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Kurt Fransson
4311 SW Terlyn Court
Portland, Oregon 97221

MTC 43188
COMMERCIAL FIRST DEED OF TRUST

AND

ASSIGNMENT OF RENTS

THIS COMMERCIAL FIRST DEED OF TRUST AND ASSIGNMENT OF RENTS (the "Trust Deed") is made this 27 day of January, 1998, among the Grantor, John Thomas Bradley and Christine Carol Bradley, husband and wife, whose address is 2023 Benson, Klamath Falls, Oregon 97601 (jointly the "Borrower"); AmeriTitle of Klamath Falls, whose address is 222 South Sixth Street, P.O. Box 5017, Klamath Falls, Oregon 97601 (the "Trustee"); and the Beneficiary, Kurt Fransson, whose address is 4311 SW Terlyn Court, Portland, Oregon 97221 (the "Beneficiary").

I. GRANTING CLAUSE

A. Borrower, in consideration of the indebtedness recited in this Trust Deed and the trust created by this Trust Deed, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the following described property located in the County of Klamath, State of Oregon:

Lot 12 in Block 17 of SECOND RAILROAD ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon

Lots 12, 13, 14, 15 and 16 in Block 19 of SECOND RAILROAD ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, LESS AND EXCEPT the Northerly 48.78 feet of Lot 12, Block 19, SECOND RAILROAD ADDITION to the City of Klamath Falls

together with all buildings, improvements and tenements now or in the future erected on the property, and all previously or in the future vacated alleys and streets abutting the property, and all easements, rights, appurtenances, leases, including, without limitation, the leases, permits or agreements now or hereafter existing, however evidenced, covering all or any portion of the property, together with all rents or monies due or to become due thereunder; and together with all now existing or in the future arising or acquired; (a) revenues, royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property; (b) ~~fixtures, machinery, equipment~~ ^{located as to be located on the property, including, without limitation, personal property required for the maintenance and operation of the property (including, but not limited to, engines, boilers, incinerators, building materials, and all appliances, escalators and elevators and related machinery and equipment, the protection and extinguishing apparatus, security and access control apparatus, communications apparatus, plumbing, plumbing fixtures, water heaters, panelling, attached floor and wall coverings);} and (c) estate, interest, claims or demands, and other general intangibles now or in the future relating to the property, including, but not limited to, all insurance which the Grantor now has or may in the future acquire in and to the property, and all present or future refunds or rebates of taxes or assessments on the property and all compensation, awards, damages or rights of action arising out of or relating to any taking of the property described above. All of the foregoing shall be deemed to be and remain a part of the property covered by this Trust Deed. The specific enumerations herein shall not exclude the general. All of the property described above is referred to in this Trust Deed as the "Property."

B. This Trust Deed is given as security for the following (collectively the "Indebtedness"): (a) the payment of the indebtedness evidenced by a promissory note in favor of Beneficiary dated of even date herewith and executed by the Borrower and Rhino Enterprises, Inc. ("Rhino") (the "Note"), in the principal sum of One Hundred Forty Thousand and no/100ths Dollars (\$140,000.00), with interest thereon, the balance of which, if not sooner paid, is due and payable on the same day of January, 1999, and all amendments, renewals, extensions and modifications of the Note; (b) the performance of the covenants and agreements of Borrower contained in the Loan Agreement, if any, between Beneficiary and Borrower and Rhino dated of even date herewith, and any amendments (collectively the "Loan Agreement"); (c) the payment of all other sums, with interest thereon, advanced in accordance with this Trust Deed to protect the security of this Trust Deed; (d) the performance of the covenants and agreements of Borrower contained in this Trust Deed; and (e) payment and performance of Borrower's obligations now or in the future arising under any and all present or future indebtedness of Borrower to Beneficiary. The terms of the Note and Loan Agreement secured by this Trust Deed may provide that the interest rate or payment terms or balance due may be indexed, adjusted, renewed, or renegotiated from time to time. Capitalized terms which are not defined in this Trust Deed and are defined in the Loan Agreement shall have the meaning given them in the Loan Agreement.

Borrower and Beneficiary covenant and agree as follows:

SECTION 1. COVENANT OF TITLE. Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Trust Deed and has the right to grant, convey and assign the Property, that the Property is unencumbered, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions acceptable to Beneficiary and listed in a schedule of exceptions to coverage in any title insurance policy insuring Beneficiary's interest in the Property.

SECTION 2. PROMISE TO PAY. Borrower shall pay promptly when due the principal of and interest on the Indebtedness and any other charges provided in the Note, this Trust Deed, the Loan Agreement and other documents executed in connection with the Indebtedness (collectively the "Loan Documents").

SECTION 3. LATE PAYMENT CHARGES. Beneficiary may charge a late charge on any scheduled payment which Beneficiary fails to receive within fifteen (15) days after the due date, or by the next business day, if the fifteen (15) day period ends on a Saturday, Sunday, or legal holiday. The amount of the late charge shall be as specified in the Note or Loan Agreement or, if the Note or Loan Agreement specifies no late charge, then five percent (5%) of the amount of the payment of principal and interest not paid when due. Such late charge shall in no event exceed the maximum charge, if any, specified under applicable law. Collection of a late charge shall not constitute a waiver of or prejudice the Beneficiary's right to pursue any other right or remedy available on account of the delinquency, including, without limitation, charging the default rate of interest under the Note.

SECTION 4. APPLICATION OF PAYMENTS. Unless applicable law provides otherwise, or unless specified to the contrary in the other Loan Documents, each complete installment payment received by Beneficiary under the Note or this Trust Deed or other Loan Documents shall be applied by Beneficiary first to payment of reserves, if any, due under Sections 5 and 6 of this Trust Deed, next to interest due and payable on the Indebtedness, then to principal due and payable on the Indebtedness and then to any other charges due and payable pursuant to the terms of the Note, this Trust Deed, and any other Loan Documents. Upon a breach of any covenant or agreement of Borrower in the Note, this Trust Deed or other Loan Document, Beneficiary may apply, in any amount and in any order as Beneficiary shall determine in Beneficiary's sole discretion, any payments received by Beneficiary under the Note, this Trust Deed or under the other Loan Documents. Beneficiary, at Beneficiary's option, may reject any partial payment. Any partial payment which Beneficiary accepts may be held in a non-interest bearing account until Beneficiary receives funds sufficient to equal a complete installment payment, or, may be applied to the Indebtedness in any amount and in any order as Beneficiary may determine in Beneficiary's sole discretion.

SECTION 5. TAXES AND LIENS; RESERVES.

5.1 Payment. Borrower shall pay when due all taxes and assessments levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Borrower shall maintain the Property free of any liens having priority over or equal to the interest of Beneficiary under this Trust Deed, except for the lien of taxes and assessments not due. Without Beneficiary's prior written consent, Borrower shall not allow any lien inferior to this Trust Deed to be perfected against the Property.

5.2 Evidence of Payment. On Beneficiary's demand, Borrower promptly shall furnish evidence acceptable to Beneficiary of payment of taxes and assessments and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

5.3 Reserves. Upon any Event of Default or any event which with the passage of time or notice would become an event of default under this Trust Deed or any other Loan Documents, Beneficiary may require Borrower to maintain with Beneficiary reserves for payment of taxes and assessments. The reserves shall be created by monthly payments of a sum estimated by Beneficiary to be sufficient to produce, at least thirty (30) days before the taxes and assessments are due, amounts at least equal to the taxes and assessments to be paid. If Beneficiary determines that the reserve funds are insufficient at any time, Borrower shall promptly pay any deficiency to Beneficiary on its demand. The reserve funds shall be held by Beneficiary in a deposit account, and the funds may be commingled with other funds held by Beneficiary. Unless Beneficiary and Borrower agree in writing otherwise or applicable law requires that Beneficiary pay Borrower interest on the funds, Beneficiary shall not be required to pay Borrower any interest on the funds. Beneficiary shall apply the reserve funds to pay the taxes and assessments so long as Borrower is not in breach of any covenant or agreement of Borrower in this Trust Deed, but only to the extent that funds are available to do so. Beneficiary does not hold the funds in trust for Borrower and is not the agent of Borrower for payment of taxes and assessments required to be paid by Borrower. Upon any Event of Default under this Trust Deed or any other Loan Documents, Beneficiary may apply, in any amount and in any order as Beneficiary shall determine in Beneficiary's sole discretion, any reserve funds held by Beneficiary (i) to pay taxes and assessments which are due or (ii) as a credit against the Indebtedness.

SECTION 6. HAZARD INSURANCE; RESERVES.

6.1 Policies. Borrower shall keep any improvements now existing or in the future erected on the Property insured by carriers who are at all times satisfactory to Beneficiary against loss by fire, all hazards included within the term "extended coverage," flood, casualties, liabilities and contingencies as Beneficiary shall require from

time to time or at any time during the term of this Trust Deed and in such amounts, on a one hundred percent (100%) replacement cost basis without coinsurance clause, and for such periods as Beneficiary shall require. All insurance policies and renewals thereof shall be in a form and substance acceptable to Beneficiary and shall include a loss payable endorsement in favor of and in form and substance acceptable to Beneficiary and a provision that coverage will not be canceled, altered or diminished without a minimum of ten (10) days' prior written notice to Beneficiary. Beneficiary shall have the right to hold the policies, and Borrower promptly shall furnish to Beneficiary all renewal notices.

6.1.1 Without waiving any default under, or limiting the generality of any other provisions of this Trust Deed or other Loan Documents, Beneficiary may (but shall not be required to) obtain such insurance coverage as it deems necessary or desirable, covering the Property, without prior notice to Borrower upon any failure by Borrower to maintain at all times insurance coverage acceptable to Beneficiary as required by the terms of the Loan Documents. All sums paid or agreed to be paid by Beneficiary for any such insurance coverage shall be for the account of Borrower and shall be without prejudice to Borrower's rights, if any, to receive such funds from the party to whom paid. Borrower shall reimburse Beneficiary, upon demand, for any sums paid by Beneficiary, together with interest at the default rate provided in the Note or other Loan Documents, or if no default rate is specified in the Note or other Loan Documents, then at the interest rate(s) borne by the Indebtedness from the date of payment by Beneficiary until date of reimbursement. Such advances shall be secured by the Property.

6.2 **Payment; Reserves.** All premiums on insurance policies shall be paid by Borrower making payment, when due, directly to the carrier, or in such other manner as Beneficiary may designate in writing. Prior to the expiration date of any policy, Borrower shall deliver to Beneficiary a renewal policy in form and substance satisfactory to Beneficiary and receipts for paid premiums. At Beneficiary's option, Beneficiary may require Borrower to maintain with Beneficiary reserves for payment of insurance premiums. The reserves shall be created and held in the same manner as provided in Subsection 5.3 for reserves for payment of taxes and assessments.

6.3 **Loss.** In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to the Beneficiary. Beneficiary may give written notice to the insurance carrier if Borrower fails to do so within twenty (20) days of the casualty. Borrower hereby authorizes and empowers Beneficiary as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Beneficiary's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this Section 6 shall require Beneficiary to incur any expense or take any action hereunder.

6.4 **Application of Proceeds.** Borrower authorizes Beneficiary, at Beneficiary's option, (a) to apply the balance of such proceeds to the payment of the Indebtedness, whether or not then due, or (b) after deducting Beneficiary's costs and expenses described above, to hold the balance of such proceeds to be disbursed to Borrower for the cost of reconstruction or repair of the Property. If the insurance proceeds are held by Beneficiary to disburse to Borrower for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Beneficiary may approve in writing. Beneficiary may require that Borrower deposit with Beneficiary any amount in excess of the insurance proceeds necessary to complete restoration, which amounts shall be disbursed prior to disbursement of any insurance proceeds. Unless Beneficiary and Borrower agree in writing otherwise or applicable law requires that Beneficiary pay Borrower interest on the proceeds, Beneficiary shall not be required to pay Borrower any interest on the proceeds or any other sum which Beneficiary may require Borrower to deposit with Beneficiary pursuant to this Section. If the insurance proceeds are applied to the payment of the sums secured by this Trust Deed, any such application of proceeds to principal shall be applied to the most remote unpaid installment of principal and shall not extend or postpone the due dates of any payments required under Section 2 or change the amounts of any such payments. If the Property is sold to Beneficiary pursuant to Section 17 of this Trust Deed or if Beneficiary otherwise acquires title to the Property, then in addition to the lien and security interests otherwise granted to Beneficiary under this Trust Deed, Beneficiary shall have all of the right, title and interest in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

SECTION 7. PRESERVATION AND MAINTENANCE OF PROPERTY: ENVIRONMENTAL LAWS: INDEMNIFICATION.

7.1 Preservation and Maintenance. Borrower:

- (a) Shall not commit waste or permit impairment or deterioration of the Property;
- (b) Shall not abandon the Property;
- (c) Unless Beneficiary directs Borrower in writing to the contrary, shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Beneficiary may approve in writing, in the event of any damage, injury or loss to the Property, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair;
- (d) Shall keep the Property in good condition and repair; and

(e) Shall operate and maintain the Property in compliance with all applicable laws and regulations.

(f) Shall give notice in writing to Beneficiary of and, unless otherwise directed in writing by Beneficiary, appear in and defend any action or proceeding purporting to affect the Property (including, without limitation, matters pertaining to land use, zoning and Environmental Laws, Hazardous Substances and Disabilities Laws, as defined below), the security of this Trust Deed or the rights or powers of Beneficiary. "Disabilities Laws" shall mean all applicable federal, state and local laws and regulations related to usability of and accessibility to the property by people with disabilities. The term "Disabilities Laws" includes, but is not limited to, the Fair Housing Amendments Act of 1988 and the Americans with Disabilities Act of 1990, all amendments thereto, and all regulations adopted thereunder. Neither Borrower nor any tenant nor other person, without the written approval of Beneficiary, shall remove, demolish or alter any improvement now existing or in the future erected on the Property or any fixtures, equipment, machinery or appliance in or on the Property and in which Beneficiary has any interest by virtue of this Trust Deed, any security agreement, or any other Loan Document, except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind, which shall thereupon become subject to the lien of this Trust Deed.

7.2 Environmental Laws. In this Trust Deed, "Environmental Laws" means any and all state, federal and local statutes, regulations, and ordinances relating to the protection of human health or the environment. "Hazardous Substances" is used in its very broadest sense and refers to materials that, because of their quantity, concentration of physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. "Hazardous Substances" shall include, without limitation, petroleum products or crude oil or any fraction thereof and any and all hazardous or toxic substances, materials or waste as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, or any other of the Environmental Laws. Borrower shall cause the Property and all operations on the Property to comply with all Environmental Laws and orders of any governmental authorities having jurisdiction under any Environmental Laws. Borrower shall exercise extreme care in handling Hazardous Substances and shall undertake any and all preventive, investigatory or remedial action (including, without limitation, emergency response, removal, containment and other remedial action) (a) required by any applicable Environmental Laws or orders by any governmental authority having jurisdiction under Environmental Laws, or (b) necessary to prevent or minimize property damage (including, without limitation, damage to Borrower's own 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 or operations on the Property. In the event Borrower fails to perform any of its obligations under this Section, Beneficiary may perform (but shall not be required to perform) such obligations at Borrower's expense pursuant to Section 9 of this Trust Deed. In performing any such obligations of Borrower, Beneficiary shall at all times be deemed to be the agent of Borrower and shall not by reason of such performance be deemed to be assuming any responsibility of Borrower under any Environmental Laws or to any third party.

7.3 Further Assurances. At any time Beneficiary requests, Borrower shall provide to Beneficiary further assurance of Borrower's compliance with this Section 7. The assurances shall be in form and substance satisfactory to Beneficiary in Beneficiary's sole discretion, and may include, but not be limited to, Borrower providing to Beneficiary an environmental audit from a source acceptable to Beneficiary at Borrower's expense.

7.4 Indemnification. Borrower agrees to indemnify and hold harmless Beneficiary and its officers, directors, employees and agents, and Beneficiary's successors and assigns and their officers, directors, employees and agents against any and all claims, demands, losses, liabilities, costs and expenses (including, without limitation, attorney fees at trial and on any appeal or petition for review) incurred by such person (a) arising out of or relating to any investigatory or remedial action involving the Property and the operations conducted on the Property and required by Environmental Laws or Disabilities Laws or by orders of any governmental authority having jurisdiction under any Environmental Laws or Disabilities Laws, or (b) on account of injury to any person whatsoever or damage to any property arising out of, in connection with or in any way relating to (i) the violation of any applicable laws or regulations, including without limitation Environmental Laws or Disabilities Laws, (ii) the use, treatment, storage, generation, manufacture, transport, release, spill, disposal or other handling of Hazardous Substances on the Property or in connection with operations, or (iii) the contamination of any of the Property by Hazardous Substances by any means whatsoever, and (c) without in any way limiting the foregoing, for any other reason, or on account of, or in connection with the Property or this Trust Deed.

7.5 Survival. The covenants contained in this Section 7 shall survive the repayment of the Indebtedness and the delivery of a deed in lieu of foreclosure to Beneficiary or any successor of Beneficiary and shall survive any foreclosure, whether judicial or nonjudicial, of the Property by Beneficiary or any successor of Beneficiary, and shall be for the benefit of Beneficiary, and any successor to Beneficiary, as holder of any security interest in the Property or the Indebtedness, or as owner of the Property or any other property of Borrower following foreclosure or the delivery of a deed in lieu of foreclosure.

SECTION 8. USE OF PROPERTY. Unless required by applicable law or unless Beneficiary has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Trust Deed was executed. Borrower shall not initiate or acquiesce in a change in the zoning classification or comprehensive plan governing the Property without Beneficiary's prior written consent. Borrower warrants that this Trust Deed is and will at all times constitute a commercial deed of trust and not a residential deed

of trust, as defined under applicable law. Borrower warrants the Indebtedness has been incurred solely for business purposes and the Property is not now used for agricultural, timber or grazing purposes.

SECTION 9. PROTECTION OF BENEFICIARY'S SECURITY. If Borrower fails to perform the covenants and agreements contained in this Trust Deed, or if any action or proceeding is commenced which affects the Property or title to the Property or the interest of Beneficiary in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, violation of any law concerning environmental protection and pollution control referred to in Section 7 above, or arrangements or proceedings involving a bankrupt or decedent, then Beneficiary at Beneficiary's option may make such appearances, disburse such sums and take such action as Beneficiary deems necessary or advisable, in its sole discretion, to protect Beneficiary's interest, including, but not limited to, (a) employment of attorneys or other advisors, (b) entry upon the Property to investigate and make repairs, (c) procurement of satisfactory insurance, and (d) payment of any tax or liens. Any amounts disbursed by Beneficiary pursuant to this Section 9, with interest thereon, shall become additional Indebtedness of Borrower secured by this Trust Deed. Unless Borrower and Beneficiary agree in writing to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement until paid at the default rate stated in the Note or the Loan Documents, or if no default rate is stated in the Note or Loan Documents, then at the interest rate(s) stated in the Note. Borrower hereby covenants and agrees that Beneficiary shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the Indebtedness secured by this Trust Deed. Nothing contained in this Section 9 shall require Beneficiary to incur any expense or take any action.

SECTION 10. UCC SECURITY AGREEMENT; LEASES OF THE PROPERTY; ASSIGNMENT OF RENTS; INSPECTIONS.

10.1 This Trust Deed is intended to be a security agreement pursuant to the Uniform Commercial Code of Oregon for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code of Oregon, and Borrower hereby grants Beneficiary a security interest in said items. Borrower agrees that Beneficiary may file this Trust Deed, or a reproduction of it, in the real estate records, office of the Oregon Secretary of State, or other appropriate filing index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Trust Deed or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals and amendments of them, and reproductions of this Trust Deed in such form as Beneficiary may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases of them, and shall pay all costs and expenses of any record searches for financing statements Beneficiary may require. Borrower shall notify Beneficiary in writing prior to changing Borrower's name or moving Borrower's chief executive office or any of the Property secured by this Trust Deed. Without the prior written consent of Beneficiary, Borrower shall not create or suffer to be created any other security interest in those items, including, without limitation, replacements, substitutions and additions to them. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Trust Deed, including, but not limited to, the covenants to pay when due all sums secured by this Trust Deed, Beneficiary shall have the remedies of a secured party under the Uniform Commercial Code of Oregon and, at Beneficiary's option, may also invoke the remedies provided in this Trust Deed as to such items. In exercising any of said remedies, Beneficiary may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, whether by nonjudicial sale or otherwise, without in any way affecting the availability of Beneficiary's remedies under the Uniform Commercial Code of Oregon or of the other remedies provided in this Trust Deed.

10.2 Borrower shall comply with and observe Borrower's obligations as landlord under all leases of the Property or any part thereof. Borrower shall furnish Beneficiary with executed copies of all leases now existing or in the future made of all or any part of the Property, and all leases now or in the future entered into will be in form and substance subject to the prior written approval of Beneficiary. All leases of the Property shall specifically provide that such leases are subordinate to this Trust Deed; that the tenant attorns to Beneficiary, such attornment to be effective upon Beneficiary's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Beneficiary may from time to time request; that the attornment of tenant shall not be terminated by foreclosure; that the tenant agrees to execute such estoppel certificates in form and substance satisfactory to Beneficiary; and that Beneficiary, at Beneficiary's option, may accept or reject such attornments. Without Beneficiary's written consent, Borrower shall not request or consent to the subordination of any lease of all or any part of the Property to any lien subordinate to this Trust Deed. If Borrower becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of setoff against rent, Borrower shall (i) take such steps as shall be reasonably calculated to prevent the accrual of any right to a setoff against rent, (ii) notify Beneficiary thereof and of the amount of said setoffs, and (iii) within ten (10) days after such accrual, reimburse the tenant who shall have acquired such right to setoff or take such other steps as shall effectively discharge such setoff and as shall assure that rents thereafter due shall continue to be payable without setoff or deduction.

10.3 As Additional security under this Trust Deed, Borrower hereby assigns to Beneficiary the leases, rents or agreements concerning the Property now existing or in the future arising, provided that unless there is an event of default under the Loan Documents, Borrower shall have the right to collect and retain such rents as they become due and payable. Upon Beneficiary's request, Borrower shall execute any additional documents requested by Beneficiary to assign to Beneficiary any leases and all security and other deposits concerning the Property. This assignment is not a delegation or assignment to Beneficiary of Borrower's duties or obligations under or in connection with the Property. Beneficiary's acceptance of this assignment does not constitute a promise by it nor does it in any

way obligate it to perform any of Borrower's duties or obligations under or in connection with the leases, rents or agreements. Borrower hereby agrees to indemnify Beneficiary against and hold it harmless from any and all liability, loss or damage which it may or might incur under the leases, rents or agreements or under or by reason of this assignment and of and from any and all claims and demands whatsoever which may be asserted against it by any reason of any alleged obligation or undertaking on Beneficiary's or Borrower's part to perform or discharge any of the terms of the leases, rents or agreements.

10.4 Beneficiary may make or cause to be made reasonable entries upon the Property to inspect the Property.

SECTION 11. CONDEMNATION.

11.1 Borrower shall promptly notify Beneficiary of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part of the Property, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Beneficiary in writing. Borrower authorizes Beneficiary, at Beneficiary's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Beneficiary's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with any such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part of the Property, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Beneficiary.

11.2 Borrower authorizes Beneficiary to apply such awards, payments, proceeds or damages, after the deduction of Beneficiary's expenses incurred in the collection of such amounts, at Beneficiary's option, to restoration or repair of the Property or to payment of the Indebtedness, whether or not then due, with the balance, if any, to Borrower. Unless Borrower and Beneficiary otherwise agree in writing, any application of proceeds to principal shall be applied to the most remote unpaid installment of principal and shall not extend or postpone the due date of any payments required under this Trust Deed or change the amount of any such payments. Borrower shall execute such further evidence or assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Beneficiary may require.

SECTION 12. BORROWER AND LIEN NOT RELEASED.

12.1 From time to time, at Beneficiary's option, upon notice to Borrower but without any need to give notice to or obtain the consent of Borrower's successors or assigns or of any junior lienholder or guarantor and without any liability on Beneficiary's part and notwithstanding Borrower's breach of any covenant or agreement in this Trust Deed or the other Loan Documents, Beneficiary may do any or all of the following:

- (a) Extend the time for payment of the Indebtedness or any part of it;
- (b) Reduce the payments on the Indebtedness;
- (c) Release anyone liable on any part of the Indebtedness;
- (d) Accept renewal note or notes for the Indebtedness;
- (e) Release from the lien of this Trust Deed any part of the Property;
- (f) Release other or additional security;
- (g) Reconvey any part of the Property;
- (h) Consent to any map or plat of the Property;
- (i) Consent to any easement;
- (j) Execute any subordination agreement.

12.2 Any action taken by Beneficiary pursuant to the terms of this Section or any modification of the rate of interest upward or downward, or modification of the period of amortization of the Note or change in the amount of the monthly installments payable under the Note or other Loan Documents, or any combination thereof, which may extend or reduce the term of the Note or this Trust Deed or both, shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Trust Deed and to observe the covenants of Borrower contained in this Trust Deed, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the Indebtedness secured by this Trust Deed, and shall not affect the lien or priority of lien of this Trust Deed on the Property. Unless otherwise provided by law, the priority of this Trust Deed shall not be affected by any change in terms whether or not it adversely affects subordinate or prior interest holders.

SECTION 13. FORBEARANCE BY BENEFICIARY OR RECEIPT OF AWARDS NOT A WAIVER.

Any forbearance by Beneficiary in exercising any right or remedy under this Trust Deed, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or remedy. The acceptance by Beneficiary of payment of any sum secured by this Trust Deed after the due date of such payment shall not be a waiver of Beneficiary's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment, nor shall Beneficiary's receipt of any awards, proceeds or damages under this Trust Deed operate to cure or waive any default in payment of sums secured by this Trust Deed.

SECTION 14. PROHIBITION OF TRANSFER OF PROPERTY OR BENEFICIAL INTERESTS IN BORROWER; ASSUMPTION.

14.1 Without prior written consent of Beneficiary, Borrower shall not transfer or agree to transfer all or any part of the Property or any interest in the Property. For the purpose of this section, the occurrence of any of the following events, without limitation, or any agreement to do any of the following, without limitation, shall be deemed to be a transfer of the Property: any sale, contract to sell, conveyance, assignment or other transfer of, or grant of a mortgage, deed of trust, other lien, or other security interest in, all or any part of the legal or equitable title to the Property.

14.2 If any of the events described in Subsection 14.1 occurs, Beneficiary, at Beneficiary's option, may declare all of the sums secured by this Trust Deed to be immediately due and payable, and may invoke any of the remedies permitted by this Trust Deed. If Borrower or a prospective transferee applies to Beneficiary for consent to transfer, Beneficiary may require such information as may be reasonably necessary for Beneficiary to assess the prospective transferee's reputation and financial ability to perform Borrower's obligations under this Trust Deed. As a condition of its consent to any transfer, Beneficiary in its discretion may impose an assumption fee, and may increase the interest rate on the Note or under the other Loan Documents. However, notwithstanding any of the foregoing, Beneficiary, in its sole discretion, may withhold its consent to any transfer for any reason whether or not withholding consent is reasonable under the circumstances. Any consent, if granted, shall not release Borrower or any successor in interest from personal liability for payment and performance of the Indebtedness, or for performance of this Trust Deed, the Note or other Loan Documents.

SECTION 15. LOAN AGREEMENT PROVISIONS. Borrower shall comply with the covenants and conditions of the Loan Agreement, if any, and all other Loan Documents executed in connection with the indebtedness secured by this Trust Deed. If the terms of this Trust Deed are inconsistent with the terms of the Loan Agreement, if any, the terms of the Loan Agreement will control.

SECTION 16. DEFAULT.

16.1 Events of Default. The following shall constitute "Events of Default":

- (a) Failure of Borrower to pay any portion of the Indebtedness when it is due.
- (b) Failure of Borrower within the time required by this Trust Deed to make any payment for taxes, insurance or any other payment necessary to prevent filing of or discharge of any lien.
- (c) Transfer or agreement to transfer any part or interest in the Property in any manner whatsoever, including, but not limited to, allowing any lien inferior to this Trust Deed on the Property, or transfer of any other interest of Borrower as described in Section 14.
- (d) Insolvency or business failure of Borrower; the commencement by Borrower of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the filing of an involuntary petition against Borrower under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief which Borrower has not caused to be dismissed within thirty (30) days after such filing; the appointment or the consent by Borrower to the appointment of a receiver, trustee, or custodian of Borrower or of any of Borrower's property which Borrower has not caused to be withdrawn within thirty (30) days after such appointment; an assignment for the benefit of creditors by Borrower; the making or suffering by Borrower of a fraudulent transfer under applicable federal or state law; concealment by Borrower of any of its property in fraud of creditors; or the imposition of a lien through legal proceedings or distraint upon any of the property of Borrower or Borrower's failure generally to pay its debts as such debts become due.
- (e) Failure of Borrower to make any payment or perform any obligation under any superior liens or encumbrances, within the time required under those liens or encumbrances, and without regard to any grace periods as may be afforded by the terms of such liens or encumbrances, or commencement of any suit or other action to foreclose any superior or inferior liens or encumbrances.
- (f) Breach or default under the Loan Agreement or any other Loan Documents, which is not cured within any applicable cure period.
- (g) Failure of Borrower to timely perform any other obligations under this Trust Deed.

16.2 The Events of Default in this Section shall apply and refer to Borrower, any guarantor of the Indebtedness, and to each of the individuals or entities which are collectively referred to as "Borrower."

SECTION 17. RIGHTS AND REMEDIES ON DEFAULT.

17.1 Remedies. Upon the occurrence of any Event of Default and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies:

- (a) Beneficiary may declare all sums secured by this Trust Deed immediately due and payable, including, without limitation, any prepayment premium which Borrower would be required to pay under the terms of the Note or Loan Agreement.

(b) The Trustee shall have the right to foreclose by notice and sale, or Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.

(c) If this Trust Deed is foreclosed by judicial procedure, and if permitted by applicable law, Beneficiary shall be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for the amount of the unpaid balance of the judgment.

(d) Beneficiary shall have the right to take possession of the Property and, with or without taking possession of the Property, collect all the rents and revenues of the Property in accordance with this Trust Deed.

(e) Beneficiary shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, to collect all the rents and revenues from the Property and apply the proceeds, over and above cost of the receivership, against the sums due under this Trust Deed. The receiver may serve without bond if permitted by applicable law. Beneficiary's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the sums due under this Trust Deed by a substantial amount. Employment by Beneficiary shall not disqualify a person from serving as a receiver.

(f) In the event Borrower remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon the occurrence of an Event of Default, Borrower shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay a reasonable rental for use of the Property while in Borrower's possession.

(g) Trustee and Beneficiary shall have any other right or remedy provided in this Trust Deed, the Note, the Loan Agreement, or any other Loan Document, or available at law, in equity or otherwise, and specifically, but not limited to, any and all rights and remedies granted by ORS 86.705, et seq.

17.2 Rights of Receiver or Beneficiary-in-Possession. Upon taking possession of all or any part of the Property, the receiver or Beneficiary may:

(a) Use, operate, manage, control and conduct business on the Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect the income from the Property, including any past due, and apply such sums to the expenses of use, operation and management, including, but not limited to, receiver's fees, premiums on receiver's bonds, and reasonable attorney fees and to the sums secured by this Trust Deed in any order as Beneficiary shall determine in Beneficiary's sole discretion;

(c) At Beneficiary's option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Beneficiary deems appropriate.

(d) Beneficiary or the receiver shall be liable to account only for those rents actually received. If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow from Beneficiary (if Beneficiary, in its sole discretion, agrees to lend) or otherwise, or Beneficiary may borrow or advance, such sums as the receiver or Beneficiary may deem necessary for purposes stated in this Subsection. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 9 of this Trust Deed. Such sums shall become a part of the indebtedness secured by this Trust Deed and shall be payable by Borrower on demand.

17.3 Waiver of Marshalling; Sale of the Property. Notwithstanding the existence of any other mortgage, deed of trust, other lien or other security interests in the Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Property, real or personal or mixed, shall be subjected to the remedies provided in this Trust Deed. Beneficiary shall have the right to determine the order in which any or all portions of the indebtedness secured by this Trust Deed are satisfied from the proceeds realized upon the exercise of the remedies provided in this Trust Deed. In exercising its rights and remedies, Beneficiary, at Beneficiary's sole discretion, may cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Beneficiary may bid at any public sale on all or any portion of the Property. Borrower, any party who consents to this Trust Deed and any party who now or in the future acquires a security interest in the Property and who has actual or constructive notice of this Trust Deed hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided in this Trust Deed.

17.4 Notice of Sale. Beneficiary shall give Borrower reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the personal property is to be made. Reasonable notice shall mean notice given in accordance with applicable law, and may include, without limitation, any notice required for the nonjudicial sale of the real property.

17.5 Waiver; Election of Remedies; Remedies Cumulative. A waiver by either party of a breach of a provision of this Trust Deed or the occurrence of an Event of Default shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Beneficiary under this Trust Deed are distinct and cumulative and not exclusive to all other rights or remedies under this Trust Deed or Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively in any order whatsoever. An election to make expenditures or take action to perform an obligation of Borrower shall not affect Beneficiary's right to declare a default and exercise its remedies under this Trust Deed.

SECTION 18. SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; AGENTS; CAPTIONS.

The covenants and agreement contained in this Trust Deed shall bind, and the rights under this Trust Deed shall inure to, the respective successors and assigns of Beneficiary and Borrower. However, nothing in this Trust Deed or other Loan Documents shall be deemed to permit Borrower to enter into any assignments or transfers except as specifically permitted pursuant to the preceding provisions of this Trust Deed. This Trust Deed and the Indebtedness secured hereby may be assigned in whole or in part or participated in whole or in part to any person by Beneficiary and without notice to or affecting Borrower's liability hereunder, and Beneficiary, in connection with such assignment, participation, or similar arrangement, may make all credit and financial data furnished and to be furnished by Borrower available to such existing or prospective assignee, participant or person. If Beneficiary assigns to any assignees, participants or other persons all of Beneficiary's interest in this Trust Deed and the Indebtedness secured hereby, then Beneficiary shall be and is released from any obligations under this Trust Deed and other Loan Documents. All covenants and agreements of Borrower shall be joint and several. In exercising any rights under this Trust Deed or taking any actions provided for in this Trust Deed, Beneficiary may act through its employees, agents or independent contractors as authorized by Beneficiary. The captions and headings of the sections and subsections of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions of this Trust Deed.

SECTION 19. NOTICE.

All notices and other communications required or permitted to be given by this Trust Deed shall be in writing and shall be delivered in person to the party and the "copy parties" set forth below or be sent by registered or certified mail, return receipt requested, postage prepaid, or be transmitted by telegraph, courier, personal delivery or other commercially reasonable means and addressed to such party and at their addresses as set forth in this Trust Deed. Notice sent by registered or certified mail, postage prepaid, with return receipt requested, and duly addressed, shall be deemed given on a date which is two (2) days after the date of its deposit in the United States mail. Notice given in any other manner shall only be effective and deemed given if and when actually received by the party and "copy parties" for whom it is intended.

To the Borrower: John Thomas Bradley
Christine Carol Bradley
2023 Benson
Klamath Falls, OR 97601

To the Lender: Kurt Franssen
4311 SW Terlyn Court
Portland, OR 97221

The foregoing addresses may be changed by written notice, given in the same manner.

SECTION 20. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Trust Deed or to any action brought to enforce the Note, the other Loan Documents or any other obligation secured by this Trust Deed.

SECTION 21. RECONVEYANCE. Upon payment of the Indebtedness secured by this Trust Deed, Beneficiary shall request Trustee to reconvey the Property and shall surrender this Trust Deed and all notes evidencing Indebtedness secured by this Trust Deed to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to the Property. Such person or persons shall pay the Trustee's fee and other costs incurred in so reconveying the Property.

SECTION 22. SUBSTITUTE TRUSTEE. In accordance with applicable law, Beneficiary may from time to time appoint a successor trustee to any Trustee appointed under this Trust Deed. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee in this Trust Deed and by applicable law.

SECTION 23. ATTORNEY FEES. In the event suit or action is instituted to enforce or interpret any of the terms of this Trust Deed, including, but not limited to, any action or participation by Borrower as a debtor in, or in connection with, a case or proceeding under the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to recover all expenses reasonably incurred at, before and after trial and on appeal whether or not taxable as costs, including, without limitation, attorney fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses. Whether or not any court action is involved, all reasonable expenses, including, but not

limited to, the costs of searching records, obtaining title reports or appraisals, surveyor reports, title insurance, trustee fees, and attorney fees, incurred by Beneficiary that are necessary or advisable at any time in Beneficiary's opinion for the protection of its interest or enforcement of its rights shall become a part of the indebtedness payable on demand and shall bear interest from the date of expenditure until paid at the default interest rate provided in the Note or other Loan Documents or if the Note or other Loan Documents contain no default rate, then at the interest rate(s) provided for in the Note.

SECTION 24. GOVERNING LAW; SEVERABILITY. This Trust Deed shall be governed by the laws of the State of Oregon. In the event that any provision or clause of this Trust Deed, or the Note, or Loan Agreement or other Loan Documents conflicts with applicable law, such conflict shall not affect other provisions of this Trust Deed, the Note, the Loan Agreement or other Loan Documents which can be given effect without the conflicting provision, and to this end, the provisions of this Trust Deed, the Note, the Loan Agreement and other Loan Documents are declared to be severable.

SECTION 25. CONSENTS OF BENEFICIARY. In all events where the consent of Beneficiary is required under the terms of this Agreement, Beneficiary shall grant or refuse such consent within a reasonable period of time following the receipt of such request. Any such consent may be granted or refused by Beneficiary in Beneficiary's sole and absolute discretion.

SECTION 26. TIME OF ESSENCE. Time is of the essence in the payment and performance of the obligations under and secured by this Trust Deed and the other Loan Documents.

SECTION 27. CHANGES IN WRITING. Any term of this Trust Deed and any addendum to the Trust Deed may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Borrower or Beneficiary relating to this Trust Deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

IN WITNESS WHEREOF, Borrower has executed this Trust Deed the day and year first written above.

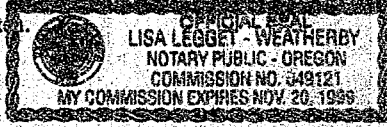
John Thomas Bradley
John Thomas Bradley

Christine Carrol Bradley
Christine Carrol Bradley

STATE OF OREGON)
) ss.
County of Klamath

BE IT REMEMBERED, That on this 27 day of January, 1998, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named John Thomas Bradley, known to be the identical individual described in and who executed the within instrument and acknowledged to me that he executed the same freely and voluntarily.


In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year last above written.

 Lisa Legget-Weatherby
Notary Public for Oregon
My Commission Expires: 11/20/99

STATE OF OREGON)
) ss.
County of Klamath

BE IT REMEMBERED, That on this 27 day of January, 1998, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Christine Carrol Bradley, known to be the identical individual described in and who executed the within instrument and acknowledged to me that she executed the same freely and voluntarily.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year last above written.

 Lisa Legget-Weatherby
Notary Public for Oregon
My Commission Expires: 11/20/99

REQUEST FOR RECONVEYANCE

To Trustee:

The undersigned is the holder of the Note or Notes secured by this Trust Deed. Said Note or Notes, together with all other Indebtedness secured by this Trust Deed, have been paid in full. You are hereby directed to cancel said Note or Notes and this Trust Deed, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Trust Deed to the person or persons legally entitled to that estate.

Date: _____ By: _____
 Title: _____

--(Space Below This Line Reserved For Beneficiary and Recorder)--

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ Amerititle _____ the 28th day
 of January A.D., 19 98 at 11:27 o'clock AM., and duly recorded in Vol. M98
 of Mortgages on Page 2647.

FEE \$60.00

By Bernetha G. Letsch, County Clerk
Kathleen Ross