contained and shall be without effect upon or prejudice to the remaining provisions, which shall nevertheless remain operative.

23. This Deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors and assigns of the parties hereto. All obligations of Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein.

(SEE ATTACHED ADDENDUM FOR ADDITIONAL PROVISIONS)

24. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made public record as provided by law. 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, Beneficiary or Trustee shall be a party, unless brought by Trustee.

25. The term "Deed of Trust," as used herein, shall mean the same as and be synonymous with, the term "Trust Deed," as used in the laws of Oregon relating to Deeds of Trust and Trust Deeds. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

26. Agreements, promises, and commitments concerning loans and other credit extensions must comply with the statute of frauds (be in writing) to be valid.

Donald E. Rowlett
Donald E. Rowlett

Jean Rowlett
Jean Rowlett

ACKNOWLEDGMENT

STATE OF OREGON)
COUNTY OF KLAMATH) SS

The foregoing instrument was acknowledged before me this 2nd day of April, 1990, by DONALD E. ROWLETT.

NOTARY PUBLIC
My Commission Expires:
12-19-92

Debra Buckner
Notary Public

STATE OF OREGON)
COUNTY OF KLAMATH) SS

The foregoing instrument was acknowledged before me this 2nd day of April, 1990, by JEAN ROWLETT.

NOTARY PUBLIC
My Commission Expires:
12-19-92

Debra Buckner
Notary Public

EXHIBIT "A"(LEGAL DESCRIPTION OF REAL ESTATE)

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 in Block 78 of Klamath Addition to the City of Klamath Falls, Oregon, according to the official plat thereof on file in the Office of the County Clerk of Klamath County, Oregon.

EXHIBIT "B"(SCHEDULE OF LEASES)

Lease dated February 28, 1989 and amended by Lease Amendment dated September 29, 1989 all between Donald E. and Jean Rowlett, Lessor, and State of Oregon, acting by and through the Department of Human Resources, Adult and Family Services Division, Lessee, on premises located at 710 Klamath Avenue, Klamath Falls, Oregon 97601, Klamath County.

Addendum to Deed of Trust

I.

A. Grantor, its successors and assigns, covenants, warrants, and represents that:

(1) No Hazardous Material has been or shall be discharged, dispersed, released, stored, treated, generated, disposed of, or allowed to escape on, under, or from the premises.

For the purposes of this Deed of Trust, "Hazardous Material" means and includes (i) any asbestos or insulation or other material containing asbestos, (ii) any hazardous, toxic, or dangerous waste, substance, or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, any so-called state or local "superfund" or "superlien" law, or any other Federal, state, or local statute, law, common law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, or dangerous waste, substance or material, including radioactive materials, as now or at any time hereafter in effect, and (iii) any solid, liquid, gaseous, or thermal irritant or contaminant, such as smoke, vapor, soot, fumes, acids, alkalis, chemicals, or waste.

(2) Without limiting the generality of the foregoing paragraph A(1), no asbestos or asbestos-containing materials have been or shall be installed, used, incorporated into, or disposed of on or under the premises.

(3) Without limiting the generality of the foregoing paragraph A(1), no polychlorinated biphenyls are or shall be located on or under the premises, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form.

(4) No underground storage tanks are or shall be located on or under the premises. ~~or were located on or under the premises and subsequently removed or filled.~~

(5) No investigation, administrative or court order, consent order, litigation, or settlement with respect to Hazardous Material is proposed, threatened, anticipated, or in existence with respect to the premises, the Grantor, or any other property owned or operated by the Grantor.

(6) The premises, the operations on the premises, and the Deed of Trust are in compliance with all applicable federal, state, and local statutes, laws, and regulations. No notice has been served on Grantor from any entity, governmental body, or individual claiming any violation of any statute, law, common law, regulation, ordinance, or code, or requiring compliance with any statutes, law, common law, regulation, ordinance, or code, or demanding payment or contribution for environmental damage or injury. Grantor shall forward a copy of any such notice received in the future to Beneficiary within three days of receipt.

(7) Grantor has not engaged and will not engage in any business or activity involving the generation, handling, use, storage, treatment, or disposal of Hazardous Material.

(8) Grantor shall comply with all federal, state, and local laws and regulations applicable to the premises and shall comply with all such laws and regulations relating to Hazardous Material which are applicable to the premises, the Grantor, or any other property owned or operated by Grantor.

Addendum to Deed of Trust
Page 2

(9) Grantor shall give written notice to Grantee within three days of any default by Grantor under any of the provisions of this paragraph.

(10) Grantor shall not permit any liens to be placed on the premises pursuant to any federal, state, or local laws or regulations relating to Hazardous Material.

(11) In the event of a default under any of the provisions of this Article I, including the falsity of any representation or warranty made herein, Grantee may pursue all of its rights and remedies stated in this Deed of Trust for a default.

B. (1) Grantor agrees to defend, indemnify, and hold harmless Grantee, its directors, officers, employees, and agents (collectively referred to in this paragraph B as "Grantee") from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs and expenses of any kind whatsoever (including attorney's fees), which arise in connection with the premises prior to Grantee acquiring title to the premises through foreclosure or deed in lieu of foreclosure and which:

(i) Arise out of the actual, alleged, or threatened discharge, dispersal, release, presence, storage, use, treatment, generation, disposal, or escape of Hazardous Material on, under, or from the premises, or

(ii) Arise under any federal, state, or local statutes, laws, common law, or regulations relating to Hazardous Material.

(2) Grantor shall bear, pay, and discharge any and all such judgments or orders for damages, penalties, or otherwise described in paragraph B(1) above, shall hold Grantee harmless from such judgments or orders, and shall assume the burden and expense of defending all suits, administrative proceedings, and negotiations of any description with any entities, persons, or governmental bodies arising out of any of the occurrences set forth in paragraph B(1).

C. The obligation to indemnify contained in paragraph B above shall survive foreclosure of the Deed of Trust or conveyance in lieu of foreclosure and shall survive the repayment of the indebtedness secured hereby and the discharge and release of the Deed of Trust and any other loan documents.

D. Grantor shall allow Beneficiary or its representative, at any time during the period of the loan secured hereby, to enter upon the premises for the purpose of making such environmental inspections or conducting such environmental tests as Grantee may deem necessary or advisable; provided, however, that nothing contained in this paragraph D shall be deemed (1) to affect the covenants, obligations, warranties, or representations of Grantor under paragraphs A, B, and C above, (2) to impose any responsibility or obligation on Grantee to conduct such inspections or tests, or (3) to impose any responsibility or obligation whatsoever on Grantee with respect to the condition of the premises. Such inspections or tests shall be at Grantee's expense, unless Grantor is required by the terms of this Deed of Trust to perform such inspections or tests and has failed to do so within thirty (30) days after request by the Grantee, in which event the costs of such tests or inspections shall be secured hereby and shall bear interest at the rate set forth in the note secured hereby from the date paid and shall be at once due and payable.

Addendum to Deed of Trust
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II. Grantor agrees that Grantor shall not, without the prior written consent of Beneficiary (which may be withheld in Beneficiary's sole discretion) sell, transfer, mortgage, pledge, hypothecate, assign, encumber or lease as a whole, whether voluntarily, involuntarily or by operation of law (each of which actions and events is called a "Transfer") all or any part of the subject property or legal or beneficial interest in Grantor. If any Transfer occurs without Beneficiary's prior written consent, then at its sole option Beneficiary may, by written notice to Grantor, declare all sums secured by this Deed of Trust immediately due and payable, and if Grantor fails to pay such sums, Beneficiary may invoke or direct the Trustee to invoke any and all remedies permitted by law and by this Deed of Trust. Notwithstanding the above, at any time after one year from the date of this Deed of Trust the Grantor shall have the right to transfer all of the premises to a buyer meeting the requirements of Beneficiary. Furthermore, upon the acceptance by Beneficiary the buyer may assume the outstanding principal balance at the contractual interest rate and terms, of the Note secured hereby, for a fee to Beneficiary not to exceed one (1%) percent of the outstanding principal balance at the time of the sale.

INDEMNITY AGREEMENT

In connection with and as partial consideration for the making of a loan ("Loan") in the amount of \$1,550,000.00 by THE FRANKLIN LIFE INSURANCE COMPANY ("Franklin") to Donald E. and Jean Rowlett ("Borrower"), which loan is secured by a Deed of Trust dated of even date herewith ("Deed of Trust") on certain property described in said Deed of Trust (the "premises"), Borrower covenants and agrees as follows:

1. Borrower agrees to defend, indemnify, and hold harmless Franklin, its directors, officers, employees, and agents (collectively referred to herein as "Franklin") from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs and expenses of any kind whatsoever (including attorney's fees), which arise in connection with the premises on or after transfer of the premises to Franklin pursuant to foreclosure or deed in lieu of foreclosure and which:

(A) Arise out of the actual, alleged, or threatened discharge, dispersal, release, presence, storage, use, treatment, generation, disposal, or escape of Hazardous Material (as hereinafter defined) on, under, or from the premises, or

(B) Arise under any Federal, state, or local statutes, laws, common law, or regulations relating to Hazardous Material;

provided, however, that this indemnification obligation shall not extend to any such liability which arises in connection with any activities on the premises after Borrower's ownership, possession, and control of the premises have ended.

For the purposes of this Agreement, "Hazardous Material" means and includes (i) any asbestos or insulation or other material containing asbestos, (ii) any hazardous, toxic, or dangerous waste, substance, or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, any so-called state or local "superfund" or "superlien" law, or any other Federal, state, or local statute, law, common law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, or dangerous waste, substance or material, including radioactive materials, as now or at any time hereafter in effect, and (iii) any solid, liquid, gaseous, or thermal irritant or contaminant, such as smoke, vapor, soot, fumes, acids, alkalis, chemicals, or waste.

2. Borrower shall bear, pay, and discharge any and all such judgments or orders for damages, penalties, or otherwise described in paragraph 1 above, shall hold Franklin harmless from such judgments or orders, and shall assume the burden and expense of defending all suits, administrative proceedings, and negotiations of any description with any entities, persons, or

governmental bodies arising out of any of the occurrences set forth in paragraph 1.

3. Borrower's obligations under this Agreement are personal and unconditional and shall not be limited by any nonrecourse or other limitations of liability provided for in any document relating to the Loan (the "Loan Documents"). The covenants of Borrower set forth in this Agreement (a) are separate and distinct obligations from Borrower's obligations under the Loan and the Loan Documents, (b) are not secured by the Deed of Trust and other security documents securing the Loan and shall not be discharged or satisfied by foreclosure of the liens created by the Deed of Trust or other security documents, and (c) shall continue in effect after any transfer of the premises, including without limitation any transfer pursuant to foreclosure proceedings (whether judicial or nonjudicial) or any transfer in lieu of foreclosure.

4. This Agreement shall be binding on and inure to the benefit of Borrower and Franklin and their respective heirs, representatives, successors, and assigns. This Agreement shall be governed by the laws of the State in which the premises are located. In any suit, action, or appeal therefrom to enforce this Agreement, Franklin shall be entitled to recover its costs incurred therein including attorney's fees and disbursements.

IN WITNESS WHEREOF, Borrower has executed this Agreement as of the 2 day of April, 1990.

Donald E. Rowlett

Donald E. Rowlett

Jean Rowlett

Jean Rowlett

Return Ketc

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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 2nd day of April A.D., 19 90 at 3:15 o'clock PM., and duly recorded in Vol. M90 of Mortgages on Page 5990.

Evelyn Biehn, County Clerk

By Cauline Mulendore

FEE \$68.00