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10-21-94PCB:34 RCVD

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Until a change is requested,
all tax statements shall be
sent to:

Richard B. Takacs
Kathleen Takacs
22031 Stateline Road
Merrill, Oregon 97613

Tax Account No. 540-58-0375

After recording return to:

Sussman Shank Wapnick Caplan &
Stiles
Suite 1400
1000 S.W. Broadway
Portland, Oregon 97205-3066

LINE OF CREDIT TRUST DEED

(Including Fixture Filing and Assignment of Rents)

THIS LINE OF CREDIT TRUST DEED is effective this 20th day of October, 1994, by RICHARD B. TAKACS and KATHLEEN TAKACS ("Grantor") to JEFFREY R. SPERL ("Trustee") for the use and benefit of TRUST COMPANY BANK, a Georgia banking corporation ("Beneficiary").

The due date of the sums secured hereby is April 19, 2010; the maximum principal amount to be advanced is Two Hundred Eighty Thousand Dollars (\$280,000.00), provided however, that the maximum principal amount to be advanced may be exceeded to complete construction of improvements on the Property or for reasonable protection of the Property; including but not limited to advances to pay real property taxes, hazard insurance premiums, maintenance charges imposed under a declaration or restrictive covenant, and reasonable attorneys' fees.

1. GRANT AND ASSIGNMENT OF THE PROPERTY. For good and valuable consideration, Grantor hereby irrevocably grants, transfers, conveys and assigns to Trustee in trust with power of sale for the benefit and use of Beneficiary all right, title and interest of Grantor now owned or hereafter acquired in and to the following real and personal property with the rights, and appurtenances thereof (collectively "Property"), subject to the encumbrances listed in Exhibit B attached hereto (the Permitted Encumbrances) and by this reference incorporated herein:

1.1. Land. That certain real property described in Exhibit A attached hereto and by this reference incorporated as an integral part hereof ("Land").

1.2. Improvements. All the buildings, structures, and improvements now or hereafter placed on the Land ("Improvements").

1.3. Equipment and Fixtures. All fixtures, appliances, machinery and equipment installed in, on, or around the Land and Improvements, including without limitation gas and electric fixtures, radiators, heaters, engines and machinery, boiler, stoves, ranges, elevators, escalators, incinerators, motors, dynamos, sinks, disposals, dishwashers, water closets, basins, medicine chests, pipes, faucets and other plumbing and

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heating fixtures, ventilating apparatus, dryers, washing machines, heating, ventilating and air-conditioning equipment and units, paneling, refrigerating plants, refrigerators, whether mechanical or otherwise, fire prevention and extinguishing apparatus, shades, awnings, screens, blinds, carpeting, wall cabinets, and furniture, and such other goods and chattels and personal property as are now or hereafter attached to, used, or furnished in connection with the letting or operation of the Property or in connection with the activities conducted thereon ("Equipment and Fixtures").

Whether or not the Equipment and Fixtures are or shall be attached to the Land or Improvements in any manner, all renewals, replacements, additions, accessions, substitutions, proceeds, and products of the Equipment and Fixtures shall be included in the Property that is subject to the grant and assignment herein.

1.4. Easements and Rights. All easements and rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, water courses, water rights and powers, the land lying in the bed of any street whether opened or proposed, in front of or adjoining the Land, and all appurtenances, privileges, tenements, hereditaments and rights whatsoever in any way belonging, relating or appertaining to the Land, or which hereafter shall in any way belong, relate, or be appurtenant thereto ("the Easements and Rights").

1.5. Condemnation Proceeds. All awards or payments to Grantor, including interest thereon, and the right to receive the same, which may be made with respect to the Property as a result of (a) the exercise of the right of eminent domain or the threat thereof, (b) the alteration of the grade of any street, or (c) any other injury to or decrease in the value of the Property ("Condemnation Proceeds").

1.6. Leases. All right, title, and interest of the Grantor in and to any and all leases; including, but not limited to, that certain lease between Grantor, as Lessor, and Stateline Parts Supply, Inc., an Oregon corporation, the "Store Lease" which will be executed prior to, on or after the date of this Trust Deed, which will be subordinate to the rights of Grantee under this Trust Deed, and is expected to have a term exceeding the final maturity of the Term Note, namely exceeding fifteen and one-half years; tenancies, and rights of use and occupancy, with amendments, if any, and extensions, renewals and guarantees of the tenants' obligations thereunder, now or hereafter on or affecting all or any part of the Property, whether or not recorded and all monies payable thereunder, and all books and records which contain records of payments made under the leases and all security therefor ("Leases").

1.7. Property Income. All rents, issues, income, profits, security deposits and other benefits to which the Grantor may now or hereafter be entitled from the Property and/or the business operations conducted at or from the Property ("Property Income").

1.8. Insurance. All proceeds of and any unearned premiums on any insurance policies covering all or any part of the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property, and all business interruption insurance in connection with the business operations conducted at or from the Property ("Insurance").

1.9. Title Warranties. All warranties of title and against encumbrances given by Grantor's predecessors in interest and Grantor's rights under any policy insuring Grantor's title to the Property.

1.10. Right To Appear. The right, but not the obligation, in the name and on behalf of the Grantor, to appear in and defend any action or proceeding brought with respect to the Property purporting to affect the security of this Trust Deed or the rights and powers of the Beneficiary, and to commence any action or proceeding to protect the interest of the Beneficiary in the Property.

1.11. Additional Rights. All present and future rights to the use of any trade name by which all or any portion of the Property and the Improvements are known; any books and records relating to the use and operation of all or any portion of the Property; all right, title and interest of Grantor in, to and under all present and future plans, specifications and contracts relating to the design, construction, management or inspection of any Improvements; and all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals and agreements with or from an municipal corporation, county, state or other governmental or quasi-governmental entity or agency relating to the development, improvement, division or use of all or any portion of the Property to the extent such trade names, licenses, permits, approvals and agreements are assignable by law; Grantor's rights under any payment, performance, or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property.

2. OBLIGATIONS SECURED. This Trust Deed ("the Trust Deed") is given for the purpose of securing all of the following obligations ("Obligations Secured") of Grantor to Beneficiary (both monetary and otherwise):

2.1. Payment of that certain Single Payment Note - Multiple Disbursement Master Note of even date herewith in the face amount of Two Hundred, Eighty Thousand Dollars and No/100 (\$280,000) pursuant to which beneficiary will make advances to finance a portion of the acquisition of the Land and the construction of certain improvements thereon. ("Note")

2.2. All renewals, extensions, and modifications of the Note, including that certain Term Note which is expected to be given by Grantor to Beneficiary at the completion of the construction of the Improvements on the Land which Term Note will be in the amount actually advanced pursuant to the Note described in Section 2.1 above.

2.3. Payment of any additional loan(s) or advance(s) made by Beneficiary to or on behalf of Grantor, and payment of all guaranty agreements made by Grantor in favor of Beneficiary, including, without limitations the guaranty agreements delivered by Grantor in favor of Grantee relating to (1) a loan to Stateline Parts Supply, Inc. dated March 17, 1992 in the original principal amount of \$73,299.58, (2) a loan to Stateline Parts Supply, Inc. dated December 13, 1991 in the original principal amount of \$8,780.00, (3) a loan to be made on or about November 15, 1994, to Stateline Parts Supply, Inc. in the original principal amount of \$150,000.00. The maximum principal amount of loans under the Construction Loan Agreement is \$280,000.00. The maximum principal amount of the loans other than the \$280,000.00 Construction Loan secured hereby is \$170,000.00.

2.4. Performance of each and every obligation, covenant and agreement of Grantor contained herein, and in any and all loan agreements, supplemental agreements, and other documents and agreements executed by Grantor in connection with or relating to the Obligations Secured, relating to the Obligations Secured or the Property or at any time subsequent to the date hereof for the purpose of evidencing, modifying or securing the Obligations Secured including the Construction Loan Agreement among the partners hereto of even date (collectively "Loan Documents"). Provided however that the obligations of Grantors under the Hazardous Materials Indemnity Agreement regarding the Property and executed contemporaneously with the execution of the Trust Deed are not secured hereby.

2.5. Payment of any taxes, assessments, insurance premiums, costs, attorney fees, prior liens, or other charges reasonably necessary to be paid by Beneficiary for the protection of the lien of this Trust Deed, and all other advances Beneficiary is permitted to make hereunder.

2.6. The final maturity date of the Obligations Secured will be 15 years after the completion of the construction of the Improvements on the Land. It is expected that construction will be completed on April 19, 1994; the final maturity date is, therefore, expected to be April 19, 2010.

3. COVENANTS, REPRESENTATIONS AND WARRANTIES OF THE GRANTOR. To protect the security of this Trust Deed, Grantor promises, covenants, agrees, represents and warrants to Beneficiary as follows:

3.1. Payment and Performance. Grantor will perform all of its obligations under this Trust Deed, and at the times and in the manner stated in the Note and in the Loan Documents. All amounts owing Beneficiary under any of the Loan Documents are herein referred to as "the Debt."

3.2. Insurance.

3.2.1. Fire and Extended Coverage. Grantor shall keep the Land, Improvements, and Equipment and Fixtures insured against loss by flood if the Property is ever located in a designated flood zone, fire, and other hazards, casualties, contingencies and all other "extended coverage" risks, including without limitation rent, business interruption, liability, indemnity, earthquake, demolition, war, risk and war damage insurance, if available, in such amounts and with such deductibles and companies lawfully doing business in Oregon as the Beneficiary may reasonably require. Grantor shall promptly pay when due the premiums on such insurance policies. The Land, Improvements, and Equipment and Fixtures shall be insured to their full replacement value.

Each insurance policy maintained under this paragraph shall contain in a form acceptable to the Beneficiary:

(a) A provision to the effect that the policy will not be canceled without at least ten (10) days prior written notice to the Beneficiary;

(b) A standard union mortgage clause, also called a noncontributing mortgagee endorsement (entitling the mortgagee to collect all proceeds payable under such insurance without regard to Grantor's liability and to file a separate proof of claim therefor);

(c) A waiver of subrogation endorsement in standard form; and

(d) Any other endorsement reasonably required by Beneficiary.

All insurance carried on the Land, Improvements, and Equipment and Fixtures shall be assigned to Beneficiary as primary loss payee. Grantor shall deliver all such policies, including additional and renewal policies with current premium statements therefor marked "paid" to the Beneficiary at least thirty (30) days before the expiration of the old policies. Grantor shall not cancel any policy or return any premium until the Grantor obtains a replacement policy reasonably acceptable to Beneficiary.

In the event of any loss or damage to the Land, Improvements, or Equipment and Fixtures, Grantor shall give prompt notice thereof to Beneficiary. Grantor authorizes Beneficiary, at Beneficiary's option, to collect, adjust, and compromise any losses under any insurance policy maintained hereunder, and to endorse Grantor's name on any instrument in payment of any insured loss; provided, if such option is not exercised, Beneficiary shall not be responsible or liable for the collection, adjustment, or compromise of any such loss, and Grantor does hereby indemnify Beneficiary and hold Beneficiary harmless against and from any and all claims and liabilities asserted against Beneficiary in connection with the collection, adjustment or compromise of any insured loss. Subject to Section 3.2.2, in case of loss and payment by any insurance company, the amount of insurance proceeds received shall be applied either in whole or in part as Beneficiary may elect in its sole discretion (1) upon the payment of the debt, or (2) to rebuilding or restoring the Land, Improvements, and Equipment and Fixtures, in which event Beneficiary shall not be obligated to attend to the proper application thereof, nor shall the amount so released be deemed a payment upon the Debt.

3.2.2. Distribution of Proceeds. The amount collected by Beneficiary under any such insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine. Beneficiary, at its option, may release to the Grantor any portion of the insurance proceeds. Such application or release shall not cure or waive any default or notice of default, or invalidate any act done pursuant to such notice.

3.2.3. Liability Insurance. Grantor shall procure and maintain public liability and indemnity insurance that protects Grantor and Beneficiary from the claims of third persons arising out of the Property or any business conducted thereon. The insurance shall be in amounts acceptable to Beneficiary. The policy shall also include the provisions required by Section 3.2.1 relating to fire and extended coverage.

3.3. Taxes. Grantor shall pay when due all (1) taxes, assessments, utility charges, water and sewer charges of any kind; (2) payments of any kind in lieu thereof which may be required by law; and (3) governmental charges and impositions of

any kind whatsoever for which lien rights exists, which may now or hereafter be assessed or levied upon any part of the Property (all such charges and payments are hereinafter collectively referred to as "Taxes"). Grantor will deliver to Beneficiary, at its request, receipts evidencing the payment of Taxes.

3.4. Condemnation.

3.4.1. Grantor will give Beneficiary prompt notice of the actual or threatened commencement of any proceedings of any public or quasi-public entity under eminent domain affecting, injuring or otherwise diminishing the value of all or any part of the Property, and will deliver to Beneficiary copies of all papers served in connection therewith. Grantor hereby appoints Beneficiary as its attorney-in-fact coupled with an interest and authorizes, directs and empowers Beneficiary at its option and on behalf of Grantor to collect, receive and retain subject to the terms hereof the proceeds of any such award or payment, to give proper receipts therefor and, if an Event of Default has occurred to adjust, compromise, and settle the claim therefor.

3.4.2. Beneficiary shall have the right to intervene and participate in any eminent domain proceedings unless prohibited by the court having jurisdiction, in which event Grantor shall consult with Beneficiary in all matters pertaining to the adjustment, compromise or settlement of such proceeding and Grantor shall not enter into any agreement with respect to such matters without the prior written consent of Beneficiary. Grantor further agrees to execute and deliver upon request any other instruments deemed necessary by Beneficiary to confirm or assign to Beneficiary all awards and other compensation to be made for any taking of the Property under eminent domain proceedings.

3.4.3. After deducting its collection costs, disbursements, expenses and reasonable attorney fees, Beneficiary may in its sole discretion retain and apply said award or payment toward payment of the Debt, or pay the award or payment or any part thereof to Grantor for the purpose of altering, restoring or rebuilding any part of the Property which may have been altered, damaged or destroyed, but Beneficiary shall not be obligated to attend to the application of any amount paid over to Grantor.

3.4.4. If part of the Property is taken in any eminent domain proceeding and the remaining part of the Property is sold on foreclosure of this Trust Deed prior to the receipt by Beneficiary of the award or payment, Beneficiary shall have the right to receive the award or payment to the extent of any deficiencies due after the foreclosure.

3.5. Compliance With Law. Grantor warrants that to the best of its knowledge it presently complies with, and covenants that it will use its best efforts to continue to observe and comply with, and to require any lessee of any part of the Property to observe and comply with:

a) all laws, regulations, ordinances, rules, and orders affecting in any way the Property or business operations thereon;

b) the terms of each insurance policy covering or applicable to the Property in order to maintain the insurance required hereunder in full force and effect; and

c) all conditions and requirements necessary to preserve and maintain all rights, licenses, permits, privileges, franchises, and concessions which are applicable to the Property or business activities conducted at or from the Property. If Grantor receives notice from any Governmental body or from any insurer, licensor, or franchisor that it is not in compliance with any such covenant, condition, ordinance, code, law, or regulation, Grantor will promptly provide Beneficiary with a copy of such notice.

3.6. Maintenance and Repair; Inspection. Grantor will (a) keep and maintain the Property in good condition, working order and repair; (b) not commit or suffer any waste of the Property; (c) repair, replace, rebuild or restore any part of the Property which may be damaged or destroyed by any casualty or affected by eminent domain; (d) complete and pay for when due any construction undertaken on the Property; and (e) make all other repairs and replacements to the Property which Beneficiary may reasonably require. All such repairs, replacements, rebuilding and restoration shall be done promptly in good and workmanlike manner, using materials of reasonably comparable quality and grade as those utilized in the original construction of the portion of the Property being repaired, replaced, rebuilt or restored. Beneficiary and its agents shall have the right to enter and inspect the Property at all reasonable times.

3.7. Transfer Prohibited. Except as specifically provided in this Section, Grantor shall not, without Beneficiary's prior written consent (a) transfer or otherwise dispose of, or contract to transfer or dispose of, all or any part of the Property, or of title thereto; (b) voluntarily create or grant any liens, mortgages or encumbrances against such title; (c) initiate or allow any change in the nature of the use and occupancy which was intended for the Property on the date of this Trust Deed, unless the change is required by law; (d) initiate or join in any request to make any change in the zoning classification of the

Property; or (e) record a declaration under the provisions of the applicable condominium, co-operative or planned unit development acts of Oregon.

Grantor will keep and maintain the Property free from the claims of all persons supplying labor or materials in connection with the construction or repair of any Improvements constituting a part of the Property. Grantor shall not by act or omission impair the integrity of the Property as a single, separate parcel separate and apart from all other premises.

Transfers prohibited hereby include a sale, conveyance, transfer, gift or other disposition, whether voluntary, involuntary, or by operation of law, or any other act by which the economic benefit, entrepreneurial risk, or management responsibility with respect to the Property is shifted to someone other than Grantor, or in which Grantor agrees to transfer or gives an option to purchase the Property.

In the event any lien, attachment or encumbrance is recorded or otherwise claimed against the Property without Beneficiary's consent, Grantor shall promptly notify Beneficiary thereof and shall cause the lien, attachment, or encumbrance to be discharged of record within thirty (30) days after its recording. If Grantor fails to obtain the release of the lien within thirty (30) days, Beneficiary may, at its sole option, do so.

3.8. Property Income. So long as Grantor is not in default hereunder, Grantor may collect and use the Property Income, as the same becomes due and payable, but may not collect the same more than thirty (30) days in advance of the date the same becomes due without the prior written consent of Beneficiary. Upon the occurrence of or an Event of Default, the permission hereby given Grantor to collect the Property Income and rent shall automatically terminate.

3.9. Removals, Alterations and Demolition. No Improvement or item of Equipment and Fixtures shall be removed, altered, demolished or erected without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld. Grantor shall have the right, however, at Grantor's sole cost and expense, to make such nonstructural changes, additions and alterations in or to the Property as Grantor deems necessary or desirable for the conduct of the business operations to be carried on at the Property. When completed, such alterations shall be of a character that will not adversely affect the value of the Property or the economic utility of the business operations conducted thereon. All work done in connection therewith shall be done promptly, in good workmanlike manner, utilizing materials of reasonably comparable quality and grade as those utilized in the original construction of the Property. All such changes, additions and alterations shall become part of the Property immediately upon the construction or installation thereof.

Grantor shall have the further right, however, to remove and dispose of any item of Equipment or Fixtures that has become worn out or obsolete if prior to or simultaneous with such removal the item is replaced with other items of Equipment or Fixtures which are of at least equivalent type and quality as the replaced item, and if Beneficiary is given prior written notice of the removal and replacement.

Grantor agrees to execute any mortgage, security agreement or other document Beneficiary may require to evidence its continued security interest in the Property.

3.10. Books, Records and Accounts. Grantor will keep and maintain proper and accurate books, records and accounts reflecting all items of income and expense received or paid by Grantor or any other person in connection with the Property and all business operations conducted at or from the Property. Beneficiary shall have the right at any time during normal business hours to examine and copy any such books, records and accounts wherever located.

3.11. Security Agreement. This Trust Deed is both a real property mortgage and a security agreement and is intended to be effective as a financing statement pursuant to the Oregon Uniform Commercial Code with respect to the Equipment and Fixtures and all items of personal property that constitute a portion of the Property described herein. Beneficiary is the secured party and Grantor is the debtor with respect to this financing statement, and the mailing addresses of the secured party and the debtor for the purpose of the financing statement are set forth in Section 3.15.4.3 of this Trust Deed. A photocopy of this Trust Deed shall have the same effect as an original. Upon request Grantor shall execute and deliver to Beneficiary any security agreement, financing or continuation statement or other document Beneficiary deems necessary to protect or perfect its lien on the Equipment and Fixtures and other personal property. Grantor shall pay all filing fees and other costs, disbursements, expenses and reasonable attorney fees incurred by Beneficiary in connection therewith. Upon the occurrence of an Event of Default, Grantor shall assemble the Equipment and Fixtures and personal property and make them available to Beneficiary. Upon the occurrence of or an Event of Default, Beneficiary shall have the rights and remedies of a secured party under the Uniform Commercial Code of Oregon.

3.12. Lawsuits and Claims. Grantor warrants that there is no action, suit or proceeding pending, or to the knowledge of Grantor threatened, against or affecting Grantor or the Property or the business operations conducted at or from the Property or which involve the possibility of any judgment or liability not fully covered by insurance or which, in Grantor's opinion, might result in any material adverse change in the

business, assets or operations of Grantor which would, in any way, materially adversely affect the Property or the validity or enforceability of the Loan Documents.

3.13. Warranty of Title. Grantor warrants, covenants and agrees to and with Beneficiary and those claiming under it, that Grantor is lawfully seized in fee simple of the Property and has a valid, unencumbered title thereto subject only to the encumbrances listed in Exhibit B.

3.14. Hazardous Substances.

3.14.1. Grantor warrants that no release of oil or petroleum or chemical liquids or solids, liquid or gaseous products or Hazardous Substances or waste has occurred on the Property and that Grantor has not received any notice from any governmental agency or from any tenant under a Lease with respect to any such release.

Grantor will not cause or permit any Hazardous Substances to be brought upon, kept or used in or about the Property except in compliance with the Environmental Laws. Grantor shall undertake any and all preventive, investigatory and remedial action (including emergency response, removal, containment and other remedial action) that is either: (a) required by an applicable Environmental Laws; or (b) necessary to prevent or minimize any damage to property, personal injury or damage to the environment, or the threat of any such damage or injury, by releases of or exposure to Hazardous Substances in connection with the Property.

3.14.2. Beneficiary shall have no liability for any of the foregoing matters, or for any other condition of the Property. The Grantor agrees to defend, fully indemnify and hold entirely free and harmless Beneficiary from and against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, costs and expenses (including, without limitation, attorneys' fees, court costs, disbursements, and the fees of any experts or other consultants) (collectively referred to as "Claims") that may be imposed on, incurred or paid by or asserted against Beneficiary by reason or on account of, or in connection with or arising out of: (a) any investigatory or remedial action involving the presence of Hazardous Substances on or in the Property or the release of Hazardous Substances from the Property; and/or (b) any allegations made by any government authority or any private citizen or entity or group of citizens or entities as to the violation of any Environmental Laws involving the Property or the operations conducted on the Property; and/or (c) any injury or harm of any type to any person or entity or damage to any property arising out of, in connection with, or in any way relating to: (i) the generation, manufacture, refinement, transportation, treatment, storage, release, disposal or other handling of Hazardous Substances on the Property or during the operations conducted

thereon; and/or (ii) the violation of any Environmental Laws; and/or (iii) the contamination of the Property by any means whatsoever (including, without limitation, any past or presently existing contamination of the Property); excluding from the foregoing indemnification for any Claims arising out of the willful misconduct of Beneficiary. Beneficiary shall have full authority to settle or compromise any Claims covered under this indemnification without the consent of the Grantor. The parties intend that under the indemnity provisions herein, Grantor shall indemnify Beneficiary to the fullest extent permitted by law, including, without limitation, in the event of any sole or concurrent negligence of Beneficiary or of any other person not constituting willful misconduct. As utilized herein, the term "Beneficiary" includes its officers, directors, shareholders, employees, representatives and agents. Any exculpatory clause contained in this Agreement or elsewhere shall not exculpate against any liability from the provisions of this Section.

3.14.3. If Grantor shall receive notice or become suspicious or aware that Hazardous Substances may be located on, in, or in the vicinity of the Property or that any violation of any Environmental Laws may have been committed or is about to be committed involving or relating in any way to the Property or notice that any administrative or judicial complaint or order has been filed or is about to be filed alleging violation of any Environmental Laws, or notice from any federal, state or local government agency or private party alleging that any Environmental Laws have been violated, then Grantor shall provide Beneficiary with a copy of such notice or of written notification of the suspicion or awareness within ten (10) days of the Grantor's receipt thereof.

3.14.4. As used herein, the term "Hazardous Substances" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Oregon or the United States government. The term "Hazardous Substances" includes, without limitation, any material or substance which is (i) designated as a "hazardous substance," "hazardous waste," "highly toxic," "radioactive substance," "poison," or "toxic substance" under ORS 453.005 or ORS 466.005; (ii) PCB; (iii) petroleum; (iv) asbestos; (v) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. §1317), (vi) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq. (42 U.S.C. §6903), or (vii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq. (42 U.S.C. §9601).

3.14.5. The phrase "Environmental Laws" shall include any and all State, Federal and local statutes, regulations, and ordinances relating to the protection of human health and the environment, as well as any judgments, orders,

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injunctions, awards, decrees, covenants, conditions or other restrictions or standards relating thereto, including but not limited to those laws specified in paragraph 3.14.4 above.

3.14.6. The obligations of Grantor under Paragraph 3.14 shall continue after foreclosure of the Trust Deed and after acquisition of the Property by Beneficiary whether through purchase at any judicial or nonjudicial foreclosure sale, conveyance in lieu of foreclosure or otherwise.

3.15. DEFAULT

3.15.1. Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder:

(a) The failure to pay any installment of principal, interest, or any other sums due with respect to the Debt when due in accordance with the Loan Documents or within any grace period provided therein;

(b) The occurrence of any Event of Default in, or demand under, any Loan Documents;

(c) The failure to make any payment or perform any other monetary obligation required hereunder when due or within any applicable grace period;

(d) The failure to perform any nonmonetary obligation or covenant of Grantor hereunder within twenty (20) days after notice of such failure. Where a cure of such default could not reasonably be accomplished during such twenty (20) day grace period, no default shall be deemed to have occurred if Grantor commences the cure of such potential default within said twenty (20) day period and thereafter diligently and continually proceeds to effect a cure of such default. Grantor shall have no right to cure under this subparagraph if the Beneficiary determines, in its sole discretion, that the granting of such cure period may materially and adversely effect the prospect of repayment or performance of the Debt, the enforceability of the Loan Documents or the value of the Property;

(e) Grantor or any Guarantor shall commit an act of bankruptcy, shall file a voluntary petition in bankruptcy, reorganization, composition, readjustment, arrangement, insolvency, liquidation, dissolution, or similar proceeding under any present or future statute, law or regulation, shall consent to voluntary or involuntary adjudication in bankruptcy or to reorganization, or shall be adjudged bankrupt or insolvent under any applicable law or laws, or admits in writing to having become insolvent or to be unable to pay its debts as they become due, or becomes unable to pay its debts as they mature, or suspends doing business, or makes an assignment for the benefit of

creditors, or if Grantor is dissolved, liquidated, terminated or merged, or if it applies for or consents to the appointment of a trustee or receiver for the Property or any portion thereof or any portion of its assets, or its dissolved by operation of law or agreement;

(f) A trustee or receiver is appointed for Grantor or any Guarantor, the Property, or any part thereof, or for any portion of Grantor's or Guarantors' assets or any involuntary petition in bankruptcy or insolvency is filed against Grantor or any Guarantor and is not discharged within thirty (30) days after such appointment or filing;

(g) Any representation or warranty made by Grantor, any partner or any Guarantor to Beneficiary in connection with the Obligations Secured proves to be untrue in any material respect;

(h) Any judgment is entered in any court against Grantor or any Guarantor and is not satisfied in full within ten (10) days after all rights to appeal from the same have expired, or any writ of execution or attachment or similar process is issued or levied against any part of the Property or any interest therein; or

(i) The Store Lease is assigned or terminated for any reason.

3.15.2. REMEDIES. When an Event of Default occurs, Beneficiary shall have the following remedies, each of which shall be distinct and cumulative to any other right or remedy under this Trust Deed or afforded by law or equity, and may be exercised concurrently, independently or successively:

3.15.2.1. Acceleration. Beneficiary may declare, without demand or notice to Grantor, the outstanding principal amount of the Debt and all other Obligations Secured to be immediately due and payable.

3.15.3. Foreclosure.

3.15.3.0.1. Judicial Foreclosure. Beneficiary may proceed to foreclose this Trust Deed as a Mortgage. Beneficiary may exercise its rights as a secured party for all or any portion of the Obligations Secured which is then due and payable, subject to the continuing lien of this Trust Deed for the balance not then due and payable. Further, Beneficiary may exercise its right to foreclose on all or any portion of the Property assigned herein. Should the proceeds of the resulting execution sale be insufficient to satisfy the sums owing the Beneficiary, then the Beneficiary shall be entitled to a deficiency judgment for the amount remaining unsatisfied, to the extent permitted under applicable law.

3.15.3.0.2. Foreclosure by Power of Sale.

(a) In the event the Beneficiary elects to foreclose this Trust Deed by advertisement and sale under applicable Oregon law, the Beneficiary or the Trustee shall execute and cause to be recorded its written notice of default and its election to sell the Property to satisfy the obligations secured hereby. whereupon the Trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this Trust Deed in the manner provided by law. In either event, pending the sale, the Beneficiary or the Trustee may obtain the appointment of a receiver.

(b) Should the Beneficiary elect to foreclose by advertisement and sale, at any time prior to five days before the date set by the Trustee for the Trustee's sale, the Grantor or other person so privileged by Oregon law may pay to the Beneficiary or its successors in interest, respectively, the entire amount then due under the terms of the Trust Deed and the Obligations Secured thereby (including costs and expenses incurred in enforcing the terms of the Loan Documents and the Trustee's and attorney's fees not exceeding the amounts provided by law) other than such portion of the principal as would not then be due had no Event of Default occurred, and thereby cure the Event of Default, all foreclosure proceedings shall be dismissed by the Trustee.

(c) Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The Trustee may, at its option, sell the Property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. The Trustee shall deliver to the purchaser its deed in form as required by law conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the Trustee, but including the Grantor and the Beneficiary, may purchase at the sale.

(d) When the Trustee sells pursuant to the powers provided herein, the Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the Trustee and a reasonable charge by the Trustee's attorney, (2) to the obligations secured by the Trust Deed, (3) to all persons having recorded liens subsequent to the interest of the Beneficiary as their

interests may appear in the order of their priority and (4) the surplus, if any, to the Grantor or to its successor in interest entitled to such surplus.

3.15.3.1. Possession of Property; Appointment of Receiver.

3.15.3.1.1. Without notice to Grantor and without regard to the adequacy of the security for the Debt, proof of depreciation of the value of the Property or the financial condition of Grantor, Beneficiary may, at its option:

(a) By itself or by its agent, with or without bringing any action, suit or proceeding, immediately enter upon and take possession and control of the Property or any part thereof;

(b) Make application to a court of competent jurisdiction for and obtain the immediate appointment of a receiver authorized to immediately enter upon and take possession and control of the Property and of the Property Income; and/or

(c) Without taking possession and control of the Property, immediately commence action to collect directly all Property Income due to Grantor with full rights and powers to notify all parties liable therefor to make payments directly to Beneficiary or its agents. Beneficiary shall have the further power and authority to sue for or otherwise collect and receive all Property Income and lease payments.

3.15.3.1.2. Grantor waives any requirement that Beneficiary provide any bond, surety, or other security in connection with any said action.

3.15.3.1.3. In the event Beneficiary, its agent, or a receiver enters upon and takes possession and control of the Property, said person or entity shall have all of Grantor's rights and powers with respect to the Property in addition to such other rights and powers as may be authorized, including without limitation the right and power to:

(a) hold, store, use, operate, manage and control the Property and conduct the business which is or may be conducted therefrom;

(b) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements to the Property, complete construction on the Property, and purchase or otherwise acquire additional fixtures, personalty and other property;

(c) obtain such insurance with respect to the Property and the business operations conducted therefrom as may be determined necessary;

(d) manage and operate the Property and the business conducted therefrom and exercise all the rights and powers of Grantor in its name or otherwise with respect to the same;

(e) enter into agreements with others to exercise the powers herein granted;

(f) collect and receive all Property Income;

(g) enforce all terms of existing leases and all other contracts or agreements pertaining to the Property or the business operations conducted therefrom;

(h) enter into such new or additional leases or other contracts or agreements pertaining to the Property or the business operations conducted at or from the Property as such person or entity may determine necessary in its sole discretion; and

(i) borrow money for the benefit of the Property.

3.15.3.1.4. Beneficiary, its agents or any receiver shall in no event be liable or accountable for more moneys than actually are received from the Property during the period which Beneficiary, its agent or any receiver actually is in possession and control of the Property. Neither Beneficiary, its agents or any receiver shall be liable or accountable in any manner for the failure to collect Property Income for any reason whatsoever.

3.15.3.1.5. Grantor shall pay monthly, in advance, to Beneficiary, its agent or any receiver in possession and control of the Property the fair and reasonable rental value (based on the use the Property is then being put to) for all or any part of the Property which is in the use, occupancy and possession of Grantor. Upon demand, Grantor shall pay Beneficiary within ten days of demand for payment all costs, expenses and liabilities of every character incurred by Beneficiary in managing, operating, and maintaining the Property that are not otherwise paid from Property Income or lease payments, including without limitation loans made to the receiver.

3.15.3.1.6. In the event of foreclosure, Beneficiary, its agent or any receiver having possession or control of the Property may remain in possession of the Property until the Property is redeemed or until the expiration of all redemption rights.

3.15.3.1.7. Beneficiary, its agents or the receiver shall incur no liability for, nor shall Grantor assert any claim or set off as the result of, any action taken while Beneficiary, its agent or the receiver is in possession of the Property.

3.15.3.1.8. Beneficiary shall apply Property Income or other payments to the Debt, but the application of such funds shall be without waiver of default, and without affecting its right to foreclose this Trust Deed or exercise any other remedy under the Loan Documents.

3.15.3.2. Beneficiary Advances. Beneficiary may, without notice or demand, pay any amount which Grantor has failed to pay, or perform any act which Grantor has failed to perform hereunder. In such event the costs, disbursements, expenses, and reasonable attorney fees in connection therewith shall be (1) added to the Debt and shall accrue interest thereon at the highest interest rate allowed under the applicable Loan Documents; (2) payable within five (5) days of demand by Beneficiary; and (3) secured by the lien of this Trust Deed.

3.15.3.3. No Marshalling. Beneficiary shall not be (1) compelled to release or be prevented from foreclosing or enforcing this Trust Deed upon all or any part of the Property, unless the entire Debt has been paid; (2) required to accept any part or parts of the Property, as distinguished from the entire whole thereof, as payment of or upon the Debt to the extent of the value of such part or parts; (3) compelled to accept or allow any apportionment of the Debt to or among any separate parts of the Property; or (4) prevented from selling the Property in one or more parcels or as an entirety and in such manner and order as Beneficiary in its sole discretion may elect.

3.15.3.4. Beneficiary's Discretion. Beneficiary, in exercising any right or remedy provided herein, may do so whenever in its sole judgment and discretion the exercise of such remedy is necessary or desirable to protect the full security intended by this Trust Deed.

3.15.3.5. No Waiver.

3.15.3.5.1. Time is of the essence in this Trust Deed, but any delay, omission or failure by Beneficiary to insist upon strict performance by Grantor of any of the covenants, conditions and agreements herein set forth, or to exercise any right or remedy available to it upon the occurrence of any Event of Default hereunder, shall not impair any such right or remedy or be considered or taken as a waiver or relinquishment of the right in the future to insist upon and to enforce, by injunction or

other appropriate legal or equitable remedy, strict compliance by Grantor with all of the covenants, conditions and agreements herein, or of the right to exercise any such rights or remedies if such Event of Default by Grantor be continued or repeated.

3.15.3.5.2. Beneficiary may, without notice to or the consent of any of the holders of any subordinate lien on the Property or any other person (a) release part of the security described herein, (b) release the obligation of any person primarily or contingently liable for the Debt secured hereby, (c) extend the time for payment or otherwise modify the terms of the Debt or this Trust Deed, and (d) take any additional security for the Debt. No such release, extension, modification or additional security shall impair or affect the lien of this Trust Deed or its priority over any subordinate lien.

3.15.3.5.3. Neither Grantor nor any other person primarily or contingently liable for the payment of the Debt secured hereby shall be relieved of any liability by reason of (a) any such release, extension, modification or taking of additional security; (b) the failure of Beneficiary to comply with any request of Grantor or any such person to foreclose this Trust Deed or exercise any other remedy available hereunder or under or with respect to the Debt; or (c) any agreement or stipulation between any subsequent owner of the Property and Beneficiary extending the time of payment or modifying the terms of the Debt or this Trust Deed.

3.15.3.6. Power of Attorney. Grantor hereby irrevocably appoints, grants, and constitutes Beneficiary its attorney-in-fact, coupled with an interest, to execute, deliver, and submit all applications, requests, forms, or reports of any kind for all desirable or necessary licenses, permits, approvals, authorizations, tax credits or abatements or benefits, of any kind relating to, applicable to, or affecting the use and enjoyment of, or construction on, or the business operations conducted at or from the Property.

3.15.3.7. No Merger. In the event Beneficiary shall acquire title to the Property, there shall be no merger of the lien of this Trust Deed with the fee or ownership interest in the Property. This Trust Deed shall continue as an existing and enforceable lien securing the Obligations Secured until the same shall be released of record by Beneficiary.

3.15.3.8. Fees and Costs. Grantor shall pay all costs, disbursements, expenses and reasonable attorney fees incurred by Beneficiary in protecting or enforcing the lien of this Trust Deed, whether or not suit or action is actually commenced (collectively referred to as "Costs"). Such Costs include without limitation recording fees, costs of title and lien searches, preparation of surveys, appraisal fees, and attorney fees incurred in proceedings in the trial courts and before other tribunals, and on any appeal from any of them. Protection or

enforcement of the lien of this Trust Deed shall include, without limitation, negotiations with Grantor or any third party, administrative proceedings, bankruptcy proceedings (including proceedings involving issues peculiar to federal bankruptcy law), condemnation proceedings, conveyances in lieu of foreclosure, foreclosure proceedings, receivership actions, and post-judgment collection efforts.

3.15.3.9. Waiver of Stay, Extension, Moratorium and Valuation Laws. To the fullest extent permitted by law, Grantor hereby waives the benefit of any existing or future stay, extension or moratorium law which may affect observance or performance of the provisions of this Trust Deed and any existing or future law providing for the valuation or appraisal of the Property prior to any sale.

3.15.3.10. Indemnity. Grantor shall hold Beneficiary and Trustee and their respective directors, officers, employees, agents and attorneys, harmless from and indemnify them for any and all claims, demands, damages, liabilities and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Trustee's or Beneficiary's interest under this Trust Deed.

3.15.4.. MISCELLANEOUS PROVISIONS

3.15.4.1. Governing Law. This Trust Deed shall be governed by and construed, interpreted, regulated and enforced in accordance with the applicable laws of the State of Oregon. All covenants, conditions and agreements herein shall run with the land, and shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of Beneficiary and Grantor.

3.15.4.2. Modification. No modification, amendment, change, or discharge of any term or provision of this Trust Deed shall be valid unless it is in writing and signed by Grantor and Beneficiary.

3.15.4.3. Notice. Any notice required or permitted to be made hereunder shall be in writing, signed by the party giving the notice, and shall be sent by certified mail, return receipt requested, to Grantor and Beneficiary at their addresses below:

As to the Beneficiary:

TRUST COMPANY BANK
25 Park Place, 24th Floor
Atlanta, Georgia 30303
Attention: Mr. Gregory Bell

As to the Grantor:

RICHARD B. TAKACS
 KATELEEN TAKACS
 22031 Stateline Road
 Merrill, Oregon 97633

As to the Trustee:

JEFFREY R. SPERE, ESQ.
 Sussman Shank Wapnick Caplan & Stiles
 Suite 1400
 1000 Southwest Broadway
 Portland, Oregon 97205-3089

or such other address as the parties may later select.

The effective date of any notice shall be deemed to be the earlier of (1) the date of the actual receipt of such notice, or (2) three days after the notice is deposited in the United States mail as provided above.

3.15.4.4. Invalid Provisions. In the event any portion hereof shall be ruled invalid by any court of competent jurisdiction, the invalidity of such portion shall not affect any of the remaining provisions hereof. The invalid portion shall be severed and all other terms and provisions herein shall continue to be effective and binding, and any invalid portion shall be reduced in scope to the extent necessary to be valid.

3.15.4.5. Interpretation.

3.15.4.5.1. Any headings or captions preceding the texts of the sections of this Trust Deed shall be solely for convenience and shall not constitute a part of this Trust Deed, nor shall the headings affect the meaning, construction or effect hereof.

3.15.4.5.2. In the event a court of competent jurisdiction finds that there is any ambiguity herein, the rule of construction that provides that an ambiguity is construed against the party drafting the document shall not apply.

3.15.4.5.3. Genders; Number. This Trust Deed shall be so construed that, whenever applicable, the use of the singular shall include the plural, use of the plural shall include the singular, and the use of any gender shall be applicable to all genders and shall likewise be so construed as applicable to and include a corporation, partnership or other entity.

EXHIBIT A

Legal Description

The S $\frac{1}{2}$ N $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$ of Government Lot 14; and Government Lot 20, all in Section 15, Township 41 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

EXCEPTING THEREFROM, Beginning at a point 50 feet North of the SE corner of Lot 20 on the Oregon-California State Line marked by a half inch by one inch iron rod driven into the ground; thence 330 feet Northerly along the East boundary of said Lot 20 and the North-South mid-dividing line of Lot 14 to a 3/4 inch iron pipe driven into the ground; thence Westerly 132 feet to a 3/4 inch iron pipe driven into the ground; thence 330 feet Southerly to a 3/4 inch iron pipe driven into the ground on the North boundary of a 20 foot wide irrigation ditch right of way; thence 132 feet Easterly to the point of beginning, all lying within U.S. Reclamation Bureau Farm Unit "Q" and Section 15, Township 41 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

EXHIBIT B

Permitted Encumbrances

1. The taxes for 1994-95 are unpaid in the amount of \$362.89. Account #4111-1500-1300 (Key #106986)
2. The assessment roll and the tax roll disclose that the within described premises were specifically assessed as farm land. Taxes for the year 1994-95 and possibly prior years have been deferred pursuant to ORS 308.370 to 308.403. These, plus earned interest are due and payable when said reason for the deferment no longer exists.
3. Liens and assessments of Klamath Project and Klamath Irrigation District, and regulations, contracts, easements, water and irrigation rights in connection therewith.
4. Any unpaid charges or assessments of the Klamath Irrigation District.
5. Reservations and Restrictions, including the terms and provisions thereof, in Patent from United States of America to Ivan Beull, dated June 17, 1936, recorded July 31, 1937, in Volume 111 page 109, Deed Records of Klamath County, Oregon.
6. Grant of Right of Way, including the terms and provisions thereof, given by Robert C. Danosky and Barbara Danosky, to The California Oregon Power Company, dated April 14, 1958 and recorded May 19, 1958 in Deed Volume 299 on page 428, records of Klamath County, Oregon.
7. Reservations and restrictions contained in Deed from Barbara Danosky to Richard and Kathleen Takacs dated June 14, 1994 and recorded June 15, 1994 in M-94 on page 18708, records Klamath County, Oregon, as follows: "Reserving unto Grantor a life estate in the farmstead i.e. the residence, continuous yard, and related buildings. The life estate will terminate if, for any reason, the Grantor does not reside in the residence for any period longer than twelve (12) continuous months. The Grantees shall have full rights to utilize the remainder of the subject property. The Grantor shall have no obligation to pay any tax or assessment by any Governmental entity on the reserved life estate."

3.15.4.5.4 Estoppel Certificate. Grantor, within ten (10) days following the request by Beneficiary, will furnish a written statement duly acknowledged of the amount due on the Debt, whether any offsets or defenses exist against the Debt, and as to any other matters relative to the Debt, the Loan Documents or the Property.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BENEFICIARY AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OF SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BENEFICIARY TO BE ENFORCEABLE.

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

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed and delivered on the day and year first above written.

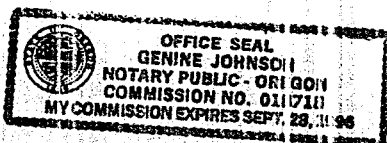
GRANTOR:

Richard B. Takacs
RICHARD B. TAKACS

Kathleen Takacs
KATHLEEN TAKACS

STATE OF OREGON)
County of Klamath) ss.

This instrument was acknowledged before me on October 21, 20, 1994.



Genine Johnson
Notary Public for Oregon
My Commission Expires: September 28, 1996

a:\trustdee.frm

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TRUST DEED

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co the 21st day of Oct A.D. 19 94 at 3:34 o'clock P.M. and duly recorded in Vol. M94 of Mortgages on Page 32853

FEE \$125.00

Evelyn Biehn County Clerk

By Pauline Miller