

Aspen Title #01035010

OREGON HOUSING AGENCY
STATE OF OREGON

T R U S T D E E D

THIS TRUST DEED is made this 21st day of December, 1990, between Clayco Development Corporation, whose address is 1418 Ivory Street, Klamath Falls OR 97603 (hereinafter referred to as "Grantor"); Aspen Title & Escrow, Inc. (hereinafter referred to as "Trustee"); and the Oregon Housing Agency, State of Oregon, having its principal office and post office address at 1600 State Street, Suite 100, Salem, Oregon 97310 (hereinafter referred to as "Beneficiary" or as "Agency").

RECITALS:

THAT, in consideration of the sum of One Million Eighty Seven Thousand Dollars (\$1,087,000). paid to the Grantor, and for other good and valuable consideration, the receipt and sufficiency of which sum and consideration are hereby acknowledged, the Grantor does hereby irrevocably grant, bargain, sell and convey to Trustee in trust with power of sale, all the tract(s) or parcel(s) of land (hereinafter referred to as "Land") located in the County of Klamath and State of Oregon, described in Exhibit A attached hereto and by this reference made a part hereof;

TOGETHER WITH (i) all the buildings, structures and other improvements now or hereafter erected on the land, and (ii) all building materials, supplies and equipment now or hereafter located on the Land and suitable or intended to be incorporated or installed in any building, structure or other improvement erected or to be erected on the Land; and (iii) all lighting, heating, ventilating, air conditioning, sprinkling and plumbing fixtures, water and power systems, engines and machinery, boilers, ranges, ovens, dishwashers, carpeting, mirrors, mantels, furnaces, oil burners, elevators and motors, refrigerators, electrical equipment, security and communications equipment, storm and screen windows, doors, awnings and shades and all other fixtures of every description now or hereafter found or used upon or appurtenant to the Land or any improvement thereon; and (iv) all carpeting, drapes, curtains, furniture, furnishings, appliances, maintenance equipment and other personal property of the Grantor now or hereafter installed or placed in or about, or used in connection with the use, operation or maintenance of, the Land or any building, structure or other improvement or fixture; and (v) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds of or to any or all of the foregoing; and (vi) all hereditaments, easements, appurtenances, rents, issues, profits, proceeds, royalties and mineral, oil and gas rights and all other interests now and hereafter pertaining to the Land or any improvement of fixture thereon (all of the foregoing together with the Land, are hereinafter referred to as the "Property").

TO HAVE AND TO HOLD the Property for the Beneficiary, its successors and assigns, forever.

90 DEC 31 PM 3 30

PROVIDED, NONTHELESS, that if the Grantor (i) shall pay to the Beneficiary when due the sum of Eight Thousand Five Hundred Eighty-Four and 71/100 Dollars (\$8,584.71) together with interest thereon in accordance with the terms of that certain Trust Deed Note of Grantor of even date herewith (hereinafter referred to as "Note") payable to the order of the Beneficiary, which Note is payable in installments, with the last installment due January 15, 2021, and (ii) shall also pay all other sums, with interest thereon, as may be payable by the Grantor to the Beneficiary in accordance with this Trust Deed or the payment of which may now hereafter be secured by this Trust Deed (the indebtedness evidenced by the Note, or any instrument issued in substitution therefor or in renewal or as a refinancing thereof, and all such other sums, are hereinafter collectively referred to as "Indebtedness"), and (iii) shall also keep and perform all covenants and warranties herein contained on the part of the Grantor to be kept and performed, then this Trust Deed shall be null and void and the rights thereby granted shall cease and terminate; otherwise this Trust Deed shall be and remain in full force and effect. The Grantor warrants and covenants that either the Grantor is lawfully seized in fee simple of the Property which is real property or Grantor has a legally binding leasehold interest in the Property which does not expire prior to the term of the Loan, and the Property is held in fee simple by a government agency or other government body; that Grantor is the absolute owner of that portion of the Property which is personal property; that the Grantor has the right and power to grant and convey the Property or its leasehold interest in the Property; that the Property is free from all liens, security interests and encumbrances, except those enumerated in the title insurance policy approved by and issued for the benefit of the Beneficiary in connection with this transaction; that the Beneficiary shall quietly enjoy and possess the Property; that the Grantor will warrant and defend the title to the Property against all claims, whether now existing or hereafter arising; and that all buildings, improvements and fixtures now or hereafter located on the Land are, or will be located entirely within the boundaries of the Land except as otherwise indicated on the title insurance policy issued to the Beneficiary at the time this Trust Deed is recorded. The foregoing warranties shall survive foreclosure of this Trust Deed and shall run with the Land.

The Grantor further covenants and agrees as follows:

1. Payment of Indebtedness and Compliance with Other Agreements. The Grantor will pay promptly when due the principal of and interest on the Note, prepayment charges, if any, provided in the Note and all other Indebtedness, at the stated maturity date or dates, or earlier in the event of acceleration. The Grantor will promptly and faithfully observe all of its obligations and will permit or suffer no default or event of default to occur under this Trust Deed, the Note secured hereby, or that certain Regulatory Agreement, of even date herewith, between Grantor and Beneficiary, duly filed and recorded in the aforesaid County, State of Oregon, and any other agreement now in effect or hereafter made between the Grantor and the Beneficiary with respect to the transaction evidenced by the Note and this Trust Deed. The provisions of the Note and the agreements itemized in this Section 1 are hereby incorporated by reference into this Trust Deed, as fully as if set forth at length and in detail herein.

2. Grantor's Duty to Pay Insurance. At its own expense, the Grantor will maintain, for the benefit of the Beneficiary, title insurance insuring the interest of the Beneficiary in the Property and will keep the improvements now existing or hereafter erected on the Property insured against loss by fire and such other hazards, casualties and contingencies as may be required from time to time by the Beneficiary, and all such insurance shall be evidenced by standard title insurance, and standard fire and extended coverage insurance policy or policies, in such amounts as may be required by the Beneficiary, and in default thereof the Beneficiary shall have the right to effect such insurance at the expense of Grantor. Such policies shall be endorsed with a standard mortgagee clause with loss payable to the Beneficiary, shall have a replacement cost endorsement, and shall be deposited with the Beneficiary. Each policy shall provide that the Beneficiary shall be given thirty (30) days' advance written notice of the cancellation, expiration or termination of the policy or any material change in the coverage afforded thereunder. The Grantor shall pay all premiums on such insurance at least ten (10) days prior to the date the premium on each said policy shall become due and payable, subject to the provisions for premium escrow set forth in Section 4 hereof. The Grantor shall promptly furnish to the Beneficiary all written notices and all paid-premium receipts received by the Grantor. In the event of loss, the Grantor shall give prompt notice by mail to the insurance carrier and the Beneficiary, and the Beneficiary may make proof of loss, if not made promptly by the Grantor. The Beneficiary is hereby authorized in the event of loss to compromise and settle all loss claims on said policy on such terms as it deems appropriate. The Grantor shall promptly furnish to Beneficiary a copy of any proof of loss given to the insurance carrier.

If the Property, or any part thereof, shall be damaged by fire or other insured hazard, the amounts paid by any insurance company shall be paid to the Beneficiary, to the extent of the Indebtedness then remaining unpaid, and, at the option of Beneficiary, all or any part of such amount may be applied in reduction of the Indebtedness or released for the repairing or rebuilding of the Property. All policies of insurance and any and all refunds of unearned premiums are hereby assigned to the Beneficiary as additional security for the payment of Indebtedness. In event of foreclosure of this Trust Deed, all right, title and interest of the Grantor in and to any insurance policies then in force shall pass to the purchaser on foreclosure.

3. Grantor's Duty to Pay Taxes. The Grantor will pay, before a fine or penalty might attach for nonpayment thereof, all taxes and assessments and all other charges and encumbrances whatsoever levied upon or assessed, placed or made against the Property. The Grantor will promptly deliver to the Beneficiary any receipts for the payment of such taxes, assessments and other charges. The Grantor likewise will pay to the extent allowed by statute all taxes, assessments and other charges levied upon or assumed, placed or made against the Land and the Property, or measured by this Trust Deed or the recordation hereof, or the indebtedness secured hereby or upon Trust Deed with respect to the transaction evidenced by the Note and this Trust Deed. In the event of the passage or promulgation after the date of this Trust Deed of any applicable law or regulations, creating or providing for any tax, assessment or other charge levied or assessed upon Beneficiary with

respect to the transaction evidenced by the Note and this Trust Deed, which may not lawfully be paid by the Grantor, the Indebtedness secured hereby, together with interest due thereon, shall, at the option of the Beneficiary, become immediately due and payable, pursuant to the terms of Section 19.

4. Escrow for Taxes, Insurance and Other Charges. To protect more fully the security of this Trust Deed, the Grantor, together with and in addition to the monthly payments of interest, or of principal and interest, as the case may be, under the terms of the Note, will pay the Beneficiary, or such other agent of the Beneficiary, as the Beneficiary directs in writing, the following sums:
 - a. Commencing on such date as Beneficiary, in its discretion, shall designate to Grantor, and thereafter together with and in addition to the monthly payments required by the Note, a sum equal to the land lease payments, if any, next due, plus the premiums that will next become due and payable on the policy or policies of fire and other property insurance covering the Property, plus taxes and assessments next due on the Property (all estimated by the Beneficiary, and less all sums already paid therefor), divided by the number of months to elapse before one month prior to the date when such land lease payments, premiums, taxes and assessments will become delinquent or due. These sums to be held by Beneficiary in escrow to pay said land lease payments, premiums, taxes and special assessments.
 - b. All payments required to be made by Grantor pursuant to this Section and all payments to be made under the Note shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Beneficiary to the following items in the following order of priority: (i) land lease payments, taxes, special assessments, fire and other property insurance premiums; (ii) interest on the Note; and (iii) amortization of the principal of the Note.
5. Grantor's Duty to Pay Utilities. The Grantor will pay or cause to be paid before the same become delinquent or subject to interest or penalties, all charges made by utility companies, public or private, for electricity, gas, heat, water or sewer furnished to or used in connection with the Property and, upon written request by the Beneficiary, will promptly deliver to the Beneficiary receipts for the payment of such charges.
6. Use of Mortgaged Property. Grantor plans to use the Property for apartment rental units for occupancy by persons or families of median or below median income. The Property is subject to a Housing Assistance Payments Contract under the United States Department of Housing and Urban Development's Section 8 Program, or other federal or state assistance payments. Grantor will not permit or suffer the use of any of the Property for any purpose other than the use for which the same is intended at the of execution of this Trust Deed, which purpose is set forth above. The Grantor will keep the buildings and other improvements now or hereafter erected on the Land in good repair and condition, ordinary depreciation excepted. The Grantor will not commit or permit waste, will not alter the design or structural character of any building

now or hereafter erected on the Land without prior written consent of the Beneficiary, will not do any act or thing which would jeopardize any subsidy payable with respect to the occupancy of all or any portions of the Property, and will not abandon the Property. In the event of the failure of the Grantor to keep the buildings or other improvements in good repair, the Beneficiary may make such repairs at Grantor's expense as in Beneficiary's sole discretion it may deem necessary for the proper preservation thereof, and any and all sums paid for such repairs shall bear interest from the date of payment at the rate specified in the Note, shall be due from and payable by the Grantor on demand, and shall be fully secured by this Trust Deed. The Grantor will not remove from the Land any fixture or personal property included in the Property unless the same is immediately replaced with like property, also subject to the lien and security interest of this Trust Deed, of at least equal value and utility. Grantor shall notify Beneficiary of any such replacement within ten (10) days of the making of the replacement. The Grantor will comply with all present and future laws, ordinances, regulations and requirements of any governmental body applicable to the Property and to the occupancy and operation thereof.

The Property is not currently used for agriculture, timber or grazing purposes, and will not in the future be used for any commercial purpose which would result in the loss of federal tax exemption of the obligation issued by the Agency to finance the loan evidenced by the Trust Deed Note.

7. Compliance with Laws. The improvements made and to be made upon the Land above described, together with all plans and specifications, comply with all municipal ordinances and with any interim or final comprehensive land use plan in effect, and all rules of the applicable fire rating or inspection organization, bureau, association or office which are now applicable; and if necessary such improvements, plans and specifications will be made to comply with applicable ordinances, plans, and rules which may hereafter become applicable.
8. No Sale or Lease. It is hereby expressly agreed by Grantor that Grantor shall not sell, lease or otherwise encumber the Property without the express written consent of an authorized officer of the Beneficiary, which consent will be given only to the extent permitted pursuant to the terms of any indenture or other instrument entered into by the Beneficiary in connection with the issuance of obligation to finance the loan evidenced by the Note, and only in cases of:
 - a. Receipt of a prepayment of the Note in conformity with the prepayment requirements of the Beneficiary as set forth in said Note;
 - b. Grant of easements, licenses or rights-of-way over, under or upon the Property which, in the opinion of the Beneficiary, do not destroy or diminish its usefulness for the purpose intended;
 - c. Lease of the Property or a part thereof to a third party for the purpose of operation of a housing development eligible to be financed by a governmental unit through the issuance of obligations the interest on which is exempt from federal income taxes, provided that the proposed lessee is approved by Beneficiary and such lease is permitted by law and is subordinate to and subject to all of the terms, provisions and limitations of this Trust Deed;

- d. Sale or exchange of a portion of the Property on which no building or structure is situated and which in the Beneficiary's opinion is not needed for operation of the Property, provided that the sales price thereof shall be approved by the Beneficiary and the proceeds thereof shall be paid to the Beneficiary and applied to reduce the Indebtedness.
- e. Sale to another eligible grantor, approved by the Beneficiary, who assumes all obligations of the original Grantor under the Trust Deed and accompanying documents, in which case the Beneficiary may, in its sole discretion, release the original Grantor.

If the Beneficiary is willing to give its express written consent to a transaction described in subsection (b) through (e) above, such consent may be conditioned upon payment to the Beneficiary by the Grantor of an administrative fee not to exceed 1% (one percent) of the original Indebtedness.

- 9. No Junior Financing. The Grantor will not, without the prior written consent of the Beneficiary, grant or create any lien or consensual security interest on the Property other than the lien and security interest of this Trust Deed.
- 10. Liens. The Grantor will keep the Property free from all liens, whether superior or subordinate to this Trust Deed, and upon written demand of the Beneficiary will promptly pay and procure the release of any lien, whether arising prior or subsequent to the execution of this Trust Deed, which in any way may, in the judgment of the Beneficiary, impair the security of this Trust Deed, but the Grantor need not discharge any such lien so long as the Grantor shall agree to pay the obligation secured by such lien in a manner acceptable to the Beneficiary or shall, in good faith, contest such lien by appropriate legal proceedings effective to prevent the enforcement of the lien and the loss of any of the Property. Notwithstanding the foregoing, the Beneficiary may require payment of, and pay as provided in Section 11 hereof, any delinquent real estate taxes without regard to the validity thereof.
- 11. Beneficiary's Option to Pay. In the event of Grantor's failure to pay any sums provided for in this Trust Deed, the Beneficiary, at its option, may pay the same. Any funds accumulated under Section 4 hereof remaining after payment of the items therein specified shall be credited against subsequent monthly payment of the same items required thereunder; but if any such item shall exceed the estimate therefor, or if the Grantor shall fail to pay any other governmental or municipal charge, the Grantor shall forthwith make good the deficiency or pay the charge before the same becomes delinquent or subject to interest or penalties; in default thereof the Beneficiary may pay same. All sums paid by the Beneficiary and any sums which the Beneficiary may advance to pay Trust Deed insurance premiums shall be added to the Indebtedness and shall bear interest from the date of payment by Beneficiary at the rate specified in the Note and shall be due and payable on demand. If the Property is sold under foreclosure or is otherwise acquired by the Beneficiary after default, any remaining balance of the accumulations under Section 4 hereof shall be applied in reduction of the Indebtedness as of the date of the commencement of the foreclosure proceedings or as of the date the property is otherwise acquired, as the case may be.

12. Protection of Beneficiary's Security. If the Grantor fails to perform any of the covenants and agreements contained in this Trust Deed or if any action or proceeding is commenced which does or may adversely affect the Property or the interest of the Grantor or Beneficiary therein, or the title of the Grantor thereto, then the Beneficiary, at the Beneficiary's option, and without waiving other remedies, may perform such covenants and agreements against and/or investigate such action or proceeding, and take such other action as the Beneficiary deems necessary to protect the Beneficiary's interest. In the event that any insurance policy required hereunder shall lapse, the Beneficiary shall be entitled to obtain such insurance as the Beneficiary deems necessary for the protection of the Property and the Grantor shall be obligated to pay the premium therefor. The Grantor irrevocably authorizes and empowers the Beneficiary to enter upon the Property as the Grantor's agent and, in the Grantor's name or otherwise, to perform any and all covenants and agreements to be performed by the Grantor as herein provided. The Beneficiary shall, at its option, be subrogated to any encumbrance, lien, claim or demand, and to all the rights and securities for the payment thereof, paid or discharged with the principal sum secured hereby or by the Beneficiary under the provisions hereof, and any such subrogation rights shall be additional and cumulative security for this Trust Deed. Nothing contained in this paragraph shall require the Beneficiary to incur any expense or do any action hereunder, and the Beneficiary shall not be liable to the Grantor for any damages or claims arising out of action taken by the Beneficiary pursuant to this Section 12. Any amounts disbursed or debts incurred by the Beneficiary pursuant to this Section 12, including, but not limited to, reasonable attorney's fees as allowed by statute, with interest thereon at the rate provided in the Note, shall become additional Indebtedness of the Grantor, payable upon demand, and shall be secured by this Trust Deed.
13. Condemnation. The Grantor hereby irrevocably assigns to the Beneficiary any award or payment which becomes payable by reasons of any taking of the Property, or any part thereof, either temporarily or permanently, in or by condemnation or other eminent domain proceedings or by reasons of sale under threat thereof, or in anticipation of the exercise of the right of condemnation or other eminent domain proceedings. The Grantor will immediately notify the Beneficiary of any such proceedings of which it has knowledge. The Grantor will file and prosecute in good faith and with due diligence what would otherwise be its claim in any such award or payment and will cause the same to be collected and paid over to the Beneficiary, and the Grantor irrevocably authorizes and empowers the Beneficiary, in the name of the Grantor or otherwise, to file, prosecute, settle or compromise any such claim and to collect, receipt for and retain the same. The proceedings of the award or payment may be released to the Grantor after deducting all reasonable costs and expenses, including attorneys' fees, which may have been incurred by the Beneficiary in the collection thereof, or may be applied, at the sole discretion of the Beneficiary, to restoration of the Property or to the reduction of the Indebtedness secured hereby.
14. Reamortization. At the option of the Grantor, the Indebtedness may be reamortized within the original term of the loan on terms acceptable to the Beneficiary if: (i) a partial prepayment results from an award in

condemnation in accordance with provisions of Section 13 hereof, or from an insurance payment made in accordance with provisions of Section 2 hereof, and (ii) there is a resulting loss of income from the Property.

15. Inspection. The Beneficiary, or its agents, may at all reasonable times enter upon the Property for the purpose of inspection. The Beneficiary shall have no duty to make such inspection and shall not be liable to the Grantor or any person in possession if it makes such inspection. The Beneficiary, or its agents, shall also have the right, at all reasonable times, to examine the books and records of the Grantor pertaining to the Property and to make extracts therefrom and copies thereof.
16. No Discrimination. So long as this Trust Deed and the Note secured hereby are held by the Beneficiary, Grantor will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the Property on the basis of race, creed, color, religion, sex, marital status, national origin, age or status with regard to public assistance or disability or local residency, except as provided by law.
17. Security Interest. This Trust Deed shall constitute a security agreement with respect to (and the Grantor hereby grants the Beneficiary a security interest in) all personal property and fixtures included in the Property. The Grantor will from time to time, at the request of the Beneficiary, execute any and all financing statements covering such personal property and fixtures (in a form satisfactory to the Beneficiary) which the Beneficiary may reasonably consider necessary or appropriate to perfect its interest. The Grantor will pay to the Beneficiary, on demand, the amount of any and all costs and expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Beneficiary in connection with the exercise of any right or remedy referred to in Section 19 hereof.
18. Events of Default. Each of the following occurrences shall constitute an event of default hereunder (herein called an "Event of Default"):
 - a. The Grantor fails to pay the Note in accordance with its terms or fails duly to perform or observe any of its covenants or commitments contained in this Trust Deed, and such failure continues for thirty (30) calendar days after written notice to Grantor; or the Grantor fails to duly perform or observe any of its covenants or commitments in any other agreements incorporated herein, and such failure is not cured within the same number of days specified therein;
 - b. A responsible title insurance company fails duly to issue a policy of title insurance to or for the benefit of the Beneficiary, free from exceptions for mechanics' and material persons' liens and other exceptions not previously approved by the Beneficiary, insuring this Trust Deed to be a valid first lien (subject only to those exceptions, if any, indicated in the Title Insurance Policy accepted by the Beneficiary) on the Land and related real property interests and the Property in an amount not less than the stated principal amount of the Note; or, if issued, any such policy or commitment is repudiated or revoked or is not being duly performed;

- c. Any warranty of title made by the Grantor in this Trust Deed is breached or broken;
 - d. Any representation or warranty made by the Grantor in any of the agreements identified or referred to in Section 1 or in any financial statements or reports submitted to the Beneficiary by or on behalf of the Grantor shall prove false or materially misleading;
 - e. The Grantor becomes insolvent, however defined; is dissolved; commits an act of bankruptcy under the United States Bankruptcy Act (as now or hereafter amended); files or has filed against it, voluntarily or involuntarily, a petition in bankruptcy or for reorganization or for the adoption of an arrangement under the United States Bankruptcy Act (as now or hereafter amended); makes an assignment for the benefit of creditors; procures, permits or suffers, voluntarily or involuntarily, the appointment of a receiver or trustee to take charge of any of the Property or any other properties owned by it; or has initiated against itself, voluntarily or involuntarily, any act, process or proceeding under any insolvency law or other statute or law providing for the modification or adjustment of the rights of creditors.
19. Acceleration; Remedies. Upon the occurrence of any Event of Default or at any time thereafter until such Event of Default is cured to the written satisfaction of the Beneficiary, the Beneficiary may, at its option, and to the extent allowed by statute, exercise one or more of the following rights and remedies available to it;
- a. The Beneficiary may declare immediately due and payable all Indebtedness secured by this Trust Deed, and the same shall thereupon be immediately due and payable, without notice or demand; and
 - b. The Beneficiary shall have, and may exercise with respect to all personal property and fixtures which are part of the Property, all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code, as in effect in the State of Oregon. If notice to the Grantor of intended disposition of such property is required by law in a particular instance, such notice shall be deemed reasonable, if given (in the manner specified in Section 21) at least ten (10) calendar days prior to the date of intended disposition; and
 - c. The Beneficiary may at its option proceed to foreclose this Trust Deed in equity as a mortgage or, to the extent allowed by statute, direct the Trustee to foreclose this Trust Deed by advertisement and sale. In the latter event the Beneficiary may (and is hereby authorized and empowered to) cause the Trustee to execute a written notice of such default and of its election to cause to be sold the herein described Property to satisfy the obligations hereof, and shall cause such notice to be recorded in the office of the recording officer in each county wherein the Land or some part thereof is situated.
20. Forbearance Not a Waiver; Rights and Remedies Cumulative. Any delay by the Beneficiary in exercising any right or remedy provided herein or

otherwise afforded by law or equity shall not be a waiver of or preclude the exercise of such right or remedy. All such rights and remedies shall be distinct and cumulative and may be exercised singly, serially (in any order) or concurrently, and as often as the occasion therefor arises. The Beneficiary's taking action or receiving proceeds, awards or damages under terms of this Trust Deed shall not impair any right or remedy available to the Beneficiary under any of the provisions of this Trust Deed.

21. Notices. Except as otherwise provided herein, whenever any approval or notice on behalf of the Beneficiary is required under this Trust Deed or whenever any action on behalf of the Beneficiary is required or permitted, the Administrator of the Beneficiary or its authorized agent shall have the power and right to approve, give notice or act on behalf of the Beneficiary. Any notice from the Beneficiary to the Grantor under this Trust Deed shall be deemed to have been given by the Beneficiary and received by the Grantor, when mailed by certified mail by the Beneficiary to the Grantor at the address listed on the first page of this Trust Deed, or at such other address as the Grantor may designate to the Beneficiary, by certified mail received by the Beneficiary at 1600 State Street, Suite 100, Salem, Oregon 97310, or such other address as the Beneficiary may designate by written notice.
22. Governing Law; Severability. This Trust Deed shall be governed by the laws of the State of Oregon. In the event that any provision or clause of this Trust Deed conflicts with applicable law, such conflict shall not affect any other provision of this Trust Deed which can be given effect without the conflicting provisions, and to this end, the provisions of the Trust Deed are declared to be severable.
23. Miscellaneous Rights of Beneficiary. The Beneficiary may at any time and from time to time, without notice, release any person liable for the payment of any Indebtedness; extend the time or agree to alter the terms of payment of any Indebtedness; release any property securing any Indebtedness; consent to the making of any plat or map of the Property or the creation of any easement thereon or any covenants restricting use or occupancy thereof; or agree to alter or amend the terms of this Trust Deed in any way, all without in any way affecting the liability of any persons (other than the person so released) or the validity or priority of this Trust Deed (except as it covers property so released). Any personal property remaining upon the Property, after the Property has been possessed or occupied by the Beneficiary or its agent following foreclosure of this Trust Deed, or under any deed in lieu of foreclosure, shall be conclusively presumed to have been abandoned by the Grantor, and the Grantor covenants that Grantor will upon written request of Beneficiary execute a warranty bill of sale transferring title to such personal property to Beneficiary.
24. Other Debt. This Trust Deed shall also secure, and the Indebtedness shall also include, all other advances heretofore or at any time hereafter made to the Grantor by the Beneficiary and all other indebtedness of every type and description now or hereafter owed under the Trust Deed by the Grantor, unless (in case of any such advance or indebtedness) the Beneficiary has otherwise agreed in writing. The Beneficiary shall not be obligated to make any such advance or to permit or suffer the creation of any such indebtedness.

25. Exculpation. The covenant of any limited partnership Grantor to pay principal and interest is included in the Note secured hereby for the purpose of establishing and continuing the existence of the Indebtedness; it is a condition of said covenant that in the event of default under the terms hereof, the Beneficiary shall take no action against any limited partnership Grantor or any partner thereof personally except such as may be necessary to subject the Property to the satisfaction of the Indebtedness; provided that nothing in said condition and no action so taken shall operate to impair an obligation of the Grantor under the Regulatory Agreement referred to herein. More particularly, the Agency warrants that it will not seek a deficiency judgment against any limited partnership Grantor or any partner thereof personally following a foreclosure and sale of the completed development, provided however that the Agency has acknowledged, in writing, satisfactory completion and acceptance of the development.
26. Successors and Assigns Bound; Number; Gender; Joint and Several Liability; Captions. The covenants and agreements contained herein shall bind, and the rights conferred hereby shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the Beneficiary and the Grantor. Whenever used, the singular number shall include the plural, and the plural the singular; and the use of any gender shall apply to all genders. All covenants and agreements of the Grantor shall be joint and several. The captions and headings of the paragraphs of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions hereof.
27. Mutual Covenants.
- a. At anytime or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and Note for endorsement and without affecting the personal liability of any person for payment of Indebtedness secured hereby, Trustee may: reconvey all or any part of the Property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.
 - b. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".
 - c. As additional security, Grantor hereby gives and confers upon Beneficiary the right, power and authority, during the continuance of this Deed of Trust, to collect the rents, issues and profits of said Property, reserving unto Grantor the right, prior to any default by Grantor in payment of all or any part of the Indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and

payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the Indebtedness hereby secured, enter upon and take possession of said Property or any part thereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, to all or part of the Indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

- d. Grantor and Beneficiary agree to execute and deliver any instruments in writing necessary to carry out any agreement, term, condition or assurance in this Trust Deed whenever occasion shall arise and reasonable request for such instruments shall be made.
- e. Trustee is not obligated to notify any party hereto of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.
- f. In the event of dissolution or resignation of the Trustee, the Beneficiary may substitute a trustee or trustees to execute the trust hereby created, and when any such substitution has been filed for record in the office of the County Clerk of the County in which the Property herein described is situated, it shall be conclusive evidence of the appointment of such trustee or trustees, and such new trustee or trustees shall succeed to all of the powers and duties of the Trustee named herein.

Request is hereby made that a copy of any Notice of Default and a copy of any notice of sale hereunder be mailed to the Grantor at its address hereinbefore set forth.

GRANTOR:

By: 

Title: PRESIDENT

By: 

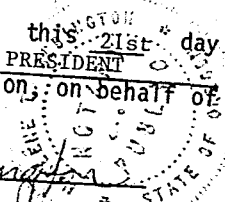
Title: _____

STATE OF OREGON)
County of Klamath) ss.

25735

The foregoing instrument was acknowledged before me this 21st day
of December, 19 90, by BRUCE J CLAYMAN, PRESIDENT
of CLAYCO DEVELOPMENT CORPORATION, an Oregon corporation, on behalf of
the corporation.

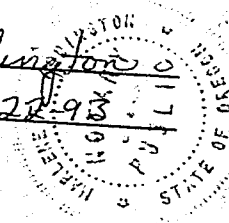
Harlene J. Addington
Notary Public for Oregon
My Commission expires: 3-22-93



STATE OF OREGON)
County of Klamath) ss.

The foregoing instrument was acknowledged before me this 21st day
of December, 19 90, by BRUCE J. CLAYMAN
~~(GENERAL PARTNER IS) ON BEHALF OF~~
~~(LIMITED) PARTNERSHIP OF THE STATE OF OREGON~~ individually

Harlene J. Addington
Notary Public for Oregon
My Commission expires: 3-22-93



1877e

PARCEL 1:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, and the SE 1/4 SE 1/4 Section 29, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the intersection of the Southerly line of Pine Street and the Easterly line of Eleventh Street in the City of Klamath Falls, Oregon; thence Northeasterly along said Southerly line of Pine Street 170 feet to a point thereon distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; thence Southeasterly and parallel with said Easterly line of Eleventh Street 112 feet; thence Southwesterly parallel to said Pine Street, 50 feet; thence Southeasterly parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street in the City of Klamath Falls, Oregon, 125 feet; thence Southeasterly and parallel with said Easterly line of Eleventh Street 120 feet to said Northerly line of Main Street at a point thereon distant 50 feet Southwesterly from the Southwest corner of Lot 6, Block 3, Hot Springs Addition to the City of Klamath Falls, Oregon; thence Southwesterly along said Northerly line of Main Street 245 feet to the Northeast corner of Main Street and Eleventh Street; thence Northwesterly along the Easterly line of Eleventh Street to the point of beginning.

LESS AND EXCEPT any portion of the alley in Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON.

PARCEL 2:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Commencing at the point on the Southerly line of Pine Street which is distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, and thence running Southeasterly and parallel with the Easterly line of Eleventh Street a distance of 112 feet to the true point of beginning of this description; thence Southwesterly and parallel to said Pine Street 50 feet; thence Southeasterly and parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street a distance of 50 feet; thence Northwesterly and parallel with Eleventh Street a distance of 8 feet, more or less, to said true point of beginning.

STATE OF OREGON; COUNTY OF KLAMATH: SS.

Filed for record at request of Aspen Title Co. the 31st day of Dec. A.D., 19 90 at 3:30 o'clock PM., and duly recorded in Vol. M90 of Mortgages on Page 25723.

FEE \$68.00

Evelyn Biehn - County Clerk

By Pauline Mullender

Return: ATC