

ReProp Financial
555 H Street
Eureka, CA. 95501
Attention: Servicing

County Tax Account No:

3809-00000-02900-000	3809-00000-03800-000
3809-00000-03200-000	3809-015A0-00100-000
3809-00000-03300-000	3809-015A0-00200-000
3809-00000-03500-000	3809-015A0-00301-000
3809-00000-03600-000	3809-033BC-00200-000
3809-00000-03700-000	3809-033BC-00300-000

SPACE ABOVE RESERVED FOR RECORDING INFORMATION

**TRUST DEED, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

DATE: October 28, 2014

BETWEEN: Brent Ray Budden, a married man as his sole and separate property ("Grantor")
4405 Old Fort Road, Klamath Falls, OR

AND: ReProp Financial Mortgage Investors, LLC, a California LLC ("Beneficiary")
555 H Street
Eureka, California 95501
Attention: Glenn G. Goldan

AND: AmeriTitle ("Trustee")
300 Klamath Avenue
Klamath Falls OR 97601

Pursuant to a Promissory Note dated October 28, 2014 (the "Note"), Beneficiary has agreed to lend to Grantor or has extended credit to Grantor in the maximum principal amount of \$ 460,000.00 on certain terms and conditions. Such sum is payable with interest according to the terms of the Note in such amount given to evidence Grantor's indebtedness, dated the same as this Trust Deed, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Trust Deed"), under which the final payment of principal and interest will be due on or before November 1, 2016. The Note, and any note or notes given in renewal, replacement, substitution or addition to the Note originally issued, and all renewals, extensions, modifications and amendments thereof, are herein referred to as the "Note." The Note contains or may contain provisions that the interest rate, payment terms or balance due on the loan may be indexed, adjusted, renewed or renegotiated, as set forth in the Note. The term "interest" shall mean and include all interest payable under the Note.

The term "Indebtedness" as used in this Trust Deed shall mean (a) the principal and interest payable under the Note, and any other sums required to be paid by Grantor pursuant to the Note or the Loan Agreement, (b) any future amounts that Beneficiary may in its discretion loan to Grantor, together with interest thereon, and (c) any amounts expended or advanced by Beneficiary or Trustee to discharge obligations of Grantor or expenses incurred by Beneficiary or Trustee to enforce obligations of Grantor under this Trust Deed, as permitted under this Trust Deed, together with interest thereon as provided below.

FOR VALUE RECEIVED, Grantor hereby irrevocably grants and conveys to Trustee, in trust, WITH THE POWER OF SALE, Grantor's present and all after-acquired interests in the real property in Klamath County, Oregon described in the attached Legal Description, together with the buildings, if any, situated thereon as of the date hereof, all rights, privileges and interests of Grantor (including, without limitation, those under all subterranean, air rights, parking and other agreements, leases and easements, all other reciprocal easement agreements, easement agreements, and protective covenants) relating or appurtenant to the real property, all development, air and water rights, water stock, mineral, oil and gas rights, hereditaments and appurtenances belonging or in any way appertaining thereto, and all rights-of-way or appurtenances used in connection with the beneficial use and enjoyment of the real property, and with all other existing or subsequently erected improvements in, under or upon such property, including the intended conversion of the building into a residential loft and condominium project with one ground level retail/commercial space and parking spaces (the "Real Property"), and Grantor hereby grants Beneficiary a security interest in all equipment, furnishings, fixtures and other articles of personal property owned or leased by Grantor, now or subsequently located on or used in connection with the Real Property, including (without limitation) the property described on the attached Exhibit B, together with all accessions, parts or additions to, all replacements of and all substitutions for any of such property, and together with all proceeds (including insurance proceeds) from any sale or other disposition thereof (the "Personal Property"), which Real Property and Personal Property are collectively called the "Property"; and Grantor further hereby assigns to Beneficiary all rents, revenues, income, issues and profits from the Property, whether now or hereafter due and whether now existing or hereafter arising (the "Income"), and all rights of Grantor under all present and future leases, contracts, service agreements and other agreements affecting the Property and any security or other deposits held with respect thereto (the "Contracts").

This Trust Deed, the security interest and the assignment of the Income and Contracts are given to secure payment of the Indebtedness and performance of the covenants contained in the Note, the Loan Agreement, this Trust Deed and all other instruments executed and delivered by Grantor pursuant to the Loan Agreement. This Trust Deed is given and accepted on the following terms and conditions which Grantor will promptly and faithfully observe and perform:

1. **Payment and Performance.**

Grantor will pay to Beneficiary when due all amounts payment of which is secured by this Trust Deed. Grantor will strictly perform all obligations imposed upon Grantor by the Note, the Loan Agreement, this Trust Deed, and by any other agreement required by the Loan Agreement to be furnished by Grantor to Beneficiary or otherwise executed by Grantor and delivered to Beneficiary in connection with the loan evidenced by the Note (the "Loan Documents"). In the event the terms and conditions of this Trust Deed impose on Grantor additional or more stringent requirements than those set forth in the other Loan Documents, the terms and conditions of this Trust Deed shall prevail.

2. **Possession.**

Unless and until an event of default occurs, Grantor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.

3. **Warranties of Grantor.**

3.1 **Title.** Grantor warrants that it holds good and marketable title to the Property in fee simple absolute, subject only to the encumbrances described in the attached Legal Description, and has the valid right and power to grant the interest covered by this Trust Deed. Grantor shall defend the title and the interests of Beneficiary and Trustee against the claims and demands of all persons except on account of such encumbrances, at Grantor's expense.

3.2 **Compliance with Laws.** Grantor warrants that its use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities and all other Legal Requirements referenced in Section 4.4 below.

3.3 **Non-Residential Trust Deed.** Grantor warrants that this Trust Deed is not and will not at any time constitute a residential trust deed (as that term is defined in ORS 86.705).

3.4 **Further Assurances.** Upon Beneficiary's request, Grantor shall make, execute and deliver to Beneficiary and, where appropriate, shall record or file and rerecord or refile, at such time and in such offices and places as shall be deemed desirable by Beneficiary, all deeds of trust, instruments of further assurance, certificates and other documents as Beneficiary may consider necessary or desirable to effectuate, complete, perfect, or continue and preserve the obligations of Grantor under the Note, the Loan Agreement and this Trust Deed, and the lien of this Trust Deed and interest in the Personal Property and Income as a first and prior lien upon and interest in all of the Property, whether now owned or hereafter acquired by Grantor, except as provided below.

4. **Care of Property.**

4.1 **Duty to Maintain; Removal of Improvements; Waste.** Grantor shall preserve and maintain the Property in first class condition and repair and promptly perform all repairs and maintenance necessary to preserve its value. Grantor shall have the right to make alterations and additions to the Real Property and to dedicate roads and utility easements as it may deem advisable, provided that the development of the Property and the reconstruction and development of the improvements thereon conform to the Plans and Specifications (as such term is defined in the Loan Agreement) and all applicable governmental requirements. Grantor shall not: permit, commit or suffer any waste, impairment or deterioration of the Property or any part thereof; take any action which will increase the risk of fire or other hazard to the Property or to any part thereof; or fail to take any action which would minimize such risk.

4.2 **Removal or Alteration of Fixtures and Personal Property.** Grantor shall not remove, demolish or materially alter the fixtures on the Real Property or the Personal Property without the prior written consent of Beneficiary, except as set forth in the Plans and Specifications. If the equipment, furnishings and fixtures become worn out, undesirable or obsolete, Grantor may sell or dispose of the same free of the lien of this Trust Deed without the necessity for further consent from Beneficiary provided they are immediately replaced with similar items of at least equal value.

4.3 **Beneficiary's Right to Enter and Inspect.** Beneficiary and its agents and representatives may enter upon the Real Property at all reasonable times during the continuance of this Trust Deed to attend to Beneficiary's interests and to inspect or examine the Property and the books of accounts and records related to the operation of the Property and Income and all written contracts, leases and other instruments and agreements which affect or relate to the Property and Income. Beneficiary may from time to time, at Beneficiary's expense, authorize an independent architect, certified property manager or engineer, environmental consultant, and/or other consultants of recognized standing, selected by Beneficiary, to inspect the Property, and to determine if the Property is being maintained in accordance with the requirements of this Trust Deed. Such independent inspector may render a report to Beneficiary specifying in what respects (if any) the Property is not then so being maintained, and further specifying what steps (if any) are required to remedy the condition of the Property. Grantor will remedy the defective condition within 90 days after the receipt of the report or within such further time as may be reasonable under the circumstances in the opinion of said inspector.

4.4 **Compliance with Governmental Requirements.** Grantor will promptly comply with all laws, ordinances, and regulations of any governmental authority affecting the Property, including (without limiting the generality of the foregoing) housing, land use, health, safety, environmental and ecological laws, ordinances and regulations. Grantor will obtain at all times and keep in full force and effect such governmental permits and approvals as may be necessary to comply with all governmental requirements with respect to its leasing, use and occupancy of the Property, including environmental matters, will comply with the terms of all recorded or existing easements, reciprocal easement agreements and other matters affecting the Property, and will conduct its activities in compliance with such requirements and terms, as they may exist from time to time (collectively, the "Legal Requirements"). Notwithstanding the foregoing, Grantor may, in good faith, by appropriate proceedings,

contest the application or validity of Legal Requirements after written notice of same to Beneficiary, provided that Grantor shall promptly cause all such Legal Requirements to be complied with on or before the date any failure to comply could cause the Property or any interest therein to be sold, foreclosed or otherwise impaired as to value or use.

4.5 **Duty to Restore.** If all or any part of the Property shall be lost, damaged or destroyed by fire or any other cause, Grantor will give immediate written notice of the damage to Beneficiary and will promptly restore the Property to the equivalent of its original condition; provided, in the event the casualty was covered by insurance and Beneficiary elects to apply the proceeds to the reduction of the Indebtedness, Grantor shall not be obligated to restore the Property. If a part of the Property shall be lost, physically damaged or destroyed through condemnation, Grantor will promptly restore, repair or alter the remaining property in a manner satisfactory to Beneficiary; provided, in the event Beneficiary elects to apply the condemnation proceeds to the reduction of the Indebtedness, Grantor shall not be obligated to restore, repair or alter the remaining property.

4.6 **Application of Net Proceeds to Property.** If all or any part of the Property is lost, damaged or destroyed by fire or any other casualty covered by insurance or taken by condemnation, Beneficiary will exercise its judgment on whether to apply the net proceeds to the repair and restoration of the Property under Sections 6.6 and 10 based upon the factors described in this Section 4.6. Beneficiary will elect to apply the net proceeds to such repair and restoration so long as Beneficiary in good faith determines that (i) such repair and restoration will be economically feasible (considering the cost of repair, the rental value of the Property resulting from the repair and restoration, the amount of the net proceeds available and similar matters), (ii) the value of the Property after such repair and restoration will not be materially less than its value prior to the damage, (iii) the operation of the Property will not be materially impaired and the Property will not be in any physical or economic peril, immediate or future, and (iv) Grantor will not be in default under this Trust Deed, and no event will have occurred which, with the passage of time or the giving of notice or both, would constitute a default under this Trust Deed.

4.7 **Duty to Protect.** Grantor shall do all other acts, in addition to those set forth in this Section, that are reasonably necessary to protect and preserve the security, based upon the character and use of the Property.

4.8 **Approval of Plans.** If any work required to be performed under this Section involves an estimated expenditure of more than \$50,000 in excess of Grantor's budgeted expenditures, such work shall not be undertaken until plans and specifications for the work, prepared by an architect or engineer satisfactory to Beneficiary, have been submitted to and approved in writing by Beneficiary.

5. **Taxes and Assessments; Liens and Claims.**

5.1 **Payment.** Grantor shall pay when due all taxes and assessments levied against or on account of the Property and all claims and demands arising from Grantor's use or occupancy of the Property, for work done on or for services rendered or material furnished to the Property. Grantor may use any available installment payment plans for payment of special assessments.

5.2 **Liens.** Grantor shall not permit any lien, including a lien inferior to the lien of this Trust Deed, to be imposed upon the Property without the prior written approval of Beneficiary, except for the encumbrance described in the attached Legal Description and the lien of taxes and assessments not yet due and payable.

5.3 **Grantor's Right to Contest.** Grantor may withhold payment of any tax, assessment, claim or demand or may elect to contest any lien if Grantor is in good faith conducting appropriate proceedings to contest the obligation to pay and so long as Beneficiary's interest in the Property is not jeopardized. If the Property is subjected to a lien which is not discharged within 10 days, Grantor shall deposit with Beneficiary cash, a sufficient corporate surety bond or other security satisfactory to Beneficiary in an amount adequate to provide for the discharge of the lien plus any

interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale. In any contest Grantor shall defend itself and Beneficiary and Trustee and shall satisfy any final adverse judgment before enforcement against the Property. Grantor shall name Beneficiary and Trustee as additional obligees under any surety bond furnished in the contest proceedings.

5.4 **Evidence of Payment of Taxes or Assessments.** Grantor shall furnish evidence of payment of the taxes or assessments to Beneficiary promptly after each payment. Grantor shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property, and shall pay the expense of a tax reporting service for the Property, if required by Beneficiary at any time.

5.5 **Reserves.** Beneficiary may in its sole discretion require Grantor to maintain reserves with Beneficiary or Beneficiary's designated representative for payment of taxes and assessments. The reserves shall be created by monthly payments on the first day of each month of a sum estimated by Beneficiary to be sufficient to produce, at least 15 days before the taxes and assessments are due, amounts at least equal to the taxes and assessments to be paid. If 15 days before taxes and assessments are due the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Beneficiary or Beneficiary's designated representative. The reserve funds shall be held by Beneficiary as a general deposit from Grantor and shall constitute a non-interest bearing debt from Beneficiary to Grantor which Beneficiary may satisfy by payment of the taxes and assessments required to be paid by Grantor as they become due. Beneficiary does not hold the reserve funds in trust for Grantor, and Beneficiary is not the agent of Grantor for payment of the taxes and assessments.

6. **Insurance.**

6.1 **Required Insurance Coverage.** Grantor shall procure and maintain in full force policies of casualty insurance insuring against loss by fire, hazards included within the term "extended coverage," and such other hazards and casualties as Beneficiary may reasonably consider necessary, covering all improvements on the Property and the Personal Property. Coverage will afford valuations on a repair or replacement cost basis without deduction for physical depreciation. Such insurance shall contain an agreed amount endorsement waiving any coinsurance clause for the entire term of the policy, and shall contain a loss payable clause designating Beneficiary as loss payee, and shall contain a mortgage clause recognizing Beneficiary as mortgagee. Grantor shall also procure and maintain in full force insurance policies providing loss of rents insurance coverage on an all risk of loss basis in an amount not less than one hundred percent (100%) of anticipated gross income from the Property for the next 12 months as it may be determined and adjusted from time to time, flood insurance (if the Property is in an area which is considered a flood hazard area by, the U.S. Department of Housing and Urban Development, or if otherwise required by Beneficiary), earthquake insurance, boiler and machinery insurance and such other coverages as Beneficiary may reasonably request.

6.2 **Liability Insurance Coverage.** Grantor shall procure and maintain in full force comprehensive general liability insurance on an occurrence basis, which will pay on behalf of the insured all sums which the insured may become legally obligated to pay as a result of bodily injury, death or property damage with a combined single limit of not less than \$1,000,000, or such higher limits as Beneficiary may reasonably require from time to time. The comprehensive general liability policy will be extended by endorsement to provide broad form property damage, contractual liability, premises medical payments coverage, host liquor law liability coverage, incidental medical malpractice liability, extended bodily injury coverage, personal injury (with the employee exclusion deleted) and advertising, injury, and employees as additional insureds coverage, as Beneficiary may specify. Grantor shall also procure and maintain in full force excess or umbrella liability policies, as excess over the primary comprehensive general liability policy, in an amount not less than \$5,000,000. Such policies will have deductibles or self-insured retentions not exceeding \$10,000. Such policies shall be endorsed to name Beneficiary as an additional insured, and to provide that any other insurance carried by Beneficiary shall be excess and not primary or contributing coverage with respect to any losses thereunder.

6.3 **Insurance Forms and Terms.** All policies shall be written in amounts, in form, on terms and with companies satisfactory to Beneficiary. All companies shall have an A.M. Best's (1987 or later) rating of A:VI or as otherwise approved by Beneficiary from time to time. Grantor shall deliver to Beneficiary the entire complete and original insurance policies or certificates of coverage with certified copies of the entire policies from each insurer, including entire and complete certified copies of all renewals and/or replacement policies and entire and complete certified copies of all endorsements and/or amendments to all policies, as soon as is reasonably possible after their issuance. Each policy shall contain a stipulation that coverage will not be canceled, diminished or substantially altered without a minimum of 30 days' written notice to Beneficiary. The maximum deductible under such policies is \$10,000. In case of policies due to expire, Grantor will deliver to and deposit with Beneficiary renewal policies not less than 30 days prior to the respective dates of expiration.

6.4 **Grantor's Report on Insurance.** On or before September 1 of each year, Grantor shall furnish to Beneficiary a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) for property damage insurance, the property insured, the then current replacement cost of the property, and the manner of determining that cost; and (e) the expiration date of the policy. Upon Beneficiary's request, but not in any event less frequently than once every three years, Grantor shall have an appraiser satisfactory to Beneficiary determine the current full replacement cost of the Property, at Grantor's expense.

6.5 **Payment of Proceeds.** Grantor shall promptly notify Beneficiary of any damage or loss to the Property in excess of \$10,000 or any occurrence, accident or event which potentially may result in damage or loss to the Property in excess of \$10,000. Beneficiary may make proof of loss if Grantor fails to do so within 15 days of the casualty.

6.6 **Application of Property Damage Insurance Proceeds.** After receiving property damage insurance proceeds, Grantor may apply the proceeds to the reduction of the Indebtedness or the restoration and repair of improvements and buildings constituting part of the Property, subject to and in accordance with the provisions of Section 4.6 above. If Beneficiary elects that the proceeds be applied to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Beneficiary. Any proceeds which have not been paid out within 180 days after their receipt and which Grantor has not committed to the repair or restoration of the Property may be used to prepay first accrued interest and then principal of Grantor's Indebtedness. Any proceeds not so used may be retained by Grantor and treated in the manner provided in Section 4.5 above.

6.7 **Application of Loss of Rents Insurance Proceeds.** Beneficiary shall use the proceeds of any loss of rents insurance to pay installments due under the Note and other amounts owed pursuant to this Trust Deed for the period of loss, and shall pay the balance to Grantor.

6.8 **Reserves for Insurance.** Beneficiary may in its sole discretion require Grantor to maintain reserves with Beneficiary or Beneficiary's designated representative for payment of insurance premiums. The reserves shall be created and held in the same manner as provided in Section 5.5 above for reserves for payment of taxes and assessments.

6.9 **Unexpired Insurance at Foreclosure Sale.** Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of Grantor's interest in the Property at any sale by power of sale or any foreclosure sale of such Property.

7. **Assignment of the Income and Contracts.**

7.1 **No Assignee Duties.** With respect to the assignment of the Income and Contracts, Beneficiary shall not be obligated to perform or discharge any obligation or duty to be performed or discharged by Grantor under any of the leases or agreements assigned under this Trust Deed. Grantor hereby agrees to indemnify Beneficiary for, and to save it harmless from, any and all liability arising from any such agreements or from such assignment. Such assignment shall not place

responsibility for the control, care, management or repair of the Property upon Beneficiary, or make Beneficiary responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger.

7.2 **Present Absolute Assignment.** Notwithstanding any provisions in this Trust Deed to the contrary, the assignment of the Income and Contracts is intended to be a present, unconditional and absolute assignment from Grantor to Beneficiary and not merely the passing of a security interest. The rents, leases and agreements are hereby assigned absolutely by Grantor to Beneficiary; reserving, however, in Grantor a license to collect the Income until the occurrence of an event of default as defined in this Trust Deed.

7.3 **Performance.** The full performance of this Trust Deed and the recorded reconveyance and release of the Property shall render this assignment void.

8. **Imposition of Tax by State.**

8.1 **State Taxes Covered.** This Section shall apply to the following state taxes:

(a) A specific tax on deeds of trust or on all or any part of the indebtedness secured by a Trust Deed.

(b) A specific tax on the owner of mortgaged property which the taxpayer is authorized or required to deduct from payments on the indebtedness secured by a Trust Deed.

(c) A tax on a Trust Deed chargeable against the beneficiary or holder of the note secured.

(d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by a grantor.

8.2 **Effect of Taxes.** If any state tax to which this Section applies is enacted after the date of this Trust Deed, this shall constitute an event of default, and Beneficiary may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

(a) Grantor may lawfully pay the tax or charge imposed by the state tax, and

(b) Grantor pays or agrees to pay the tax or charge within 30 days after written notice from Beneficiary that the tax law has been enacted.

9. **Transfer by Grantor; Operation of Property.**

9.1 **Prohibition of Transfer by Grantor.** Except as otherwise described below, Grantor shall not sell, agree to sell, assign, convey, subcontract, lease, hypothecate, further mortgage or encumber, or otherwise sell or transfer any interest in or any part of the Property, and no member of Grantor (if Grantor now or hereafter is a limited liability company) will sell or transfer a membership interest in Grantor, and there shall be no other sale or transfer of any interest therein or as described in the Loan Agreement (whether voluntary, involuntary, by operation of law or otherwise), or any fractional undivided interest therein, or suffers Maker's title or any interest therein to be divested or encumbered, whether voluntarily or involuntarily, or leases with an option to sell, or changes or permits to be changed the character or use of the Property, or drills or extracts or enters into a lease for the drilling for or extracting of oil, gas or other hydrocarbon substances or any mineral of any kind or character on the Property without the prior written consent of Beneficiary and compliance with the terms and conditions of the Loan Agreement and this Trust Deed. If any person should obtain an interest therein pursuant to the execution or enforcement of any lien, security interest or other right, whether superior, equal or subordinate to this Trust Deed or the lien hereof, such event shall be deemed to be a separate transfer. Grantor shall not further assign any interest in the Income from the Property without the prior written consent of Beneficiary. Any such purported assignment or transfer without such prior written consent

shall be void and of no effect, and shall be deemed to be an event of default. The giving of consent by Beneficiary in one instance shall not preclude the need to obtain consent to further transfers.

9.2 Requirements Concerning Transfer. The purpose of this Section 9 is to protect the Beneficiary's security, to keep the Property free from subordinate financing liens, and/or to allow Beneficiary to obtain the repayment (or reduction) of the amount of the Indebtedness in connection with any transfer or refinancing. Failure to obtain Beneficiary's prior written consent shall be a default under this Trust Deed, entitling Beneficiary, at Beneficiary's option and without prior notice to Grantor, (a) to declare all sums secured by this Trust Deed to be immediately due and payable, and (b) to exercise any other remedies set forth in this Trust Deed. No such consent shall be considered by Beneficiary unless the appropriate service fees and legal fees of Beneficiary and its loan servicing agent are paid in advance, and no such consent shall be given unless Grantor agrees, inter alia, that immediately upon closing of the subject sale or other transfer, Grantor will provide the Beneficiary with a copy of the deed or other instrument transferring the title to or interest in the Property or beneficial interest in Grantor, together with (if the nature of the transfer or Beneficiary's written consent does not require a payoff payment) an assumption agreement from the transferee in form satisfactory to Beneficiary and its legal counsel. Grantor or the transferee will reimburse Beneficiary upon request for its actual reasonable attorneys' fees and costs in reviewing or preparing documents required in connection with a transfer, or any request by Grantor for a modification or change to this Trust Deed or other Loan Documents. On request, Grantor will provide Beneficiary with a certified statement (or copy of any public filing) from time to time listing the persons holding membership interests in Grantor and the respective percentage interest held by each (if Grantor now or hereafter is a limited liability company) or holding the stock or beneficial interests in Grantor (if Grantor now or hereafter is a non-publicly held corporation, trust or other entity).

9.3 Transfers Generally. The Indebtedness will be due on sale or further encumbrancing by Grantor, except in the event of a sale or further encumbrancing which is made with the prior written consent of Beneficiary in the Beneficiary's sole discretion. By consenting to a transfer, Beneficiary shall not be deemed to have released any person from personal liability for repayment of the Note, unless such release is specifically stated in the written consent. Consent to one such transfer shall not be deemed to be a waiver of the right to require consent to future or successive transfers. Any consent by Beneficiary permitting a transaction otherwise prohibited under this Section shall not constitute a consent to or waiver of any right, remedy or power of Beneficiary to withhold its consent on a subsequent occasion to a transaction not otherwise permitted by the provisions of this Section.

9.4 Transfer or Encumbrances of the Trust Property. Grantor acknowledges that Beneficiary has examined both the creditworthiness of Grantor and Grantor's experience in owning and operating properties such as the Trust Property in determining whether or not to make the Loan, that Beneficiary has relied on Grantor's creditworthiness and experience in deciding to make the Loan, and that Beneficiary will continue to rely on Grantor's ownership of the Trust Property as a means of maintaining the value of the Trust Property as security for repayment of the Debt. Grantor acknowledges that Beneficiary has a valid interest in maintaining the value of the Trust Property so as to ensure that, if Grantor defaults in the repayment of the Debt, Beneficiary can recover the Debt by a sale of the Trust Property. If Grantor shall, without the prior written consent of Beneficiary, further encumber the Trust Property with any lien imposed in connection with any other financing, or sell, transfer or convey any part of the Trust Property or the right to manage or control the operation of any part of the Trust Property, the entire Debt shall become due, at the option of Beneficiary. A sale, transfer or conveyance within the meaning of this Paragraph shall be deemed to include (i) an installment sales agreement in which Grantor agrees to sell any part of the Trust Property for a price to be paid in installments; (ii) an agreement by Grantor leasing all or a substantial part of the Trust Property, or a sale, pledge, assignment or other transfer of, or the grant of a security interest in, Grantor's right, title and interest in any Leases or any Rents; (iii) if Grantor is a corporation or a limited partnership with a corporate general partner, the transfer of stock of the Grantor or its corporate general partner to parties who do not now hold a controlling interest; (iv) if Grantor is a general or limited partnership, joint venture, or other form of partnership (a "Partnership"), a transfer of any general partnership interest or the admission of any new general partner; and (v) if Grantor is a limited liability company or a limited

partnership with a limited liability company as general partner, the transfer of membership interests in the Grantor or its limited liability company general partner (or the stock or membership interests in any corporation or limited liability company controlling Grantor or its limited liability company general partner) or the creation or issuance of new memberships in Grantor or its limited liability company general partner to parties who do not now own a controlling interest. Beneficiary reserves the right to condition its consent upon a modification of the terms of this Deed of Trust and the Note and on assumption of this Deed of Trust as so modified, by the proposed transferee, payment of a transfer or assumption fee, or such other conditions as Beneficiary shall determine in its sole discretion to be in the interest of Beneficiary. Beneficiary shall not be required to demonstrate any actual impairment of its security or any increased risk of default in order to declare the Debt immediately due and payable upon Grantor's sale, transfer, conveyance or further encumbrance of the Trust Property without Beneficiary's consent. This provision shall apply to every sale, transfer, conveyance, or further encumbrance of the Trust Property regardless of whether voluntary or not or whether or not Beneficiary has consented to any previous sale, transfer, conveyance, or further encumbrance of the Trust Property.

10. **Condemnation.**

If all or any part of the Property is condemned, Beneficiary shall be entitled to all compensation awards, damages, claims, rights of action and proceeds of or on account of any damage or taking through condemnation. Beneficiary is hereby authorized, at its option, to commence, appear in and prosecute, in its own or Grantor's name, any action or proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. All such compensation awards, damages, claims, rights of action and proceeds, and any other payments or relief, and the right thereto, are hereby assigned by Grantor to Beneficiary. After deducting all expenses of Beneficiary or Trustee, including attorneys' fees, Beneficiary may apply the net proceeds either to the reduction of the Indebtedness or the restoration of the remaining Property, subject to and in the manner described in Section 4.6. If Beneficiary holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor. Grantor agrees to execute such further assignments of any compensations, awards, damages, claims, rights of action and proceeds as Beneficiary may require. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this Section shall apply.

11. **Powers, Obligations and Appointment of Trustee.**

11.1 **Powers of Trustee.** In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the request of Beneficiary and Grantor:

- (a) Join in preparing and filing a map or plat of the Property, including the dedication of streets or other rights in the public, or in executing any application or document required in connection with the development of the Property.
- (b) Join in granting any easement or creating any restriction on the Property.
- (c) Join in any subordination or other agreement affecting this Trust Deed or the interest of Beneficiary under this Trust Deed.
- (d) Reconvey, without warranty, all or any part of the Property.

11.2 **Obligations to Notify.** Trustee shall not be obligated to notify any other party of a pending sale under any other Trust Deed or lien, or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

12. **Events of Default.**

The following shall constitute events of default under the Loan Agreement, Note and this Trust Deed:

(a) Failure of Grantor to make any payment required under this Trust Deed, the Loan Agreement or the Note when it is due, subject to applicable grace periods therein expressly provided for.

(b) Failure of Grantor within the time required by the Loan Agreement or this Trust Deed to make any payment for taxes, insurance, or for reserves for such payment, or any other payment necessary to prevent filing of or discharge of any lien.

(c) Transfer or agreement to transfer the Property or any interest described or referenced in Section 9 without the prior written consent of Beneficiary, as required under Section 9.

(d) Breach of any warranty or material untruth of any representation of Grantor contained in the Loan Agreement or any other instrument delivered by Grantor in connection with this transaction.

(e) Failure of Grantor to perform any other obligation contained in the Note, the Loan Agreement or this Trust Deed.

(f) The occurrence of any other event of default under any of the Loan Documents.

(g) Dissolution, termination of existence, insolvency on a balance sheet basis or business failure of Grantor; the commencement by Grantor 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 entry of a decree or order for relief against Grantor in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief and the petition therefor is not dismissed or discharged within 60 days from the date of filing; the appointment or the consent by Grantor to the appointment of a receiver, trustee, or custodian of the Grantor or of any of the Grantor's property; an assignment for the benefit of creditors by Grantor, or Grantor's failure generally to pay its debts as such debts become due.

(h) The making or suffering by Grantor of a fraudulent transfer under applicable federal or state law, concealment by Grantor of any of its property in fraud of creditors; the making or suffering by Grantor of a preference within the meaning of the federal bankruptcy law; or the imposition of a lien through legal proceedings or distraint upon any of the property of Grantor which is not discharged or bonded in the manner permitted by Section 5.3.

(i) The events of default specified in Sections 12(g) and (h) (the "Insolvency Defaults") shall apply and refer to Grantor and to each guarantor of the Indebtedness or the Loan Agreement (as any or all Grantor's obligations thereunder), individually.

13. Rights and Remedies upon Default.

13.1 **Remedies.** Upon the occurrence of any event of default and at any time thereafter, Beneficiary or Trustee may exercise any one or more of the following rights and remedies, in addition to any other remedy which may be available at law, in equity or otherwise:

(a) Beneficiary may declare the entire amount owed by Grantor immediately due and payable.

(b) Beneficiary may have a receiver (which may be Beneficiary or its nominee) appointed as a matter of right or may exercise all rights of a receiver or as a mortgagee-in-possession.

(c) Beneficiary may, either through a receiver or as a mortgagee-in-possession, take possession of all or any part of the Property, which shall be peaceably surrendered by Grantor.

(d) Beneficiary may revoke Grantor's right to collect the Income from the Property and may collect the Income, either itself or through a receiver. To facilitate collection, Beneficiary may notify any tenant or other user to make payments of rents or use fees directly to Beneficiary. If the Income is collected by Beneficiary, then Grantor irrevocably designates Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment in the name of Grantor and to negotiate the instruments and collect the proceeds. This power of attorney will be deemed a power coupled with an interest and shall be irrevocable. Payments by tenants or other users to Beneficiary in response to Beneficiary's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Beneficiary shall not be deemed a mortgagee-in-possession solely by reason of exercise of the rights contained in this subsection.

(e) Beneficiary shall have the right to cause Trustee to foreclose Grantor's interest in all or any part of the Property by nonjudicial notice and sale, and Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.

(f) In the event of foreclosure, all rights of Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

(g) If the Trust Deed is foreclosed by judicial procedure, Beneficiary will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this Trust Deed exceeds the net sale proceeds payable to Beneficiary.

(h) With respect to the Personal Property, Beneficiary shall have full power to sell, lease, transfer, or otherwise deal with the Personal Property or proceeds thereof in its own name or that of Grantor and Beneficiary may exercise the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the property is located. Without limiting the foregoing, Beneficiary may sell the Personal Property at public auction. Unless the Personal Property threatens to decline speedily in value or is of the type customarily sold on a recognized market, Beneficiary will give Grantor reasonable notice of the time after which any private sale or any other intended disposition is to be made. The requirements of reasonable notice shall be met if such notice is mailed by registered or certified mail, postage prepaid, to the address of Grantor stated in this Trust Deed at least 10 days before the time of the sale or disposition. Grantor shall be liable for expenses of retaking, holding, preparing for sale, selling, or the like.

(i) Beneficiary and Trustee shall have any other right or remedy provided in this Trust Deed.

13.2 **Receiver.** Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Property exceeds the amount of the secured Indebtedness, and any receiver appointed may serve without bond. Employment by Beneficiary shall not disqualify a person from serving as receiver.

13.3 **Rights of Receiver or Mortgagee-in-Possession.** Upon taking possession of all or any part of the Property, the receiver or Beneficiary may, without limiting any other rights or remedies provided for in the other Loan Documents or by law:

(a) Use, operate, manage, control and conduct business on the Property;

(b) Make expenditures for all maintenance decorating, renewals, replacements, alterations, additions and improvements to the Property as in its judgment are proper;

(c) Insure and reinsure the Property and all risks incidental to its possession, operation and management of the Property;

(d) Collect the Income from the Property and apply such sums to the expenses of use, operation and management in such priority as Beneficiary deems appropriate. Grantor shall promptly turn over to Beneficiary or the receiver all documents, books, records, papers and accounts relating to the Income, together with the amount of any deposits and rentals from any tenant. Beneficiary or the receiver may appear in any proceeding or bring suit on Grantor's behalf, as necessary, to enforce obligations of any tenant, including actions for the recovery of rent, actions in forcible detainer and in distress for rent;

(e) Cancel or terminate any lease or agreement for any cause which would entitle Grantor to cancel the same;

(f) Elect to disaffirm any lease or agreement which is then subordinate to the lien of this Trust Deed;

(g) Extend or modify any lease and make any new lease on any portion of the Property. Any such instruments shall be binding upon Grantor's interest in the Property and all persons whose interests in the Property are subordinate to the lien of this Trust Deed, and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Indebtedness, satisfaction of the foreclosure decree or issuance of any certificate of sale or deed to any purchaser; and

(h) 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.

If the Income is 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 deems necessary for the purposes stated in this Section. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 18.4. Such sums shall become a part of the Indebtedness secured by this Trust Deed and shall be payable by Grantor on demand.

13.4 Sale of the Property. To the extent permitted under applicable law, Beneficiary and Trustee shall be free to sell Grantor's interest in all or any part of the Property together or separately or to sell certain portions of the Property and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale on all or any portion of the Property.

13.5 Beneficiary's Right to Bid. At any public sale of all or any portion of the Property, Beneficiary (or any subsequent holder of the Note) shall be entitled to bid and shall have the right to become the purchaser in the event it should be the highest bidder, and shall have the right, in lieu of cash payment, to apply the amount bid against the indebtedness owing by Grantor and secured by this Trust Deed.

13.6 Occupation of Property After Sale. In the event of a sale of all or any part of the Property pursuant to this Trust Deed, Grantor, Grantor's heirs, executors, administrators, assigns, successors, or any other person holding under them or in possession of any portion of the Property, shall immediately become a tenant at will of the purchaser of such foreclosure sale. If any such person refuses to surrender possession of the Property (or portion thereof) on demand, the purchaser shall

thereupon be entitled to institute and maintain the statutory action for forcible detainer, and to procure a writ of possession thereunder.

13.7 **Notice of Sale.** Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of the 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 at least 10 days before the time of the sale or disposition.

13.8 **Election of Remedies.** Election by Beneficiary to pursue one remedy shall not exclude resort to any other remedy, and all remedies of Beneficiary under this Trust Deed are cumulative and not exclusive. An election to make expenditures or to take action to perform an obligation of Grantor under this Trust Deed after failure of Grantor to perform shall not prejudice Beneficiary's right to declare a default nor constitute a waiver of the breached term or of any of the remedies provided in this Section.

13.9 **Application of Proceeds from Property.** All proceeds realized from the exercise of Beneficiary's rights and remedies shall be applied as follows:

(a) To pay the costs of exercising such rights and remedies, including the costs of any sale, the costs and expenses of any receiver or mortgagee-in-possession, and the costs and expenses provided for in Section 13.10;

(b) To pay all amounts owed by Grantor payment of which is secured by this Trust Deed for principal, interest, costs and expenses in such order or manner as Beneficiary deems reasonable.

(c) The surplus, if any, shall be paid to the clerk of the court in the case of a foreclosure by a judicial proceeding, otherwise to the person or persons legally entitled thereto.

13.10 **Attorneys' Fees; Expenses.** In the event suit or action is instituted to enforce any of the terms of this Trust Deed, the prevailing party shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred that are necessary at any time in Beneficiary's opinion for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 18.4. Such sums shall become a part of the Indebtedness secured by this Trust Deed and be payable by Grantor on demand. Expenses covered by this Section include (without limitation) the cost of searching records, obtaining title reports, surveyors' reports, and attorneys' opinions title insurance.

14. **Protection of the Property and Security.**

14.1 **Suits to Protect the Property.** Beneficiary and Trustee shall have the power and authority to institute and maintain any suits and proceedings as Beneficiary may deem advisable (a) to prevent any impairment of the Property by any acts which may be unlawful or in violation of this Trust Deed, (b) to preserve or protect its interest in the Property, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order might impair the security hereunder or be prejudicial to Beneficiary's interest.

14.2 **Hazardous Materials.** Grantor hereby represents and warrants to Beneficiary that Grantor will not place or knowingly permit any materials to be located on the Property which, under any governmental authority or requirement (collectively the "Environmental Requirements"), require special handling in collection, storage, treatment, or disposal, unless Grantor, at its sole expense, takes all actions as may be necessary to comply with all Environmental Requirements. Grantor hereby agrees to indemnify and hold harmless Beneficiary from all loss, liability, damage, cost and expense, including

reasonable attorneys' fees, for failure of the Property to comply in all respects with the Environmental Requirements. The provisions hereof shall survive payoff, release, or foreclosure of this Trust Deed. Grantor, promptly upon the written request of Beneficiary from time to time, shall provide Beneficiary with such governmental site assessment, audit report, or update as Beneficiary may reasonably require to assure the protection of the Property, in scope, form, and content satisfactory to Beneficiary.

15. **Waiver.**

15.1 **Delay or Omission Is No Waiver.** No delay or omission of Beneficiary or of any holder of the Note to exercise any right, power or remedy accruing upon any event of default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such event of default or to constitute acquiescence therein. Every right, power and remedy given to Beneficiary may be exercised from time to time and as often as may be deemed expedient by Beneficiary.

15.2 **No Waiver of One Default to Affect Another.** A waiver by Beneficiary of a breach of any provision of this Trust Deed shall not constitute a waiver of that provision or of any succeeding breach of or prejudice Beneficiary's right otherwise to demand strict compliance with the same or any other provisions. If Beneficiary (a) grants forbearance or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment thereof; (c) waives or does not exercise any right granted in the Note, this Trust Deed or any other instrument securing the Note; (d) releases any part of the Property from the lien of this Trust Deed or any other instrument securing the Note; (e) consents to the filing of any map, plat or replat of the Real Property; (f) consents to the granting of any easement on the Real Property; or (g) makes or consents to any agreement changing the terms of this Trust Deed or subordinating the lien or any charge of this Trust Deed, such act or omission shall not preclude Beneficiary or Trustee from exercising any right, power or privilege granted or intended to be granted by this Trust Deed in case of any event of default then existing or of any subsequent event of default. Except as otherwise expressly provided in an instrument executed by Beneficiary, the lien of this Trust Deed shall not be altered by such acts or omission. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, Beneficiary, without notice to Grantor or any other person, is authorized and empowered to deal with any such vendee or transferee with reference to the Property, the Indebtedness secured by this Trust Deed, or any of the terms or conditions of this Trust Deed as fully and to the same extent as it might deal with the original Grantor and without in any way releasing or discharging any of the undertakings contained in the Note or this Trust Deed.

16. **Security Interest in Personal Property.**

16.1 **Security Agreement; Financing Statements.** This instrument shall constitute a security agreement under the Uniform Commercial Code with respect to the Personal Property included in the description of the Property. Grantor shall promptly execute the necessary financing statements in the form required by state statutes and shall file the statements at Grantor's expense in all public offices where filing is required to perfect the security interest of Beneficiary. Beneficiary may file copies or reproductions of this instrument as financing statements at any time and at its option without further authorization from Grantor. Grantor shall promptly execute and file necessary refilings, renewals, modifications, and amendments of such financing statements as Beneficiary shall require.

16.2 **Use.** The Personal Property is not used or bought for personal, family or household purposes.

16.3 **Obligations of Grantor.** All covenants and obligations of Grantor contained in this Trust Deed relating to the Property shall be deemed to apply to the Personal Property as well as the Real Property, whether or not expressly referred to in this Trust Deed, unless the context requires otherwise. Upon default, Grantor shall assemble the Personal Property and make it available to Beneficiary within three days after receipt of written demand from Beneficiary.

16.4 **Fixture Filing.** This Trust Deed constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of Klamath County, Oregon with respect to any and all fixtures included within the description of the Property and with respect to any goods or other Personal Property that may now or hereafter become such fixtures. The mailing addresses of Grantor (debtor) and Lender (secured party), from which information concerning the security interest granted by this Trust Deed may be obtained (each as required by the Uniform Commercial Code), are as stated on the first page of this Trust Deed.

17. **Reconveyance on Full Performance; Partial Reconveyance.**

If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Trust Deed, the Loan Agreement and the Note, Beneficiary shall execute and deliver to Trustee a request for full reconveyance. Beneficiary shall also execute and deliver to Grantor a suitable instrument in recordable form evidencing the termination of the assignment of the Income to Beneficiary and security interest. If Grantor and Beneficiary agree to a partial release in accordance with the provisions of the Loan Agreement, then Beneficiary shall execute and deliver to Trustee an appropriate request for partial reconveyance. The reconveyance fee required by law and all recording fees shall be paid by Grantor.

18. **Miscellaneous.**

18.1 **Time of Essence.** Time is of the essence of this Trust Deed.

18.2 **Subrogation.** To the extent that proceeds of the Note are advanced by Beneficiary by payment of any outstanding lien, charge or prior encumbrance against the Property (including, without limitation, the loan instruments in favor of any construction lender), Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, whether or not such liens, charges or encumbrances are released.

18.3 **Binding upon Successors and Assigns.** Subject to the limitations stated in Section 9 of this Trust Deed and subject to the provisions of applicable law with respect to successor trustees, this Trust Deed shall be binding on and inure to the benefit of the parties, their successors and assigns.

18.4 **Beneficiary's Right to Perform Obligations of Grantor.** If Grantor fails to perform any obligation required of Grantor under this Trust Deed, Beneficiary without notice may take any steps necessary to remedy such failure. Grantor shall reimburse Beneficiary for the cost of Beneficiary's performance, together with interest from the date of expenditure until repaid at the default rate of interest as provided in the Note, but not in any event greater than the maximum rate of interest permitted by law. Such sums shall become a part of the Indebtedness secured by this Trust Deed and be payable by Grantor on demand. Such action by Beneficiary shall not constitute a waiver of the default or any other right or remedy which Beneficiary may have on account of Grantor's default.

18.5 **Limitation of Interest.** It is the intent of Grantor and Beneficiary in the execution of the Loan Agreement, the Note, this Trust Deed and all other instruments securing the Note to contract in strict compliance with the applicable state usury laws governing this transaction, which shall be the laws of the State of Oregon. In furtherance thereof, Beneficiary and Grantor stipulate and agree that none of the terms and provisions contained in any such instrument shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged under applicable state law. Grantor or any guarantor, endorser or other party now or hereafter becoming liable for the payment of the Note shall never be liable for unearned interest on the Note and shall never be required to pay interest on the Note at a rate in excess of the maximum interest that may be lawfully charged under applicable state law, and the provisions of this Section shall control over all other provisions of the Note and any other instrument executed in connection herewith which may be in apparent conflict herewith. In the event any holder of the Note shall collect moneys which are deemed to constitute interest which would otherwise increase

the effective interest rate on the Note to a rate in excess of that permitted to be charged under applicable state law, all such sums deemed to constitute interest in excess of the legal rate shall be deemed a permitted prepayment of principal and, to the extent constituting an amount in excess of the principal then due, shall be immediately returned to the Grantor upon such determination.

18.6 **Changes in Writing.** This Trust Deed and any of its terms 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 hereafter made by Grantor or Beneficiary relating to this Trust Deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

18.7 **Notices.** Notices under this Trust Deed shall be in writing and shall be effective on the second business day after mailing as registered or certified mail, postage prepaid, directed to the other party at the addresses set forth on the first page hereof, or such other address as a party may indicate by written notice to the other. Any notice sent by registered or certified mail shall be deemed effective on such second business day after mailing to the address of the party (without the necessity for personal delivery or receipt by any particular named person).

18.8 **Financial Records.** Grantor shall keep proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of, or in relation to the business and affairs of Grantor with respect to the Property and Income in accordance with generally accepted principles of accounting consistently maintained. Within 90 days after the end of each fiscal year of Grantor, Grantor will furnish financial statements to Beneficiary prepared by a qualified accountant acceptable to Beneficiary and certified by Grantor, containing a detailed statement of income and expenditures and supporting schedules for such year, a balance sheet and supporting schedules as of the end of such year, a rent schedule and (if applicable) a schedule of gross sales as to each tenant obligated to pay percentage rent. Grantor and any guarantor shall also comply with any additional requirements for operating statements, rent rolls, personal financial statements, credit reports and other financial information as may be required by Beneficiary. At the request of Beneficiary, its agents, or attorneys, Grantor shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of Grantor and the Property, including (without limitation) personal financial statements on Grantor and all general partners of Grantor and any guarantors.

18.9 **Captions.** All captions used in this Trust Deed are intended solely for convenience of reference and shall not limit, expand or otherwise affect any of the provisions of this Trust Deed.

18.10 **Invalid Provisions to Affect No Others.** If any of the provisions contained in the Note or this Trust Deed shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions contained herein and in the Note shall not be affected thereby.

18.11 **Multiple Parties.** The obligations imposed upon Grantor under this Trust Deed, and the obligations imposed on the signers of the Note and each of the other instruments securing payment of the Note, shall be joint and several obligations.

18.12 **Secondary Financing.** Grantor shall not place any secondary financing on the Property without the prior written consent of Beneficiary. Failure to obtain Beneficiary's prior written consent shall be a default under this Trust Deed.

18.13 Intentionally deleted.

18.14 **Applicable Law.** This Trust Deed, the Note, the Loan Agreement and other instruments have been executed and delivered to Beneficiary in Oregon, and all payments are to be made to Beneficiary in Oregon (or as Beneficiary may subsequently designate in writing to Grantor). The law of the State of Oregon shall be applicable for the purpose of construing and determining the

validity of this Trust Deed and determining the rights and remedies of Beneficiary on default. The law of the state where the Property is located shall control whether the Property may be sold with or without judicial foreclosure.

18.15 **Venue and Jurisdiction.** Grantor and each person now or at any time thereafter liable, whether primarily or secondarily, hereunder hereby agrees to the venue and jurisdiction of any court in the State of Oregon regarding all actions, proceedings or other matters arising directly or indirectly hereunder and expressly consent that any service of process may be made by personal service upon such parties wherever they can be located or by certified or registered mail directed to Grantor's address for notice purposes pursuant to this Trust Deed.

18.16 **No Offset.** Grantor's obligation to make payments and perform all obligations, covenants, and warranties under this Trust Deed and under the other Loan Documents shall be absolute and unconditional and shall not be affected by any circumstance, including (without limitation) any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense, or other right which Grantor or any guarantor may have or claim against Beneficiary or any entity participating in making the loan secured hereby.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 197.352. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 197.352.

WARNING--AS REQUIRED BY ORS 746.201(2), NOTICE IS GIVEN THAT: UNLESS THE GRANTOR(S) PROVIDE THE BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY THE LOAN AGREEMENT AND THIS TRUST DEED, BENEFICIARY MAY PURCHASE INSURANCE AT GRANTOR(S)' EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT GRANTOR(S)' INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM GRANTOR(S) MAKE OR ANY CLAIM MADE AGAINST GRANTOR(S). GRANTOR(S) MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT GRANTOR(S) HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

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GRANTOR(S) ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO GRANTOR(S) LOAN BALANCE. IF THE COST IS ADDED TO GRANTOR(S) LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE GRANTOR(S)' PRIOR COVERAGE LAPSED OR THE DATE GRANTOR(S) FAILED TO PROVIDE PROOF OF COVERAGE.

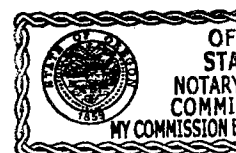
THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE GRANTOR(S) CAN OBTAIN ON THEIR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

GRANTOR ACKNOWLEDGES THE RECEIPT OF A COPY OF THESE ORS 93.040 AND ORS 746.201(2) DISCLOSURES.

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

GRANTOR: Brent Ray Budden, a married man as his sole and separate property


Brent Ray Budden



STATE OF OREGON)
County of Klamath) ss.

The foregoing instrument was acknowledged before me on this 29th day of October, 2014, by Brent Ray Budden.

(NOTARIAL SEAL)



Stacy M Howard
Notary Public for Oregon
My Commission Expires: 11-18-15

REQUEST FOR FULL RECONVEYANCE

To be used only when obligations have been paid

TO: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums by said trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same. Mail reconveyance and documents to _____.

DATED: _____

Beneficiary

Do not lose or destroy this Trust Deed OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

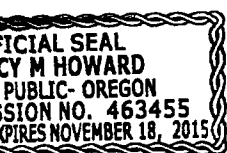


EXHIBIT "A"

(Legal Description)

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

Lot 1 in Block 11 of RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS, according to the official plat thereof on file in the County of Klamath, State of Oregon.

PARCEL 2:

Lot 2 in Block 11 of RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS, according to the official plat thereof on file in the County of Klamath, State of Oregon.

PARCEL 3:

The Southerly 35 feet of Lot 6 in Block 53, SECOND ADDITION TO HOT SPRINGS 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.

PARCEL 4:

A tract of land situated in the NE1/4 of Section 15, Township 38 South, Range 9 East of the Willamette Meridian in the County of Klamath, State of Oregon, more particularly described as follows:

Parcel 1 of Minor Land Partition 9-90.

EXCEPTING the following described tract: Beginning at the most Westerly corner of Lot 3, Block 1, TANGLEWOOD-TRACT 1225; thence along the boundary of said TRACT 1225, on a curve to the right (radius point bears South 15°54'46" West 175 feet and central angle equals 38°51'3") 118.69 feet, on a curve to the left (radius point bears North 54°46'22" East 20.00 feet, central angle equals 76°49'54") 26.82 feet, on a curve to the left (radius point bears South 22°03'32" East 225.00 feet and central angle equals 14°47'21") 58.08 feet, South 53°09'07" West 27.41 feet, on a curve to the left (radius point bears North 36°50'53" West 20.00 feet and central angle equals 91°25'19") 31.91 feet, on a curve to the left (radius point bears South 51°43'48" West 125.00 feet and central angle equals 49°19'25") 107.61 feet; thence North 44°33'10" East 60.91 feet to the point of beginning with bearings based on said Tract 1225.

PARCEL 5:

The following described property in Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Section 9: NW1/4 of the SE1/4

Section 10: SE1/4; NE1/4; E1/2 of the NW1/4; S1/2 of the SW1/4

Section 15: NE1/4 of the NE1/4 and NW1/4 of the NE1/4 EXCEPT the South 465.44 feet thereof

Excepting therefrom:

All the Dower interest of Lottie A. Budden in and to the house and 1/2 acre situated in the S1/2 SE1/4 of Section 10, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon

EXCEPTING THEREFROM that portion thereof conveyed to Klamath County, a political subdivision of the State of Oregon, for Old Fort Road by Warranty Deed dated February 25, 1983, recorded March 29, 1983 in Volume M83, page 4585, Microfilm Records of Klamath County, Oregon.

PARCEL 6:

All the Dower interest of Lottie A. Budden in and to the house and 1/2 acre situated in the S1/2 SE1/4 of Section 10, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.