

After Recording Return To:  
Herb Koss  
Koss Real Estate  
22400 Salamo Rd Ste 106  
West Linn OR 97068

2017-014696  
Klamath County, Oregon  
12/27/2017 02:54:01 PM  
Fee: \$132.00

2018-002580  
Klamath County, Oregon  
03/08/2018 01:19:01 PM  
Fee: \$127.00

AmeriTitle  
MTC 189882 AM

Rerecorded at the request of AmeriTitle to add  
the vacated alley to the legal description.  
Previously recorded in 2017-014696.

**(LINE OF CREDIT TRUST DEED)<sup>1</sup>**

**OREGON COMMERCIAL DEED OF TRUST  
AND SECURITY AGREEMENT  
LAND DEVELOPMENT AND/OR CONSTRUCTION**

The maximum principal amount to be advanced is Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00); however, this Deed of Trust secures all other indebtedness evidenced by the Secured Obligations (as defined below) or created in connection herewith, including contingent or unliquidated liabilities, without any limitation thereon. The maximum principal amount to be advanced hereunder may be exceeded by advances pursuant to ORS 86.155(2)(c) to complete construction on the Property (defined below), plus accrued interest charges, costs, and fees allowed by law. The Secured Obligations are intended as a "credit agreement" within the meaning of ORS 86.155 and mature April 27, 2018.

**DATED:** December 26, 2017

**GRANTOR:** 1945, LLC, an Oregon limited liability company  
1800 Blankenship Rd.  
West Linn, Oregon 97068

**HEREIN "BORROWER"**

**TRUSTEE:** AmeriTitle  
740 Main Street  
Klamath Falls, Oregon 97601

**HEREIN "TRUSTEE"**

**BENEFICIARY:** Koss Real Estate 401(k) Plan  
22400 Salamo Road, Suite 106  
West Linn, Oregon 97068

**HEREIN "LENDER"**

**THIS DEED OF TRUST WITNESSETH:**

THAT for good and valuable consideration, the receipt of which is hereby acknowledged, Borrower does hereby irrevocably GRANT, BARGAIN, TRANSFER, SELL, CONVEY, WARRANT AND ASSIGN TO TRUSTEE, IN TRUST, WITH POWER OF SALE, that real property in the County of Klamath, State of Oregon, more particularly described on Exhibit A attached hereto and incorporated herein by reference.

TOGETHER WITH the following described estate, property and rights of Borrower (herein collectively called the "Property") as security for the performance of each covenant and agreement of Borrower contained herein and in all other instruments executed in connection herewith, and for the payment of all sums of money secured hereby:

1. All of Borrower's legal and equitable right, title and interest in and to all of the following property of every kind and description (whether now or hereafter existing or acquired) that is attached to, erected upon, forming a part of, appurtenant to, situated in or upon, derived from, used or useful in the construction, completion, repair, maintenance, renovation, rehabilitation, alteration or operation of, or arising from the use, occupancy or enjoyment of, or in any way related to or in connection with, all or any portion of such real property, all of which shall be deemed part of the realty and not severable wholly or in part without material injury to the freehold:
  - a. All the estate and rights of Borrower now held and hereafter acquired in and to land lying in streets, roads, and rights of way adjoining such real property, and all access rights and easements appertaining thereto;
  - b. All rents, issues, profits, royalties, income, leases, subleases, leasehold estates, cash, prepaid rentals, security or other tenant deposits and other payments of similar nature;
  - c. All appurtenances, tenements, hereditaments, reversionary rights, sidewalks, alleys, strips and gores, easements, options to purchase, licenses, rights of first refusal, mineral, oil and gas, and water rights and shares of stock evidencing the same;
  - d. All buildings, improvements, structures, fixtures, equipment, machinery, furniture, goods, supplies and other tangible personal property;
  - e. All inventory, accounts, documents, instruments, general intangibles, deposit accounts, and contract rights; and

<sup>1</sup> NOTE: This Deed of Trust is denominated a Line of Credit Trust Deed to comply with ORS 86.155 and is sometimes referred to herein as "Instrument."

- f. All contract, tort, insurance, insurance proceeds, condemnation and other claims and proceeds, demands, settlement awards, damages, judgments or other similar rights.

INCLUDING, WITHOUT IN ANY WAY LIMITING ANY OF THE FOREGOING, all plans, specifications, drawings, surveys, tests, studies, licenses, permits, certificates of need, samples, forms, construction contracts, building materials, rights to further encumber any of such property, patents, copyrights, trademarks, deposit accounts, prepayments, bonds, goodwill, shrubbery, landscaping, tools, accessories, tax refunds, return premiums, utility deposits, refunds and rebates, fire sprinklers, alarm systems, heating, ventilating and air conditioning systems, refrigerators and refrigeration equipment, electronic monitoring, cable and internet systems or equipment, entertainment and recreational materials, window or structural cleaning rigs, pest extermination equipment and supplies, lobby furniture, indoor and outdoor furniture, tables, chairs, planters, desks, sofas, shelves, lockers, cabinets, wall beds, wall safes, appliances, ranges, utensils, ice boxes, fans, heaters, water heaters, incinerators, boilers, rugs, carpets, floor and window coverings, draperies, drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures, fuel, sanitation and drainage equipment and systems, laundry equipment, plumbing, sinks, toilets, showers and bathtubs, radios, televisions, antennae, screens, swimming pool equipment, vehicles, fittings and parts.

TOGETHER WITH all accessions and additions to, and all modifications, replacements, substitutions, products and proceeds of the foregoing. It is the intent of the parties that the description above be interpreted as broadly as possible.

2. If Grantor is not the Borrower under any Notes payable to Lender, "Borrower" may also refer to the maker of any and all Notes or other obligations secured hereby.

TO HAVE AND TO HOLD the Property bargained and described forever as security for the faithful performance of the Secured Obligations (defined below) and as security for the faithful performance of each and all of the covenants, agreements, terms and conditions of this Deed of Trust, and in all other instruments executed in connection herewith, SUBJECT HOWEVER, to the right, power and authority given to and conferred upon Lender to collect and apply the above described rents, issues, and profits.

**COVENANTS.** Borrower and Lender covenant and agree as follows:

1. **Obligations Secured and Covenants of Title.** This Deed of Trust is made for the purpose of securing the performance of each agreement of Borrower herein and in the Construction or other Loan Agreement and the Commitment between Borrower and Lender (the "Loan Agreement") relating hereto and the following instruments executed in connection therewith (if applicable): (1) one or more Promissory Note(s), including additional, replacements, or substitutions thereof (the "Note"); (2) the Assignment of Sales Agreements, Leases and Rents; (3) the Loan Agreement; (4) the Assignment of Construction Contract, Engineer Contract and Permits, and the UCC-1 Financing Statement, all of which constitute the ("Related Documents") between Lender and Borrower; (5) all renewals, extensions, modifications, substitutions and consolidations of the Note, together with all future advances made to Borrower by Lender, its successors and assigns, under the Note or pursuant to the terms of this Deed of Trust or the Loan Agreement or any other instruments and agreements executed in connection with or to secure the Note; and (6) any and all other obligations of Borrower to Lender, its successors and assigns, now existing and hereafter arising and which are at any time specifically declared by Lender in writing to be secured by these presents or which specifically indicate in the instruments which evidence the same that they are intended to be so secured.

All of the foregoing constitute the "Secured Obligations."

Borrower covenants that Borrower is lawfully seized of the interest hereby conveyed and has the right to grant, convey and assign the Property, that the Property is unencumbered, except as specifically provided in Exhibit B attached hereto and by this reference incorporated herein, and that Borrower will warrant and defend generally the title to the Property against all claims and demands subject to the exceptions listed in Exhibit B hereto.

2. **Timely Payment and Performance.** Borrower shall promptly pay when due and timely perform all Secured Obligations, including without limitation payment of all the principal of and interest on the indebtedness evidenced by the Note, any default and late charges provided in the Note, and all other sums secured by this Instrument.

Borrower shall promptly pay when due all lawful taxes and assessments upon the Property. Should Borrower fail to pay any taxes, assessments, insurance premiums, liens or other charges payable by Borrower, Lender may pay the same and the amount so paid with interest at the rate set forth in the Note secured hereby shall be added to and become a part of the debt secured by this Instrument. Lender shall not be required or obligated to make any such payments on behalf of Borrower and has no duty to do so.

3. **Funds for Taxes and Insurance.** If Lender shall request in writing, Borrower shall pay to Lender on the day monthly installments of interest are payable under the Note (or on another day designated in writing by Lender), until the Secured Obligations are paid in full, a sum (herein "Funds") equal to one twelfth (1/12<sup>th</sup>) of: (a) the yearly taxes and assessments which have been or may be levied on the Property; (b) the yearly premium installments for fire and other hazard insurance and such other insurance as Lender may require. Any waiver by Lender of a requirement that Borrower pay such Funds directly may be revoked by Lender, in Lender's sole discretion, at any time upon notice in writing to Borrower.

Lender may require Borrower to pay to Lender, in advance, such other Funds for other taxes, assessments, charges, premiums, association assessments, and impositions of a similar nature, as well as water, sewer, and any other charges in connection with the Property or chargeable against Borrower which Lender shall reasonably deem necessary to protect Lender's interests (herein "Other Impositions"). Unless otherwise provided by applicable law, Lender may require Funds for Other Impositions to be paid by Borrower in a lump sum or in periodic installments, at Lender's option.

The Funds shall be held in an institution(s) of Lender's choice, the deposits or accounts of which are insured or guaranteed by FDIC. Lender shall apply the Funds to pay such rates, rents, taxes, assessments, insurance premiums and Other Impositions so long as Borrower is not in breach of any covenant or agreement of Borrower in this Instrument. Lender shall make no charge for so holding and applying the Funds, analyzing such account or for verifying and compiling such assessments and bills. If Lender requires the Funds to be established, the Funds may be

commingled and invested with Lender's own funds or may be deposited in a non-interest-bearing account, or an account bearing interest for Lender. The Funds are pledged as additional security for the sums secured by this Instrument.

If the amount of the Funds held by Lender at the time of the annual accounting therefor shall exceed the amount deemed necessary by Lender to provide for the payment of taxes, assessments, insurance premiums, and Other Impositions, as they fall due, such excess shall be credited to Borrower by Lender in a manner determined by Lender in its sole discretion. If at any time the amount of the Funds held by Lender shall be less than the amount deemed necessary by Lender to pay taxes, assessments, insurance premiums, and Other Impositions, as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within thirty (30) days after notice from Lender to Borrower requesting payment thereof.

Upon Borrower's breach of any covenant or agreement of Borrower in this Instrument, Lender may apply, in any amount and in any order as Lender shall determine in Lender's sole discretion, any Funds held by Lender at the time of application (a) to pay taxes, assessments, insurance premiums and Other Impositions which are now or will hereafter become due, or (b) as a credit against the other Secured Obligations. Upon payment and performance in full of all Secured Obligations, Lender shall refund to Borrower any excess Funds held by Lender.

Notwithstanding anything in this Section 3 to the contrary, Lender shall not require the payment of such Funds so long as there has been no delinquency in the payment of any taxes, assessments, or insurance premiums relating to the Property and no other default under the Secured Obligations or this Instrument.

4. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender from Borrower and/or anyone obligated with Borrower to Lender under the Secured Obligations or this Instrument shall be applied by Lender in the following order of priority: (a) amounts payable to Lender by Borrower under Section 3 and any amounts Lender may be required to pay to lien claimants or the holders of any other encumbrance(s) against the Property to protect its security interest hereof; (b) interest payable on the Note; (c) interest payable on advances made pursuant to Section 10 hereof; (d) principal of advances made to protect Lender's security interest or pursuant to Section 10 hereof; (e) principal of the Note; and (f) any other sums secured by this Instrument in such order as Lender, at Lender's option, may determine.
5. **Charges; Liens.** Borrower shall pay all water, sewer and other charges, taxes, assessments, insurance premiums, and Other Impositions attributable to the Property at Lender's option in the manner provided under Section 3 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof, or in such other manner as Lender may designate in writing. Borrower shall promptly furnish to Lender all notices of amounts due under this Section 5, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has, or may have, priority over or equality with, the lien of this Instrument, and Borrower shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Property. Without Lender's prior written permission, Borrower shall not allow any lien inferior to this Instrument to be perfected against the Property.

Borrower may withhold payment of any tax, assessment or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of non-payment, Borrower shall within fifteen (15) days secure the discharge of the lien or deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs, attorney fees or other charges that could accrue as a result of a foreclosure or sale under the lien.

If any federal, state or local tax to which this Section 5 applies is enacted subsequent to the date of this Instrument, enactment shall constitute a default and Lender may exercise any or all of the remedies available to it in the event of a default unless Borrower may lawfully pay the tax or charge imposed by the tax; and Borrower pays the tax or charge within thirty (30) days after notice from Lender that the tax law has been enacted.

6. **Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured by carriers at all times satisfactory to Lender against loss by fire, hazards included within the term "extended coverage," rent loss, use and occupancy insurance, commercial general liability, and such other hazards, casualties, liabilities and contingencies as Lender shall require and in such amounts and for such periods as Lender shall require. Should the Property at any time become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Borrower agrees to obtain and maintain flood insurance in the amount of the full unpaid balance of the Secured Obligations. Borrower shall provide workers' compensation insurance for its employees and shall require all contractors or others working on the Property to carry workers' compensation insurance in amounts required by law.

All premiums on insurance policies shall be paid, at Lender's option, in the manner provided under Section 3 hereof, or in such other manner as Lender may designate in writing.

All insurance policies and renewals thereof shall be in a form acceptable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender with loss payable to Lender. Prior to disbursement of any loan funds and at least thirty (30) days prior to the expiration date of a policy, Borrower shall deliver or cause to be delivered to Lender certificates of coverage from each insurer confirming required coverage and containing a stipulation that coverage will not be cancelled, modified or diminished without a minimum of thirty (30) days' prior written notice to Lender; Borrower shall request in writing that each insurer deliver to Lender a certified copy of the policies or renewals thereof; and Borrower shall furnish Lender with a copy of such request. Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums.

In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and empowers Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's expenses incurred in the collection of such proceeds; provided however, that nothing contained in this Section 6 shall require Lender to incur any expense or take any action hereunder. Borrower further authorizes Lender, at Lender's option, (a) to hold the balance of such proceeds to be used to reimburse Borrower for the cost of reconstruction or repair of the Property or

(b) to apply the balance of such proceeds to the payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in Section 4 hereof.

If the insurance proceeds are held by Lender to reimburse Borrower for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Lender may approve in writing. Lender may, at Lender's option, condition disbursement of such proceeds on Lender's approval of such plans and specifications of an architect satisfactory to Lender, contractor 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 reasonably require. If the insurance proceeds are applied to the payment of the sums secured by this Instrument, any such application of proceeds to principal shall not extend or postpone the due dates of the monthly installments and other payments referred to in this Instrument or in the Note unless Borrower and Lender otherwise agree in writing. If the Property is sold or if Lender 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.

**7. Hazardous Use and Materials.**

**a. Compliance with Laws.** Borrower further represents, warrants, and covenants that:

- (1) The Property, if developed, has been developed, and all improvements, if any, have been constructed and maintained, in full compliance with all applicable laws, statutes, ordinances, regulations, and codes of all federal, state, and local governments (collectively "Laws"), and all covenants, conditions, easements, and restrictions affecting the Property (collectively "Covenants"); and
- (2) Borrower and its operations upon the Property currently comply, and will hereafter comply in all material respects with all applicable Laws and Covenants.

**b. Definitions; Environmental Covenants; Warranties and Compliance.** Borrower further represents, warrants, and covenants that:

- (1) For purposes of this section, "Environmental Law" means any federal, state, or local law, statute, ordinance, or regulation pertaining to Hazardous Substances, health, industrial hygiene, land use, wetlands, surface or subsurface conditions, mining, or environmental conditions, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, 42 USC §§9601-9675, and the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, 42 USC §§6901-6992.
- (2) For the purposes of this section, "Hazardous Substance" includes without limitation:
  - (a) All "hazardous substances" designated under 40 CFR Part 302, ORS 465.200, RCW 70.105.010(10), or any similar regulation now existing or hereafter promulgated;
  - (b) All "hazardous wastes" within the meaning of 40 CFR §261.3, ORS 466.005(7), RCW 70.105.010(11), or any similar regulation now existing or hereafter promulgated;
  - (c) All "extremely hazardous substances" listed in 40 CFR Part 355, RCW 70.105.010(7), or any similar regulation now existing or hereafter promulgated;
  - (d) All "hazardous chemicals" as defined under 29 CFR §1910.1200(c) or any similar regulation now existing or hereafter promulgated;
  - (e) All "toxic chemicals" listed in 40 CFR Part 372 or any similar regulation now existing or hereafter promulgated;
  - (f) Those substances defined as "hazardous" or "toxic" in the Hazardous Materials Transportation Act, 49 USC §§1801-1819 or in any amendment thereto, or listed in 49 CFR Part 172 or any similar regulation now existing or hereafter promulgated;
  - (g) All materials, wastes, and substances that are designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 USC §§1251-1387 (33 USC §1321) or listed pursuant to Section 3076 of the Clean Water Act (33 USC §1317);
  - (h) All materials, substances, and wastes that are or which contain (i) asbestos; (ii) polychlorinated biphenyls; (iii) explosives, except such explosives as are used during construction in accordance with law; (iv) petroleum, and any fractions thereof; or (v) radioactive materials; and
  - (i) Such other substances, materials, and wastes that are or become regulated or classified as hazardous or toxic under federal, state, or local laws or regulations.
- (3) Borrower will not use, generate, manufacture, treat, produce, store, release, discharge, or dispose of on, under or about the Property or the Property's groundwater, or transport to or from the Property, any Hazardous Substance, and will not permit any other person to do so, except for such Hazardous Substances that may be used in the ordinary course of Borrower's business and in compliance with all Environmental Laws, including but not limited to those relating to licensure, notice, and recordkeeping.

- (4) Borrower will keep and maintain the Property in compliance with, and shall not cause or permit all or any portion of the Property, including groundwater, to be in violation of any Environmental Law.
- (5) Borrower shall, and hereby agrees to, hold Lender, its trustees, beneficiaries, directors, officers, employees, agents, successors, and assigns, harmless from, indemnify them for, and defend them against any and all losses, damages, liens, costs, expenses, and liabilities directly or indirectly arising out of or attributable to any violation of any Environmental Law, any breach of Borrower's warranties in this Section 7, or the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of a Hazardous Substance on, under, or about the Property, including, but not limited to, the costs of any required repair, restoration, cleanup, containment, or detoxification of the Property or any other land, site, property or resource, the preparation and implementation of any closure, remedial or other required plans, attorney fees and costs (including but not limited to those incurred in any proceeding and in any review or appeal), fees, penalties, and fines.
- (6) Borrower represents and warrants to Lender that:
  - (a) Neither the Property nor Borrower is in violation of or subject to any existing, pending, or threatened investigation by any governmental authority under any Environmental Law.
  - (b) Borrower has not and is not required by any Environmental Law to obtain any permit or license other than those it has obtained to construct or use the Improvements.
  - (c) No Hazardous Substance has ever been used, generated, manufactured, treated, produced, stored, released, discharged, or disposed of on, under, or about the Property in violation of any Environmental Law.
- (7) All representations, warranties, and covenants in Subsections (5) and (6) shall survive the satisfaction of the Borrower's repayment of the Secured Obligation, the reconveyance of the trust estate, or the foreclosure of this Instrument by any means.

**8. Preservation and Maintenance of Property.** Borrower (a) shall neither conduct or permit any nuisance nor commit waste or permit impairment or deterioration of the Property; (b) shall not abandon the Property; (c) shall keep the Property in good condition and repair 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; (d) shall keep the Property, including without limitation, improvements, fixtures, goods, equipment, machinery, goods and appliances thereon in good repair and shall replace fixtures, equipment, machinery, and appliances on the Property when necessary to keep such items in good repair; (e) shall comply with all laws, ordinances, regulations, covenants, conditions and restrictions, and requirements of any governmental body applicable to the use or occupancy of the Property and will hold Lender harmless against any violations thereof; (f) shall not commit, suffer or permit any act upon such Property in violation of law; (g) shall cultivate, irrigate, fertilize, prune and do all other acts which from the character or use of the Property may be reasonably necessary, the specific enumeration herein not excluding the general; (h) shall, if Lender requests, provide for professional management of the Property by a property manager satisfactory to Lender pursuant to a contract approved by Lender in writing; (i) shall generally operate and maintain the Property in a manner to insure maximum rentals (if applicable); and (j) shall give notice in writing to Lender of any action or proceeding and, unless otherwise directed in writing by Lender, appear in and defend Borrower and Lender in any action or proceedings purporting to affect the Property, the security of this Instrument, or the rights or powers of Lender. Neither Borrower nor any tenant or other person shall remove, demolish or alter any improvement now existing or hereafter erected on the Property or any fixture, equipment, machinery, or appliance in or on the Property except when incident to its replacement with item of like kind. Improvements shall include all existing and future buildings, structures, parking facilities and other improvements.

If the terms of this Instrument and the Secured Obligations provide that the loan or loans granted thereby or any part thereof is being obtained for the purpose of financing construction of improvements on the Property, Borrower further agrees:

- (x) To commence any construction promptly and to pursue construction with reasonable diligence to completion in accordance with plans and specifications satisfactory to Lender;
- (y) To allow Lender to inspect the Property at all times during construction; and
- (z) To comply with all terms of this Instrument and the Secured Obligations regarding construction on the Property.

**9. Zoning and Allowed Use of Property.** 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 Instrument was executed. Borrower shall not initiate or acquiesce in a change in the zoning or land use classification, or approve a Local Improvement District assessment of the Property without Lender's prior written consent.

**10. Protection of Lender's Security.** Borrower shall not permit any lien, mortgage or encumbrance prior, equal or inferior to the lien of this Instrument to be imposed or perfected upon the Property without the express prior written consent of Lender. If a lien arises or is filed as a result of non-payment, Borrower shall within fifteen (15) days secure the discharge of the lien or deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs, attorney fees or other charges that could accrue as a result of a foreclosure or sale under the lien. If (a) Borrower fails to perform the covenants and agreements contained in this Instrument, or (b) a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Instrument is commenced that affects the Property or title thereto or the interest of Lender

therein, including, but not limited to, eminent domain, insolvency, code enforcement, or proceedings involving a bankrupt or decedent, or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Instrument; (b) appearing in court; (c) paying reasonable attorney fees to protect its interest in the Property and/or rights under this Instrument, including its secured position in a bankruptcy proceeding; and (d) procuring satisfactory insurance as required herein. Lender, at its sole option, may demand reimbursement for any and all such expenses and may bring an action for repayment, or treat the payment(s) as an advance secured hereby. Securing the Property includes, but is not limited to, entering the Property to make repairs or complete any construction or other work, protect against weather damage, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 10, Lender is not required to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 10.

Any amounts disbursed by Lender pursuant to this Section 10, with interest thereon at the applicable Note rate, shall become additional indebtedness of Borrower secured by this Instrument and may be separately accounted for from the loan balance at Lender's discretion. The fact that a computerized accounting system does not separately account for the amounts disbursed by Lender under this section, does not determine how Lender elects to treat repayment of such amounts by Borrower. Unless Borrower and Lender agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the applicable Note rate unless collection from Borrower of interest at such rate would be contrary to applicable law. Borrower hereby covenants and agrees that Lender shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the indebtedness secured hereby.

In the event of breach of any of the requirements of this Section 10, the Lender may, in addition to any other rights or remedies, at any time thereafter, declare the entire indebtedness secured hereby immediately due and payable.

11. **Inspections and Appraisals.** Lender may make or cause to be made reasonable entries upon the Property for the purposes of inspection of the Property and performing an appraisal. An appraisal may be required at any time at Lender's option and Borrower's expense.
  12. **Books and Records.** Borrower shall keep and maintain at all times at Borrower's address stated herein, or such other place as Lender may approve in writing, complete and accurate books of accounts and records in accordance with Generally Accepted Accounting Principles (or such other method as may be acceptable to Lender) 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. Upon breach by Borrower of any covenant or agreement of Borrower in this Instrument and periodically but not more often than quarterly if Borrower is not in breach, such books, records, contracts, leases, and other instruments shall be subject to examination and inspection at any reasonable time by Lender, and shall be delivered to Lender, at Lender's request, together with a balance sheet, a statement of income and expenses of the Property and a statement of changes in financial position, each in reasonable detail and certified by Borrower and, if Lender shall require, by an independent certified public accountant, and together with a rent schedule for the Property, certified by Borrower, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable, and the rent paid.
  13. **Condemnation.** Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation, exercise of the power of eminent domain or other taking, whether direct or indirect, of the Property, or part thereof, and Borrower shall appear in and prosecute/defend any such action or proceeding unless otherwise agreed to by Lender and Borrower in writing. Borrower (notwithstanding that Lender may not be a party to any such proceeding) will promptly give Lender copies of notices, pleadings, judgments, determinations and other papers received by Borrower. If Borrower elects not to prosecute/defend any such action within fifteen (15) days after service on Borrower of a summons relating thereto from a court of competent jurisdiction, or if Borrower fails to notify Lender in writing of Borrower's election to prosecute/defend such action within such fifteen (15)-day period, Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, and be represented by counsel in Lender's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the Property, or part thereof, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment, or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or any part hereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender. Borrower will not enter into any agreement for the taking of all or a part of the Property, unless Lender shall have first consented thereto in writing.
- Borrower authorizes Lender to apply such awards, payments, proceeds or damages, after the deduction of Lender's expenses incurred in the collection of such amounts, at Lender's option, to restoration or repair of the Property or to payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in Section 4 hereof, with the balance, if any, to Borrower. Unless Borrower and Lender otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments and other payments referred to in this Instrument. Borrower agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Lender may require.

14. **Borrower and Lien Not Released.** From time to time, Lender may, at Lender's option, extend the time for payment of Borrower's indebtedness to Lender or any part thereof, reduce the payments thereon, release anyone liable on any of such indebtedness, accept a renewal note or notes therefor, and/or accept additional security of any kind. Lender may also authorize the Trustee to release from the lien of this Instrument or impair any part of the Property, take or release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in any extension, modification or subordination agreement. Lender can agree in writing with Borrower to modify the rate of interest or period of amortization of the Note, change the amount of the monthly installments payable thereunder, or change the maturity date of the indebtedness. All such actions by Lender may be taken without giving notice to or obtaining the consent of Grantor, Grantor's successors or assigns or of any junior lienholder or guarantors, without liability on Lender's part and notwithstanding Borrower's breach of any covenant or agreement of Borrower in this Instrument, and without affecting the lien or other rights of Lender with respect to any Property or other security not expressly released in writing. Further, any actions taken by Lender pursuant to the terms of this Section 14 shall not affect the obligation of Borrower or Borrower's successors or assigns

to pay the sums secured by this Instrument and to observe the covenants of Borrower contained herein, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the indebtedness secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorney fees and other costs or charges as may be incurred, at Lender's option, for any such action if taken at Borrower's request.

15. **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. The acceptance by Lender of payment of any sum secured by this Instrument after the due date of such payment 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 Instrument, nor shall Lender's receipt of any awards, proceeds or damages under Sections 6 and 13 hereof operate to cure or waive any acceleration of any Secured Obligation or Borrower's default of this Instrument.
16. **Estoppel Certificate.** Borrower shall, within ten (10) days of a written request from Lender, furnish Lender with a written statement, duly acknowledged, setting forth the sums secured by this Instrument and any right of setoff, counterclaim or other defense which exists against such sums and the obligations of this Instrument. In the event Borrower fails to provide such written statement within ten (10) days after Lender's request, all statements made by Lender in the form of request shall be deemed true and accurate, and Borrower shall be estopped from asserting otherwise or raising contrary contentions in defense of any action commenced by Lender. Borrower agrees and understands that Lender and third parties may rely upon the statements contained in any form of request or estoppel certificate.
17. **Uniform Commercial Code Security Agreement.** This Instrument is intended to be a security agreement pursuant to the Uniform Commercial Code for any part of the Property, including any items deemed to be equipment, fixtures, goods, general intangibles, inventory, or personal property, that, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Borrower hereby grants Lender a security interest in such Property.

Borrower shall give advance notice in writing to Lender of any proposed change in Borrower's name, identity, structure or address and shall execute and deliver to Lender, prior to or concurrently with the occurrence of any such change, all additional financing statements that Lender may require to establish and maintain the validity and priority of Lender's security interest with respect to any of the Property described or referred to herein.

Some of the items of the Property are goods that are or are to become fixtures relating to the real property, and it is intended that, as to these goods, this Instrument shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Property is situated. Information concerning the security interest created by this Instrument may be obtained from Lender, as secured party, at the address of Lender stated above. The mailing address of Borrower, as debtor, is as stated above.

Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statement, as well as extensions, renewals and amendments thereof, and reproductions of this Instrument in such form as Lender may require to perfect a security interest with respect to such items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require.

Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in any of the Property, including replacements and additions thereto. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Instrument, including the covenants to pay when due all sums secured by this Instrument, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in Section 31 of this Instrument as to such items. In exercising any of such remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order or combination whatsoever, without in any way affecting the availability to Lender of remedies under the Uniform Commercial Code or of the remedies provided in Section 31 of this Instrument.

18. **Sales Agreements and Occupancy Leases.**
  - a. Borrower shall not enter into any sale agreements (except earnest money agreements), lease, or rent the Property or any part thereof without the prior written consent of Lender, which may be withheld in Lender's sole discretion. Borrower covenants and agrees to keep, observe, and perform and to require the purchaser or tenants to keep, observe and perform all of the covenants, agreements, and provisions of any future sale agreement or leases of any portion of the Property on their respective parts to be kept, observed, and performed. In case Borrower shall neglect or refuse to do so, then Lender may, if it shall so elect, perform and comply with or require performance and compliance by the tenants with any such lease covenants, agreements and provisions. Any sums expended by Lender in performance or compliance therewith or in enforcing such performance of compliance by the purchaser or tenants, including costs, expenses and attorney fees shall (i) bear interest from the date of such expenditures at the applicable Note rate; (ii) shall be paid by Borrower to Lender upon demand; and (iii) shall be deemed a part of the debt secured hereby and recoverable as such in all respects.
  - b. In addition to the covenants and terms herein contained and not in limitation thereof, Borrower covenants that Borrower will not in any case cancel, abridge or otherwise modify sales agreements, tenancies, subtenancies, leases, or subleases of the Property or accept prepayments of installments of amounts to become due thereunder without Lender's prior written approval, which may be withheld in Lender's sole discretion.
  - c. Each lease of the Property or any part thereof or any renewal, modification, or extension of any existing lease (which by operation of law would otherwise be junior and subordinate to this Instrument) may, at Lender's option, be made senior to this Instrument at any time prior to foreclosure.

- d. Borrower will not:
- (1) Execute any future lease of any portion of the Property without the prior written consent of Lender to the form, terms, and conditions thereof, which consent may be withheld in Lender's sole discretion; or
  - (2) Execute an assignment of any part of the income or rents from the Property (i) without Lender's written consent, which may be withheld in Lender's sole discretion, and (ii) unless such assignment shall provide that it is subordinate to Lender's interest under this Instrument; or
  - (3) Terminate or consent to cancellation or surrender of any purchase agreement of the Property or any part thereof, except where the purchaser is in default thereunder and with Lender's prior written consent; or
  - (4) Modify any such purchase agreement so as to decrease the amount of the purchase price payable thereunder; or
  - (5) Accept prepayments of any installments of purchase price or rents to become due under such agreements, except prepayments in the nature of security for the performance of the leases thereunder; or
  - (6) In any other manner impair the value of the Property or the security of Lender for the payment of Secured Obligations.
- e. Borrower shall furnish to Lender, within thirty (30) days after a request by Lender to do so, a written statement containing the names of all purchasers and lessees of the Property, the terms of their respective purchase agreements or leases, the spaces sold or occupied and the purchase price or rental paid.

By executing this Instrument, Borrower hereby assigns to Lender all purchase agreements or leases now existing or hereafter made of all or any part of the Property and all security deposits or payments in connection with such purchase agreements or leases of the Property. Upon this assignment by Borrower to Lender, Lender shall have all of the rights and powers possessed by Borrower prior to such assignment and Lender shall have the right to modify, extend or terminate such purchase agreements or leases and to execute new purchase agreements or leases, in Lender's sole discretion. As used herein, "leases" shall include rental or other occupancy agreements of any nature whatsoever.

19. **Remedies Cumulative.** Each remedy provided in this Instrument is distinct and cumulative to all other rights or remedies under this Instrument and the Secured Obligations in law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.
20. **Events of Default.** The occurrence of any of the following shall, without notice, demand or opportunity to cure, constitute an event of default under the Secured Obligations and this Instrument:
- a. Failure of Borrower to make any payment required to be paid by Borrower under the Secured Obligations or this Instrument in strict accordance with the terms thereof;
  - b. Failure of Borrower to perform any other covenant, agreement or other obligation contained in this Instrument or the Secured Obligations;
  - c. Any warranty, representation, or statement made or furnished to Lender by or on behalf of Borrower proving to be or having been false in any material respect when made or furnished;
  - d. Commencement of foreclosure, whether by judicial proceeding, nonjudicial foreclosure, self-help, repossession, or any other method, by any creditor of Borrower against any of the Property, but this subsection shall not apply in the event of a good faith dispute by Borrower as to the validity or reasonableness of the claim that is the basis of the foreclosure suit, provided that Borrower provides Lender with written notice of such claim and provides adequate reserves and guarantees therefor;
  - e. Death of the Borrower or any guarantor;
  - f. If any building on the Property shall be removed or demolished or threatened with demolition;
  - g. If any assignment by Borrower or any guarantor for the benefit of creditors shall be made;
  - h. If Borrower or any guarantor (i) shall voluntarily file a petition under the Federal Bankruptcy Act, as such Act may from time to time be amended, or under any similar or successor Federal statute relating to bankruptcy, insolvency arrangements or reorganizations, or under any state insolvency act; or (ii) shall file an answer in an involuntary proceeding admitting insolvency or inability to pay debts; or (iii) shall fail to obtain a vacation or stay of involuntary proceedings brought for the reorganization, dissolution, or liquidation of Borrower or any guarantor; or (iv) shall be adjudged bankrupt; or (v) shall make an assignment for the benefit of creditors;
  - i. If a trustee or receiver shall be appointed for Borrower or any guarantor or Borrower's or any guarantor's property upon dissolution, business failure or discontinuance of Borrower or any guarantor as a going business (except for labor disputes); or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court, or similar state court; or if there is an attachment, execution or other judicial seizure of any portion of Borrower's or any guarantor's assets and such seizure is not discharged within ten (10) days; or
  - j. If Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's



property or Borrower's ability to repay or perform its obligations under this Instrument and/or the Secured Obligations.

Upon an event of default, except as otherwise provided below, Lender shall not accelerate the debt that this Instrument secures, make any payments for which Borrower is primarily liable, or foreclose upon or attach any assets of Borrower unless it first gives Borrower written notice of such default at Borrower's address and in the manner described for notices in this Instrument and unless such default is not fully cured within the following periods:

- a. ten (10) days after such notice is given in the event of any failure to make any monetary payment to any person under this Instrument or any Secured Obligation; or
- b. thirty (30) days after such notice is given in the event of nonmonetary defaults not subject to other provisions of this section, provided (i) within ten (10) days after such notice is given Borrower commences its cure and submits to Lender in writing its plan to cure, and (ii) such cure is continuously pursued by Borrower with due diligence. If such default is not reasonably capable of being cured within thirty (30) days, Borrower shall have such additional time as is reasonably necessary to complete the cure, but in no event for more than ninety (90) days after the notice of default is given, all provided (x) such default is in Lender's reasonable judgment curable within such period, (y) Borrower provides Lender with written, detailed progress reports at least every thirty (30) days until the cure is completed, and (z) Borrower continuously and diligently pursues such cure.

Notwithstanding the above provisions, the notice and cure periods provided for in this section shall not apply and immediate action may be taken by Lender:

- (1) if any building on the Property shall be removed or demolished or threatened with demolition,
- (2) if a petition shall be filed by Borrower, Grantor, or any guarantor of the Note under the Federal Bankruptcy Act, or Acts amendatory thereof or supplemental thereto, or under any statute either of the United States or any state in connection with insolvency or reorganization, or for the appointment of a receiver or trustee of all or a portion of Borrower's, or any such guarantor's property; or
- (3) if any assignment by Borrower, Grantor, or any guarantor of any Secured Obligation, for the benefit of creditors shall be made; or
- (4) for any event of default provided for in this Instrument and the Secured Obligations for which a notice and cure period is not specifically provided, or for any event of default which is not curable (e.g., the term of the loan expired without full payment).

The provisions of this section shall apply to defaults under this Instrument and the Secured Obligations and, unless expressly stated to the contrary, any notice or cure period referred to therein shall be deemed to incorporate such provisions. If any of such documents are inconsistent with this section, this section shall be controlling, unless such other document expressly provides otherwise. Where additional notice or cure periods are provided in this or any other such documents or are required by any other contract or by law, such periods and those contained in this section shall run concurrently. Nothing in this section shall be construed as extending the term of the Note or the date upon which any default occurs, and no decision to forego any remedy shall be deemed a waiver on the part of Lender of any right relating to any other default. Lender may declare successive defaults for successive breaches even if a waiver was previously granted. No failure to give any notice of any default shall constitute a waiver of such default or any remedy that may be available in connection therewith. This section shall not impair the exercise of any remedy immediately upon default, including, without limitation, the seeking of any mandatory or prohibitive injunction or restraining order or appointment of a receiver.

Any default under this Instrument shall constitute a default under the Secured Obligations. Likewise, any default under the Secured Obligations shall constitute a default under this Instrument.

21. **Assignments and Transfers.** Borrower acknowledges that Lender has relied upon Borrower's financial statements, credit history, business and real property managerial expertise and other factors personal to Borrower in making the loan secured by this Instrument, and Borrower covenants not to voluntarily or involuntarily sell or otherwise transfer its ownership of the Property or any part thereof except as permitted in Section 50 hereof. Transfers of stock, membership or partnership interests in Borrower or any successor of Borrower, transfers by leases with purchase options, conveyances by real estate contract, and through foreclosures or other forced sales or forfeitures shall each be deemed a transfer of Borrower's interest in the Property.
22. **Further Encumbrances.** Borrower acknowledges that Lender has relied upon the Property not being subject to additional liens or encumbrances for reasons which include, but are not limited to, (i) the possibility of competing claims or the promotion of plans disadvantageous to Lender in bankruptcy; (ii) the risks to Lender in a junior lienholder's bankruptcy; (iii) questions that involve the priority of future advances, the priority of future leases of the Property, the marshaling of Borrower's assets; (iv) Lender's rights to determine the application of condemnation awards and insurance proceeds; (v) the impairment of Lender's option to accept a deed in lieu of foreclosure; and (vi) Lender's requirements concerning Borrower's preservation of its equity in the Property and the absence of debt which could increase the likelihood of Borrower's inability to perform its obligations when due. Therefore, as a principal inducement to Lender to make the loan secured by this Instrument and with the knowledge that Lender will materially rely upon this section in so doing, Borrower covenants not to voluntarily or involuntarily encumber the Property or any part thereof. Without limiting the generality of the foregoing and irrespective of the priority thereof, no mortgages, deeds of trust, or other forms of security interests shall encumber any real or personal property that is the subject of any lien or security interest granted to Lender as security for the Secured Obligations. Encumbrances and hypothecations of stock or partnership interests in Borrower or any successor of Borrower, sale lease-backs, transfers by leases with purchase options, and conveyances by real estate contract shall each be deemed an encumbrance of the Property.

23. **Notice.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Instrument or in any Secured Obligations shall be given by mailing such notice by certified mail, return receipt requested, addressed to Borrower at Borrower's address stated herein or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Instrument or the Secured Obligations shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.
24. **Successors and Assigns Bound; Joint and Several Liability; Agents; Caption.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the limitations on assignment by Borrower contained herein. All covenants and agreements of Borrower shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender. Lender may disclose to any such parties any information or other data or material in Lender's possession relating to Borrower and the loan without the consent of or notice to Borrower. The captions and headings of the sections of this Instrument are for convenience only and are not to be used to interpret or define the provisions hereof.
- In exercising any rights hereunder or taking any actions provided for herein, including but not limited to dispute resolution or default(s) by Borrower, Lender has appointed Herb Koss, his appointee or designee, or such other person as a majority of the Note Holders shall agree upon. Lender may disclose to any such party any information or other data or material in Lender's possession relating to Borrower and the loan without the consent of or notice to Borrower.
25. **Governing Law; Severability.** This Instrument shall be governed by the laws of the State of Oregon, or such other jurisdiction in which the Property is located. In the event that any provision or clause of this Instrument or the Secured Obligations conflicts with applicable law, or shall be held to be invalid, illegal or unenforceable, such conflict or unenforceability shall not affect other provisions of such documents that can be given effect without the conflicting provision. To this end, the provisions of this Instrument and the Secured Obligations are declared to be severable. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in these documents, whether considered separately or together with other charges levied in connection therewith, would violate such law if given full effect, and Borrower is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower would be violated, all indebtedness that is secured by this Instrument or evidenced by the Secured Obligations and which would constitute interest, as well as all other charges levied in connection with such indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated amortization period of the loan. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest computed thereby is uniform throughout the stated term of the Note.
26. **Waiver of Statute of Limitations.** To the extent permitted by law, Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument and the Secured Obligations, or to any action brought to enforce the Note or any other obligation secured by this Instrument.
27. **Waiver of Marshalling.** Notwithstanding the existence of any other security interests in the Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Lender shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Borrower, any party who consents to this Instrument, 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 the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.
28. **Commercial Trust Deed.** This Instrument is not a residential deed of trust. So long as any of the debt secured hereby is unpaid, Borrower covenants and agrees that the Property shall remain nonresidential property. Borrower specifically consents to the appointment of a receiver to ensure that the Property remains nonresidential property.
29. **Rents, Issues, and Profits.** Borrower irrevocably and absolutely assigns to Lender the rents, issues, profits and proceeds of contracts of the Property, together with all future leases, profits and contracts, and any and all extensions, renewals and replacements thereof. However, as long as no default shall exist in compliance with any requirement of this Instrument or the Secured Obligations, Borrower may collect assigned rents and profits as the same shall fall due, but upon the occurrence of any default, all rights of the Borrower to collect and receive rents and profits shall wholly and immediately terminate without notice, and Lender shall thereafter have the absolute right to all such rents and profits. All rents or profits receivable from or in respect to said Property that Borrower shall be permitted to collect hereunder shall be received by it to pay the usual and reasonable operating expenses of, and the taxes upon, said Property and the sums owing the Lender as they become due and payable as provided in this Instrument or in the Secured Obligations, or any modifications of either.

Upon any default hereunder or any default under the indebtedness secured hereby or under the Secured Obligations, Lender may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court (Borrower hereby consents to the appointment of such receiver without the posting of a bond or undertaking and consents to the appointment of Lender as such receiver), and without regard to the value of the Property or the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Property or any part thereof, in its own name sue for or otherwise collect said rents, issues and profits including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorney fees, upon any indebtedness secured hereby, and in such order as Lender may determine.

30. **Possession.** Until default and until Lender exercises its right to possession, Borrower shall remain in possession and control of the Property and operate and manage the Property and collect the rents, revenues, income, issues and profits therefrom.
31. **Acceleration; Remedies.** Upon any event of default or Borrower's breach of any covenant or agreement of Borrower in this Instrument or in any Secured Obligation, including, but not limited to, the covenants to pay when due any sums

secured by this Instrument following any applicable notice and cure period, Lender may declare all of the sums secured by this Instrument to be immediately due and payable without further demand.

Lender shall be entitled to collect all costs and expenses incurred pursuing any of Lender's remedies, including, but not limited to, reasonable attorney fees, whether or not any action or proceeding is commenced and any such fees incurred in any appellate or bankruptcy proceeding, and costs of documentary evidence, appraisals, abstracts and title or foreclosure reports, trial court, arbitration, mediation, or costs or fees of any nature whatsoever.

Upon default and following any applicable notice and cure period, Lender may, at Lender's sole option, exercise any one or more of the following rights and remedies in addition to any other remedy available herein or at law:

- a. Lender may exercise all rights of a receiver as a mortgagee-in-possession. Lender may, as a mortgagee-in-possession, take possession of all or any part of the Property, and such Property shall be peaceably surrendered by Borrower. Lender may revoke Borrower's right to collect the rents and revenues from the Property, and may, either itself or through its agents, collect the same. To facilitate collection, Lender may notify Borrower's tenants to pay rents directly to Lender.
- b. Lender may have a receiver appointed as a matter of right or may exercise all rights of a receiver. Lender may, through a receiver, take possession of all or any part of the Property, and such Property shall be peaceably surrendered by Borrower. Lender may revoke Borrower's right to collect the rents and revenues from the Property, and may, either itself, through its agents or through a receiver, collect the same. To facilitate collection, Lender may notify Borrower's tenants to pay rents directly to Lender.

Lender also may have a receiver appointed as a matter of right whether or not the apparent value of the Property exceeds the amount of the Secured Obligations, and any receiver appointed may serve without bond. Lender's agents or employees may serve as receiver. Upon taking possession of all or any part of the Property the receiver or Lender may:

- (1) Use, operate, manage, control and conduct business on the Property and make expenditures for all maintenance and improvements as in its judgment are proper;
- (2) Collect all rents, revenues, income, issues and profits from the Property and apply such sums to the expenses of use, operation and management;
- (3) At Lender's option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, mortgage or otherwise encumber the Property, employ contractors and make any changes in plans or specifications as Lender deems appropriate.

If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Lender or otherwise, or Lender may borrow or advance such sums as Lender deems necessary for the purposes stated in this section, and repayment of such sums shall be secured by this Instrument. The amounts borrowed or advanced shall bear interest at the highest rate of interest then being paid on the Note from the date of expenditure until repaid and shall be payable by Borrower to Lender on demand.

- c. With respect to any part of the Property that is personal property, Lender may exercise the rights and remedies of a secured party under the Uniform Commercial Code and under this Instrument.
- d. After giving Borrower notice of default in the manner prescribed by applicable law, if any, Lender may invoke the power of sale, commence judicial foreclosure, commence an action on the Note, or exercise any other remedies permitted by applicable law or provided herein or in any Secured Obligation or otherwise without notice. Borrower acknowledges that the power of sale granted herein and by law may be exercised by Lender without prior judicial hearing. Borrower has the right to bring an action to assert the non-existence of a breach or any other defense of Borrower to acceleration and sale.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall give such notices as the laws of Oregon may require to Borrower and to such other persons as the laws of Oregon prescribe, and after the lapse of such time as may be required by applicable law, Trustee or its agent shall sell the Property according to the laws of Oregon. Trustee or its agent may sell the Property at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee or its agent may determine. Trustee or its agent may postpone sale of all or any parcel of the Property as permitted by law by public announcement at the time and place fixed in the notice of sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee or its agent shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, trustee's and attorney fees, publication fees, service fees and costs of title evidence; (b) to all sums secured by this Instrument in such order as Lender, in Lender's sole discretion, directs; (c) to all persons having recorded liens subsequent to the interest of the Lender as those parties interests may appear; and (d) the excess, if any, to the Clerk of the Court of the County in which the sale took place or to the person or persons legally entitled thereto.

Notwithstanding Lender's acceleration of the sums secured by this Instrument, Borrower shall have the right to have proceedings for foreclosure by advertisement and sale discontinued at any time permitted by law before the sale of the Property pursuant to the power of sale contained in this Instrument and applicable law if: (a) Borrower pays Lender all sums which would then be due under this Instrument or the Secured Obligations, if any, had no acceleration occurred; (b) Borrower cures all breaches of this Instrument and the Secured Obligations; (c) Borrower pays all reasonable expenses incurred by Lender and Trustee, including but not limited to, reasonable trustee's and attorney fees; and (d) Borrower takes such action as Lender may reasonably require to assure that the lien of this Instrument, Lender's interest in the Property, and Borrower's

obligation to pay the sums secured by this Instrument shall continue unimpaired. Upon such payment and cure by Borrower, this Instrument and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

This right to reinstate does not apply if Lender selects any remedy other than non-judicial foreclosure by advertisement and sale.

If Lender elects to commence judicial suit or action for the foreclosure of this Instrument, Borrower agrees to pay to Lender the costs of such suit or action and such reasonable sum for attorney fees as the court may allow, including those on appeal whether such suit or action be brought to a judgment or not, and also such further sums, if any, as Lender shall have paid for costs or expenses. All monies herein agreed to be paid shall be secured hereby. Borrower consents to a personal deficiency judgment for any part of the debt hereby secured which shall not be paid by the sale of the Property, unless such judgment is prohibited by law, and Borrower expressly waives (a) any claim of homestead; (b) all rights of Borrower of redemption from sale under any order or judgment of foreclosure; and (c) all rights to possession of the Property after the date of sale.

If Borrower remains in possession of the Property after the Property is sold either under the power of sale or judicial action to foreclose as provided above, Lender is otherwise in possession of the Property upon default by Borrower, Borrower will be a tenant at sufferance of Lender, or the purchaser of the Property at the sale as the case may be, and shall at the sole discretion of Lender, either (a) pay a reasonable rental for use of the Property; or (b) vacate the Property immediately upon written demand of Lender.

- e. Lender may commence an action under the Note and/or any Guaranty, without waiving the lien of this Instrument, but any such judgment obtained shall have such priority as is determined by law.

- 32. **Cross-Default and Cross-Collateralization Provisions.** In the event Borrower or any entity or individual related to Borrower or acting as a Guarantor under the Secured Obligations (a "Related Party") has entered or does in the future enter into any other loan agreement, deed of trust, mortgage or note payable to Lender, a default in the terms and provisions of the other loan agreement, note or instrument securing it shall constitute a default hereunder. Nothing in the preceding sentence shall in any way lessen or impair the rights of Lender with respect to this Instrument and the Secured Obligations. Lender, at its option, may separately enforce the provisions of any loan, note, or deed of trust or mortgage securing it. Default under each loan, note, or deed of trust or mortgage shall constitute a separate cause of action, and the institution of proceedings upon one, but not upon both or all, shall not be construed as a splitting of a cause of action by Lender or a waiver of any rights under any other loan, note, or deed of trust or mortgage.

In the event Borrower or any Related Party has or shall enter into any other loan agreement, deed of trust, mortgage or note payable to Lender, Lender shall have the right, at any time upon written notice to Borrower and/or any such Related Party(ies), to deem all real or personal property serving as collateral to secure any one loan as providing security for all loans made by Lender to Borrower and such Related Party(ies). Except with respect to a partial release (as more particularly described in Section 50 below), the remaining property pledged to secure the loans, or any of them, shall serve as additional collateral to secure any and all amounts owed by Borrower and the Related Party(ies) to Lender under this instrument and all other loans until all amounts owed to Lender shall have been paid in full or until specifically released in writing by Lender, whichever first occurs.

- 33. **Related Party Obligations.** In the event Borrower or any Related Party is a corporation, limited liability company, limited partnership, or any other entity other than a natural person, any and all obligations to, and all funds loaned or contributed by shareholders, directors, members, managers, parent companies, affiliates, or partners of Borrower and/or any Related Party shall be subordinate to the lien of Lender secured by this Instrument. By its execution of this Instrument, Borrower represents and warrants to Trustee and Lender that it has taken all requisite action necessary to subordinate any and all such prior indebtedness and/or contributions to the lien of this Instrument and, further, that the lien of this Instrument shall be superior to any and all such indebtedness and/or contributions that may arise on or after the date of this Instrument.
- 34. **Reconveyance.** Upon payment of all sums secured by this Instrument, Lender shall require Trustee to reconvey the Property and shall surrender this Instrument and all notes evidencing indebtedness secured by this Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.
- 35. **Substitute Trustee.** In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. 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.
- 36. **Assignment/Participation.** Lender reserves the right to assign or participate all or any part of its rights and obligations under this Instrument and any Secured Obligations. Upon assignment, if any, Lender shall be released from all liability hereunder. Borrower's right to transfer or assign is subject to limitations contained elsewhere in this Instrument. At any time during the loan term, Borrower shall deliver to Lender, at Lender's request, such further documents including, but not limited to, site assessments or studies, environmental audit reports and other consultants' studies and reports, as Lender may reasonably request for use in the sale of the loan, or any interest therein, by Lender. Lender shall have the right to provide any information on Borrower of the Property contained in Lender's files to any party contemplating the purchase of any interest in the loan.
- 37. **Use of Property.** **THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. 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 THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

38. **Future Advances.** So long as this Instrument secures indebtedness held by Lender and upon request of Borrower, Lender, at Lender's sole option, may make future advances to Borrower. This Instrument shall secure all those future advances which specifically state they are secured hereby, and the lien of each such advance shall relate back to the date of this Instrument. This Instrument shall have the full force, effect, and benefits of a trust deed to secure future advance of money, if any, which specifically state they are secured hereby.
39. **Purpose of Loan.** The loan secured hereby is made, and all proceeds thereof will be used solely for commercial, investment or business purposes and not for personal, household, or family purposes. The real Property hereby conveyed is not used principally for agricultural or farming purposes.
40. **Time of Essence.** Time is of the essence of this Instrument.
41. **Amendments Superior to Intervening Liens.** Should any agreement be hereafter entered into modifying or changing the terms of this Instrument or the Secured Obligations, the rights of the parties to such agreement shall be superior to the rights of the holder of any intervening lien.
42. **Attorney Fees.** As used in this Instrument and in the Secured Obligations, "attorney fees" shall include attorney fees, if any, which shall be incurred whether or not legal action is commenced and any such fees incurred at trial, mediation, arbitration, interpleader, bankruptcy, hearing or any judicial proceeding, and on appeal or review, and on any collection before or after judgment.
43. **Prepayment.** Borrower may prepay this indebtedness at any time.
44. **Incorporation by Reference.** In Lender's sole discretion, all Related Documents are by this reference incorporated herein as if fully set forth.
45. **Loan Agreement Provisions.** Borrower agrees to comply with the covenants and conditions of the Secured Obligations that are hereby incorporated by reference in and made a part of this Instrument. All advances made by Lender pursuant to this Instrument or the Secured Obligations shall be indebtedness of Borrower secured by this Instrument. All sums disbursed by Lender prior to completion of the improvements to protect the security of this Instrument shall be treated as disbursements secured hereby. All such sums shall bear interest from the date of disbursement at the applicable rate stated in the Note, unless collection from Borrower of interest at such rate would be contrary to applicable law in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law and shall be payable upon notice from Lender to Borrower requesting payment therefor.
- From time to time as Lender deems necessary to protect Lender's interests, Borrower shall, upon request of Lender, execute and deliver to Lender, in such form as Lender shall direct, assignments of any and all rights or claims which relate to the construction of the Property and which Borrower may have against any party supplying or who has supplied labor, materials or services in connection with construction of the Property. In case of breach by Borrower of the covenants and conditions of the Secured Obligations, Lender, at Lender's option, with or without entry upon the Property, (a) may invoke any of the rights or remedies provided in the Secured Obligations, or (b) may accelerate the sums secured by this Instrument, and Borrower shall not assert any right of setoff, counterclaim or other claim or defense against the obligations of the Secured Obligations.
46. **Variable Rate Obligation.** The obligation this Instrument secures may provide that the interest rate, payment terms, or balance due on the loan secured hereby may be indexed, adjusted, renewed, or renegotiated in accordance with the terms of the Note and on account of any extensions and renewals of the Note. The priority of this Instrument shall not be affected by renegotiation or adjustment of the initial interest rate provided in the Note upward or downward, which may increase or decrease the amounts of periodic payments or may extend or shorten the term of this obligation, or both. The priority of this Instrument also shall not be affected by an increase in the underlying obligation secured by this Instrument during any part of the term of this Instrument as a result of deferment of all or a portion of the interest or principal payments and the addition of such payments to the outstanding balance of the obligation. The priority of this Instrument also shall not be affected by the execution of any new Note during the term of this Instrument which reflects changes made pursuant to any of the adjustments described in this section or by any other changes which would not otherwise affect priority under Oregon law.
47. **Multiple Parties.** If there is more than one person comprising Borrower, the obligations imposed upon Borrower under this Instrument shall be joint and several. A breach or default by any one person comprising Borrower shall constitute a breach or default by each other person comprising Borrower. Each of the married persons comprising Borrower (if applicable) pledges his or her separate and community property interests and all community property interests in the Property.
48. **Non-foreign Certification.** Section 1445 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform Lender that the withholding of tax will not be required in the event of the disposition of the Property or improvements pursuant to the terms of this Instrument, Borrower hereby certifies, under penalty of perjury, that:
- a. Borrower is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate, as those terms are defined in the Internal Revenue Code and the regulations promulgated thereunder; and

- b. Borrower's principal place of business is located at 211 N Meridian Street, Suite 201, Newberg, Oregon 97132. It is understood that Lender may disclose the contents of this certification to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both. Borrower covenants and agrees to execute such further certificates, which shall be signed under penalty of perjury, as Lender shall reasonably require. The covenant set forth herein shall survive the foreclosure of the lien of this Instrument or acceptance of a deed in lieu thereof.
49. **Report of Real Estate Transaction.** Borrower has made or provided for making, or will make or provide for making, on a timely basis, any reports or returns required under Section 6045(e) of the Internal Revenue Code of 1986 (and any similar reports or returns required by state or local law) relating to the Property, notwithstanding the fact that the primary reporting responsibility may fall on the Lender, counsel for the Lender, or other party. Borrower's obligations under this section will be deemed to be satisfied if proper and timely reports and returns required under this section are filed by a title company or real estate broker involved in the real estate transaction relating to the Property, but nothing contained herein shall be construed to require such returns or reports to be filed by Lender or counsel for Lender.
50. **Partial Releases.** If this loan is for the acquisition or development of more than one lot, then upon not less than ten (10) days' prior written notice from Borrower, Lender shall request a partial reconveyance from the lien of this Instrument to certain lots of the Property on the following terms and conditions:
- a. There exist no defaults under the Secured Obligations or this Instrument or any other security for the Secured Obligation at the time the partial reconveyance is requested or is to be recorded; provided, however, no consent to any partial reconveyance shall constitute a waiver of any default or of any condition herein to any future reconveyance;
  - b. The approved subdivision plat for the Property has been properly recorded;
  - c. Borrower has provided Lender with evidence confirming that the lots being reconveyed and the lots remaining encumbered by this Deed of Trust following the reconveyance comply with all applicable site plan, subdivision and platting requirements;
  - d. Construction of all improvements on the particular lot to be released must be completed to the satisfaction of Lender;
  - e. Borrower's request for partial reconveyance must give the legal description of the particular lot to be released, and must request the Lender to deposit with the title insurance company its authorization for the partial reconveyance and its demand for payment;
  - f. The lots remaining encumbered by this Deed of Trust following the reconveyance have adequate access to all right-of-way and utilities;
  - g. The partial reconveyance will not result in any encroachment or breach any zoning law, ordinance or restrictive covenant;
  - h. Lender's receipt of written consent to the partial reconveyance from any guarantors of the Note;
  - i. Lender's receipt of an endorsement to its title insurance policy insuring the continuing validity and priority of this Instrument following the partial reconveyance;
  - j. Lender's receipt of 95% of the proceeds received by Borrower from sale of the lot, which Lender shall apply to the principal amounts owing under the Secured Obligation, plus a Lot Release Fee of \$50.00 per reconveyance, which is a fee to Lender and does not reduce the loan balance. Borrower must also pay any Trustee's fees for the partial reconveyance. This Deed of Trust will continue to encumber the remaining lot not yet released until the amount owed under the Note secured hereby has been paid in full;
  - k. Lender's receipt of payment of all Lender's costs and fees incurred in connection with such partial reconveyance request; and
  - l. Borrower's satisfaction of all other terms of the Secured Obligations that, in Lender's sole discretion, must be satisfied prior to any partial conveyance.
51. **Existing Indebtedness.** In the event this Instrument is subordinate to, or should become at any time subordinate to, any other indebtedness, Borrower agrees to pay or perform, or cause to be paid or performed, all obligations and amounts required to prevent any default under such prior or existing indebtedness and under any security documents related to such indebtedness. Borrower further agrees that neither Borrower nor any other party obligated under the existing or prior indebtedness will, without first obtaining the written consent of Lender, (i) increase the amount of the prior indebtedness secured by the Property or (ii) enter into any agreement with the holder of any mortgage, deed of trust, or other security agreement having priority over the lien of this Instrument that shall modify, amend, extend, or renew that agreement. Lender's consent may be withheld in Lender's sole discretion.
52. **Statute of Frauds.**
- UNDER OREGON LAW MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER, 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 LENDER, TO BE ENFORCEABLE.**

**THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.**

WARNING

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

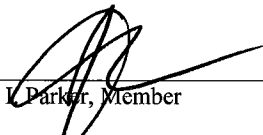
The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

IN WITNESS WHEREOF, Borrower has executed this Instrument or has caused the same to be executed by its duly authorized representatives.

Borrower:

1945, LLC, an Oregon limited liability company

By:

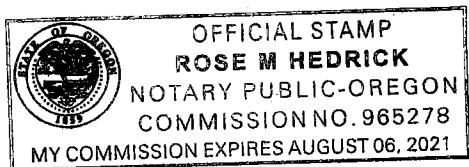
  
Jeffrey I. Parker, Member

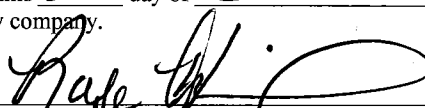
STATE OF OREGON )

) ss.

County of ~~Multnomah~~ Clackamas )  
*Rmh*

This instrument was acknowledged before me on this 26<sup>th</sup> day of December, 2017, by Jeffrey I. Parker as Member of 1945, LLC, an Oregon limited liability company.



  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: 8-6-21

**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 secured by such Trust Deed have been fully paid and satisfied. You are hereby directed, on payment to you of any sums owing to you under the terms of such trust and pursuant to statute, to cancel all evidences of indebtedness secured by such Trust Deed (which are delivered to you herewith together with such Trust Deed) and to reconvey, without warranty, to the parties designated by the terms of such Trust Deed the estate now held by you under the same. Mail reconveyance and documents to \_\_\_\_\_ at the address noted for Borrower immediately above.

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

\_\_\_\_\_  
Lender/Beneficiary



**EXHIBIT A**  
(Legal Description)

**PARCEL 1:**

Beginning at a point on the Northerly line of Main Street, which is South 89 degrees 18' East a distance of 862.2 feet along the Northerly line of Main Street from the Southeast corner of Block 57, SECOND HOT SPRINGS ADDITION to the City of Klamath Falls, Oregon; thence North 0 degrees 42' East a distance of 254.5 feet, more or less, to a point which is 20 feet distant Southwesterly at right angles from the Southwesterly line of the U.S.R.S. Canal right of way; thence South 68 degrees 52' East and parallel with the Southwesterly line of said canal right of way and 20 feet distant Southwesterly at right angles therefrom a distance of 52.6 feet, more or less, to a point; thence South 0 degrees 42' West a distance of 234.5 feet, more or less to the Northerly line of Main Street; thence North 89 degrees 18' West along the Northerly line of Main Street a distance of 50 feet to the place of beginning, all in WILLIAMS ADDITION to the City of Klamath Falls, Oregon; and beginning at a point on the Northerly line of Main Street, which is South 89 degrees 18' East a distance of 912.2 feet along the Northerly line of Main Street from the Southeast corner of Block 57, SECOND HOT SPRINGS ADDITIONS to the City of Klamath Falls, Oregon; thence North 0 degrees 42' East a distance of 234.5 feet, more or less, to a point which is 20 feet distant Southwesterly at right angles from the Southwesterly line of the U.S.R.S. Canal right of way; thence South 75 degrees 22 1/2' East parallel with the Southwest line of said canal right of way and 20 feet distant Southwesterly at right angles therefrom a distance of 55 feet, more or less to the Northwest corner of that parcel of land deeded to Dr. A. A. Soule, April 24, 1923; thence in a Southerly direction and parallel to Mortimer Avenue, a distance of 214.8 feet, more or less, to the Northerly line of Main Street; thence Westerly along the Northerly line of Main Street a distance of 50 feet to the place of beginning, all in Williams Addition.

**PARCEL 2:**

Beginning at a point which is South 89 degrees 19' East a distance of 1062.2 feet, East along the Northerly line of Main Street from the Southeast corner of Block 57 of SECOND HOT SPRINGS ADDITION to the City of Klamath Falls, Oregon; thence North 0 degrees 42' East a distance of 191.25 feet to a point which is 20 feet distant Southwesterly at right angles from the Southwesterly line of the U.S. Reclamation Service Main Canal Right of Way; thence in a Northwesterly direction and parallel with the Southwesterly line of said canal right of way and 20 feet distant at right angles therefrom a distance of 101.25 feet, more or less, to a point; thence South 0 degrees 42' West a distance of 214 feet, more or less to the Northerly line of Main Street; thence South 89 degrees 18' East a distance of 100 feet to the place of beginning lying and being in the unplatted portion of Williams Addition to the City of Klamath Falls, Oregon, and in the South half of the Southeast quarter of the Southwest quarter of Section 28, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

**PARCEL 3:**

Beginning at a point which is South 89 degrees 18' East a distance of 1067.2 feet along the Northerly line of Main Street from the Southeast corner of Block 57 of SECOND HOT SPRINGS ADDITION to the City of Klamath Falls, Oregon; thence North 0 degrees 42' East a distance of 185.75 feet, more or less, to a point which is 20 feet distant Southwesterly at right angles from the Southwesterly line of the U.S. Reclamation Service Main Canal right of way; thence in Northwesterly direction and parallel with the Southwesterly line of the said canal right of way and 20 feet distant at right angles therefrom a distance of 5.18 feet the Northeast corner of that piece of land deeded to Eve Soule by Herbert Lang and Jennie Lang, as recorded in Volume 105 at page 47 of Klamath County Deed Records; thence South 0 degrees 42' West a distance of 187.15 feet, more or less, to a point on the Northerly line of Main Street; thence South 89 degrees 18' East along the Northerly line of Main Street a distance of 5.0 feet to the point of beginning, lying and being in the unplatted portion of Williams Addition to the City of Klamath Falls, Oregon, and in the S1/2 SE1/4 SW1/4 of Section 28, Township 38 South, Range 9 East of the Willamette Meridian.

TOGETHER WITH that portion of the alley vacated by Ordinance No. 5526 recorded as M66, page 3643, records of Klamath County, Oregon, which inured thereto.

## EXHIBIT B

(Exceptions to Title)

### SPECIAL EXCEPTIONS:

8. The rights of the public in and to that portion of the herein described property lying within the limits of public roads, streets or highways.
9. Ordinance #5526 as disclosed in document,  
Recorded: April 25, 1966  
Instrument No.: M66, page 3643
10. An easement including the terms and provisions thereof, affecting the portion of said premises and for the purposes stated therein as set forth in instrument:  
Granted To: City of Klamath Falls, Oregon  
Recorded: June 19, 1986  
Instrument No.: M86, page 10667
11. An easement including the terms and provisions thereof, affecting the portion of said premises and for the purposes stated therein as set forth in instrument:  
Granted To: City of Klamath Falls, Oregon  
Recorded: June 19, 1986  
Instrument No.: M86, page 10670