

AFTER RECORDING RETURN TO:
Metropolitan Mortgage & Securities Co., Inc.
West 929 Sprague Avenue
Spokane, Washington 99204
ATTN: Jan Degnan

Re: Account No. 35945

MTN 1376-2589

EXTENSION AGREEMENT

For valuable consideration, receipt of which is hereby acknowledged, the undersigned do hereby make this agreement for the purpose of amending certain of the provisions of that certain Promissory Note and Deed of Trust given as security therefor which was dated August 15, 1983, recorded in Book MB3, Page 19644, under recording number None, in the official records of Klamath County, State of Oregon, and wherein Leroy L. Gilder and Carol H. Gilder, husband and wife is Beneficiary whose interest is now held by Metropolitan Mortgage & Securities Co., Inc., a corporation (hereinafter referred to as "Seller") and wherein Michael T. Frost and Gail O. Frost, husband and wife is Grantor* (hereinafter referred to as "Buyer"). Said instrument(s), as hereby amended, is/are hereafter referred to as the "Loan Documents," and are incorporated herein by this reference. *whose interest is now held by Gail O. Frost, a single person.

It is hereby understood and agreed as follows:

ACCOUNT BALANCE. The unpaid principal balance due pursuant to the Loan Documents is agreed to be \$ 8,901.74. The account balance consists of the following:

Unpaid principal prior to this agreement:	\$	15,151.74
Accrued and unpaid interest to 9/15/91:	\$	0.00
Real Estate taxes advanced by Seller:	\$	0.00
Title and Closing:	\$	250.00
Extension Fee:	\$	1,500.00
Other: LESS: Principal reduction	\$	8,000.00
N/A	\$	0.00

PAYMENT SCHEDULE. Buyer shall pay the principal balance set forth above, together with interest at the rate of 11% per annum (subject to adjustment from time to time as and if provided below) on that portion of the principal balance from time to time remaining outstanding, in the following manner: \$ 155.00, or more at Buyer's option, on or before October 15, 1991, and \$ 155.00, or more at Buyer's option, on or before the same day of each then succeeding calendar month until said principal and interest are paid in full. Interest shall be deducted from each installment payment and the balance applied in reduction of principal. Notwithstanding the foregoing, the entire principal balance, together with any accrued interest, shall be paid in full on or before July 15, 1998.

ADJUSTABLE INTEREST RATE. Check here if applicable: ____
The interest rate specified in the foregoing paragraph shall be adjusted on N/A N/A, N/A and on N/A N/A, N/A, to a rate equal to the index equal to the Average Cost of Funds Ratio to the 11th FHLBB District institutions for the first week ending in the month of January preceding the change date plus N/A percentage points. The principal balance shall be re-amortized upon each such adjustment so as to effectuate a pay-off

of this obligation no later than July 15, 1998. In no event shall the interest rate be less than N/A% per annum nor higher than N/A% per annum. The index is available at the Federal Home Loan Bank Board, P.O. Box 7948, San Francisco, CA 94120; telephone (415) 393-1418.

FAILURE TO MAKE PAYMENTS ON ASSUMED OBLIGATIONS, IF ANY. If Buyer fails to make any payments on assumed obligation(s) Seller may give written notice to Buyer that unless Buyer makes the delinquent payment(s) within fifteen (15) days, Seller will make the payment(s), together with any late charge, additional interest, penalties, and costs assessed by the holder of the assumed obligation(s). The 15-day period may be shortened to avoid the exercise of any remedy by the holder of the assumed obligation. Buyer shall immediately after such payment by Seller reimburse Seller for the amount of such payment plus a late charge equal to ten percent (10%) of the amount so paid plus all costs and attorney fees incurred by Seller in connection with making such payment.

LATE CHARGES. If any payment is not made within ten (10) days after the date it is due, Buyer agrees to pay a late charge equal to 10% of the amount of such payment. Such late payment charges shall be in addition to all other remedies available to Seller and the first amounts received from Buyer after such late charges are due shall be applied to the late charges.

TAXES, ASSESSMENTS AND UTILITY LIENS. Buyer agrees to pay by date due all taxes and assessments becoming a lien against the property after the date hereof. Buyer may in good faith contest any such taxes or assessments so long as no forfeiture or sale of the property is threatened as the result of such contest. Buyer agrees to pay when due any utility charges which may become liens superior to the lien of the Loan Documents. If real estate taxes and penalties are assessed against the property subsequent to day of this Agreement because of a change in use prior to the date of this Agreement from Open Space, Farm, Agricultural or Citizen's Declaration to Defer Property Taxes filed prior to date of this Agreement, Buyer may demand in writing payment of such taxes and penalties within 30 days. If payment is not made, Buyer may pay and deduct the amount thereof from payments next becoming due Seller under the Loan Documents or this Agreement.

INSURANCE. Buyer agrees to keep all buildings now or hereafter erected on the property described herein continuously insured under fire and extended coverage policies in an amount not less than the balances owed on obligations assumed by Buyer plus the balance due Seller, or full insurable value, whichever is lower. All policies shall be held by the escrow agent and be in such companies as the Seller may approve and have loss payable first to any holders of underlying encumbrances, then to Seller as their interests may appear and then to Buyer. Buyer may within 30 days after loss negotiate a contract to substantially restore the premises to their condition before the loss. If the insurance proceeds are sufficient to pay the contract price for restoration or if the Buyer deposits in escrow any deficiency with instructions to apply the funds on the restoration contract, the property shall be restored unless the underlying encumbrances provide otherwise. The insurance proceeds shall be held by Seller and disbursed as deemed necessary by the Seller to insure that the premises are properly restored. Seller may impose such conditions as it deems necessary to provide assurance that the proceeds will be used to restore the property, including, without limitation, Seller's prior approval of plans and specifications for restoration, construction contracts for such restoration and Seller's requirements

concerning periodic inspections of the work as it progresses. Upon completion of the restoration, Seller shall pay the net proceeds to Buyer upon receipt of satisfactory evidence that the premises have been restored to the required condition in accordance with state, local and other governmental laws and regulations and free from liens and encumbrances. If Buyer fails to satisfy any of the foregoing conditions or fails to exercise diligence in commencing and completing the work, Seller may at its option complete the necessary repairs and use the proceeds for the payment thereof. Otherwise the amount collected under any insurance policy shall be applied upon any amounts due hereunder in such order as the Seller shall determine. In the event of forfeiture, all rights of Buyer in insurance policies then in force shall pass to Seller.

TIMBER CUTTING. Buyer shall be entitled to cut or remove a limited quantity of timber from the property provided that the following conditions are first satisfied: (a) Buyer shall give not less than fifteen (15) days' prior written notice to Seller that cutting is contemplated, which notice shall include an accurate legal description of the area which is to be cut, the amount of board feet, and market value of the timber proposed to be cut or removed; (b) Buyer shall not be entitled to cut any timber, if, in Seller's sole opinion, such cutting would unreasonably diminish Seller's security under the Loan Documents except Buyer has the right to cut all timber in any road right-of-ways set forth in any plat of the property; and (c) if any timber is cut or removed, all proceeds of sale shall be paid directly to seller and applied towards the unpaid balance hereunder. The application of such proceeds shall not, however, excuse Buyer from the payments required hereunder.

BUYER NONPAYMENT OF TAXES, INSURANCE AND UTILITIES CONSTITUTING LIENS. If Buyer fails to pay taxes or assessments, insurance premiums or utility charges constituting liens prior to the lien of the Loan Documents, Seller may pay such items and Buyer shall forthwith pay Seller the amount thereof plus a late charge of 10% of the amount thereof plus any costs and attorneys' fees incurred in connection with making such payment.

SELLER'S REMEDIES UPON DEFAULT BY BUYER. If Buyer becomes in default in the performance of this agreement, that is, fails to pay any periodic or installment payment within ten days of its due date or fails to observe or perform any other term, covenant or condition of the Loan Documents, then Seller, at its election, shall be entitled to:

1. Bring suit for specific performance of any obligation in default or for any delinquent periodic payments;
2. Accelerate the entire balance payable under the Loan Documents and bring suit for the payment of such balance, accrued interest and reasonable attorney fees and costs; provided, that prior to the institution of suit, Seller shall give Buyer written notice of such acceleration setting forth the amount of the delinquency and stating that if, within thirty days of the date of the notice, Buyer should remit to Seller the delinquent payments, plus a specified reasonable amount for Seller's attorney fees and costs incurred in the preparation of such notice, then the account shall be deemed reinstated;
3. If the Loan Document(s) is a real estate contract Seller may forfeit Buyer's interest therein in accordance with the notice and other procedural requirements

established by applicable state law, if any. (RCW 61.30.010 et seq. in the State of Washington). In the absence of any applicable statute the following provisions shall apply: Upon a default Seller shall give to Buyer a written declaration of forfeiture specifying the nature and amount of the default and providing that if the default is not cured within thirty days from the date of the notice then the forfeiture shall be deemed complete. All payments coming due during the thirty day period as provided above, together with all applicable late charges, attorney fees and costs as otherwise provided herein, shall be paid in addition to the payments in default specified in the declaration. Unless otherwise provided by applicable law, the effect of such forfeiture includes: (a) the termination of all right, title and interest of the Buyer, and all persons claiming any interest through the Buyer, in the Loan Documents and the subject real estate; (b) the forfeiture to Seller of all sums previously paid pursuant to the Loan Documents; (c) the forfeiture to Seller of all improvements made to, and unharvested crops on, the property; and (d) Buyer's surrender of possession of the property, improvements and unharvested crops to Seller no later than ten days after the forfeiture. If Seller institutes proceedings pursuant to this paragraph and Buyer is receiving rental or other income from the property, Buyer agrees that the appointment of a receiver is necessary to protect Seller's interest. If Buyer fails to vacate the property and surrender possession to Seller after such forfeiture then Buyer shall be deemed to be a tenant at sufferance and subject to summary dispossession according to any unlawful detainer statute or other applicable law;

4. If the Loan Documents(s) is a real estate contract Seller may foreclose upon it as if it were a mortgage to the extent permitted by applicable law.

The foregoing remedies shall be cumulative and not exclusive with respect to any other remedy available to Seller at law or in equity.

ASSIGNMENT OF RENTS. As additional security for the performance of each of the covenants set forth in the Loan Documents, Buyer hereby grants and confers upon Seller the right, power and authority, during all times that a balance remains outstanding under the Loan Documents, to collect the rents, issues and profits of the secured property, reserving unto Buyer the right, prior to any default by Buyer hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Seller 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 other security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his 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 attorney's fees, upon any indebtedness secured hereby, and in such possession of 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.

ABANDONMENT OF PROPERTY. Should Buyer abandon the property while in default, Seller may take immediate possession of the property for the purpose of protecting and preserving the property and may mitigate damages by renting or operating the property during the period of enforcement of Seller's rights under the Loan Documents without prejudicing Seller's remedies hereunder. Seller shall not be liable for any loss sustained by Buyer resulting from Seller's failure to lease the property or any portion thereof after default or from any other act or omission.

ATTORNEY'S FEES AND COSTS. In the event of any breach of the Loan Documents, the party responsible for the breach agrees to pay reasonable attorneys' fees and costs, including costs of service of notices and title searches, incurred by the other party. the prevailing party in any suit arising hereunder or in any forfeiture proceedings shall be entitled to receive reasonable attorneys' fees and costs incurred in such suit or proceedings.

NOTICES. Any notice, demand, declaration or communication required to be given by either party pursuant hereto shall be in writing and transmitted by certified mail to the party entitled thereto at their respective addresses as set forth herein or at such other address as either party may designate to the other in writing in accordance herewith.

BINDING EFFECT. This agreement applies to, inures to the benefit of, and binds all parties hereto, their administrators, personal representatives, successors and assigns.

SEVERABILITY. If any portion or provision of this agreement should be found invalid or unenforceable by a court of competent jurisdiction, the remainder of the agreement shall remain in full force and effect.

CONSTRUCTION. This agreement shall be construed and enforced in accordance with the laws of the State of Washington and the parties agree that, in the event of any breach, that this agreement may be enforced in any court of competent jurisdiction in Washington, provided, however, that, at the option of Seller, this agreement may be enforced in any court of competent jurisdiction regardless of the residence of the parties or the location of this agreement. Buyer hereby irrevocably submits generally and unconditionally to the jurisdiction of any such court for any such legal action or proceeding, and hereby irrevocably waives, to the fullest extent permitted by law, any objection that Buyer may now have or hereafter have to such jurisdiction of any such legal action or proceeding or to the laying of venue in Washington or at Seller's election.

ANTI-DEFICIENCY WAIVER. In consideration of the foregoing the indebtedness evidenced by the Loan Documents is hereby acknowledged and admitted and the undersigned Buyer(s) jointly, severally and unconditionally promise and agree to pay the same with interest as hereinabove provided. Any and all security for the indebtedness held by Seller, including that described in the Loan Documents, may be enforced by Seller concurrently or independently in such order as Seller may determine and Seller may, without consent of or notice to Buyer(s), exchange, substitute or release any portion of such security without affecting the liability of Buyer(s), or any of them, and may release any one or more Buyer(s) from liability without affecting the liability of the remainder. IT IS FULLY UNDERSTOOD BY BUYER(S) THAT THEY, KNOWINGLY AND VOLUNTARILY, ARE WAIVING ANY PROTECTION WHICH MAY HAVE ORIGINALLY BEEN AFFORDED THEM BY SECTION 580(b) OF THE CALIFORNIA CODE OF CIVIL PROCEDURE.

CONTINUATION OF PRIOR OBLIGATION. The parties hereto intend this instrument to operate as an extension of the original obligation created by the Loan Documents referred to herein and do not intend that a new contract be created hereby or that this instrument be in satisfaction of any existing prior indebtedness. It is not intended as a novation.

18154

MODIFICATIONS. No further modification of the Loan Documents shall be effective unless upon a signed writing executed by the parties. All terms and conditions of original Loan Documents, excepting those amended are hereby ratified and shall remain the same.

DATED as of this 22nd day of August, 1991.

BUYER:

~~Michael O. Frost~~Gail O. Frost
Gail O. Frost

Address: 3243 Vale Rd.; Klamath Falls, OR 97603

SELLER:

Metropolitan Mortgage & Securities Co., Inc.

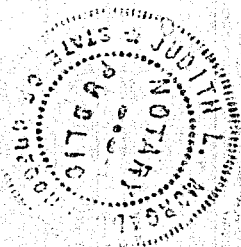
sw Irv Marcus
BY: Irv Marcus, Senior Vice President

sw Charles V. Carroll
BY: Charles V. Carroll, Assistant Secretary

STATE OF OREGON,)
) ss.
 County of KLAMATH)

On this day personally appeared before me ~~Michael A. Frost~~ and Gail O. Frost to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 22nd day of August, 1991.



Judith L. Morgado

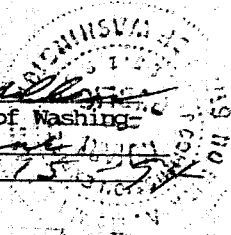
Notary Public in and for the State of Oregon
 residing at Klamath Falls, Oregon
 My commission expires: 8-31-91

STATE OF WASHINGTON,)
) ss.
 County of Spokane)

On this 5th day of September, 1991, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Irv Marcus and Charles V. Carroll to me known to be the Senior Vice President and Assistant Secretary, respectively, of Metropolitan Mortgage & Securities Co., Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

Dorinda A. M. [Signature]
 Notary Public in and for the State of Washing-
 ton, residing at Spokane, Washington
 My commission expires: 7-15-91



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title the 11 day
 of Sept A.D., 1991 at 9:28 o'clock A M., and duly recorded in Vol. M91
 of Migs on Page 18149

FEE 38.00

Evelyn Biehn, County Clerk

By Evelyn Biehn