

GRANTOR IS:

J. Gardner & J. Gardner Co., an
Oregon corporation

8383 NE SANDY BLVD #210
PORTLAND, OR 97220

MTC 46613

GRANTEE IS:

Theodore A. DeVries, Trustee or
Successor Trustee of Pacific Cove Trust
4574 N.E. 81st
Portland, OR 97218

TRUE CONSIDERATION IS:

\$0- Estoppel Deed in Lieu of
Foreclosure

RECORDED AT REQUEST OF AND
AFTER RECORDING RETURN TO:

Theodore A. DeVries, Trustee or
Successor Trustee of Pacific Cove Trust
4575 N.E. 81st
Portland, OR 97218

AMERITITLE has recorded this
instrument by request as an accommodation only,
and has not examined it for regularity and sufficiency
or as to its effect upon the title to any real property
that may be described therein.

SEND ALL TAX STATEMENTS TO:

Theodore A. DeVries, Trustee or
Successor Trustee of Pacific Cove Trust
4575 N.E. 81st
Portland, OR 97218

ESTOPPEL DEED - NO MERGER

Grantor, herewith grants, conveys and warrants unto Grantee the following described real property located in Klamath County, Oregon and described as follows, to-wit:

SEE EXHIBIT "A" ATTACHED HERETO AND INCORPORATED HEREIN AS THOUGH
FULLY SET FORTH VERBATIM.

The premises are otherwise known as the High Chaparral Motor Inn, Klamath County, Oregon.

Tax Account No. 3809-007C0-06200, 3809-007C0-06000.

This Deed shall also act as a bill of sale and outright conveyance subject to the other terms herein of all personal property, fixtures, equipment, accounts, inventory, contracts and all contract rights, insurance policies, certificates, permits and all other contracts or documents with respect to the above-described property and its operation as a motel. Grantor warrants all said personal property rights and contract rights are free and clear of liens and encumbrances excepting only as specifically provided herein.

Grantor further conveys all personal property, fixtures, attachments and all rights related to said property to the Grantee.

The true consideration for the execution and delivery hereof is \$0, however, the entirety of the consideration for this deed is other property in the form of the undertakings described below.

Grantor covenants that:

This deed is ABSOLUTE IN EFFECT and conveys unto the Grantee the fee simple title of the property above described and all rights, direct or indirect therein and/or related to the property, and this deed is not a mortgage, trust conveyance, or security of any kind whatsoever.

Grantor is the owner of the property free of all encumbrances except Grantee's mortgage or trust deed (mortgage) dated April 28, 1997 and recorded on April 30, 1997 at Volume M97, Page 13229 and that certain Contract of sale dated January 1, 1990 and recorded March 15, 1990, Volume M90, Page 3055 in the official records of the County stated above, and that the property is free of all liens and encumbrances, excepting only as described as exceptions in the said mortgage or trust deed or in Grantee's previously issued title insurance policy and specifically designated therein as being superior to the interests of the Grantee. Grantor has neither suffered nor created nor has there been any work, labor or materials bestowed upon or adjacent to the subject premises for which a lien may be filed.

Grantor herewith waives, surrenders, relinquishes and conveys and relinquishes any equity of redemption and all statutory rights of redemption and all other rights of redemption, direct or indirect, concerning the property and the said Grantee's mortgage.

Grantor is not acting under any misapprehension as to the final legal effect of this deed, nor under any duress, undue influence or misrepresentation of Grantee, its agent or attorney or any other person. GRANTOR UNDERSTANDS THIS IS A FULL AND FINAL CONVEYANCE OF AND RELEASE OF ALL GRANTOR'S INTEREST, DIRECT OR INDIRECT, IN THE DESCRIBED PROPERTY.

Both parties agree that:

This deed does not effect a merger of the fee ownership and the lien of any of the mortgages, trust deeds or other rights in the property described above. The fee and the said liens and other Grantee's rights shall hereafter remain separate and distinct for all purposes.

The indebtedness evidenced by the promissory note for which the said mortgage or trust deed was given represents a fair value of the above described property herein conveyed, and that the said mortgage or deed of trust was made by Grantor freely and voluntarily and not under duress, undue influence, misapprehension or misrepresentation by the above-named Grantee, its predecessors or its agents, and that Grantor is solvent and said mortgage or deed of trust was not given for the purpose of preference with respect to any creditor, nor given to hinder, delay or defraud creditors, but in good faith for the consideration therein involved.

The current debt secured by the said mortgage or deed of trust is \$210,000.00 (plus the amount owing on the senior contract in the amount of \$263,400.00) which equals or exceeds the fair present value of the property.

Grantee covenants that:

By acceptance of this deed, Grantee shall forever forbear taking any action to collect any deficiency against Grantor personally for any of the sums described in the promissory note given to secure the mortgage/trust deed above described, other than by foreclosure of that security instrument, and that in any proceeding to foreclose that security instrument, Grantee shall not obtain a deficiency judgment against Grantor for the debt evidenced by the said promissory note, such deficiency rights in any such foreclosure proceeding being hereby waived.

THIS INSTRUMENT WILL NOT ALLOW USE OF PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

DATED this 8 day of JANUARY, 1999.

J. Gardner & J. Gardner Co., an Oregon corporation

BY: Alice M. Randall
Alice M. Randall, attorney in fact for James L. Gardner, Secretary
and James L. Gardner, personally

STATE OF OREGON)

County of Multnomah) ss.

Personally appeared before me Alice M. Randall, who being first duly sworn did state she executed the foregoing instrument as attorney in fact for James L. Gardner as Secretary of J. Gardner & J. Gardner Co., an Oregon corporation and for James L. Gardner, personally and as its and his free and voluntary act and deed.

Barbara A. Stillman
NOTARY PUBLIC FOR Oregon
My Commission Expires: 12/20/02

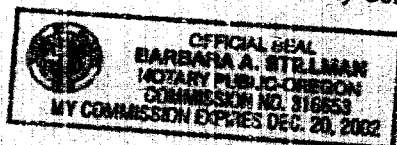


EXHIBIT "A" **LEGAL DESCRIPTION**

The following described real property situate in Klamath County, Oregon: A tract of land situated in the NW1/4 SW1/4 of Section 7, Township 38 South, Range 9 East, Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the West 1/4 corner of said Section 7; thence South 89 degrees 49' East 799.00 feet to the Westerly right of way line of Highway 97 (Dalles-California Highway); thence South 11 degrees 36' East along said right of way line 506.29 feet; thence South 78 degrees 24' West 99.36 feet to the True Point of Beginning of this description; thence continuing South 78 degrees 24' West 286.05 feet; thence South 07 degrees 55' 20" East 272.69 feet; thence South 85 degrees 03' 50" West 92.90 feet; thence South 00 degrees 06' 00" East 37.00 feet; thence South 69 degrees 30' 10" East 475.00 feet (South 69 degrees 29' East 474.8 feet by recorded Survey No. 2148, as recorded in the office of the Klamath County surveyor); thence North 11 degrees 36' West 87.00 feet; thence North 78 degrees 24' East 73.15 feet; thence North 11 degrees 36' West 13.00 feet; thence North 78 degrees 24' East 27.00 feet to the Westerly right of way line of said Highway; thence North 11 degrees 36' West along said right of way line, 132.35 feet; thence South 85 degrees 27' 15" West 92.51 feet; thence North 11 degrees 54' 47" West 74.84 feet; thence North 74 degrees 21' 03" East 45.98 feet; thence North 11 degrees 30' 13" West 57.41 feet to the Southerly edge of a concrete sidewalk; thence along the Southerly and Westerly edge of said sidewalk, South 78 degrees 16' 22" West 43.47 feet and North 16 degrees 40' 10" West 125.02 feet; thence North 73 degrees 19' 50" East 5.50 feet; thence North 16 degrees 40' 10" West 46.06 feet to the True Point of Beginning; with bearings based on said recorded Survey No. 2148.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Ameri title the 12th day
of January A.D., 99 at 11:44 o'clock A. M., and duly recorded in Vol. M99
of Deeds on Page 973

Linda Smith, County Clerk

by Kathleen Rosa

FEE \$45.00