

FILED FOR RECORD AT REQUEST OF:

Pacific Northwest Funding, Inc.  
5550 S. W. Macadam Avenue, Suite 320  
Portland, Oregon 97201

WHEN RECORDED, MAIL TO:

Walter McMonies, Esq.  
Bogle & Gates P.L.L.C.  
200 S. W. Market Street, Suite 600  
Portland, Oregon 97201

*ARC # 05047627*  
**CONSTRUCTION/LINE OF CREDIT  
DEED OF TRUST**

**Assignment of Rents, Security Agreement  
and  
Financing Statement (Fixture Filing)**

LINE OF CREDIT INSTRUMENT. (a) This Deed of Trust is a LINE OF CREDIT INSTRUMENT. (b) The maximum principal amount to be advanced pursuant to the Note is \$600,000. (c) The term of the Note commences on the date of this Deed of Trust and ends on June 5, 2000. (d) The maximum principal amount to be advanced pursuant to the Note may be exceeded by advances necessary to complete construction of previously agreed upon improvements on the Real Property.

As of the 11th day of June, 1998, this Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement (Fixture Filing) (this "Deed of Trust") is granted and entered into by:

"Grantor":

SUMMERFIELD MANUFACTURED HOME  
PARK, INC., an Oregon corporation  
Address: 4975 Homedale Road  
Klamath Falls, Oregon 97601

to "Trustee":

ASPEN TITLE & ESCROW, INC.  
Address: 525 Main Street  
Klamath Falls, Oregon 97601

for the benefit of "Beneficiary":

P.N.F., Inc., dba PACIFIC NORTHWEST FUNDING  
Address: 5550 S. W. Macadam Avenue, Suite 320  
Portland, Oregon 97201

to encumber that certain real property situated in the City of Klamath Falls, Klamath County, State of Oregon, as more particularly described in Exhibit A (the "Realty"), with respect to repayment of the sum of SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) (the "Stated Principal Sum"). TO SECURE PAYMENT of the Stated Principal Sum, together with interest thereon, in accordance with the terms and provisions of such promissory note or notes (the "Note") as now or hereafter may evidence the same, and together with other sums which constitute or may constitute any part of the "Indebtedness" as herein defined, and TO SECURE performance of the agreements, warranties, representations and provisions of this Deed of Trust, the Note, the Construction Loan Agreement, and any other Loan Document, GRANTOR HEREBY BARGAINS, SELLS AND CONVEYS to the Trustee the Realty, WITH POWER OF SALE, and Grantor further WARRANTS, COVENANTS AND AGREES as follows (such statements being a material inducement to Beneficiary making the loan secured hereby and Trustee accepting the trust herein created):

# 1. THE REALTY

(a) The Realty includes all right, title and interest which Grantor has or may have or acquire, now or hereafter, in or to the Realty, including all rights now or hereafter appertaining thereto, such as but not limited to land lying in or under adjoining streets and roads, water rights, rents, issues and profits, reversions and remainders, and all fixtures ("Fixtures"), and all improvements now or hereafter situated or erected or installed in or upon the Realty ("Improvements"). "Fixtures" and "Improvements" shall include, without limitation, all buildings, structures, roads, driveways, pads, walkways, landscaping, utility lines, and other furnishings and equipment.

(b) The Realty is not used principally for agricultural or farming purposes.

(c) The Grantor does not occupy any unit in the Realty as its principal residence, nor does Grantor's spouse, nor any minor or dependent child of Grantor.

# 2. ABSOLUTE ASSIGNMENT OF RENTS; RECEIVER; BENEFICIARY IN POSSESSION

(a) Absolute Assignment. As part of the consideration for the Indebtedness, Grantor hereby absolutely and irrevocably assigns, transfers and sets over to Beneficiary all income of every kind and nature from the Realty, including all rents, issues and profits accrued and to accrue from time to time (collectively "Rents"), and all present and future leases of the Realty or any portion thereof. So long as there shall be no "Default" as hereinafter defined, Grantor may collect and receive the assigned Rents, but only as the same become due and payable, and not for more than one (1) month in advance. Grantor shall hold such sums in trust to the extent necessary to pay the usual and reasonable expenses of operating and maintaining the Realty, and to pay sums secured hereby as they become due and payable. Upon the occurrence of a Default, Grantor's privilege to collect Rents shall terminate; at any time thereafter Beneficiary, at its option, but

without obligation to do so, may collect and receive Rents and do any acts and take any action to do so, including notifying persons (including tenants) and directing them to pay Rents to Beneficiary or otherwise in accordance with Beneficiary's instructions, seeking the appointment of a receiver or other custodian, entering into possession of the Realty and managing or operating it, directly or through agents or representatives, making, terminating and extending leases or tenancies, and taking any other action to protect Beneficiary's rights or interests. Beneficiary may apply Rents which it receives to any reasonable expenses to effect the foregoing, including without limitation tax payments, costs of insurance, assessments, repairs and renovations to the extent Beneficiary may elect from time to time, to other costs and expenses of collecting and receiving Rents, including fees to and expenses of professional persons and consultants and upon sums secured hereby, whether or not then due and payable.

(b) Receiver. Grantor hereby consents to the appointment by any court of competent jurisdiction of a receiver or other person to receive or collect Rents and otherwise take charge of the Realty in the event of a Default, with authority to do all such things as Beneficiary could do if Beneficiary were to enter into possession of the Realty after Default. Grantor further agrees that an application for or the appointment of a receiver shall not be grounds for objecting to any acts or actions which Beneficiary may undertake to exercise following a Default, and shall not prevent Beneficiary from foreclosing this Deed of Trust by exercise of the Power of Sale provided for hereinabove. Any such receiver shall also have those remedies specified in Section 26.

(c) Effect of Acts. The receipt or collection of sums by Beneficiary by reason of the exercise of any provisions of this section shall not effect a cure of any Default. Beneficiary's election to exercise or failure to exercise any one or more remedies provided for in this section shall not constitute a waiver of such rights or remedies or of any Default, or be deemed a consent by Beneficiary to any acts or failure of Grantor to act in any respect. Beneficiary shall not be liable to Grantor or to any one claiming by or through Grantor, including any lessees or tenants of the Realty, for acting or failing to act with respect to any of the rights or remedies in this section, or for anything done by Beneficiary, its agents, servants or employees in good faith.

### 3. GRANT OF SECURITY INTEREST

As additional security for payment of the Indebtedness and performance of the covenants and agreements herein, Grantor hereby grants to Beneficiary: (a) a security interest in all present and future Fixtures and Improvements, and in all present and future rights and interests which any Grantor may have or acquire in any personal property now or hereafter situated in or upon or relating to the Realty (the "Personalty"); (b) in all present and future contracts and policies of insurance which may insure the Realty or any Fixtures or Improvements or Personalty against casualties and theft, and in all monies and proceeds and rights thereto which may be or become payable by virtue of any such insurance contracts or policies; (c) in all compensation, proceeds or awards for the taking of title in or possession or use of the Realty or any Fixtures or Improvements or Personalty or any part thereof; and (d) in all architectural and engineering plans, surveys, plats, drawings, renderings, contracts, agreements, (including construction contracts with the general

contractor and subcontractors), or any governmental approval or permit (including land use approvals and building permits), document, or instrument affecting or in any way pertaining to the construction of Improvements or repairs to any improvement now or hereafter existing on or planned for all or any portion of the Realty. The property and rights in which such security interests are granted is sometimes referred to collectively herein as the "Collateral," which Collateral shall include, without limitation, that property described in Exhibit B hereto. With respect to such security interests, Beneficiary shall have all rights and remedies provided for in this instrument and any Loan Document and all rights and remedies provided for by law. If Beneficiary shall so require, Grantor in the event of default will make the Collateral available to Beneficiary at a place designated by Beneficiary which is reasonably convenient to both parties. Grantor shall execute such instruments and documents as Beneficiary reasonably may require from time to time to further evidence, implement or perfect any rights, remedies and security interests.

#### 4. LOAN DOCUMENTS; INDEBTEDNESS

"Loan Documents," as used in this Deed of Trust, shall mean the Note, the Construction Loan Agreement, the Environmental Indemnity Agreement, the Assignment of Construction Contract, the Assignment of Architectural Documents, the Guaranty of Performance and Completion, the Borrower's Certificate, and any agreement, guaranty, pledge agreement or other instrument or document relating to the Indebtedness or granting rights or collateral security with respect thereto. "Indebtedness," as used in this Deed of Trust, shall include all sums due and obligations now owed or hereafter due and owing under the Note, this Deed of Trust, and any other of the Loan Documents. This Deed of Trust shall secure the repayment of all funds advanced to Grantor by Beneficiary pursuant to the Note, whenever such advance occurs and regardless of whether there is an intervening pledge of the Collateral as security for another obligation of Grantor, which intervening pledge, if any, shall not have priority over the interest granted hereby.

#### 5. WARRANTY OF TITLE

Grantor has and at all times shall have good and marketable title to the Premises, as herein defined, free from liens, encumbrances and defects of title of any kind other than installments of ad valorem taxes which are not in arrears and those "Permitted Exceptions" identified on Exhibit C, if any. No additional encumbrances against the Collateral Property shall be permitted. "Good and marketable title" shall mean fee simple title to the Realty, including Fixtures and Improvements, and clear title and right to the use and possession of all the Collateral, unless Grantor's rights, interests or title are otherwise specifically defined and described in the Schedule of Special Provisions to this Deed of Trust as Exhibit E.

#### 6. HAZARDOUS SUBSTANCES

- (a) "Hazardous Substances" shall mean substances of any kind or nature which any law,

regulation, rule or ruling of courts or executive or administrative bodies of the United States of America or of the State of Oregon, or of any subdivision of such State, has determined or at any future time may determine to be hazardous or toxic, whether to humans or as affecting the environment or ecology. For the purposes of this Agreement, "Contamination" of the Realty or any Personalty by Hazardous Substances shall mean that such property then is affected by Hazardous Substances which have been or may be released into or upon the property or situated in or upon such property at any time in the past, whether or not any Grantor then had any right or interest in or title to such property, or at any time in the future and before all rights and interests which Grantor (or any of them) and successors and assigns have or may have in the Property are extinguished by the exercise of rights and remedies under this Deed of Trust, and irrespective of any knowledge or failure of knowledge of any Grantor with respect to the existence or release of such Hazardous Substances.

(b) If any claims, demands, actions, causes of action, damages, liabilities, judgments or costs shall be asserted against or suffered by Beneficiary or Trustee, or if Beneficiary or Trustee shall incur or suffer any expenses, losses or damage by reason of the Contamination or claimed Contamination of the Realty or Personalty by Hazardous Substances, Grantor shall indemnify and defend Beneficiary and Trustee against and hold each of them harmless from the same, whether asserted against, suffered by or imposed upon them or either of them while the lien of this Deed of Trust is or remains in effect or after its expiration by discharge, satisfaction, foreclosure or otherwise, or by transfer of title to such property to Beneficiary or others, whether by foreclosure or in lieu of foreclosure or otherwise. For the purposes hereof, "Beneficiary" and "Trustee" shall include any person who has or who may have or acquire any interest in the Indebtedness or in this Deed of Trust, and any successor in interest of either of them.

(c) Grantor represents that no Grantor is aware of any Contamination of the Realty or Personalty by Hazardous Substances, and has not been informed or advised of any such Contamination or claim thereof.

(d) In the event of any action or proceeding by Beneficiary or Trustee to recover against any Grantor under the provisions of this section, and in any review of or appeal from any decision in any such action or proceeding, Grantor shall reimburse Beneficiary and Trustee for all reasonable costs and expenses which each of them may incur with respect thereto, including, without limitation, fees and expenses of consultants and other professionals (for example, attorneys, engineers and other experts).

(e) If there be more than one person as Grantor, each Grantor shall be jointly and severally liable to Beneficiary and to Trustee with respect to any such claims, demands, actions, causes of action, damages, liabilities, judgments or costs which may be asserted against or suffered by Beneficiary or Trustee, whether or not any other person is or may be liable to protect, indemnify or defend Beneficiary or Trustee, whether by virtue of any agreement or otherwise. The warranties and undertakings in this section are independent of and separate from any obligations of Grantor or others on the loan secured by this Deed of Trust and any Note or other Loan.

Document with respect thereto, are made to induce Beneficiary to enter into and to make such loan, and shall survive any satisfaction of such loan and other sums secured hereby and any discharge of any person, including Grantor if Grantor is liable as a borrower, guarantor or otherwise, from liability in whole or in part with respect to such sums.

7. PAY INDEBTEDNESS; MATURITY DATE; COMPLY WITH NOTE

Grantor shall pay the Indebtedness and all portions thereof as the same become due and payable, shall pay all installments of taxes and assessments on the Realty and Collateral, and shall comply with all provisions of the Note and any other Loan Document, with no exceptions other than those, if any, as are expressly set forth in a Schedule of Special Provisions to this Deed of Trust. The Maturity Date of the Indebtedness is June 5, 1999, or earlier in certain circumstances as provided in the Note and restated in Exhibit E (Special Provisions) hereto; provided, however, that Grantor has an option to extend the Maturity Date until June 5, 2000. Grantor shall pay, before they become delinquent, all sums which become owing on or by reason of taxes and assessments against the Realty, and comply with all agreements, conditions, terms and conditions relating thereto. In this Deed of Trust, "assessments" shall include, in addition to any levied by public authorities, assessments and charges payable with respect to condominium apartments, ground rents, and any other payments necessary to enable Grantor to have unencumbered and undisturbed possession and use of the Realty, including Fixtures, Improvements and Collateral.

8. PERMITTED EXCEPTIONS

This lien of the Deed of Trust against the Realty shall not be subject or subordinate to any indebtedness, but shall be subject and subordinate to certain prior easements and restrictions listed on Exhibit C attached hereto ("Permitted Exceptions"). Grantor hereby agrees to comply with all requirements of said Permitted Exceptions. Failure so to comply shall be a default under this Deed of Trust. In the event of any event of default being threatened or declared by any holder of a Permitted Exception, Grantor will immediately notify Beneficiary of such fact and undertake steps to cure the default. Beneficiary shall have the right, but not the obligation, to cure any default of Grantor under the Permitted Exception.

9. RESERVES

If Beneficiary shall so require, Grantor at the time of making each installment payment, whether of principal or interest or both, on the Indebtedness, or at such other intervals as Beneficiary reasonably may designate, shall deposit with Beneficiary such sum as Beneficiary reasonably may estimate to be necessary to pay installments of taxes and assessments next becoming due upon the Realty, Fixtures, Improvements and Collateral and the costs and expenses of maintaining insurance with respect thereto. All such sums may be held by Beneficiary and applied in such order as Beneficiary may elect to payment of taxes, assessments and costs of such insurance or to payment upon other sums secured hereby, at Beneficiary's election. Such sums

shall constitute additional Collateral for obligations of Grantor hereunder. Beneficiary shall have no obligation with respect to such sums other than to account to Grantor for receipt and application thereof. Upon any transfer by Beneficiary of its rights or interests in the indebtedness or of this Deed of Trust, Beneficiary may turn over to such transferee such of those sums as Beneficiary then holds, and Beneficiary's responsibilities with respect thereto thereupon shall terminate. Upon any transfer by Grantor of the Realty, Grantor's interest in any such sums shall be deemed automatically transferred to such transferee.

#### 10. LATE CHARGE

If any sum payable to Beneficiary pursuant to this Deed of Trust or the Note or other Loan Document (including, without limitation, any installment of principal or interest and any balloon installment or final installment) shall be in arrears for more than the "Grace Period," Grantor shall pay to Beneficiary upon demand a Late Payment Fee, in a sum equal to the entire payment a portion of all of which is so in arrears, multiplied by the "Late Charge Percentage." Unless otherwise provided in the Note or other Loan Document, or in the Schedule of Special Provisions hereto, the "Grace Period" shall be ten (10) days and the "Late Charge Percentage" shall be ten percent (10%). The Late Payment Fee shall be in addition to all other interest, charges, costs and expenses payable by Grantor to Beneficiary.

#### 11. CONSTRUCTION OF PROJECT; REPAIR AND MAINTENANCE

Grantor shall undertake and complete construction of a 65 pad mobile home park on the Realty in two phases (the "Project") consistent with the plans and specifications approved by Beneficiary. Further, Grantor shall, once the Project is completed or this Deed of Trust is reconveyed, maintain the Realty, including Fixtures and Improvements, and Personalty in good condition and repair at all times, and shall not commit or suffer any waste with respect thereto. Grantor shall comply with all laws, regulations, rules and ordinances affecting the foregoing and the construction, use and occupancy thereof, and shall pay all fees and charges with respect thereto, and all fees and charges for utilities or other services to the same. In the event of any damage to or destruction of Fixtures, Improvements or Personalty, Grantor at its expense shall restore or replace the same within thirty (30) days of the occurrence thereof or, if it is physically impossible to so restore or replace within that time, Grantor shall commence such restoration or replacement within thirty (30) days of such occurrence and pursue the same at its expense diligently to completion. If at the time of such restoration or replacement there shall be no existing Default, as hereinafter defined, and if the restoration or replacement can be accomplished prior to the Maturity Date of the indebtedness, then Beneficiary shall permit the proceeds of any casualty insurance which may be payable by reason of such damage or destruction to be disbursed to pay for the cost of such restoration or replacement if such cost can be paid in full from such proceeds or, if such proceeds be not sufficient, if Grantor shall make available additional funds in such form and manner as may be satisfactory to Beneficiary so that such cost can be paid in full from such insurance proceeds and such additional sums.

## 12. NO ALTERATION

Grantor shall not alter or demolish or remove from the Realty any Fixtures or Improvements or any Personalty unless Beneficiary first shall have consented thereto in writing; provided, however, that Beneficiary will consent to Grantor's proceeding with the excavation of the Realty and construction of buildings, Improvements, driveways, sidewalks, landscaping, utilities, sewers, etc. consistent with the plans and specifications of the Project as previously approved by Beneficiary, provided that Grantor demonstrates to Beneficiary's satisfaction that it has adequate funds to payment for the Project.

## 13. INSURANCE

Grantor at its expense shall keep the Fixtures, Improvements, and Personalty insured at all times against loss or damage by reason of such casualties and contingencies, and in such amounts as Beneficiary may require from time to time, with loss payable to Beneficiary, and shall maintain liability insurance in such amounts or limits and against such risks as Beneficiary from time to time may require, the initial requirements being set forth on Exhibit D; provided, that during construction of the Project, appropriate "course of construction" or similar coverage will be carried as well. All insurance shall be written by such insurance companies as may be satisfactory to Beneficiary. Grantor shall pay all premiums for and costs of such insurance, and shall furnish Beneficiary with receipts or other satisfactory evidence of such payment before the same become delinquent and before such insurance would lapse by reason of nonpayment. All insurance contracts and policies shall be in such form as shall be satisfactory to Beneficiary and shall carry Beneficiary as an additional insured, and Grantor shall furnish Beneficiary with the same or certificates thereof. Unless otherwise provided by this Deed of Trust, Beneficiary shall be entitled to receive and apply proceeds of insurance on any sums secured by this Deed of Trust, whether then otherwise due and payable or not. All policies and contracts of insurance shall provide that they shall not be subject to cancellation or termination unless Beneficiary shall first have been given thirty (30) days advance written notice thereof.

## 14. PRESERVE LEASES AND TENANCIES

If the Realty shall be occupied by a tenant or tenants whose continued occupancy is not in conflict with the Project, then Grantor at its expense shall perform all duties owing to such tenant or tenants, and shall comply with all terms, conditions, and provisions of any leases. Grantor shall not cancel or terminate any leases or release any tenants from liability for rents or other sums without first obtaining Beneficiary's written consent. Grantor shall not suffer or permit any transfer or assignment of any rents or other sums or leases to any person other than Beneficiary.

## 15. CONDEMNATION

If the Realty, Fixtures, Improvements or Personalty, or any part thereof or any right, title, or interest therein shall be taken by power of eminent domain or subjected to any taking or

condemnation, Beneficiary at its option may commence or appear in or prosecute in its own name any action or proceeding with respect thereto, and shall be entitled to obtain all compensation, awards or other relief therefor. Grantor hereby assigns all such sums to Beneficiary. Unless Beneficiary otherwise consents in writing, such compensation, awards, damages or other relief shall be applied first to payment of Beneficiary's costs and expenses with respect thereto and then to any sums secured hereby in such order as Beneficiary may elect, and whether or not then otherwise due and payable. All such sums shall be secured hereby. If the taking or condemnation renders the Project not feasible or substantially reduces the value of the Realty and Collateral to Beneficiary, then such taking or condemnation shall be deemed to accelerate the Maturity Date to the date of taking or condemnation.

#### 16. SUITS, ACTIONS, ETC.

Beneficiary or Trustee at its or their election may appear and participate in any action, suit or proceeding, judicial or otherwise, which may affect any of their rights or remedies or any liens or security interests created by this Deed of Trust. Grantor, upon demand, shall reimburse Beneficiary and Trustee for all costs and expenses which they or either of them may incur by reason thereof.

#### 17. REIMBURSE BENEFICIARY AND TRUSTEE FOR EXPENSES, ETC.

Grantor shall reimburse Beneficiary and Trustee for all costs and expenses which they or either of them may incur with respect to any rights, remedies, and interests they or either of them may have, arising from this Deed of Trust, the Note or any other Loan Document, whether by virtue of any actions, suits or proceedings, appeals or otherwise, including, without limitation, costs and expenses arising with respect to any condemnation or taking, preserving or realizing on any Collateral, the lien created hereby or by reason of any Default or arising from asserting rights as a creditor in a bankruptcy proceeding. Such costs and expenses shall include reasonable attorney's fees and expenses, whether incurred in the investigation, trial, or on appeal of any matter related hereto, fees for other services and advice, costs of title searches and reports, and costs, expenses and fees of accountants, engineers, appraisers and other professional consultants, advisers and assistants. The obligation to reimburse Beneficiary and Trustee for such costs and expenses is secured hereby.

#### 18. BENEFICIARY MAY PERFORM

If Grantor shall fail to pay any sum, other than principal or interest on the Stated Principal Sum, or to perform or comply with any other obligation required by this Deed of Trust or any Loan Document, Beneficiary at its election may pay such sum or cause or effect performance of such obligation, including but not limited to the completion of the construction of the Project. In such event, Grantor shall reimburse Beneficiary immediately on demand for all sums so paid by Beneficiary and for all expenses and expenditures of Beneficiary in such respects, together with

interest thereon from the date of demand until paid at the highest rate provided for by the Note or any Loan Document. Such obligation to reimburse with interest is secured hereby.

## 19. NO TRANSFER OR ENCUMBRANCE OF REALTY

(a) Grantor shall not cause, suffer, or permit any change in the ownership or occupancy of the Realty, including Fixtures and Improvements, or Personalty or encumber the same unless Beneficiary in its sole discretion first shall consent thereto in writing. "Change in ownership or occupancy" shall include any grant of or succession to any interest in the Realty, including Fixtures and Improvements, or Personalty, voluntarily, involuntarily, by operation of law or otherwise, including any lease or demise thereof unless this Deed of Trust or the Loan Documents expressly permit or provide for leasing, and then only to the extent so provided for. Any encumbering of the Realty by deed of trust or mortgage shall constitute such change. A sale or agreement to sell pursuant to a land sales contract shall constitute such change. A change in or addition to the partners of a partnership Grantor or lessee, a change in or addition to the managers (as described in ORS 63.130 or 63.135) of a limited liability company, or a change (whether in one transaction or cumulatively as a result of more than one transaction) in the ownership of more than 25% of the voting stock of a corporate Grantor or lessee shall constitute such change. Grantor shall give the Beneficiary or assignee or other holder hereof immediate notice of any change in the title or occupancy of the Realty, and failure to do so shall be deemed a "Default" under this Deed of Trust.

(b) In the event of any change of ownership or occupancy prohibited hereby, Beneficiary at its election may declare all sums then secured hereby to be immediately due and payable or, at its sole option, Beneficiary may consent to such change and by reason thereof increase the interest rate provided for with respect to the Indebtedness evidenced by the Note or by any other Loan Document by an amount per annum not to exceed (i) the proportionate increase, if any, in average mortgage interest rates between the time when this Deed of Trust is executed and the time when such change occurs or (ii) three percentage points, whichever may be greater. Such proportionate increase may be determined by Beneficiary from generally available trade or industry data which reasonably reflects interest rates from time to time on term loans secured by real property mortgages and deeds of trust (for example, the "effective rate" on "Conventional Home Mortgages Made: For all Major Types of Lenders (combined construction-purchase)", made available from or published by the Federal Home Loan Bank Board).

## 20. DEFAULT

(a) In addition to those other events described in this Deed of Trust, each of the following shall constitute an event of default ("Default"): (i) failure to pay the Indebtedness, any monthly interest payment owing thereon, or any portion of the Indebtedness or any other sum secured hereby when the same shall be due and payable; (ii) failure to comply with or perform any other condition, agreement or provision of this Deed of Trust, the Note, the Construction Loan Agreement, or other Loan Document, or the breach of any warranty or representation in any

thereof, including the existence of an encumbrance against the Realty or Collateral other than a Permitted Exception; (iii) failure of any Grantor or any person (including a guarantor) obligated on any of the Indebtedness ("Obligor") to pay its debts or other obligations in the ordinary course of business, or the admission by any of them of an inability to do so; (iv) the making by Grantor or any Obligor of any general assignment for the benefit of creditors; (v) the appointment of a receiver for any property which is subject hereto or for any Grantor or any Obligor; (vi) the commencement of any proceedings by or against any Grantor or Obligor under any bankruptcy, insolvency or debtor relief law; (vii) the commencement of any acts or proceedings for the dissolution of a corporate Grantor or Obligor; (viii) the commencement of any proceedings for the dissolution and winding up of the affairs of a partnership, limited partnership, or limited liability company Grantor or Obligor.

(b) Upon the occurrence of an event of default, all sums secured hereby, at the option of the Beneficiary, shall become immediately due and payable without demand or notice or, if the Note or a Loan Document expressly provides for notice and an opportunity to cure defaults, then after such notice and failure to so cure. In such event, Beneficiary shall have the right to have the Realty, including Fixtures and Improvements, and Personalty sold in such manner as may be permitted by law, including pursuant to the power of sale granted hereinabove or, at Beneficiary's option, to have this Deed of Trust foreclosed in judicial proceedings as a mortgage; and Beneficiary shall have the right to exercise all other rights and remedies which may be provided for herein and in the Loan Documents, and rights and remedies which may be applicable pursuant to law, including the Uniform Commercial Code. Beneficiary may exercise its rights and remedies at such times and in such order as Beneficiary may elect. All rights and remedies provided for herein and in any Loan Document and by law shall be cumulative. If this Deed of Trust be foreclosed as a mortgage in judicial proceedings, any judgment which Beneficiary may recover shall bear interest at the Default Interest Rate provided in the Note or Loan Documents, not to exceed, however, the highest rate permitted by law.

## 21. NON-WAIVER

Neither the acceptance by Beneficiary of any payment or any other performance, nor any act or failure of Beneficiary to act or to exercise any rights, remedies or options in any one or more instances shall be considered as a waiver of any such right, remedy or option, or of any other then existing or thereafter accruing right, remedy or option, or of any breach or default then accrued or thereafter accruing. No claimed waiver by Beneficiary of any rights, remedies or options shall be binding unless the same shall be in writing and signed by Beneficiary.

## 22. RECONVEYANCE

Upon Beneficiary's written request, the Trustee shall reconvey, without warranty, all or any part of the property then held hereunder. Recitals in such reconveyance of any matters of fact shall be conclusive proof of the accuracy thereof. The grantee may be described in such reconveyance as "the person or persons legally entitled thereto."

### 23. SPECIAL PROVISIONS

If there shall be any conflict between the provisions herein and the provisions in the Schedule of Provisions set forth in Exhibit E hereto, if any, the provisions in such schedule shall govern.

### 24. SEVERABILITY

If any provision of this Deed of Trust or of the Note or of any Loan Document shall be invalid or unenforceable at any time, such invalidity or unenforceability shall not affect the remaining portions of this Deed of Trust or of the Note or of the Loan Documents, all of which shall remain in full force and effect.

### 25. MISCELLANEOUS PROVISIONS

(a) "Beneficiary" shall mean the original beneficiary herein and any future owner or holder hereof, including any pledgees or assignees of the Indebtedness. "Grantor" shall mean any original Grantor herein and any successor in interest thereof. "Trustee" shall mean the original Trustee herein and any successor in interest and any successor trustee. "Obligor" shall mean any person now or hereafter obligated with respect to the Indebtedness or with respect to any portion thereof. "Premises" shall mean the Realty and all Fixtures, accessions and Improvements thereon.

(b) Whenever the context requires, any gender shall include all other genders, and the singular number shall include the plural, and the plural shall read as the singular. All captions and sections and paragraph divisions in this Deed of Trust are for convenience of reference only, and shall not affect the construction, interpretation or meaning of this Deed of Trust or of any provisions hereof. All exhibits referred to herein are by this reference incorporated herein as though set forth herein in their entirety.

(c) Notwithstanding anything in this Deed of Trust to the contrary, the Schedule of Special Provisions attached to this Deed of Trust as Exhibit E shall control.

### 26. BENEFICIARY'S REMEDIES UPON DEFAULT

Upon a Default, Beneficiary, in addition to other remedies provided hereunder or available at law, may, at its sole option, and without prior demand or notice, declare all amounts owing under the Promissory Note immediately due and payable; provided, however, if Beneficiary should elect not to accelerate the Promissory Note, Beneficiary may make any advances it deems advisable to protect its interest after the happening of any one or more of the events of default without liability to make additional advances. Further, Beneficiary may, at its sole option, take possession of the Realty, perform any and all work and labor necessary to complete the Project improvements substantially in accordance with the plans and specifications; provided, Beneficiary shall not be

liable for the construction of, or failure to construct or complete, the Project or the failure to protect the Improvements or for payment of any expenses incurred in connection with the construction or for the performance or nonperformance of any other obligation of Grantor. The remedies available hereunder to Beneficiary shall also be available to any receiver. All sums expended by Beneficiary or any receiver for such purposes shall be secured by the Deed of Trust.

## 27. ASSIGNMENT BY BENEFICIARY

Grantor expressly consents to the assignment by Beneficiary of the loan and Beneficiary's interest herein to any party.

THE FOLLOWING NOTICE IS PROVIDED PURSUANT TO ORS 746.201:

### WARNING

Unless Borrower provides Lender with evidence of the insurance coverage as required by this instrument, Lender may purchase insurance at Borrower's expense to protect Lender's interest. This insurance may, but need not, also protect Borrower's interest in the Realty. If the collateral becomes damaged, the coverage Lender purchases may not pay any claim Borrower makes or any claim made against Borrower. Borrower may later cancel this coverage by providing evidence that Borrower has obtained property coverage elsewhere.

Borrower is responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to Borrower's loan balance. If the cost is added to Borrower's loan balance, the interest rate on the underlying contract or loan will apply to this added amount.

The effective date of coverage may be the date Borrower's prior coverage lapsed or the date Borrower failed to provide proof of coverage.

The coverage Lender purchases may be considerably more expensive than insurance Borrower can obtain and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

IN WITNESS WHEREOF Grantor has executed this instrument as of the day and year first hereinabove written.

SUMMERFIELD MANUFACTURED HOME PARK, INC.  
an Oregon corporation

By: Grady Brown, President

By: Grady Brown, Secretary

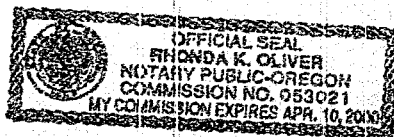
20134

STATE OF OREGON )

County of KLAMATH )

ss.

Grady Brown acknowledged this instrument before me on the 11th day of JUNE, 1998, as President of Summerfield Manufactured Home Park, Inc., an Oregon corporation.



*Rhonda K. Oliver*

Notary Public for Oregon

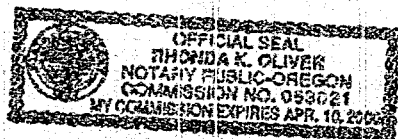
My commission expires: April 10, 2000

STATE OF OREGON )

County of KLAMATH )

ss.

GRADY BROWN acknowledged this instrument before me on the 11th day of June, 1998, as Secretary of Summerfield Manufactured Home Park, Inc., an Oregon corporation.



*Rhonda K. Oliver*

Notary Public for Oregon

My commission expires: April 10, 2000

## EXHIBIT A

LEGAL DESCRIPTION

A parcel of land situated in the Southeast one-quarter of the Northeast one-quarter and the South one-half of the Northeast one-quarter of the Northeast one-quarter of Section 14, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Parcel 1 of Land Partition 58-94, filed November 18, 1991.

**EXHIBIT B**  
**COLLATERAL**

The following types (or items) shall constitute the "Collateral":

a. All of Grantor's now-owned and hereafter acquired equipment and fixtures, including without limitation, furniture, machinery, vehicles, and trade fixtures, together with any and all accessions, parts and appurtenances thereto, substitutions therefore, and replacements thereof ("Equipment");

b. All of Grantor's now-owned and hereafter acquired goods, merchandise, and other personal property furnished under any contract of service or intended for sale or lease, including, without limitation, all raw materials, work-in-process, finished goods, and materials and supplies of any kind, nature, or description which are used or consumed in Grantor's business or are or might be used in connection with the sale or delivery of such goods, merchandise, and other personal property and all documents of title or documents representing the same ("Inventory");

c. All of Grantor's presently-existing and hereafter arising or acquired accounts, receivables, and all present and future rights of Grantor to payment for goods sold or leased or for services rendered, including, without limitation, those which are not evidenced by instruments or chattel paper, and whether or not they have been earned by performance, proceeds of any letters of credit in which Grantor is named as beneficiary, contract rights; chattel paper; instruments; documents; insurance proceeds; and all such obligations whatsoever owing to Grantor, together with all instruments and all documents of title representing any of the foregoing, all rights in any merchandise or goods which any of the same may represent, and all right, title, security, and guarantees with respect to each of the foregoing, including, without limitation, any right of stoppage in transit ("Receivables");

d. All choses in action, causes of action, and all other intangible personal property of Grantor of every kind and nature (other than Receivables), now owned and hereafter acquired, including, without limitation, corporation or other business records, inventions, designs, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses, franchises, customer lists, tax refunds, tax refund claims, rights and claims against carriers and shippers, rights to indemnification, and all plans, drawings, renderings, contracts, agreements, or any other permit, document, or instrument affecting or in any way pertaining to the construction of improvements or repairs to any improvement now or hereafter existing on or planned for all or any portion of the Realty ("General Intangibles");

e. All proceeds of the foregoing, including, without limitation, proceeds of any insurance policies, and all products of all such Equipment, Inventory, Receivables, and General Intangibles;

f. All personal property, tangible and intangible, of Grantor, including, but not limited to, its interest in all fixtures, trade fixtures, accounts, contract rights, general intangibles, rights to

payment of every kind (including rights to tax refunds), equipment, motor vehicles, goods, machinery, inventory, farm products, chattel paper, leases, conditional sale agreements, cash deposits or other deposit accounts, notes, documents, documents of title, instruments, securities, shares of capital stock, capital equities, and other securities of and claims against any corporation, joint venture, or partnership, pledges and agreements to pledge, rights in and claims under insurance policies, letters of credit, trademarks, trade names, trade styles, licenses, customer lists, goodwill, bills of lading, warehouse receipts, trust receipts, and all renewals, replacements, substitutions, additions, accessions, rents, issues, and products, and proceeds (whether due to voluntary or involuntary disposition) of the foregoing, all whether now owned or hereafter acquired;

g. All books and records related to any of the foregoing;

h. All of Grantor's right, title, and interest in and to any deposits or other sums at any time, credit to buy, or due from affiliates of the Beneficiary to Grantor with the same rights therein as if the deposits or other sums were credited by or due from the Beneficiary, and

i. An assignment of Grantor's interest in all contracts for the performance of services or delivery of materials as the same may pertain to the Project.

## EXHIBIT C

PERMITTED EXCEPTIONS

1. Rights of the public in and to that portion of the herein described property lying within the limits of roads and highways.
2. Regulations, including levies, liens and utility assessments of the City of Klamath Falls.
3. Regulations, including the power to acquire rights of ways and easements, and to levy assessments of the Klamath Irrigation District.
4. Easements as delineated on the recorded Land Partition No. 58-94,  
For : Existing drain  
Location : Along Easterly boundary of c/s 5629
5. An easement created in instrument, including the terms and provisions thereof,  
Dated : November 13, 1940  
Recorded : November 13, 1940  
Book : 134  
Page : 122  
Recorder's Fee No. : 45313  
In favor of : The California Oregon Power Company, a corporation  
For : Transmission and distribution of electricity, including poles, wires, guy wires and anchors, and other appurtenances, and facilities for the telephone purposes of the Company.
6. An easement created by instrument, including the terms and provisions thereof,  
Dated : February 8, 1974  
Recorded : February 12, 1974  
Book : M-74  
Page : 2279  
In favor of : California Pacific Utilities Company  
Location : Adjacent to West boundary

## EXHIBIT D

INSURANCE REQUIREMENTS

A. Property and Other Insurance. Grantor shall obtain and maintain in full force and effect during the term of this Trust Deed: (a) a course of construction endorsement for the period the Project is under construction, (b) general liability insurance, including liabilities assumed under contract, with limits, coverages, and risks insured acceptable to Beneficiary, and in no event less than \$2,000,000 combined single limit coverage; and (c), unless Beneficiary otherwise agrees in writing, but only to the extent of any rents, rent loss or business interruption insurance in an amount no less than the total annual rents provided for in all leases for the Trust Property for twelve (12) months. In addition, Grantor shall obtain and maintain all such other insurance coverages, which at the time are commonly carried for similar property, in such amounts as Beneficiary may require.

B. Insurance Companies and Policies. All insurance shall be written by a company or companies reasonably acceptable to Beneficiary with performance rating of A or better and a Financial Performance Rating of FPR 7 or better as provided in *Best's Rating Guide* published by A.M. Best Company of Oldwick, New Jersey; shall contain a long form mortgagee clause in favor of Beneficiary with loss proceeds under any policy payable to Beneficiary, subject to the terms of this Trust Deed; shall require 30 days' prior written notice to Beneficiary of cancellation or reduction in coverage; shall contain waivers of subrogation and endorsements that no act or negligence of Grantor or any occupant, and no occupancy or use of the Property for purposes more hazardous than permitted by the terms of the policy will affect the validity or enforceability of such insurance as against Beneficiary; shall be in full force and effect on the date of this Trust Deed; and shall be accompanied by proof of premiums paid for the current policy year. Beneficiary shall be named as additional insured on all liability policies. Grantor shall forward to Beneficiary, upon request, certificates evidencing the coverages required under this Trust Deed and copies of all policies.

C. Blanket Policy. If a blanket, umbrella or excess policy is issued, a certified copy of such policy shall be furnished together with a certificate indicating that the Realty and Beneficiary are insured under such policy in the proper designated amount.

EXHIBIT " E "

NONE

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of ASPEN TITLE the 12TH day  
of JUNE A.D., 19 98 at 11:45 o'clock A M., and duly recorded in Vol. M98  
of MORTGAGES on Page 20121

FEE \$100.00

By Bernetha G. Letsch County Clerk  
Bernetha G. Letsch