

2009-006125

Klamath County, Oregon



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05/04/2009 03:02:50 PM

Fee: \$121.00

Recording Requested By and  
When Recorded Mail To:

SEATTLE FUNDING GROUP, LTD.  
1239 120th Ave. NE, Suite J  
Bellevue, WA 98005  
Attention: Jennifer Miller

**LINE OF CREDIT TRUST DEED, ASSIGNMENT OF RENTS AND LEASES,  
AND SECURITY AGREEMENT  
(Commercial Property)**

15+ 1398977

Loan #: 1-090254

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

THIS LINE OF CREDIT TRUST DEED, ASSIGNMENT OF RENTS AND LEASES, AND SECURITY AGREEMENT ("Trust Deed") is dated **04/28/2009**, between Grantor **Merganser Limited Partnership, an Oregon limited partnership** ("Borrower"), whose mailing address is 11629 Merganser Road, Klamath Falls, OR 97601. The Trustee is First American Title ("Trustee"), an Oregon corporation, whose mailing address is 404 Main Street, Ste 1, 97601. The Beneficiary is SEATTLE FUNDING GROUP, LTD., a Washington corporation ("Lender"), whose mailing address is 1239 120th Avenue N.E., Suite J, Bellevue, WA 98005. For purposes of the Oregon Uniform Commercial Code (ORS Chapter 79), this Trust Deed constitutes a Security Agreement and Financing Statement with the Borrower being the Debtor and the Lender being the Secured Party. This Trust Deed shall also constitute a Financing Statement filed as a fixture filing pursuant to ORS 79.4020(6).

The final due date of the sums secured hereby is 05/01/2010; the maximum principal amount to be advanced is **\$250,000.00**, provided, however, that the maximum principal amount to be advanced may be exceeded by advances to complete construction pursuant to ORS 86.155(2)(c), for reasonable protection of the Property (as described herein below), 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. While this Trust Deed is titled "Line of Credit Trust Deed", Beneficiary is under no obligation to advance any amounts in excess of the amount of the Note.

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

A. The real property and all rights to the alleys, streets and roads adjoining or abutting the real property described on Exhibit A attached hereto ("Realty");

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

C. All building, improvements and tenements now or hereafter located on the Realty ("Improvements");

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

E. All of the rents, revenues, issues, profits and income of the Realty and Improvements, and all present and future leases and other agreements for the occupancy or use of all or any part of the Realty and Improvements, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, and all guarantees of tenants' or occupants' performance under such leases and agreements;

F. All tangible personal property ("Personal Property") used in connection with the ownership, development, operation or maintenance of the Realty and Improvements, including without limitation all furniture, furnishing, equipment, and supplies;

G. All intangible personal property used in connection with the ownership, development, operation or maintenance of the Realty, Improvements, and Personal Property, including without limitation, all permits, licenses and franchises, the exclusive right to use of any trade names, all contract rights (including without limitation architectural, engineering, consulting, and management contracts), all accounts receivable, escrow accounts, insurance policies, deposits, instruments, documents of title, general intangibles, and business records;

H. All materials, supplies, and other goods, wherever located, whether in the possession of Borrower, warehouseman, bailee, or any other person, purchased for use in the construction or furnishing of the Improvements, together with all documents, contract rights, and general intangibles relating thereto, and all proceeds thereof;

I. All site plans, plats, architectural plans, specifications, work drawings, surveys, engineering reports, test borings, market surveys, and other work products relating to the Realty and Improvements; and

J. All proceeds of the foregoing.

**TO SECURE THE FOLLOWING ("Secured Obligations"):**

A. Payment of the sum of **TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$250,000.00)**, with interest thereon, according to the terms and provisions of a promissory note ("Note") of even date herewith, made by Borrower and payable to Lender, including any and all modifications, extensions, renewals and replacements thereof. The Note matures on **05/01/2010**.

B. Payment of all sums advanced to protect the security of this Trust Deed, together with interest thereon as herein provided;

- C. Payment of all other sums which are or which may become owing under the Loan Documents;
- D. Performance of all of Borrower's other obligations under the Loan Documents.

As used herein, the term "Loan Documents" means the Note, this Trust Deed, and all related documents and instruments (except the Hazardous Substance Indemnity), and any and all modifications, extensions, renewals and replacements thereof. The indebtedness secured by this Trust Deed may be indexed, adjusted, renewed or renegotiated.

BORROWER REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

#### ARTICLE 1 TITLE AND USE

**1.1 Warranty of Title.** Borrower covenants and agrees that: Borrower is lawfully seized of the estate hereby conveyed and has full right and power to grant, convey and assign the Property, the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever, except for the permitted exceptions ("Permitted Exceptions") listed on EXHIBIT A, no other liens or encumbrances, whether superior or inferior to this Trust Deed, will be created or suffered to be created by Borrower without the prior written consent of Lender, no default on the part of Borrower or any other person exists under any of the Permitted Exceptions and all of the Permitted Exceptions are in full force and effect and in good standing, without modification, complete and current copies of the Permitted Exceptions have been furnished to Lender, and none of them have been or will be modified by Borrower without Lender's prior written consent, Borrower shall fully comply with all the terms of the Permitted Exceptions and shall deliver to Lender a copy of all notices delivered in connection with the Permitted Exceptions, Lender has the right to contact the other parties to the Permitted Exceptions to confirm the status thereof, and Borrower shall, from time to time, at the request of Lender, request of such parties a certificate confirming such information regarding the Permitted Exceptions as Lender may request, and Borrower shall forever warrant and defend the Property unto Lender against all claims and demands of any other person whatsoever, subject only to non-delinquent taxes and assessments and the Permitted Exceptions.

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

**1.3 Hazardous Substances.**

(a) **Representations and Warranties.** Borrower represents and warrants to Lender, to the best of its knowledge after due inquiry and inspection, that no asbestos has ever been used in the construction, repair or maintenance of any Improvements; no Hazardous Substance is currently being generated, processed, stored, transported, handled or disposed of, on, under or in the Property, except in accordance with all applicable laws, neither Borrower nor any other person or entity has ever caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of, on, under or in the Property, except in compliance with all applicable laws, there is no actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and there is no action or proceeding pending before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property.

(b) **Covenant.** Borrower covenants and agrees that Hazardous Substances will not be generated, processed, stored, transported, handled or disposed of on the Property by any person or entity, except in accordance with all applicable laws.

(c) **Definition.** "Hazardous Substance" means any substance which now or hereafter becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law relating to environmental protection, contamination or cleanup.

(d) **Notification; Cleanup.** Borrower shall immediately notify Lender if Borrower becomes aware of any Hazardous Substance problem or liability with respect to the Property, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or any lien or action with respect to any of the foregoing. Borrower shall, at its sole expense, take all actions as may be necessary or advisable for the cleanup of Hazardous Substances with respect to the Property, including without limitation, all removal, containment and remedial actions in accordance with all applicable laws and in all events in a manner satisfactory to Lender, and shall further pay or cause to be paid all cleanup, administrative and enforcement costs of governmental agencies if obligated to do so by contract or by law.

(e) **Right of Entry.** Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times, and after reasonable notice, for the purpose of inspecting the Property to determine Borrower's compliance with this paragraph.

(f) **Indemnification.** Borrower shall jointly and severally defend, protect, hold harmless, and indemnify Lender and its affiliates and their shareholders, directors, officers, employees, attorneys, and agents from and against any and all claims, demands, penalties, fees, liens, damages, losses, expenses, and liabilities which Lender may incur before the Note has been repaid and this Trust Deed has been released as a lien upon the Property, and which arise out of or in any way connected with any alleged or actual past or future presence on or under the Property of any Hazardous Substance from any cause whatsoever; it being intended that Borrower shall be strictly liable without regard to any fault by Borrower.

**1.4 Commercial Real Estate.** Borrower represents and warrants that this Trust Deed is improved or is to be improved by a structure or structures designed primarily for commercial use and not for residential or personal purposes.

## ARTICLE 2 BORROWER'S COVENANTS

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

### **2.2 Payment of Taxes, Utilities, Liens and Charges.**

(a) **Taxes and Assessments.** Except as the same may otherwise be paid under Article 3, Borrower shall pay when due directly to the payee thereof all taxes and assessments (including without limitation, non-governmental levies or assessments such as maintenance charges, owner association dues or charges, or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Trust Deed. Upon request, Borrower shall promptly furnish to Lender all notices of amounts due under this subparagraph and all receipts evidencing such payments.

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

(c) **Labor and Material.** Borrower shall pay when due the claims of all persons supplying labor or materials to or in connection with the Property.

(d) **Liens and Charges.** Borrower shall promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Trust Deed, which may be claimed against the Property; provided that Borrower shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Borrower, upon prior written notice to Lender, may postpone or defer payment of such lien, encumbrance or other charge so long as such proceedings shall operate to prevent the collection of the lien, encumbrance or other charge; neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost; and Borrower, before the date such lien, encumbrance or other charge becomes delinquent, gives such reasonable security as may be requested by Lender to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof.

(e) **Taxes, Assessments and Other Charges Imposed on Lender.** If, at any time after the date of this Trust Deed, any law is enacted or changed (including any interpretation thereof) which subjects Lender to any increase in any tax (except federal income taxes), assessment, or other charge, in any form measured by or based on any portion of the indebtedness secured by this Trust Deed, Borrower shall pay such increased amount to Lender on demand; provided that if any such payment would be unlawful, Lender may declare all accrued interest and the entire principal balance of the Note immediately due and payable.

### 2.3 Insurance.

(a) **Coverages Required.** Borrower shall keep the following insurance coverages in effect with respect to the Property:

(i) Insurance against loss by fire and the hazards now or hereafter embraced by the standard "All Risk" form of insurance, in an amount equal at all times to the full insurable value of the Improvements. All such insurance coverage shall contain a "replacement cost endorsement" without reduction for depreciation, and shall also contain loss of rents and/or business interruption insurance coverage, a fluctuating value endorsement with a waiver of the co-insurance clause (or an agreed amount endorsement with an inflation guard endorsement), and shall contain such other endorsements as Lender may reasonably request. All such endorsements shall be in form and substance satisfactory to Lender.

(ii) Comprehensive public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property in amounts and on terms acceptable to the Lender.

(iii) Flood insurance in an amount satisfactory to Lender and on terms satisfactory to Lender if the Property is located in a designated flood hazard area.

(iv) Insurance against such similar other hazards, casualties, liabilities and contingencies, in such forms and amounts, as Lender may from time to time reasonably require.

(b) **Policies.** Each insurance policy will be with a company and in a form acceptable to Lender. Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Lender. All required policies will provide for at least ten (10) days' written notice to Lender prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Borrower shall furnish to Lender the original of each required insurance policy, or a certified copy thereof together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Borrower hereby assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.

(c) **Payment; Renewals.** Borrower shall promptly furnish to Lender all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Article 3, Borrower shall pay all

premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Borrower shall furnish to Lender a renewal policy in a form acceptable to Lender, together with evidence that the renewal premium has been paid.

(d) **Application of Insurance Proceeds.** In the event of any loss, Borrower shall give prompt written notice thereof to the insurance carrier and Lender. Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Lender's or Borrower's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Lender shall have no obligation to do so. Lender shall apply any insurance proceeds received by it hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion and without regard to the adequacy of its security, to:

(i) The payment of the Secured Obligations, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or

(ii) The reimbursement of Borrower, under Lender's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Lender may, at its option, condition the reimbursement on Lender's approval of the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Lender may reasonable require.

Except to the extent that insurance proceeds are applied to payment of the Secured Obligations, nothing herein contained shall be deemed to excuse Borrower from restoring, repairing or maintaining the Property as provided in paragraph 2.4, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount.

(e) **Transfer of Title.** If the Property is sold pursuant to Article 9 or if Lender otherwise acquires title to the Property, Lender shall have all of the right, title and interest of Borrower 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.

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

(a) **Preservation and Maintenance.** Borrower shall not commit or suffer any waste or permit any impairment or deterioration of the Property, nor abandon the Property, and 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 Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair. Borrower shall keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair and shall replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and generally operate and maintain the Property in a commercially reasonable manner.

(b) **Alterations.** None of the Improvements shall be structurally altered, removed or demolished, in whole or in part, without Lender's prior written consent, nor shall any fixture or chattel covered by this Trust Deed and adapted to the use and enjoyment of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability which is owned by Borrower free and clear of any lien or security interest.

(c) **Right of Entry.** Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property to determine Borrower's compliance with this paragraph.

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

**2.6 Use of Property.** Borrower shall comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower 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 of the Property without Lender's prior written consent.

**2.7 Condemnation.**

(a) **Proceedings.** Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking. All awards, payments, damages, direct, consequential and otherwise, claims, and proceeds thereof, in connection with any such condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Lender, and all proceeds of any such awards, payments, damages or claims shall be paid to Lender.

(b) **Application of Condemnation Proceeds.** Lender shall apply any such proceeds in the manner and upon the terms and conditions set forth in paragraphs 2.3(d) and (e) relating to the application of insurance proceeds.

**2.8 Protection of Lender's Security.** Borrower shall give notice to Lender of and shall appear in and defend any action or proceeding that may affect the Property, the interests of Lender or Trustee therein, or the rights or remedies of Lender or Trustee under the Loan Documents. If any such action or proceeding is commenced, or Borrower fails to perform any obligation under the Loan Documents, Lender or Trustee may, at their option, make any appearances, disburse any sums, make any entries upon the Property, and take any actions as may be necessary or desirable to protect or enforce the security of this Trust Deed, remedy Borrower's failure to perform its obligations under the Loan Documents (without waiving such default by Borrower), or otherwise protect Lender's or Trustee's interests. Borrower shall pay all losses, damages, fees, costs, and expenses incurred by Lender and Trustee in taking such actions; including without limitation reasonable legal fees.

**2.9 Reimbursement of Lender's and Trustee's Expenses.** All amounts disbursed by Lender and Trustee pursuant to paragraph 2.8 or any other provision of this Trust Deed, with interest thereon, shall be additional indebtedness of Borrower secured by this Trust Deed. All such amounts shall be immediately due and payable and bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.

**2.10 Books and Records; Financial Statements.** Borrower shall keep and maintain at Borrower's address stated above, or such other place as Lender may approve in writing, books of accounts and records adequate to reflect correctly the results of the operation of the Property, and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination, inspection and copying at any reasonable time by Lender. Borrower shall furnish to Lender within thirty (30) days after Lender's request, a rent roll for the Property, certified by Borrower, showing the name of each tenant, the space occupied, the lease expiration date, the monthly rent, the date to which rent has been paid, and any deposit Borrower is holding. In addition, Borrower shall furnish to Lender within twenty (20) days after Lender's request, a complete and current financial statement, in reasonable detail for any general partner and guarantor, together with a true and correct copy of the most recent federal income tax return of any general partner and guarantor.

**2.11 Lender Obtaining Required Property Insurance Notice.** WARNING. UNLESS BORROWER PROVIDES LENDER WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY PARAGRAPH 2.3 OF THIS TRUST DEED, LENDER MAY PURCHASE ANY SUCH REQUIRED INSURANCE AT BORROWER'S EXPENSE TO PROTECT LENDER'S INTEREST IN THE PROPERTY. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT BORROWER'S INTEREST IN THE PROPERTY. IF THE PROPERTY BECOMES DAMAGED, THE COVERAGE LENDER PURCHASES MAY NOT PAY ANY CLAIM BORROWER MAKES OR ANY CLAIMS MADE AGAINST BORROWER. BORROWER MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT BORROWER HAS OBTAINED COVERAGE ELSEWHERE.

BORROWER IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY LENDER. THE COST OF THIS INSURANCE MAY BE ADDED TO THE NOTE. IF THE COST IS ADDED TO THE NOTE, THE INTEREST RATE ON THE NOTE WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE BORROWER'S PRIOR COVERAGE LAPSED OR THE DATE BORROWER FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE LENDER PURCHASED MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE BORROWER CAN OBTAIN ON BORROWER'S OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

### **ARTICLE 3 RESERVES**

**3.1 Deposits.** If required by Lender, Borrower shall, at time of making each monthly installment payment under the Note, deposit with Lender a sum, as estimated by Lender, equal to the taxes and special assessments next due on the Property, and the premiums that will next become due on insurance policies as may be required under this Trust Deed, less all sums already deposited therefor, divided by the number of months to elapse before two (2) months prior to the date when such taxes, special assessments and premiums will become delinquent. Lender may require Borrower to deposit with Lender, in advance, such other sums for other taxes, assessments, premiums, charges and impositions in connection with Borrower or the Property as Lender reasonably deems necessary to protect Lender's interests ("Other Impositions"). Such sums for Other Impositions shall be deposited in a lump sum or in periodic installments, at Lender's option. If required by Lender, Borrower shall promptly deliver to Lender all bills and notices with respect to any taxes, assessments, premiums and Other Impositions. Unless Borrower and Lender otherwise agree in writing, Lender shall not be required to pay Borrower any interest, earnings or profits on any sums deposited with Lender. All sums deposited with Lender under this paragraph 3.1 together with any accrued and unpaid interest, if any, are hereby pledged as security for the Secured Obligations.

**3.2 Application of Deposits.** All such deposited sums shall be held by Lender and applied in such order as Lender elects to pay such taxes, assessments, premiums and Other Impositions or, upon any Event of Default, may be applied in whole or in part, to the Secured Obligations. The arrangement provided for in this Article 3 is solely for the added protection of Lender and entails no responsibility on Lender's part beyond the allowing of due credit, without



interest, for the sums actually received by it. Upon any assignment of this Trust Deed by Lender, any funds on hand shall be turned over to the assignee and any responsibility of Lender with respect thereto shall terminate. Each transfer of the Property in accordance with Article 4 below shall automatically transfer to the transferee all rights of Borrower with respect to any funds deposited hereunder. Upon payment in full of the Secured Obligations, Lender shall promptly refund to Borrower the remaining balance of any deposits then held by Lender.

**3.3 Adjustments to Deposits.** If the total deposits held by Lender exceeds the amount deemed necessary by Lender to provide for the payment of such taxes, assessments, premiums and Other Impositions, such excess shall, provided there is no Event of Default or any event which would constitute an Event of Default if not cured within the time allowed, be credited by Lender on the next due installment or installments of such deposits. If at any time the total deposits held by Lender are less than the amount deemed necessary by Lender to provide for the payment of such taxes, assessments, premiums and Other Impositions, Borrower shall promptly deposit the deficiency with Lender after receipt of written demand from Lender.

**3.4 Conditional Waiver.** Notwithstanding the foregoing, Lender shall not require the payment of reserves as provided in this Article until a delinquency occurs in the payment of such taxes, assessments, premium and Other Impositions, or the occurrence of an Event of Default.

#### **ARTICLE 4 RESTRICTIONS ON TRANSFER OR ENCUMBRANCE**

All Secured Obligations shall become immediately due and payable in full in the event the Property or any part thereof or interest therein is encumbered, sold (by contract or otherwise), conveyed, leased, or otherwise transferred by Borrower; or if there is any change in the ownership or control of any Borrower's stock if Borrower is a corporation, the ownership or control of any general partnership interest in Borrower if Borrower is a partnership, the ownership of any beneficial interests in Borrower if Borrower is not otherwise a natural person or persons, and the ownership of stock, any general partnership interest, or any other legal or beneficial interest in any corporation, partnership or other entity that has an ownership interest in Borrower. The failure to pay all Secured Obligations as required in this paragraph shall constitute an Event of Default hereunder.

#### **ARTICLE 5 OREGON UNIFORM COMMERCIAL CODE SECURITY AGREEMENT**

**5.1 Grant to Lender.** This Trust Deed constitutes a security agreement pursuant to the Oregon Uniform Commercial Code (ORS Chapter 79) with respect to:

(a) Any of the Property which, under applicable law, is not real property or effectively made part of the real property by the provisions of this Trust Deed; and

(b) Any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Borrower as Debtor and Lender as Secured Party and affecting property in any way connected with the use and enjoyment of the Property (any and all such other property constituting "Property" for purposes of this Trust Deed).

Borrower hereby grants Lender a security interest in all property described in clauses (a) and (b) above as security for the Secured Obligations. Borrower and Lender agree, however, that neither the forgoing grant of a security interest nor the filing of any such financing statement shall be construed as limiting the parties' stated intention that everything used in connection with the production of income from the Property, or adapted for use therein, or which is described or reflected in this Trust Deed, is and at all times shall be regarded as part of the Realty.

**5.2 Lender's Rights and Remedies.** With respect to the property subject to the foregoing security interest, Lender shall have all of the rights and remedies of a secured party under the Oregon Uniform Commercial

Code, provided herein, including without limitation the right to cause such Property to be sold by Trustee under the power of sale granted by this Trust Deed, and provided by law. In exercising its remedies, Lender may proceed against the items of real property and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies. Upon demand by Lender following an Event of Default hereunder, Borrower will assemble any items of personal property and make them available to Lender at the Property. Lender shall give Borrower at least five (5) days' prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law.

**ARTICLE 6**  
**ASSIGNMENT OF RENTS AND LEASES; LEASES OF PROPERTY**  
**APPOINTMENT OF RECEIVER; LENDER IN POSSESSION**

**6.1 Assignment of Rents and Leases.** As part of the consideration for the Secured Obligations, and not as additional security therefor, Borrower hereby absolutely and unconditionally assigns and transfers to Lender all right, title and interest of Borrower in and to: any and all present and future leases, subleases, and other agreements for the occupancy or use of all or any part of the Property, and any and all extensions, renewals and replacements thereof ("Leases"); all cash or security deposits, advance rentals and deposits of a similar nature under the Leases; any and all guarantees of tenants' or occupants' performances under any and all Leases, and all rents, issues, profits and revenues ("Rents") now due or which may become due or to which Borrower may now or shall hereafter become entitled or may demand or claim (including Rents coming due during any redemption period), arising or issuing from or out of any and all Leases, including without limitation minimum, additional, percentage and deficiency rents and liquidated damages.

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

**6.3 Borrower's Representations and Warranties.** Borrower hereby represents and warrants to Lender that Borrower has not executed and will not execute any other assignment of said Leases or Rents, that Borrower has not performed and will not perform any acts and has not executed and will not execute any instrument which would prevent Lender from exercising its rights under this Article 6, and that at the time of execution of this Trust Deed there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates thereof. Borrower further represents and warrants to Lender that all existing Leases are in good standing and there is no default thereunder, whether by Borrower or lessee, and that, to Borrower's knowledge, there is no event or

condition which, with notice or the passage of time or both, would be a default thereunder. Borrower shall execute and deliver to Lender such further assignments of rents and leases of the Property as Lender may from time to time request.

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

**6.5 Lender in Possession; Appointment of Receiver.** Upon any Event of Default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Borrower could do the same, including without limitation the execution, enforcement, cancellation and modification of Leases, the collection of all Rents of the Property, the removal and eviction of tenants and other occupants, the making of alterations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Trust Deed. From and after the occurrence of any such Event of Default, if any owner of the Property shall occupy the Property or part thereof such owner shall pay to Lender in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure so to do Lender shall be entitled to remove such owner from the Property by any appropriate action or proceedings. Following an Event of Default hereunder, Lender shall be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Borrower hereby consenting to the appointment of such receiver. Said receiver may serve without bond and may be Lender or an employee of Lender. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Lender in this Article 6. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

**6.6 Application of Rents.** All Rents collected subsequent to delivery of written notice by Lender to Borrower of an Event of Default hereunder may be applied first to the cost, if any, of taking control of and managing the Property and collecting the Rents, including without limitation attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the cost of discharging any obligation or liability of Borrower under the Leases, and then to the Secured Obligations. Lender or the receiver shall be liable to account only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Property by reason of anything done or left undone by Lender under this Article 6.

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

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

**6.9 Enforcement.** Lender may enforce this assignment without first resorting to or exhausting any security or collateral for the Secured Obligations.

**ARTICLE 7  
[RESERVED]**

**ARTICLE 8  
EVENTS OF DEFAULT**

**8.1 Events of Default.** The occurrence of any one or more of the following shall constitute an Event of Default hereunder:

(a) The failure to make any payment when due under the Note, this Trust Deed, or any of the other Loan Documents.

(b) The failure to pay all Secured Obligations in full as required under the Note or this Trust Deed.

(c) The failure to perform any other covenant, agreement or obligation under this Trust Deed or any of the Loan Documents, if not cured within the time allowed. If no cure period is otherwise specified for such default, the cure period shall be within thirty (30) days after Lender's delivery of written demand to Borrower, or if such cure cannot in Lender's opinion be completed within such thirty (30) day period, failure by Borrower to commence the required cure within such thirty (30) day period, and thereafter to continue the cure with diligence and to complete the cure within ninety (90) days after Lender's delivery of such written demand.

(d) The occurrence of an Event of Default under any of the other Loan Documents.

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

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

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

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

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

(j) Any representation or disclosure made to Lender by Borrower or any guarantor in connection with the Loan proves to be materially false or misleading when made, whether or not that representation or disclosure is expressly set forth in the Loan Documents.

(k) A default occurs under any other indebtedness now or hereafter owing to Lender or Lender's Assignee on which Borrower or any other maker of the Note or any guarantor of the Note is a maker or a

guarantor, and such default is not cured within the applicable cure period, if any, under the instrument(s) evidencing such indebtedness.

(I) A default occurs under any lien encumbering the Property, or under any obligation which is secured by a lien encumbering the Property, and such default is not cured within the applicable cure period, if any, under the instrument evidencing such lien.

**8.2 Inapplicability of Cure Periods.** All cure periods provided in this Trust Deed or the other Loan Documents shall be inapplicable if, in Lender's reasonable judgment, the default is not capable of being cured within the time allowed, or a delay in Lender's enforcement of its rights and remedies may result in a material impairment of its security.

**8.3 Form of Notice.** At Lender's option, any written notice of default given to Borrower under paragraph 8.1 may be given in the form of a statutory notice of default under ORS 86.705 to 86.795 or any other form as Lender may elect.

## **ARTICLE 9 REMEDIES**

**9.1 Acceleration Upon Default; Additional Remedies.** Upon any Event of Default, Lender may, at its option and without notice to or demand upon Borrower, exercise any one or more of the following actions:

- (a) Declare all the Secured Obligations immediately due and payable.
- (b) Bring a court action to enforce the provisions of this Trust Deed or any of the other Loan Documents.
- (c) Foreclose this Trust Deed as a mortgage.
- (d) Cause any or all of the Property to be sold under the power of sale granted by this Trust Deed in the manner permitted by ORS 86.705 to 86.795.
- (e) Elect to exercise its rights with respect to the Leases and the Rents.
- (f) Exercise any of all of the other rights and remedies under this Trust Deed and the other Loan Documents.
- (g) Exercise any other right or remedy available under law or in equity.

**9.2 Exercise of Power of Sale.** For any sale under the power of sale granted by this Trust Deed and pursuant to ORS 86.705 to 86.795 ("Applicable Law"), Lender or Trustee shall record and give all notices required by Applicable Law. At any time prior to five days before the date the Trustee conducts the sale, the Grantor or and other person so privileged by ORS 86.753, may cure the default or defaults. If all defaults are not timely cured, then, Trustee may sell the Property upon any terms and conditions specified by Lender and permitted by Applicable Law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several lots or parcels, Lender in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee shall be acting as the agent of the Lender in selling such Property. Any person permitted by Applicable Law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance

with all the requirements of Applicable Law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

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

**FIRST:** Payment of the costs and expenses of the sale, including without limitation Trustee's fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of Trustee, together with interest on all advances made by Trustee from date of disbursement at the applicable interest rate under the Note from time to time or at the maximum rate permitted to be charged by Trustee under the applicable law if that is less.

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

**THIRD:** Payment of all other Secured Obligations in any order that the Lender chooses.

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

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

**9.5 Non-Waiver of Default.** The entering upon and taking possession of the Property, the collection of Rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof as herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

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

**9.7 Foreclosure Subject to Tenancies.** Lender shall have the right at its option to foreclose this Trust Deed subject to the rights of any tenant or tenants of the Property.

**9.8 Evasion of Prepayment Terms.** If any Event of Default has occurred, a tender of payment of the indebtedness secured hereby at the time prior to or at a judicial or non-judicial foreclosure sale of the Property by Borrower, or anyone on behalf of Borrower, shall constitute an evasion of any prepayment terms of the Note and shall constitute a voluntary prepayment thereunder, and any such tender shall include any prepayment premium under the Note.

**9.9 Remedies Cumulative.** To the extent permitted by law, every right and remedy provided in this Trust Deed is distinct and cumulative to all other rights or remedies under the Trust Deed or afforded by law or equity or any other agreement between Lender and Borrower, and may be exercised concurrently, independently or

successively, in any order whatsoever. Lender may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

**9.10 Lender's and Trustee's Expenses.** Borrower shall pay all of Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Trust Deed. Upon any Event of Default, whether or not any court action is involved, all expenses incurred by Lender, which in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights, shall become a part of the indebtedness secured hereby, shall be payable on demand, and shall bear interest from the date of disbursement at the lesser of the Default Rate under the Note or the maximum rate allowed by law. Without limiting the generality of the foregoing, expenses covered by this paragraph include Lender's attorneys fees, the costs of searching records, obtaining title reports, surveys and surveyors reports, appraisal fees, consultation and reports concerning land-use issues, site evaluations, market analyses, hazardous substance assessments, and feasibility studies. Lenders attorneys fees shall include, without limitation, all Lenders attorneys fees, whether or not litigation is involved, attorneys fees for bankruptcy proceedings, including attorneys fees incurred in any effort to modify, vacate, or obtain relief from any automatic stay or injunction, attorneys fees incurred in any appeal in any court or administrative agency, and attorneys fees for anticipated post judgment collection services. In the event litigation occurs, Lender shall be entitled to recover its reasonable attorney fees plus all of its costs of litigation including, without limitation, statutory costs, expert witness fees, court reporter fees, transcript fees, filing fees, process service and witness fees.

## **ARTICLE 10 GENERAL**

**10.1 No Offset.** Borrower's obligation to timely pay and perform all obligations under the Note, this Trust Deed, and the other Loan Documents shall be absolute and unconditional and shall not be affected by any event or circumstance; including without limitation any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense or any other right that Borrower or any guarantor may have or claim against Lender or any other person or entity. The foregoing shall not constitute a waiver of any claim or demand which Borrower or any guarantor may have in damages or otherwise against Lender or any other person or entity; provided that Borrower shall maintain a separate action thereon.

**10.2 Application of Payments.** Except as applicable law or this Trust Deed may otherwise provide, all payments received by Lender under the Note or this Trust Deed shall be applied by Lender in the following order of priority: Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Trust Deed; interest payable on advances made to protect the security of this Trust Deed; principal of such advances; amounts payable to Lender by Borrower under Article 3 for reserves; interest and late charges payable on the Note; principal of the Note; and any other Secured Obligations in such order as Lender, at its option, may determine; provided, however, that Lender may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Trust Deed.

**10.3 Reconveyance.** Upon payment of all sums secured by this Trust Deed, Lender 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 thereto. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.

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

**10.5 Lender's Powers.** Without affecting the liability of any person for payment or performance of the Secured Obligations or any of Lender's rights or remedies, Lender, at its option, may extend the time for payment of the

indebtedness secured hereby or any part thereof, reduce payment thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the indebtedness, release the lien of this Trust Deed on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Trust Deed or the lien or charge hereof. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

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

**10.7 Limitation On Interest and Charges.** Interest, fees and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by any applicable law. If any such law is interpreted so that said interest, fees and/or charges would exceed any such maximum and Borrower is entitled to the benefit of such law, then: such interest, fees and/or charges shall be reduced by the amount necessary to reduce the same to the permitted maximum; and any sums already paid to Lender which exceeded the permitted maximum will be refunded. Lender may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal or by making a direct payment to the person(s) entitled thereto. No prepayment premium shall be assessed on prepayments under this paragraph. The provisions of this paragraph shall control over any inconsistent provision of this Trust Deed or the Note or any other Loan Documents.

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

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

**10.10 Forbearance by Lender Not a Waiver.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Lender of any particular default shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Lender of payment of any sum secured by this Trust Deed after the due date thereof shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Trust Deed, nor shall Lender's receipt of any awards, proceeds or damages under paragraphs 2.3 and 2.7 hereof operate to cure or waive Borrower's default in payment of sums secured by this Trust Deed.

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



**10.12 Notice.** Any notice to Borrower under this Trust Deed shall be to the address noted above or such other address as may be designated by Borrower in writing and shall be deemed to have been given on the date delivered in the case of personal delivery or, if mailed, three (3) days after the postmark thereof.

**10.13 Governing Law; Severability; Captions.** This Trust Deed shall be governed by the laws of the State of Oregon. If any provision or clause of this Trust Deed conflicts with applicable law, such conflicts shall not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and articles of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions hereof.

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

**10.15 Successors and Assigns; Joint and Several Liability; Agents.** This Trust Deed shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the provisions of Article 4 hereof. Each person executing this Trust Deed as Borrower shall be jointly and severally liable for all obligations of Borrower hereunder. In exercising any rights hereunder or taking actions provided for herein, Lender and Trustee may act through their respective employees, agents or independent contractors as authorized by Lender and Trustee.

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

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

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

**10.19 Riders.** The following Riders are attached to this Trust Deed and are incorporated herein by this reference: None

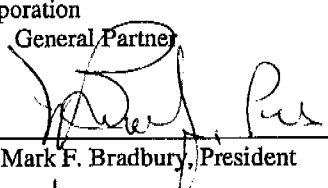
IN WITNESS WHEREOF, Borrower has executed this Trust Deed as of the date first above written.

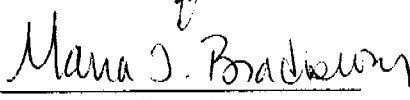
**"BORROWER"**

Merganser Limited Partnership, an Oregon  
limited partnership

By: Merganser Management, Inc., an Oregon  
corporation

Its. General Partner

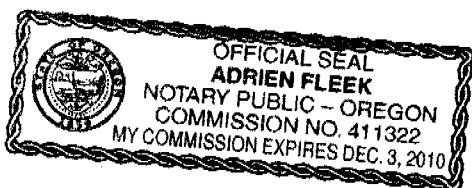
By:   
Mark F. Bradbury, President

By:   
Maria T. Bradbury, Secretary

INDIVIDUAL ACKNOWLEDGMENTS:

STATE OF OREGON                     )  
County of Wlamath                     ) ss.

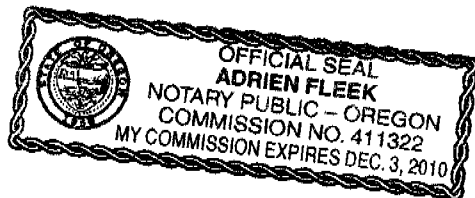
This instrument was acknowledged before me on May 1, 2009 by  
Mark F Broadbury



Adrien Fleeck  
Notary Public for Oregon  
My commission expires: 12-3-10

STATE OF OREGON                     )  
County of Wlamath                     ) ss.

This instrument was acknowledged before me on May 1, 2009 by  
Maria F Broadbury



Adrien Fleeck  
Notary Public for Oregon  
My commission expires: 12-3-10

**REQUEST FOR FULL RECONVEYANCE**

*Do not record. To be used only when note has been paid.*

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Trust Deed. Said note, together with all other indebtedness secured by said Trust Deed has been dully paid and satisfied, and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Trust Deed, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Trust Deed delivered to you herewith, together with the said Trust Deed, and to reconvey, without warranty, to the parties designated by the terms of said Trust Deed, all the estate now held by you thereunder.

DATED: \_\_\_\_\_, 20\_\_\_\_.

Mail reconveyance to: Seattle Funding Group, Ltd.  
1239 120<sup>th</sup> Ave NE, Ste J  
Bellevue, WA 98005

12980\deedcom2.d12

**EXHIBIT A  
OF  
TRUST DEED**

**PROPERTY SCHEDULE**

Legal Description: Lot 10 in Block 5, Tract No. 1163, CAMPUS VIEW, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ✓

Commonly Known As: 2600 Clover Street, Klamath Falls, OR 97601

Tax Account Number: R-3809-020BD-02600