

Recording requested by, and
when recorded return to:

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K-40569

DEED OF TRUST, SECURITY AGREEMENT
AND FIXTURE FILING

From

LEPERCO CORPORATE INCOME FUND II L.P.,
as grantor,

To

FIRST AMERICAN TITLE INSURANCE COMPANY,
as trustee,

and to

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY,
as beneficiary.

Dated as of May 17, 1988

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Schedule A: Legal Description of the Property

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING, dated as of May 17, 1988 (together with all amendments and supplements thereto, called this Deed of Trust), from LEPERCQ CORPORATE INCOME FUND II L.P., a Delaware limited partnership (together with its successors and assigns, Owner), having an address at c/o Lepercq Capital Partners, 345 Park Avenue, New York, New York 10154, as grantor, to FIRST AMERICAN TITLE INSURANCE COMPANY OF OREGON, as trustee (together with any successor as trustee hereunder, Trustee), having an address at 422 Main Street, Klamath Falls, Oregon 97601, and to PRINCIPAL MUTUAL LIFE INSURANCE COMPANY, as beneficiary (together with its successors and assigns as beneficiary hereunder, Beneficiary), having an address at 711 High Street, Des Moines, Iowa 50309.

PRELIMINARY STATEMENT

Capitalized terms used herein but not otherwise defined have the meanings set forth in Article 1.

Owner is the owner of a fee simple interest in the Property. Owner has borrowed the amount of \$5,700,000 from Beneficiary, such borrowing being evidenced by Owner's Secured Note Due June 1, 1998, in the original principal amount of \$5,700,000 (the Note). Owner is executing and delivering this Deed of Trust and the Assignment as security for the repayment of the indebtedness evidenced by the Note.

Owner is duly authorized to issue the Note and to execute and deliver this Deed of Trust, and all actions required by law and of Owner in connection therewith have been duly taken.

GRANTING CLAUSES

NOW, THEREFORE, THIS DEED OF TRUST WITNESSETH: that Owner, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of all sums payable on the Note and to secure the performance of the covenants and agreements contained in the Note and this Deed of Trust has executed and delivered this Deed of Trust.

Owner has created and does hereby create a security interest in favor of Trustee for the benefit of Beneficiary as to the property and interests therein described in Granting Clause First to the extent it constitutes real property or fixtures under the law of the State of Oregon and does hereby grant, assign, transfer, mortgage and convey and has granted, assigned, transferred, mortgaged and conveyed unto Trustee for the benefit of Beneficiary with power of sale, such property and interests, and Owner has created and hereby creates a security interest in favor of Beneficiary as to the remaining property and interests therein described in Granting Clauses First, Second and Third and does hereby grant, assign, transfer and convey and has granted, assigned, transferred and conveyed unto Beneficiary such property and interests; in each such case, subject only to Permitted Exceptions of the character described in clauses (a) through (d) and (g) of the definition of Permitted Exceptions.

Granting Clause First

The entire right, title and interest of Owner in and to the parcel of land located in Klamath County, Oregon, more particularly described in Schedule A hereto (the Land), together with any and all right, title and interest of Owner in and to:

(a) all buildings, structures and other improvements now standing or at any time hereafter constructed or placed on the Land, including without limitation, all building equipment, machinery, personal property and fixtures of every kind and nature on the Land or in any such building, structure or other improvements (the Improvements);

(b) all and singular the tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances in and to the Land and the Improvements, belonging or in any way appertaining thereto;

(c) all claims or demands of Owner, in law or in equity, in possession or expectancy of, in and to the Land and the Improvements;

(d) all machinery, apparatus, equipment, fittings and fixtures, whether actually or constructively attached to the Property and including all trade, domestic and ornamental fixtures, and articles of personal property of every kind and nature whatsoever, now or hereafter located in, upon or under the Land or the Improvements or any part thereof and used or useable in connection with any present or future operation of the Property, including, but not limiting the generality of the foregoing, all heating, air conditioning, sprinkler, lighting, incinerating and generating equipment, pumps, tanks, motors, switchboards, plumbing and plumbing fixtures, fire extinguishing, refrigerating, ventilating and communications apparatus, appliances, elevators, escalators, shades, awnings, screens, gas and electric fixtures, attached cabinets, partitions, rugs and carpets, draperies, furniture and furnishings, together with all additions thereto and replacements thereof, but specifically excluding all personal property and trade fixtures owned or leased (from a person other than Owner) by a Lessee or a person other than Owner (Owner hereby agreeing with respect to all additions and replacements, to execute and deliver from time to time such further instruments as may be requested by Beneficiary to confirm the grant, transfer, assignment and conveyance of, and creation of a security interest in, any of the foregoing);

(e) all proceeds or sums payable in lieu of or as compensation for the loss of or damage to any property covered by this Granting Clause First, including all rights in and to all present and future fire and hazard insurance policies, all awards made by any public body or decreed by any court of competent jurisdiction for a taking or for degradation in value of the Property or any portion thereof and all monies paid as consideration for a transfer of property in lieu of such a taking; and

(f) all rents, income, revenues, issues, awards, proceeds and profits from and in respect of the property described in this Granting Clause First which are hereby specifically assigned, transferred, conveyed and set over to Beneficiary.

It is the intention of the parties hereto that, so far as may be permitted by law, all property of the character described in this Granting Clause First which is now owned or held or is hereafter acquired by Owner and is affixed, attached and annexed to the Land or the Improvements shall be and remain or become and constitute a portion of the Trust Estate and the security covered by and subject to the lien hereof.

Granting Clause Second

The entire right, title and interest of Owner, as lessor, in and to the Lease, including, without limitation, (i) the right to all extended terms and all extensions and renewals of the term thereof, (ii) the present and continuing right to make claim for, collect, receive and receipt for any and all of the rents, income, revenues, issues, awards, proceeds, profits, security deposits and other sums of money payable or receivable under the Lease (except sums payable directly to persons other than the lessor thereunder), whether payable as rent or otherwise, (iii) the right to receive and give notices thereunder, to bring actions and proceedings thereunder or for the enforcement thereof and to do anything which Owner or any lessor is or may become entitled to do thereunder, and (iv) any and all Subleases and the rents, income, revenues, issues, awards, proceeds, profits, security deposits and other sums of money payable or receivable thereunder, provided that the assignment made by this Granting Clause Second shall be subject to the Assignment and this Deed of Trust and shall not impair or diminish any obligation of Owner under the Lease, and provided further that such assignment shall neither impose any such obligation upon Beneficiary nor cause Beneficiary to be a "mortgagee in possession" for any purpose.

Granting Clause Third

The entire right, title and interest of Owner in and to all permits, licenses, franchises and other rights and privileges obtained in connection with the Property, and any and all moneys and other property which may from time to time become subject to the lien hereof, it being the intention of Owner and it being hereby agreed that all property hereafter acquired by Owner and required to be subjected to the lien of this Deed of Trust or intended so to be shall upon the acquisition of it by Owner be subject to the lien of this Deed of Trust as if such property were now owned by Owner and were specifically described in this Deed of Trust and Granted by this Deed of Trust; and Trustee and Beneficiary are hereby authorized to receive any and all such property as and for additional security for the payment of the Note and all other sums secured or intended to be secured hereby.

TO HAVE AND TO HOLD the Trust Estate, whether now owned or held or hereafter acquired, unto Trustee, Beneficiary and their respective successors and assigns.

IN TRUST, NEVERTHELESS, WITH POWER OF SALE, upon the terms and trusts herein set forth for the benefit and security of all present and future holders of the Note in accordance with the terms of the Note, and as security

for the payment of all other sums payable under the Note and this Deed of Trust, and for the performance and observance of the provisions of the Note and this Deed of Trust, all as set forth herein and therein.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Note is to be secured by this Deed of Trust and that the Trust Estate is to be held by Trustee and Beneficiary upon and subject to the provisions of this Deed of Trust.

ARTICLE 1
Definitions

Unless the context otherwise requires, the following terms have the meanings herein specified, such definitions to be applicable equally to the singular and the plural nouns and verbs of any tense:

"Assignment" means the Assignment of Leases, relating to the Lease, and dated as of the date of this Deed of Trust, from Owner to Beneficiary, as amended or supplemented from time to time.

"Beneficiary" means Principal Mutual Life Insurance Company, together with its successors and assigns, as beneficiary under this Deed of Trust and holder of the Note.

"Citibank" means Citibank, N.A., a national banking association, and any person succeeding thereto by merger, consolidation, or acquisition of its assets substantially as an entirety.

"Citibank Assignment" means that certain Assignment of Landlord's Interest in Lease, dated as of March 10, 1988, from Owner to Citibank, together with any amendments or supplements thereto.

"Citibank Loan Documents" means, collectively, the Amended Guaranteed Revolving Demand Note, dated March 22, 1988, made by Owner and payable to Citibank, together with all amendments and supplements thereto (the Citibank Note), the Letter of Inducement, dated November 3, 1987, from Owner to Citibank, together with all amendments and supplements thereto (the Letter of Inducement), the Paying Agreement, dated November 3, 1987, between Owner and Citibank, together with all amendments and supplements thereto (the Paying Agreement), and all other agreements, instruments, and documents executed or entered into by Owner in connection with the Citibank Note and any security therefor.

"default" means any act or occurrence which, with notice, lapse of time or both, would constitute an Event of Default.

"Default Charge" shall mean 2% or the maximum percentage which is permitted by law, whichever is less.

"Default Rate" shall mean 11.625% per annum or the maximum rate permitted by law, whichever is less.

"Event of Default" means any act or occurrence of the character specified in Section 6.1(a) through 6.1(k).

"Grant" means grant, mortgage, transfer, convey, assign and create a security interest.

"Improvements" is defined in Granting Clause First.

"Land" is defined in Granting Clause First.

"Lease" means the Lease Agreement, dated as of March 10, 1988, between Owner, as lessor, and Lessee, as lessee, relating to the Property, as amended or supplemented from time to time as permitted thereby or by the Assignment or this Deed of Trust, together with any short form or memorandum for purposes of recording.

"Lessee" means Fred Meyer, Inc., a Delaware corporation, and any person succeeding thereto by consolidation, merger, or acquisition of its assets substantially as an entirety, or any permitted assignee thereof.

"lien of this Deed of Trust" means the lien or security interest or other interest or charge Granted to Trustee or Beneficiary hereby (including the after-acquired property clauses hereof) or subsequently Granted hereunder or pursuant hereto to Trustee or Beneficiary, unless and until such lien is released pursuant to the express provisions hereof.

"Net Proceeds" is defined in Article 3.

"Note" means the Secured Note due June 1, 1998, issued by Owner in connection with and secured by this Deed of Trust, and any note or notes issued from time to time in exchange or substitution therefor pursuant to Section 7.5.

"Owner" is defined in the introductory paragraph of this Deed of Trust.

"Permitted Exceptions", with respect to the Property, means:

- (a) Those easements, rights of way, servitudes, other similar reservations, rights and restrictions and other minor defects and irregularities in the title to the Property, which do not materially lessen the value of the Property or materially impair the use of the Property for the purposes held by Owner;
- (b) The right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit, zoning law, use regulation or other provision of law to terminate such right, power, franchise, grant, license, permit, zoning law, use regulation or other provision of law or to condemn, appropriate, recapture or designate a purchaser of the Property;
- (c) Any liens for taxes, assessments and other governmental charges which are not yet due and payable;
- (d) The easements, rights of way, encroachments, encumbrances, rights, reservations, or restrictions or other irregularities in the title, if any, set forth in the policy of mortgage title insurance (or commitment therefor) delivered to and accepted by Beneficiary in connection with the delivery of this Deed of Trust;

- (e) The Lease;
- (f) The lien of this Deed of Trust and any rights granted in it;
- (g) The Assignment; and
- (h) That certain Assignment of Landlord's Interest in Lease, dated as of March 10, 1988, between Owner, as assignor, and Citibank, N.A., as assignee.

"person" means an individual, partnership, corporation, trust, estate, unincorporated association, syndicate, joint venture or organization, or a government or any department or agency of a government.

"Prepayment Premium" is defined in the Note.

"Property" means the Land, the Improvements, personal property of Owner and other interests of Owner described in clauses (a), (b), (c) and (d) of Granting Clause First.

"Reinvestment Yield Premium" is defined in the Note.

"Restorer's Certificate" is defined in Article 3(c).

"Subleases" means, collectively, the Lease Agreement, dated as of May 11, 1987, between Lessee and Third Dimension Cuts, Inc., the Lease Agreement, dated as of April 28, 1987, between Lessee and Hans Norland & Sons Insurance, the Lease Agreement, dated as of June 26, 1981, between Lessee and Fred Meyer Savings and Loan Association, the Lease Agreement, dated January 6, 1987, between Lessee and Basin Transit Service, and any subleases hereafter entered into by Lessee with respect to the Property or any portion thereof.

"Sublessees" means the lessees under the Subleases.

"Trust Estate" means all moneys and property subject or intended to be subject at any time to the lien of this Deed of Trust, including, without limitation, the Property and all other property and interests in such property listed in the Granting Clauses of this Deed of Trust. ~~any~~ reference to the Trust Estate shall be deemed a reference to the Trust Estate as a whole or to any part thereof.

"Trustee" is defined in the introductory paragraph of this Deed of Trust.

ARTICLE 2

Particular Covenants of Owner

Owner hereby represents, warrants, covenants and agrees as follows:

Section 2.1. Title to the Trust Estate. Owner has good and marketable fee simple interest in and to the Property, free and clear of all liens, encumbrances, charges and other exceptions to title except Permitted Exceptions. Owner has full power, lawful authority and legal right to Grant its interest in the Trust Estate to Trustee, in the manner and form set forth in or intended by this Deed of Trust; and will preserve its title to the Trust Estate subject only to Permitted Exceptions, and except as permitted by this Deed of Trust; and will forever warrant and defend the same to Trustee and Beneficiary against the claims of all persons. This Deed of Trust constitutes a valid first lien on the Trust Estate, subject only to Permitted Exceptions of the character described in clauses (a) through (d) of the definition of Permitted Exceptions.

Section 2.2. Further Assurances. Owner will, at its expense, perform or cause to be performed all acts and deliver or cause to be delivered all instruments and assurances reasonably required by Beneficiary for the better Granting to Trustee and to Beneficiary of the Trust Estate or for carrying out the intention of, or facilitating the performance of, this Deed of Trust.

Section 2.3. Recording. Owner will, upon the delivery of this Deed of Trust and thereafter from time to time at the request of Beneficiary, have this Deed of Trust, the Assignment, each supplement and amendment to such instruments and associated financing statements (collectively called the Recordable Documents), recorded as may be required by law to publish notice of and maintain the lien hereof upon the Trust Estate and to publish notice of and protect the validity of the Assignment. Owner will, from time to time, perform or cause to be performed any other act as required by law and it will execute or cause to be executed any instruments (including financing statements, continuation statements and similar statements with respect to any of such documents) reasonably requested by Beneficiary for such purposes. If Owner shall fail to comply with this Section, Beneficiary shall be and is hereby irrevocably appointed the agent and attorney-in-fact of Owner to comply with the recording requirements described in this Section (including the execution, delivery and filing of such financing statements and other instruments), but this sentence shall not prevent any default in the observance of this Section from constituting an Event of Default. To the extent permitted by law, Owner will pay all recording taxes and recording fees and all expenses, taxes and other governmental charges incident to or in connection with the preparation, execution, delivery or acknowledgment of the Recordable Documents, any instruments of further assurance and the Note.

Section 2.4. Payment of the Note. Owner will punctually pay the interest, principal, Prepayment Premium, if any, and Reinvestment Yield Premium, if any, and all other sums to become due in respect of the Note in accordance with the terms and conditions of the Note and this Deed of Trust.

Section 2.5. Existence; Compliance with Laws. (a) So long as it owns an interest in any part of the Property, Owner will do or cause to be done all things necessary to preserve its existence as a partnership organized under the laws of a state of the United States and to preserve its good standing under the laws of the State in which the Property is located, and will do or cause to be done all things necessary to preserve and keep in full force and effect its right to own and lease property, to observe and perform its obligations under the Note, this Deed of Trust and the Assignment and to enforce contracts, in each case, in the State in which the Property is located.

(b) Owner will comply with or cause to be complied with (i) all laws, other legal requirements and orders of the United States, of any state and of any other governmental authority applicable to Owner or the Property (including, without limitation, those which require the making of any structural, unforeseen or extraordinary changes, whether or not any of the laws or legal requirements enacted hereafter involve a change of policy on the part of the governing body enacting it); (ii) each covenant, condition, rule or regulation from time to time relating to the Property; and (iii) each contract, agreement, insurance policy or other instrument, applicable to the Property, in effect on the date of delivery hereof or to which Owner becomes a party or gives its consent.

Section 2.6. After-acquired Property. All right, title and interest of Owner in and to all improvements, alterations, substitutions, restorations and replacements of, and all additions and appurtenances to the Property, hereafter acquired by or released to Owner immediately upon such acquisition or release and without any further Granting by Owner shall become part of the Property and the Trust Estate and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by Owner and specifically described in the Granting Clauses. Owner will execute and deliver to Beneficiary such further assurances, deeds of trust, grants, conveyances or assignments of this Deed of Trust as Beneficiary may reasonably require to subject the same to the lien of this Deed of Trust.

Section 2.7. Maintenance and Repair; Alterations; Inspection. (a) Owner agrees that it (i) will not commit or suffer any strip or waste of the Property; (ii) will, at its expense, keep and maintain the Property in good repair and appearance, except for ordinary wear and tear, and will with reasonable promptness make all structural and non-structural, foreseen and unforeseen, and ordinary and extraordinary changes and repairs of every kind and nature which may be required to be made upon or in connection with the Property or any part of it in order to keep and maintain the Property in good repair and appearance, including without limitation, taking or causing to be taken actions necessary to cause the Property to be, and to maintain the Property, in compliance with applicable federal and state environmental and hazardous material laws and regulations; (iii) will not alter (except as provided in clause (ii) of this Section 2.7(a)), remove or demolish the buildings or other structures without Beneficiary's prior written approval, provided, however, that Beneficiary's consent shall not be required, so long as the Lease shall remain in full force and effect and no event of default (as described in the Lease) shall have occurred and be continuing thereunder, where such alteration, removal, or demolition is of a nature that, pursuant to the terms of the Lease, Lessee would not be required to obtain Owner's consent thereto; and (iv) will not remove, nor permit removal of, fixtures or chattels

(other than fixtures and chattels belonging to a Lessee) from the Property without first obtaining suitable replacements that have a fair market value at least equal to those removed.

(b) Owner may not (except as provided in Section 2.7(a)(ii)) make additions to, or alterations of, the Improvements to the Property, construct additional Improvements thereon or make substitutions and replacements (collectively, Renovations) for such Improvements without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld or delayed, provided that it shall not be unreasonable for Beneficiary to withhold such consent until it receives additional security reasonably satisfactory to Beneficiary for the completion of any such Renovations in the form of a bond, letter of credit or other customary form of security. Notwithstanding the foregoing, so long as no event of default has occurred and is continuing under the Lease, Beneficiary's consent to any Renovations shall not be required if they are of a nature that, pursuant to the terms of the Lease, Lessee would not be required to obtain Owner's consent thereto.

(c) Beneficiary, its agents and attorneys, shall have the right to enter the Property, at reasonable times, from time to time, to inspect the Property to determine if the Property is in compliance with the provisions of this Deed of Trust and Owner agrees to allow Beneficiary, its agents and attorneys, access to the Property at reasonable times for such purpose.

Section 2.8. **Taxes.** Owner will do or cause to be done everything necessary to preserve the lien hereof upon the Trust Estate without expense to Trustee or Beneficiary, including, without limitation, paying and discharging or causing to be paid and discharged, one (1) day, so long as the Lease is in full force and effect, but otherwise thirty (30) days, before any fine, penalty, interest or cost may be added for failure to timely pay and whether or not payable directly by Owner or subject to withholding at the source, (i) all taxes, assessments, levies, fees, water and sewer rents and charges and all other governmental charges, general, special, ordinary or extraordinary, and all charges for utility or communications services which may at any time be assessed, levied or imposed upon Owner, the Trust Estate, this Deed of Trust, the indebtedness secured hereby or the revenues, rents, issues, income, awards, proceeds and profits of the Trust Estate or which may arise in respect of the occupancy, use, possession or operation thereof including any amounts which the Owner shall be required to pay under any environmental or hazardous material law or regulation, (ii) all income, excess profits, sales, gross receipts and other taxes, duties or imposts, whether similar or not in nature, assessed, levied or imposed by any governmental authority on Owner, the Trust Estate or the revenues, rents, issues, income, awards, proceeds and profits of the Trust Estate and (iii) all lawful claims and demands of mechanics, laborers, materialmen and others which, if unpaid might create a lien on the Trust Estate, or on the revenues, rents, issues, income, awards, proceeds and profits of the Trust Estate. Nothing in this Section shall require the payment by Owner of any net income or franchise or similar tax of Beneficiary, Trustee, or any Lessee. Owner will deliver, or cause to be delivered, a duplicate receipt of payment to Beneficiary within a reasonable time after receiving written request therefor from Beneficiary, so long as the Lease is in full force and effect, but otherwise within 15 days following the day on which such tax, assessment or charge was paid. If any

such tax, assessment or charge may legally be paid in instalments, Owner may, at its option, pay such tax, assessment or charge in instalments. Nothing contained in this Section 2.8 shall prohibit Owner from paying all such taxes or claims and thereafter contesting such tax or claim pursuant to Section 2.17.

Section 2.9. Insurance. (a) Owner will maintain or cause to be maintained insurance on the Property of the following character:

- (i) Insurance against loss or damage by fire, flood and any of the risks covered by insurance now known as "all risk coverage", in an amount not less than the full insurable replacement value of the Property. Each policy of insurance providing this coverage shall incorporate an "Agreed Amount Endorsement" and a "Replacement Cost Endorsement" or endorsements approved by Beneficiary providing equivalent protection.
- (ii) Comprehensive general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property and the adjoining streets, sidewalks and passageways, in the minimum amounts required to be maintained pursuant to the Lease and, if the Lease shall no longer be in effect, in the minimum amounts of \$5,000,000 with respect to bodily injury or death to any one person, \$1,000,000 with respect to any one accident, and \$1,000,000 with respect to property damage.
- (iii) At any time when Improvements to the Property are being constructed, altered or replaced, builder's risk insurance (in completed value nonreporting form) in an amount not less than the full insurable replacement value of such Improvements.
- (iv) Workers' compensation insurance to the extent required by the law of the state in which the Property is located and to the extent necessary to protect Owner and the Property against workers' compensation claims.
- (v) Loss of Rents insurance in an amount not less than the sum of six months' cash rentals under the Leases and an amount representing the aggregate of all Lessees' liability for taxes, assessments and insurance during a six-month period.
- (vi) Boiler and pressure vessel insurance on all equipment, parts thereof and appurtenance thereto, attached or connected to the Owner's Estate, which by their use or existence are capable of bursting, erupting, collapsing or exploding, in the such amount as Beneficiary may require from time to time for damage to property resulting from such perils.
- (vii) Such other insurance (including, but not limited to, war-risk insurance (if available from the United States government or any agency thereof), flood and earthquake insurance) and in such amounts and against such risks as Beneficiary from time to time reasonably requires and as is commonly obtained by owners of property similar in use to, and location of, the Property.

(b) The insurance shall be written by insurance companies that are acceptable to Beneficiary, rated "A" or better by A.M. Best Company, Inc. and authorized to do an insurance business in the state in which the Property is located. All policies of insurance shall name Beneficiary as an insured to the extent of its interests. The insurance required by Section 2.9(a) above may be provided through blanket coverage, provided that the Property is specifically identified in the policy underlying the blanket coverage and that such underlying policy shall allocate to the Property amounts of coverage meeting the requirements of Section 2.9(a) above. While the Lease is in effect, and to the extent that the Lease allows Lessee to provide such insurance by self-insurance, the insurance required by Section 2.9(a) may be provided by self-insurance by Owner or by Lessee.

(c) Every insurance policy (other than any liability or workers' compensation policy) shall bear a first mortgagee endorsement in favor of Beneficiary; and any loss under any such policy shall be made payable to Beneficiary, as sole loss payee, to be held and applied pursuant to Article 3. Every insurance policy which Owner is obligated to maintain shall contain an agreement by the insurer that it will not cancel such policy except after 15 days prior written notice to Beneficiary, so long as the Lease is in full force and effect, but otherwise after 30 days' prior written notice to Beneficiary and that the coverage shall not be invalidated by (i) any act or negligence of Owner or any Lessee; (ii) by the occupancy or use of the Property for purposes more hazardous than permitted by the terms of such policy; (iii) any foreclosure or other action or proceeding taken by Trustee or Beneficiary pursuant to any provision of this Deed of Trust upon the happening of an Event of Default; or (iv) any change in title or ownership of the Property.

(d) Owner shall not take out any separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section (other than liability or worker's compensation insurance) unless Beneficiary is included as named insured as its interests may appear, with loss payable to Beneficiary. Owner shall immediately notify Beneficiary whenever any such separate insurance is taken out, specifying the insurer and full particulars as to the policies evidencing the insurance, and shall deliver to Beneficiary certificates of insurers evidencing such insurance.

(e) Owner, at the time of the delivery of this Deed of Trust, will deliver or cause to be delivered to Beneficiary certificates of insurance evidencing all policies of insurance required by this Section 2.9, and thereafter, within 30 days prior to the expiration of any such insurance and within 10 days after the issuance of any additional policies or amendments or supplements to any of such policies, Owner will deliver certificates of insurance evidencing such renewals, additional policies, amendments or supplements, as the case may be, to Beneficiary. In each case, such certificates of insurance shall have the Replacement Cost and first mortgagee endorsements, if required, attached and shall otherwise be satisfactory to Beneficiary.

Section 2.10. Advances by Beneficiary. (a) If Owner fails to perform any of the covenants contained in this Deed of Trust, Beneficiary, after ten (10) days notice, so long as the Lease is in full force and effect, but otherwise after 5 days notice to Owner (except in an emergency when no

notice need be given), may (but shall have no obligation whatsoever to) make the necessary advances in Owner's behalf. All sums so advanced shall be secured by this Deed of Trust. Owner will repay on demand all sums so advanced on its behalf, together with Beneficiary's expenses in connection with the advance, with interest thereon at the Default Rate. Interest is to be computed from and including the date of the making of the advance to and including the date of the repayment.

(b) All costs and expenses (including reasonable attorneys' fees and litigation expenses) incurred by Beneficiary in connection with the enforcement of this Deed of Trust, the Note or the Assignment or of any of the terms, conditions and provisions of this Deed of Trust, the Note or the Assignment or with respect to the Lease or any Sublease or the Property shall be secured by the lien of this Deed of Trust prior to the Note, and Owner will repay on demand all sums so advanced on its behalf with interest thereon at the Default Rate.

Section 2.11. Negative Covenants; Due on Sale; Other Liens. (a) Owner shall not:

- (i) except in accordance with Section 2.11(a)(iv) or 2.11(b),
 - (A) merge or consolidate with any person other than an Affiliate (as defined below) of Lepercq Capital Partners, a New York general partnership (LCP), or
 - (B) have a general partner which is not controlled, directly or indirectly, by or under common control with an Affiliate of LCP;
- (ii) create or suffer to be created any security interest, lien or charge upon any part of the Trust Estate or upon any rent, income, revenues, issues and profits thereof, other than Permitted Exceptions;
- (iii) claim any credit on, or make any deduction from, the interest, any premium or principal of the Note by reason of the payment of any taxes levied or assessed or to be levied or assessed upon the Trust Estate or any part thereof; or
- (iv) sell, transfer, convey, assign, further encumber or dispose of the Trust Estate or any part thereof or interest therein, or permit the title to the Property to be vested in any other party, in any manner whatsoever, by operation of law or otherwise, except as expressly permitted in this Deed of Trust; or
- (v) initiate or acquiesce in any zoning reclassification or material change in zoning relating to the Property without Beneficiary's prior written consent.

For the purposes of this Section 2.11(a), "Affiliate" of a given person (the "first person") means any person directly or indirectly controlling, controlled by, or under common control with the first person. As used in this Section 2.11, the term "control" (including the terms "controlled by", "under common control with", and "controlling") means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise.

(b) Owner shall not be deemed to be in violation of Section 2.11(a)(i) or 2.11(a)(iv) if it obtains the prior written consent of the Beneficiary to the acts prohibited by those Sections. Such consent shall be at the sole discretion of Beneficiary and may be conditioned upon the imposition of additional terms and conditions, including, but not limited to, an increase in the interest rate payable on the Note.

(c) Owner shall promptly notify Beneficiary of the proposed sale of any interest in the Property or of any controlling interest in Owner. Owner shall not transfer an interest in the Property or controlling interest in Owner in any manner (other than in connection with the taking of the Property through condemnation or other eminent domain proceedings), including by lease (other than as permitted by Section 2.14), to any person without Beneficiary's consent, which consent may be withheld at Beneficiary's sole discretion; upon any such occurrence prohibited by this Section 2.11(c), at the option of Beneficiary, the Note shall forthwith become due and payable at a price equal to 100% of the unpaid principal amount thereof, together with interest accrued and unpaid thereon and a Prepayment Premium determined in accordance with Section 6.2.

(d) If no default shall have happened and be continuing, Owner may, except as otherwise provided by this Section 2.11, sell, assign or otherwise transfer all or any part of its interests in the Property subject to the lien hereof, the Lease, and the Assignment, provided that upon any such sale, assignment or transfer the purchaser, assignee or transferee shall execute and deliver to Beneficiary an instrument, in form and substance satisfactory to the Trustee, irrevocably appointing Beneficiary as agent and attorney-in-fact with the right and power (which right and power are coupled with an interest) to take all actions and do all things in the name and on behalf of such purchaser, assignee or transferee of the character which Beneficiary is authorized hereby to do as agent and attorney-in-fact of Owner, and to execute and deliver in the name and on behalf of such purchaser, assignee or transferee any deed or other instrument which, pursuant to the terms hereof, Beneficiary is authorized to execute and deliver in the name and on behalf of Owner. In connection with a sale by Owner of its interest in the Property, Owner's transferee shall expressly agree (a) that the interest or estate so acquired is subject and subordinate to this Deed of Trust, the Lease, and the Assignment and (b) to be bound by all of the obligations and undertakings of Owner contained in this Deed of Trust applicable to the Property and Owner, subject to the provisions of Section 7.8 of this Deed of Trust.

Section 2.12. Financial Statements; Books and Records; Notice of Default. (a) Owner will deliver to Beneficiary, in duplicate: (i) within 120 days after the end of each fiscal year, its balance sheet as at the end of

such year and statements of its income and retained earnings for such year, setting forth in each case, in comparative form, figures for the preceding fiscal year, all in reasonable detail and satisfactory in scope to Beneficiary, certified to be true and complete, by a managing partner on behalf of Owner; (ii) promptly upon receipt thereof, copies of all detailed reports, if any, which shall be prepared by independent certified public accountants and submitted to Owner in connection with any annual or interim audit of the books of Owner; and (iii) with reasonable promptness, such other information with respect to Owner as Beneficiary may reasonably request from time to time, including without limitation, quarterly reports, in each case, of the kind described in clause (i) and certified by a partner on behalf of Owner to be true and complete. All financial statements specified in clauses (i) and (ii) and the quarterly reports referred to in clause (iii) above shall be accompanied by the certificate signed by a partner on behalf of Owner stating that (A) no default or Event of Default has occurred and is continuing; (B) no default or Event of Default has occurred since the delivery of the immediately preceding certificate of Owner delivered pursuant to this Section or, if any default or Event of Default has occurred, specifying the nature and the period of existence thereof and what action Owner has taken or is taking with respect thereto, and (C) except as otherwise stated, that Owner has fulfilled all its obligations under this Deed of Trust. Owner will deliver to Beneficiary, at the time of the delivery of the operating statements specified in clause (iii), copies of any Subleases executed during the annual period covered by such statements which are in Owner's possession.

(b) Owner will (i) keep adequate records and books of account reflecting all its financial transactions and in accordance with generally accepted accounting principles and (ii) permit Beneficiary, by its agents, accountants and attorneys, to visit the Property and to examine Owner's records and books of account relating to the Trust Estate and to discuss its affairs, finances and accounts relating to the Trust Estate with its partners at such reasonable times as may be requested by Beneficiary.

(c) Promptly upon becoming aware of it, Owner will notify Beneficiary of the occurrence of any default or Event of Default under the Note or this Deed of Trust or the Assignment.

Section 2.13. Indemnification. Subject to the provisions of Section 7.8, Owner shall pay, and shall defend, protect, indemnify and save harmless Beneficiary from and against, all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from any or all of the following: (i) injury to or death of any persons, or damage to or loss of property on the Property or on adjoining sidewalks, streets or ways, or connected with the use, condition or occupancy of any thereof or (ii) violation by the Owner of this Deed of Trust. Beneficiary shall promptly give Owner notice of any event with respect to which Owner has indemnified Beneficiary pursuant to this Section 2.13, but failure to give such notice shall not affect or reduce Owner's liability hereunder or impose any liability on Beneficiary. Owner shall diligently defend Beneficiary against such liability at Owner's sole cost and expense and by counsel satisfactory, in Beneficiary's reasonable judgment, to Beneficiary.

Section 2.14. The Lease. (a) At all times, the Property shall be leased to Lessee under the Lease, provided that the Property may be subleased and/or the Lease may be assigned upon compliance with the Lease and the provisions hereof. Owner shall punctually perform or cause to be performed all obligations, covenants and agreements by it to be performed as lessor under the Lease in accordance therewith. Owner will at all times do all things necessary to compel performance by Lessee of all its obligations, covenants and agreements under the Lease. Owner will give to Beneficiary notice of all defaults under the Lease promptly after obtaining knowledge thereof. Owner shall maintain the validity and effectiveness of the assignment of the lessor's rights under the Lease made by this Deed of Trust and the Assignment. Except as expressly permitted by the Lease, this Deed of Trust or the Assignment, Owner shall take no action, shall permit no action to be taken by others and shall not omit to take any action, which action or omission would release Lessee from its obligations or liabilities under the Lease or would result in the termination, amendment or modification or impair the validity of the Lease or the Assignment.

Section 2.15. Trustee's Fee. Owner will pay the compensation, if any, to which Trustee is entitled hereunder and all proper disbursements and expenses, if any, incurred by the Trustee in connection with the sale of the Trust Estate or any portion thereof following an Event of Default hereunder.

Section 2.16. Owner's Right to Contest. Owner may, at its own expense, contest by appropriate legal proceedings conducted in good faith and with due diligence (i) compliance with any law, legal requirement or order of the United States, of any state or any other governmental authority, any contract, agreement or other instrument (including, without limitation, the requirements imposed by or for the benefit of any insurer pursuant to any insurance agreement), and (ii) payment of any tax, assessment or other charge, in each case, which Owner is required by this Deed of Trust to comply with or pay; provided, in each case, that (A) such proceedings shall operate to prevent the collection of any fines, penalties, amounts claimed, awards, damages, taxes, assessments or other charges, or other realization thereon, from the Property or the Trust Estate or any part thereof or from the rent payments or other sums payable under the Leases to satisfy the same, (B) neither the Property or the Trust Estate, or any part thereof or interest therein, nor the rent payments or any other sums payable under the Lease or any portion thereof would be in any danger of being sold, forfeited or lost by reason of such proceedings, (C) such proceedings would not threaten Trustee or Beneficiary with any civil or criminal liability and (D) Owner shall create a reserve fund or provide such other security, in each case, as shall be reasonably satisfactory to Beneficiary, for payment and/or performance of any amounts or obligations for which it may be found liable pursuant to such proceedings.

Section 2.17. Lease Basic Rent. Except for the instalment of Fixed Rent due on or about June 1, 1998, each instalment of Fixed Rent, on each date for the payment thereof, shall be sufficient, together with the proceeds of the loss of rents insurance required to be maintained by the Lease and this Deed of Trust, to make all payments on the Note due on or about such date.

Section 2.18. Performance by the Lessee and Sublessee. Compliance by Lessee or any Sublessee with the terms of the Lease or any Sublease which if performed by Owner would constitute compliance by Owner with the provisions of this Deed of Trust shall be deemed compliance by Owner herewith. Performance by Lessee or any Sublessee of any of Owner's obligations hereunder, whether or not pursuant to the Lease or any Sublease, shall be the equivalent of Owner's performance thereof.

Section 2.19. Hazardous Materials. (a) Owner shall:

(i) not cause or permit any Hazardous Material (as defined in paragraph (b) of this Section) to exist on or discharge from the Property (whether originating thereon or migrating to the Property from other property), and shall promptly: (A) pay any claim against Owner and/or the Property, (B) remove any charge or lien upon the Property, and (iii) indemnify and hold Beneficiary harmless from any and all loss or damage, resulting from any Hazardous Material that exists on or is discharged from the Property; provided however, Owner may maintain on the Property those Hazardous Materials which are necessary to the operation of the Property, are for sale at a Fred Meyer Retail Store, are permitted thereon by law, do not exceed those levels prescribed by law and are maintained and disposed of in accordance with all applicable laws;

(ii) not cause or permit any Hazardous Material to exist on or discharge from any property owned or used by Owner which would result in any charge or lien upon the Property, provided however, Owner may maintain on such property those Hazardous Materials which are necessary to the operation of such property, are permitted thereon by law, do not exceed those levels prescribed by law and are maintained and disposed of in accordance with all applicable laws;

(iii) notify Beneficiary of any Hazardous Material that exists on or is discharged from the Property (whether originating thereon or migrating to the Property from other property) within ten (10) days after Owner first has knowledge of such existence or discharge; and

(iv) comply and cause the Property to comply with all statutes, laws, ordinances, rules and regulations of all local, state or federal authorities having authority over the Property or any portion thereof or its use, including without limitation, relative to any Hazardous Material.

(b) "Hazardous Material" means any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any statute, law, ordinance, rule or regulation of any local, state or federal authority having jurisdiction over the Property or any portion thereof or its use, including but not limited to any material, substance or waste which is: (a) defined as a hazardous substance under Section 311 of the Federal Water Pollution Control Act (33 U.S.C. §1317) as amended; (b) defined as a hazardous waste under Section 1004 of the Federal Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.) as amended; or (c) defined as a hazardous waste substance under Section 101 of the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. §9601 et seq.) as amended.

Section 2.20. Tax and Insurance Accounts. Upon the occurrence of an Event of Default, Owner shall deposit with and pay to Beneficiary, on each payment date specified in the Note, a sum equivalent to one-twelfth (1/12) of the estimated annual taxes and assessments payable pursuant to Section 2.8 and one-twelfth (1/12) of the annual premiums for insurance required to be maintained pursuant to Section 2.9. Beneficiary shall use such deposits to pay the taxes, assessments and premiums when the same become due. Beneficiary shall not be liable for interest on such deposits. Owner shall procure and deliver to Beneficiary, in advance, statements for such charges. If the total payments made by Owner under this paragraph exceed the amount of payments actually made by Beneficiary for taxes, assessments and insurance premiums, such excess shall be credited by Beneficiary on subsequent deposits to be made by Owner. If, however, the deposits are insufficient to pay the taxes, assessments and insurance premiums when the same shall be due and payable, Owner will pay to Beneficiary any amount necessary to make up the deficiency, on or before the date when payment of such taxes, assessments and insurance premiums shall be due. If at any time Owner shall tender to Beneficiary, in accordance with the provisions of the Note, full payment of the entire indebtedness represented thereby, Beneficiary shall, in computing the amount of such indebtedness, credit to the account of Owner any balance remaining in the funds accumulated and held by Beneficiary under the provisions of this paragraph. If there is a default under any of the provisions of this Deed of Trust resulting in a sale of the Trust Estate, or if Beneficiary otherwise acquires the Trust Estate after default, Beneficiary shall apply, at the time of commencement of such proceedings, or at the time the Trust Estate is otherwise acquired, the balance then remaining in the funds accumulated under this paragraph as a credit on the interest accrued and unpaid and the balance to the principal then remaining unpaid under the Note. The enforceability of the covenants relating to taxes, assessments and insurance premiums provided for in this Deed of Trust shall not be affected except to the extent that said obligations have been actually met by compliance with this paragraph.

Section 2.21. Security Agreement. This Deed of Trust is intended to be a security agreement pursuant to the Uniform Commercial Code under the law of the State in which the Property is located for any items of personal property specified above as part of the Trust Estate which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code and which are not effectively made part of the real property which is part of the Trust Estate.

Section 2.22. Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Property is located with respect to any and all fixtures included within the term Trust Estate and with respect to any goods or other personal property that may now be or hereafter become such fixtures.

Section 2.23. Public Offering Notices. Owner shall give Beneficiary a written notice on December 20, 1988, on the 20th day of each third month thereafter until the Initial Closing Date (as defined in the Prospectus, dated December 11, 1987 (the Prospectus) for the public offering of 50,000 limited partnership units (the Units)) and within three (3) business days following the Initial Closing Date (the Closing Notice), each such notice, other than

the Closing Notice, stating the aggregate dollar amount of Units subscribed as of the date thereof and the Closing Notice stating that the closing with respect to 20,000 Units for \$20,000,000 has occurred and the date thereof. Within thirty (30) days after the Initial Closing Date, Owner shall cause the Citibank Assignment and the Florida Assignment (defined below) to be released and discharged by due recording of all instruments, including, without limitation, Uniform Commercial Code Form 3 statements, necessary and appropriate to effect such release and discharge and simultaneous delivery to Beneficiary of duplicate execution copies of all such instruments. The term "Florida Assignment" shall mean that certain Assignment of Lessor's Interest in Lease, dated November 3, 1987, from Owner to Citibank, relating to the Lease, dated June 26, 1987, from Owner, as lessor, Time Customer Service, Inc., as lessee, of the real property known as The Smith Terminal Building, 3102 Queen Palm Drive, Sabol Business Park, Tampa, Florida.

ARTICLE 3

Casualty and Condemnation

(a) Owner hereby irrevocably assigns to Beneficiary for application pursuant to this Deed of Trust all insurance proceeds, condemnation or other taking awards, compensation or other payments to which Owner may become entitled by reason of its interests in the Property (i) if the Property is damaged or destroyed by fire or other casualty (a Casualty) or (ii) if title to the Property or any part of it is taken in any eminent domain proceeding or other action by any person having the power of eminent domain (a Condemnation). All amounts paid in connection with any such damage, destruction or taking shall be paid to Beneficiary and applied pursuant to this Article 3; and all such amounts (minus all costs and expenses of Beneficiary in collecting such amounts, including without limitation, reasonable attorney's fees and expenses) are called the Net Proceeds. Except as otherwise expressly provided in this Deed of Trust, Owner shall repair or restore the Property, or cause the Property to be repaired and restored, to its condition and market value prior to such event regardless of whether or not the Net Proceeds are sufficient to pay the cost of such restoration or repair, provided that the Net Proceeds shall be made available to Owner or Lessee, as the case may be, in accordance with the terms and conditions set forth in this Deed of Trust. Owner shall take, or cause to be taken, all appropriate action in connection with each proceeding, settlement, and adjustment and shall pay all expenses thereof, including, if Beneficiary shall elect to participate, the cost of Beneficiary's participation; provided, however, that any final settlement or adjustment shall be subject to the prior written consent of Beneficiary, which consent Beneficiary may withhold in its reasonable discretion. Beneficiary may, at its option and with respect to its interests as set forth in this Deed of Trust, commence, appear in and prosecute, in its own name, any action or proceeding or make any compromise or settlement in connection with the damage, destruction or taking and directly obtain all proceeds, awards, compensation and other payments therefor and in connection therewith Beneficiary shall have no liability to Owner.

(b) Immediately upon obtaining knowledge of any Casualty or Condemnation, Owner shall notify the Trustee and Beneficiary. If Lessee shall elect or be obligated to repair and restore the Property pursuant to Lease, the Owner's obligations hereunder shall be satisfied by due performance of Lessee under the Lease and, the Net Proceeds shall be made available to Lessee in accordance with the terms and provisions of the Lease. In the event of a Casualty, and so long as there is no default existing under Section 5.6 of the Lease, and so long as no other event of default (as described in the Lease) has occurred and is continuing with respect to any other obligations of Lessee under the Lease, if the Net Proceeds are less than or equal to \$500,000, then the Net Proceeds shall be paid directly to the Lessee pursuant to the Lease.

(c) Prior to making any repair or restoration of the Property pursuant to this Article 3, Owner or Lessee, as the case may be (for purposes of this paragraph (c) herein called the Restorer), shall provide Beneficiary with evidence reasonably satisfactory to Beneficiary as to the cost of making the restoration (considering that the market value of the Property shall not be lessened thereby and that such work shall be performed and completed in a

good and workmanlike manner). If the cost of any restoration to be made by the Restorer pursuant to this paragraph (c) shall exceed the amount of the Net Proceeds, (i) the deficiency shall be paid by the the Restorer; (ii) the Restorer shall provide Beneficiary with a completion or surety bond or other security, insuring the completion of the restoration reasonably satisfactory to Beneficiary; and (iii) the security represented by this Deed of Trust, after any intended restoration, will not be materially less than that existing as of the date of this Deed of Trust, in the case of a Condemnation, after taking into consideration any reduction in outstanding principal amount of the Note by reason of a prepayment of the Note pursuant to Section 4.3 of this Deed of Trust, and if the Restorer shall be Lessee, so long as no default by Lessee under the Lease shall have occurred and be continuing, then Beneficiary shall make the Net Proceeds available to the Restorer to effect the restoration. The Net Proceeds shall be made available to the Restorer in the manner that a construction loan would be disbursed, which manner shall include without limitation compliance with the procedures described in the following sentence. The Net Proceeds shall be made available to Beneficiary as the only upon the delivery of the Restorer's certificates to Beneficiary as the restoration progresses, describing the work for which the Restorer is requesting payment and the cost incurred by the Restorer in connection with it and stating that the Restorer has not previously received payment for the work (the Restorer's Certificate), provided, that (x) at all times the amount remaining from the Net Proceeds, after deducting prior progress payments, shall be equal to or greater than the estimated cost to complete the restoration (any deficiency in Net Proceeds having been applied to the cost of restoration by the Restorer pursuant to clause (ii) of this paragraph (c) prior to any distribution of Net Proceeds by Beneficiary); (y) lien waivers shall be delivered to Beneficiary together with each Restorer's Certificate; and (z) Beneficiary shall disburse ninety percent of the amount requested in each of the Restorer's Certificates, the remaining ten percent to be disbursed upon final completion of the restoration. Any Net Proceeds remaining after the final payment has been made for the restoration work shall be paid to Owner in the case of a Casualty. In the case of a Condemnation any Net Proceeds remaining shall be paid to or retained by Beneficiary and applied to the prepayment of the then outstanding principal balance of the Note, pursuant to Section 4.3 of this Deed of Trust.

(d) If prior to the receipt by Beneficiary of such Net Proceeds, the Trust Estate shall have been sold on foreclosure of this Deed of Trust, Beneficiary shall have the right to receive the Net Proceeds to the extent of any deficiency found to be due upon such sale, with interest thereon at the Default Rate and reasonable counsel fees, costs and disbursements incurred by Beneficiary in connection with the collection of the Net Proceeds. Beneficiary is hereby appointed attorney-in-fact of Owner for the foregoing purpose and is duly authorized and empowered solely for the purposes described in the foregoing sentence to receive, receipt for, discharge and satisfy any award and judgment on behalf of Owner, which receipt, discharge and satisfaction shall be as legally binding and effective as if given directly by Owner.

(e) Notwithstanding any Casualty to or Condemnation of the Property, Owner shall continue to pay interest on the entire unpaid principal sum

secured by the lien of this Deed of Trust until any Net Proceeds shall have been actually received by Beneficiary, and any reduction in the principal sum resulting from the application by Beneficiary of the Net Proceeds shall take effect on the date such Net Proceeds are actually received by Beneficiary and any obligation on the part of the Beneficiary to pay Owner or Lessee any portion of such Net Proceeds pursuant to this Article 3 has been satisfied.

ARTICLE 4

Application of Moneys.

Section 4.1. Moneys Under the Lease. (a) Unless and until an Event of Default shall have happened and be continuing to the Beneficiary's knowledge, moneys received by the Beneficiary as Fixed Rent, and as interest on any overdue instalment thereof, shall be applied, first to the payment of the instalment payment on the Note due on or about the date on which such payment of Fixed Rent is due, together with interest on any overdue amount or amounts thereof, and second (if no default has occurred and is continuing under the Note or this Deed of Trust) the excess, if any, shall be paid to Owner or upon its written order, free of the lien hereof.

(b) Any moneys received by the Beneficiary as additional rent or other sums payable under the Lease shall be applied first to the purposes for which such moneys were paid pursuant thereto and second (if no default has occurred and is continuing under the Note or this Deed of Trust) the excess, if any, shall be paid to Owner or upon its written order, free of the lien hereof.

Section 4.2. Proceeds of Mortgage Title Insurance. Any moneys received by Beneficiary as payment for any loss under any policy of mortgage title insurance with respect to the Property shall (i) if no Event of Default has occurred and is continuing, be applied to the payment of the unpaid principal amount of the Note, without Prepayment Premium, but together with all accrued and unpaid interest thereon or (ii) if an Event of Default has occurred and is continuing, be held by Beneficiary as part of the Trust Estate and applied pursuant to Section 6.1.III.

Section 4.3. Proceeds of Insurance; Condemnation Awards. Moneys received by Beneficiary as payment for loss under any policy of insurance or as an award or compensation for the taking, in condemnation or other eminent domain proceedings, of the Property or any portion thereof or interest therein, shall be applied in accordance with Article 3 hereof. Unless Beneficiary otherwise elects pursuant to Section 5.2, any such moneys not paid over or required to be paid over to the Lessee or Owner shall be applied on the next regular payment date on the Note, to the payment of the then unpaid principal amount of the Note at a price equal to 100% of the principal amount thereof to be prepaid, without Prepayment Premium (except in the event that an Event of Default has occurred and is continuing under the Note or this Deed of Trust) but together with all accrued and unpaid interest thereon and all other sums owing under the Note or this Deed of Trust and the excess, if any, shall be paid to Owner or upon its written order, free of the lien hereof.

ARTICLE 5

Prepayment

Section 5.1. Prepayment. The Note is not subject to prepayment except in accordance with this Article 5.

Section 5.2. Prepayment at Beneficiary's Election. Upon the occurrence of an event prohibited by Section 2.11(c) or if an event described in Article 3 occurs while an Event of Default has occurred and is continuing or if the Net Proceeds exceed the cost of repair following a condemnation or other taking as provided in Article 3 and upon the election of Beneficiary, the Note shall be prepaid in the amount and at the price provided in Section 2.11(c) or Article 3, as the case may be.

Section 5.3. Owner's Optional Prepayment. Owner may, at its option, and on thirty days prior written notice to Beneficiary, prepay the Note in accordance with the terms thereof.

Section 5.4. Deposit of Moneys. On or prior to the date fixed for any prepayment of the Note pursuant to this Article 5, the moneys required therefor shall be deposited with Beneficiary.

ARTICLE 6

Events of Default and Remedies

Section 6.1. Events of Default. If one or more of the following events (Events of Default) shall have occurred:

- (a) default shall be made in the payment of interest or principal on the Note in accordance with its terms and such default shall continue for ten (10) days thereafter (immediately upon the occurrence of each such default and without the passage of time or any grace period a Default Charge on the amount of such payment shall become immediately due and payable);
- (b) default shall be made in the due observance or performance of any covenant, condition or agreement of Owner contained in Section 2.11 or the first or fifth sentences of Section 2.14 or Section 2.17;
- (c) default shall be made in the due observance or performance of any other covenant, condition or agreement of Owner contained in the Note, this Deed of Trust, the Assignment or in any other instrument which may be held by Beneficiary as security for the Note and any such default shall have continued for 30 days after notice to Owner; provided however, with respect to any such default which cannot be cured by the payment of money, if Owner diligently and continuously tries to cure the default, but the default is not reasonably capable of being cured within the 30-day period, the period shall be extended for such additional time as may be reasonably required to cure the default with Owner acting diligently and continuously;
- (d) any representation or warranty of Owner set forth in (i) any certificate delivered in connection with the making of the loan secured by this Deed of Trust; (ii) this Deed of Trust or the Assignment; (iii) any other instrument referred to in clause 6.1(c); or (iv) any certificate, notice, demand or request delivered to Beneficiary pursuant to any instrument referred to in this clause (d), in each case, shall have been inaccurate in any material and adverse respect as of the time when it was made;
- (e) if an event of default under, and as defined in, the Lease shall have occurred and be continuing or if the Lease shall be terminated before the expiration of the term thereof for any reason or if the Lease shall be hypothecated by Owner or amended or modified by Owner in a manner inconsistent with the terms and conditions of this Deed of Trust and the Assignment;
- (f) if Lessee shall fail to comply with the provisions of the Assignment pursuant to its Consent and Agreement thereto;

- (g) any of the following shall occur with respect to (i) the Trust Estate or any part of or interest in it; (ii) the Owner; or (iii) any person that holds title to the Property at such time or any part of it or interest in it: the appointment of a custodian, receiver, liquidator or trustee (other than the Trustee under this Deed of Trust) or other similar official; adjudication as a bankrupt or insolvent; the filing of any petition, or commencement of a case, under any bankruptcy statute or similar law (provided that if such filing or commencement is by a person other than Owner, the then Owner of the Property, Owner shall have sixty days from the date of filing or commencement to cause such action to be dismissed; an assignment for the benefit of creditors; the inability, or admission thereof, to pay debts generally as they become due;
- (h) judgment for the payment of money in excess of \$100,000 with respect to Owner or the general partner of Owner shall be rendered and Owner shall not discharge the same or cause it to be discharged within 30 days from the entry of a final order following all appeals which Owner or the general partner of Owner shall elect to make and secure a stay of execution pending such appeals;
- (i) a default by Owner under any of the Citibank Loan Documents;
- (j) default by Owner in the due observance and performance of the agreement set forth in the first sentence of Section 2.23 and the continuance of such default for five (5) business days; or
- (k) default by Owner in the due observance and performance of the agreements set forth in the second sentence of Section 2.23.

then, in every such case, during the continuance of any Event of Default:

I. At the option of Beneficiary by notice to Owner (except in the case of a sale of the Property by Owner in violation of any covenant or agreement contained in Section 2.11, in which case Owner hereby expressly waives notice), the entire principal of the Note and all accrued and unpaid interest and the prepayment premium specified in Section 6.2 shall become due and payable immediately.

II. Trustee or Beneficiary personally, or by their respective agents or attorneys, may enter into and upon the Property and may exclude Owner and its agents and servants wholly from it; and, at the expense of the Trust Estate, may use, operate, manage and control the same and conduct the business of it, may maintain and restore the Property, may insure and reinsure the Property and may make all necessary or proper repairs, renewals and replacements and any useful alterations, additions, betterments and improvements on or to the Property, all as Beneficiary may deem advisable; and in every case Trustee and Beneficiary, or either of them, shall have the right to manage and operate the Trust Estate and to carry on the business of it and exercise all rights and powers of Owner with respect to it either in the name of Owner or otherwise as Beneficiary shall deem best. Trustee or Beneficiary,

or either of them, shall be entitled to collect and receive all earnings, revenues, rents, issues, awards, proceeds, profits and income of the Trust Estate and said earnings, revenues, rents, issues, awards, proceeds, profits and income are hereby assigned to Trustee and Beneficiary, their successors and assigns. After deducting the expenses of conducting the business and of all maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and taxes, assessments, insurance and prior or other proper charges upon the Trust Estate, as well as reasonable compensation for the services of all attorneys, servants and agents by Trustee or Beneficiary properly engaged and employed (including compensation and expenses in connection with any appeal), the moneys arising as aforesaid, together with any other sums which may then be held by Trustee or Beneficiary as part of the Trust Estate or the proceeds of it, shall be applied as follows: first, to the payment of any Prepayment Premium or Reinvestment Yield Premium due and payable by reason of such Event of Default; second, to the payment of the whole amount then owing on the Note for principal and interest; third, to the payment of any other sums secured by this Deed of Trust; and fourth, to the payment of the surplus, if any, to Owner.

III. Trustee (and, in the case of portions of the Trust Estate other than the Property, Beneficiary), with or without entry, personally or by its agents or attorneys, may, and at the direction of Beneficiary shall, sell, to the extent permitted by law, the Trust Estate and all estate, right, title, interest, claim and demand therein and right of redemption thereof at one or more private or public sales, as an entirety or in parcels and at such times and places and upon such terms as may be specified in the notice or notices of sale to be given to Owner or as may be required by law. Any number of sales may be conducted from time to time. The power of sale shall not be exhausted by any one or more such sale as to any part of the Trust Estate remaining unsold, but shall continue unimpaired until all of the Trust Estate shall have been sold or the Note and all indebtedness of Owner secured hereby shall have been paid. In addition, Trustee shall have the statutory power of sale, if any, as may be provided by the law of the State in which the Property is located and this Deed of Trust is made upon the statutory conditions provided by the law of the State of in which the Property is located. The proceeds or avails of any sale or sales made under this Section 6.1.III, together with any other sums which may then be held by Trustee or Beneficiary as part of the Trust Estate or the proceeds thereof, shall be applied as, follows: first, to the payment of the costs and expenses of such sale, including reasonable compensation to Beneficiary and its agents and counsel, and of any judicial proceedings in which the same may be made; second, to the payment of any Prepayment Premium or Reinvestment Yield Premium due and payable by reason of such Event of Default; third, to the payment of the whole amount then owing on the Note for principal and interest; fourth, to the payment of any other sums secured by this Deed of Trust; and fifth, to the payment of the surplus, if any, to Owner.

IV. The Note shall bear interest at the Default Rate rate and all other amounts payable under the Note and this Deed of Trust shall bear interest at the Default Rate; except that in the case of an Event of Default described in Section 6.1(d) the Note and all other amounts payable under the Note and this Deed of Trust shall bear interest at the Default Rate only from and after the date of notice of acceleration of the Note under Section 6.1 I.

V. Trustee and Beneficiary may take all steps to protect and enforce their rights and remedies provided hereby or by applicable law, whether by action, suit or proceeding in equity or at law (for the complete or partial foreclosure hereof, for the specific performance of any covenant, condition or agreement contained in the Note or herein or in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as Trustee or Beneficiary shall deem most effectual to protect and enforce the same.

VI. Beneficiary shall have all rights and remedies provided to a secured party by the Uniform Commercial Code as adopted by the State in which the Property is located with respect to such portion of the Trust Estate, if any, as is governed by the Uniform Commercial Code.

Section 6.2. Prepayment Premium. If Beneficiary accelerates the payment of the whole or any part of the principal due under the Note pursuant to the provisions of Sections 2.11(c) or 6.1, Owner waives any right to prepay the principal sum in whole or in part without premium and agrees to pay the Prepayment Premium.

Section 6.3. Purchase by Beneficiary. Upon any sale made under or by virtue of this Article (whether made under any power of sale herein granted or under or by virtue of any judicial proceedings or of a judgment or decree of foreclosure and sale), Beneficiary may bid for and acquire the Trust Estate or any part of it and in lieu of paying cash for it may make settlement for the purchase price by crediting upon the indebtedness of Owner secured by this Deed of Trust the net proceeds of sale after deduction of all costs, expenses, compensations and other charges to be paid therefrom as herein provided. The person making such sale shall accept such settlement without requiring the production of the Note, and without such production there shall be deemed credited thereon the net proceeds of sale ascertained and established as aforesaid. Beneficiary upon so acquiring the Trust Estate or any part thereof, shall be entitled to hold, deal with and sell the same in any manner permitted by applicable laws.

Section 6.4. Receivers. After the happening of any Event of Default, immediately upon the commencement of any legal proceeding by Beneficiary for or in aid of the enforcement of the Note or of this Deed of Trust, and without regard to the adequacy of the security of the Trust Estate, Beneficiary shall be entitled to the appointment of a receiver or receivers of the Trust Estate and of all the earnings, revenues, rents, issues, profits and income thereof, and Owner hereby consents to any such appointment.

Section 6.5. Remedies Cumulative. No remedy provided in this Deed of Trust shall be exclusive of any other remedy or remedies, and each such remedy shall be cumulative and in addition to every other remedy given under this Deed of Trust or now or hereafter existing at law or in equity; and every power and remedy of Trustee or Beneficiary under this Deed of Trust may be exercised from time to time and as often as may be deemed expedient by Trustee or Beneficiary. No delay or omission of Trustee or Beneficiary to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence in it.

ARTICLE 7

Miscellaneous

Section 7.1. Notices; Modifications; Waiver. Except as otherwise specifically provided, all notifications, notices, demands, consents or requests (Notices) herein provided for or made pursuant to this Deed of Trust shall be in writing and shall be effective upon receipt and delivered by hand or sent by registered or certified mail, postage prepaid, to the party to be notified, at such party's address first set forth on page one of this Deed of Trust or at such other address as the party to be notified shall have specified by notice in writing. Notices to Owner shall be sent to the attention of Edward C. Whiting, with a copy thereof to Weil, Gotshal & Manges, 767 Fifth Avenue, New York, New York 10153, Attention: Alan A. Lascher, Esq., provided, however, that Beneficiary shall incur no liability for failure to deliver a copy of a Notice to Weil, Gotshal & Manges and Beneficiary's failure to deliver a copy of a Notice to Weil, Gotshal & Manges shall not diminish or modify any of Beneficiary's rights under this Deed of Trust. This Deed of Trust may not be modified except by an instrument in writing executed by Owner and Beneficiary. No requirement of this Deed of Trust may be waived at any time except by a writing signed by the party against whom such waiver is sought to be enforced nor shall any waiver be deemed a waiver of any subsequent breach or default.

Section 7.2. Illegal Provision. If any provision of this Deed of Trust or of the Note shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 7.3. Maximum Interest Payable. Neither this Deed of Trust nor the Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If in this Deed of Trust or in the Note any excess of interest in such respect is provided for or shall be adjudicated to be so provided for, neither Owner nor its successors or assigns shall be obligated to pay such interest in excess of the maximum amount permitted by law, and the right to demand the payment of any such excess shall be and hereby is waived; and this provision shall control any other provision of this Deed of Trust or the Note.

Section 7.4. Satisfaction. If and when the Note shall have become due and payable (whether by lapse of time or by acceleration or by the exercise of the privilege of prepayment) and Owner shall pay or cause to be paid (provided such payment is permitted or required hereby) the full amount required and shall also pay or cause to be paid all other sums payable under this Deed of Trust by Owner with respect to the Note, this Deed of Trust and the Assignment, then this Deed of Trust shall cease and terminate, and the Trustee and Beneficiary shall satisfy and cancel the same as a lien on the Trust Estate, reconvey the Trust Estate to Owner and promptly execute and deliver such instruments as shall be required by Owner to satisfy and discharge the lien of this Deed of Trust.

Section 7.5. Registration, Exchange, Transfer or Replacement of the Note. Owner shall maintain at its principal office a register for the registration and transfer of the Note. Upon surrender of the Note to Owner, Owner will deliver to the registered owner thereof a new Note or Notes (the Exchange Note) in exchange for such Note, within a reasonable time after such request. The Exchange Note shall be (i) of the same tenor as the surrendered Note, (ii) in any denomination of \$100,000 or more requested by the registered owner of said surrendered Note aggregating not more than the unpaid principal amount of the surrendered Note, or in the unpaid principal amount of the surrendered Note, if less than \$100,000, (iii) registered in the name of such person as such registered owner may request, and (iv) dated such date as will result in no gain or loss of interest. No service charge shall be made for any transfer or exchange of the Note. Any Exchange Note issued pursuant to this Section 7.5 shall evidence the same indebtedness as the Note having been transferred or exchanged and shall be entitled to the benefits and the security of all the security therefor. If the Note is lost, stolen or destroyed, or upon the surrender and cancellation of a mutilated Note, Owner will, upon the written request of the registered owner thereof, deliver to said registered owner, within a reasonable time after such request and in lieu of such lost, stolen, destroyed or mutilated Note, an Exchange Note of the same tenor and in a principal amount equal to the unpaid principal amount thereof. In the case of a lost, stolen or destroyed Note, the registered owner thereof shall furnish evidence of loss and such indemnity as Owner may reasonably require, provided that if such owner is Beneficiary or any institutional investor, Owner may only require an agreement from such institutional investor to indemnify Owner against loss or liability in connection with the issuance of such Exchange Note.

Section 7.6. Binding Effect. The covenants, obligations, conditions and agreements herein contained shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties to this Deed of Trust. Whenever used, the singular shall include the plural, the plural shall include the singular and the use of any gender shall include all genders.

Section 7.7. Successor Trustee. Beneficiary may at any time and from time to time, by an instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed and acknowledged by Beneficiary and recorded in the office of the recorder of each county where the Property is situated, shall be conclusive proof of proper substitution of such successor trustee or trustees, who shall, without conveyance from the predecessor Trustee, succeed to all its title, estate, rights, powers and duties. Said instrument shall contain the names of Owner, the original Trustee and Beneficiary, the book and page where this Deed of Trust is recorded, and the name and address of the new Trustee.

Section 7.8. Nonrecourse Obligation. Beneficiary agrees that Beneficiary's rights to enforce each and every obligation of Owner hereunder and to exercise each and every remedy hereunder and under the Assignment shall be enforced or exercised, as the case may be, solely against the Trust Estate. Anything contained in this Deed of Trust, in the Note or in the Assignment to the contrary notwithstanding, in the absence of fraud, no recourse shall be had for the payment of the principal or interest or

Prepayment Premium or Reinvestment Yield Premium, if any, on the Note or for any claim based on the Note or otherwise in respect of the Note or any claim or obligation of any nature based on or in respect of or arising under or by reason of the Note this Deed of Trust, the Assignment, or any other document relating thereto, against (i) Owner, any partner of Owner, and partner of any partner of Owner, or any officer, director, agent or employee of any of the foregoing; (ii) any legal representative, heir, estate, successor or assignee of any thereof; (iii) any corporation (or any of its officers, directors or shareholders), partnership (or any partner of it), individual or entity to which the Trust Estate or any part of it shall have been transferred; or (iv) any other person on the ground that in entering into the transactions evidenced by the Note, this Deed of Trust and the Assignment, Owner was acting as an agent for the account and benefit of such person and that such person was the principal of Owner; or (v) any assets of any such person or persons referred to in clauses (i) through (iv) above, other than the Trust Estate; in any such case, under any rule of law, statute or constitution, or by the enforcement of any assessment or penalty or otherwise. It is understood that the Note and all obligations, whether monetary or otherwise, under or with respect to the Note, this Deed of Trust, the Assignment or any document relating thereto may not be enforced against any person, entity or any such asset (other than the Trust Estate) described in clauses (i) through (v) above; provided, that the foregoing provisions of this paragraph shall not (x) prevent recourse to the Trust Estate or any sums due or to become due under any instrument which is part of the Trust Estate, including the right to proceed against the lessee under the Lease and the Assignment, (y) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Note or secured by this Deed of Trust or the Assignment, but the same shall continue until paid or discharged, or (z) limit the liability of any person or persons referred to in clauses (i) through (iv) above in the event of fraud, and provided, further, that the foregoing provisions of this paragraph shall not limit the right of any person to name any person or persons referred to in clauses (i) through (iv) above or any transferee of any interest in the Trust Estate as a party defendant in any action or suit for a judicial foreclosure of or in the exercise of any other remedy under the Note, this Deed of Trust or the Assignment so long as no judgment in the nature of a deficiency judgment or seeking personal liability (other than for fraud) shall be asked for or (if obtained) enforced against any person or persons referred to in clauses (i) through (iv) above or such transferee.

Section 7.9. Acceptance. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made of public record as provided by law. Beneficiary by virtue of its purchase of the Note, accepts this Deed of Trust and agrees to be bound by the terms and provisions hereof.

Section 7.10. Consents. Except where the giving of a consent or approval is in Beneficiary's sole discretion, as otherwise expressly provided in this Deed of Trust, at any time when a consent or approval shall be required pursuant to this Deed of Trust, such consent or approval shall not be unreasonably withheld or delayed.

Section 7.11. Table of Contents; Headings. The table of contents contained herein and the headings of the various Articles, Sections and

Schedules herein have been inserted for reference only and shall not to any extent have the effect of modifying or amending the express terms and provisions hereof.

Section 7.12. Governing Law. This Deed of Trust shall be governed by the law of the State of Oregon.

Section 7.13. Schedules. The following is the Schedule A referred to in this Deed of Trust each of which is hereby incorporated by reference herein.

SCHEDULE
EXHIBIT "A"

LEGAL DESCRIPTION

A parcel of land located in the southwest one-quarter of Section 34, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Commencing at a brass cap marking the southwest corner of Section 34 and running North $00^{\circ} 28' 30''$ West 168.83 feet; thence North $89^{\circ} 31' 30''$ East 55.00 feet to a point on the easterly right-of-way line of Washburn Way and the Point of Beginning; running thence, along said right-of-way line, North $00^{\circ} 28' 30''$ West 944.12 feet; thence leaving said right-of-way, North $89^{\circ} 31' 53''$ East 588.13 feet; thence South $00^{\circ} 28' 07''$ East 1101.80 feet to the northerly right-of-way line of Shasta Way; thence along said right-of-way South $89^{\circ} 52' 25''$ West 77.96 feet; thence North $87^{\circ} 15' 50''$ West 300.37 feet; thence South $89^{\circ} 52' 25''$ West 7.13 feet; thence leaving said right-of-way, North $00^{\circ} 28' 07''$ West 159.15 feet; thence South $89^{\circ} 31' 53''$ West 172.03 feet; thence 38.10 feet along a 35.00 foot radius curve left, the long chord of which bears South $58^{\circ} 20' 54''$ West 36.24 feet to the Point of Beginning.

IN WITNESS WHEREOF, Owner has caused this Deed of Trust to be duly executed and delivered, all as of the day and year first above written.

LEPERCQ CORPORATE INCOME FUND II L.P.,
a Delaware limited partnership

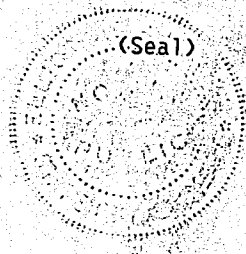
By: Secured Property Associates II L.P.,
a Delaware limited partnership, a
general partner

By: Lepercq Lease Associates II L.P.,
a Delaware limited partnership, a
general partner

By: James F. Dannhauser
James F. Dannhauser,
general partner

State of New York)
 County of New York) ss.

On this 20 day of June, 1988, before me, the undersigned, a Notary Public in and for said State, personally appeared James F. Dannhauser, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument, as the General Partner of and on behalf of LEPERCQ LEASE ASSOCIATES II L.P., a Delaware limited partnership, as General Partner of and on behalf of SECURED PROPERTY ASSOCIATES II L.P., a Delaware limited partnership, as General Partner of and on behalf of LEPERCQ CORPORATE INCOME FUND II L.P., a Delaware limited partnership, the partnership that executed the within instrument, and acknowledged to me that such partnerships executed the same.



Elliot L. Murwitz
 Notary Public for the State of N.Y.

Residing at:

937 Carol Avenue, Woodmere, N.Y.

My commission expires:

ELLIOT L. MURWITZ
 NOTARY PUBLIC, State of New York
 No. 41-4001830
 Qualified in Queens County
 Commission Expires July 6, 1989

STATE OF OREGON,
 County of Klamath ss.

Filed for record at request of:

Klamath County Title

on this 22 day of June A.D., 19 88
 at 12:05 o'clock P M. and duly recorded
 in Vol. M 88 of Mtgs Page 9605

Evelyn Biehn County Clerk

By [Signature]

198.00

Fee,

Deputy.

195.00
 3.00