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AFTER RECORDING RETURN TO:
KeyBank National Association
700 Fifth Avenue, 52nd Floor
Mailcode WA-31-10-5285
Seattle, Washington 98104
Attn: Sonya Jeffcoat

Aspen Title #04046449
LINE OF CREDIT INSTRUMENT

Maximum principal amount to be advanced: \$2,875,000; however, such maximum principal amount to be advanced may be exceeded by principal advances made to complete construction of improvements upon the subject property.

Maturity date: February 28, 2000, exclusive of options to renew or extend, if any.

COMMERCIAL DEED OF TRUST AND SECURITY AGREEMENT

WITH ASSIGNMENT OF RENTS

(OREGON)

Dated February 24, 1999

Grantor: C-3 Investments, Inc., an Oregon corporation

Trustee: Aspen Title & Escrow, Inc.

Beneficiary: KEYBANK NATIONAL ASSOCIATION, a national banking association

ADDITIONAL STATUTORY NOTICES:

- A. The address of the entity holding a lien or other interest created by this instrument is:

KEYBANK NATIONAL ASSOCIATION
700 Fifth Avenue, 52nd Floor
Mailcode WA-31-10-5285
Seattle, Washington 98104
Attn: Real Estate Division

- B. The tax account numbers for the property subject to the lien or in which the interest is created are:

530802, 530811, 530820, 530839, 530848, 530875, 530955, and 530964

- C. Type of transaction: Creation of deed of trust lien and security interests encumbering the properties described herein.

LINE OF CREDIT INSTRUMENT

COMMERCIAL DEED OF TRUST AND SECURITY AGREEMENT
WITH ASSIGNMENT OF RENTS (OREGON)THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN
ACCORDANCE WITH ORS SECTION 79.4020(6)

THIS DEED OF TRUST AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (herein "Deed of Trust") is made and executed this 24th day of February, 1999, by and among C-3 Investments, Inc., an Oregon corporation, as grantor and debtor ("Grantor"), whose address is 2129 NW Northrup Street, No. 8, Portland, Oregon 97210, Aspen Title & Escrow, Inc., as trustee ("Trustee"), whose address is 525 Main Street, Klamath Falls, Oregon 97601, and KEYBANK NATIONAL ASSOCIATION, a national banking association, as beneficiary and secured party ("Beneficiary"), whose address is 700 Fifth Avenue, 52nd Floor, Mailcode WA-31-10-5285, Seattle, Washington 98104 Attn: Real Estate Division.

RECITALS:

A. Grantor is the owner of fee simple title to the real property described on Exhibit "A", attached hereto and incorporated herein by this reference.

B. This Deed of Trust is given to secure payment and performance of that certain promissory note of even date herewith (the "Note") which requires Grantor to pay to the order of Beneficiary the principal sum of \$2,875,000, together with interest thereon as set forth therein. The final payment of principal and accrued interest under the Note is due and payable on February 28, 2000, subject to any extension privileges, if any, set forth in the Note or the loan commitment executed by Grantor and Beneficiary in connection with the loan evidenced by the Note (the "Loan Commitment").

C. This Deed of Trust is further given to secure:

(1) Payment and performance of any renewals, extensions, substitutions and modifications of the Note and future advances under the Note; and

(2) Payment and performance of any other indebtedness or obligation of Grantor to Beneficiary now or hereafter arising under the terms hereof, the terms of the Loan Commitment issued in connection with the loan evidenced by the Note, the terms of the Note, the terms of that certain Construction Loan Agreement of even date herewith between Grantor and Beneficiary, if any, the terms of any other agreement constituting additional security for the Note, and/or the terms of any other agreement now existing or hereafter entered into by Grantor and Beneficiary or executed by Grantor in favor of Beneficiary related to the foregoing, including future advances.

(3) Any and all obligations of Grantor to Beneficiary under or related to any Rate Swap Transaction entered into between Beneficiary and Grantor, including without limitation any payments on Early Termination under any Swap Agreement or Confirmation. Capitalized terms used in this subsection (3) are defined in the 1991 ISDA Definitions, published by the International Swap Dealers Association, Inc.

D. Grantor now desires to enter into and execute this Deed of Trust in connection with the loan evidenced by the Note.

AGREEMENT

THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. GRANT AND CONVEYANCE

For the purposes set forth in Recitals B and C above, Grantor hereby irrevocably grants, conveys, bargains and sells to Trustee, in trust, with power of sale, all of Grantor's right, title and interest, whether now owned or hereafter acquired, in and to the following described and defined Real Property, Improvements, Personal Property, Tenant Leases, Income from Operations and Proceeds, and all income, revenues and profits derived from such items of property (all sometimes referred to herein collectively as the "Premises"):

1.1 The Real Property: The real property described on Exhibit "A" attached hereto, including all of Grantor's right, title and interest now held or hereafter acquired in and to any roads, easements, alleys, streets and ways, open or proposed, bounding such real property, and all rights of ingress and egress thereto (the "Real Property"), including the land lying within the alley to be vacated which bisects the two (2) parcels of land which comprise the Real Property.

1.2 The Improvements: All buildings, structures, fixtures and other improvements of every kind and nature now or hereafter located on or about the Real Property, together with all renewals, replacements, substitutions, accessions, additions, products, proceeds, and proceeds of proceeds (of any generation) thereto and thereof (the "Improvements").

1.3 The Personal Property: All personal property, except personal property owned by tenants occupying the Improvements, of every kind and nature now owned or hereafter acquired and situated upon and/or used in connection with the operation, ownership, use, maintenance or enjoyment of the Premises or derived from operation of the Premises, together with all renewals, replacements, substitutions, revenues, accessions, additions, products, proceeds, and proceeds of proceeds (of any generation) thereto and thereof (the "Personal Property"), including (without limitation) the following:

(i) All accounts, accounts receivable, chattel paper, income, revenues from operations conducted on the Premises, contracts for sale, leases, warranties, deposit accounts, documents, documents of title, equipment, fixtures, contract rights, general intangibles, goods, instruments, inventory, assumed business names of Grantor, and money;

(ii) All present and future accessions, conditional sales contracts, warranties, licenses, plats, franchises, as-built plans, approvals, permits, plans, specifications and general construction contracts;

(iii) All legal and equitable claims, judgments and awards now or hereafter accruing to the benefit of the Premises or the owner thereof;

(iv) Products and cash and noncash proceeds thereof as defined in the Uniform Commercial Code, now or at any time acquired, used or to be used for or in connection with the construction, use or enjoyment of the Real Property, whether in the possession of Grantor, warehousemen, bailees or any other person and whether located at the Real Property or elsewhere;

(v) All building, maintenance or service equipment; building, maintenance or raw materials or supplies; component parts or work in process; appliances; furnishings; equipment; furniture; machinery; and tools;

(vi) All bonding, construction, development, financing, guaranty, indemnity, maintenance, management, service, supply and warranty agreements; commitments; contracts, subcontracts, architectural and engineering plans and specifications, franchises, reports, studies and agreements; insurance policies; and licenses and bonds;

(vii) All deposits, reserves, prepayments, deferred payments, rebates, refunds and returns of money or property paid to or deposited with any governmental body, agency or authority, any public or private utility, district or company, insurance companies, or any other person, and all claims, causes of action, judgments and settlements at any time arising from damage to, taking of, or any loss, impairment or diminution in value of any of the Premises or in the use thereof;

(viii) All approvals, permits, licenses, or grants of rights or privileges which Grantor is required to obtain or comply with pursuant to its business Operations; and

(ix) Any deposit account or accounts with the . in the name of the Grantor for deposit of payments to Grantor in connection with any "Rate Swap Transaction" entered into at any time between . and Grantor and any and all funds now or hereafter on deposit therein.

1.4 The Tenant Leases: All of Grantor's right, title and interest in and to all lease, occupancy and rental agreements for occupants, tenants and lessees of the Real Property and/or Improvements, whether now or hereafter existing, including, without limitation, the Lease dated November 1, 1998, executed by Grantor, as landlord, and Thrifty Payless, Inc., as tenant, together with the Guaranty of that Lease executed by Rite Aid Corporation, as guarantor (the "Tenant Leases").

1.5 Income from Operations: All income, room rates, revenues, rents, issues, profits, accounts, accounts receivable, general intangibles, contract rights and any other revenues related to the Premises or generated from operations conducted on the Premises, whether now or hereafter existing and whether characterized as being derived from real or personal property, including, without limitation, income from: inventory sales, tenant or guest occupancy of the Premises, personal services, amenities, concessions, vendors, food and bar services.

1.6 Proceeds: Without limiting the foregoing, all insurance and/or condemnation proceeds and awards (including title insurance proceeds) related to the Premises or any interest in the Premises, regardless of form or generation and regardless of the source of payment of insurance premiums (the "Proceeds").

This Deed of Trust constitutes a security agreement within the meaning of the Uniform Commercial Code as adopted in the state in which the Premises are situated and Grantor hereby grants Beneficiary a security interest in all elements or constituent parts of the Premises which are, or are deemed to be, personal property. The parties intend that Beneficiary shall have a security interest in all of the operating revenues of the Premises, whether those revenues are deemed to be derived from or related to the Real Property, the Improvements, the Personal Property or any other source.

2. GRANTOR'S COVENANTS AND WARRANTIES

Grantor warrants, covenants and agrees with and to Trustee and Beneficiary as follows:

2.1 Title.

2.1.1 Warranty of Title. Grantor warrants that Grantor is the absolute legal and equitable owner of, and has good and marketable title to, the Premises free of all liens, claims, security interests, encumbrances, easements and restrictions, except that the Real Property and any existing Improvements are subject to the special exceptions set forth in the mortgagee's policy of title insurance issued to Beneficiary in connection with this transaction (the "Permitted Exceptions"). Grantor has full power and authority to convey the Premises in the manner and form herein conveyed or intended hereafter to be conveyed. This Deed of Trust is and shall remain a valid and enforceable first lien on the Premises subject only to the Permitted Exceptions as the same relate to the Real Property and any existing Improvements. Grantor and its successors and assigns shall warrant and defend such title

forever against all claims and shall promptly perform all of the obligations to be performed hereunder and under the Permitted Exceptions. Grantor shall furnish to Beneficiary written notice of any litigation, lien, or notice of default affecting the Premises or any portion thereof, within three (3) days of initial receipt of notice of such litigation, lien or default.

2.1.2 Further Assurances. Grantor shall, at its cost, perform, execute, acknowledge and deliver all further acts, deeds, conveyances, deeds of trust, assignments, notices of assignments, financing statements, transfers and assurances as Beneficiary shall from time to time require, for the better perfecting, continuing, assuring, conveying, assigning, transferring and confirming unto the Trustee or Beneficiary of the Premises and rights hereby conveyed or assigned or intended now or hereafter so to be, or which the Grantor may be or may hereafter become bound to convey or assign to the Trustee or Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust.

2.2 Payment and Performance of Secured Obligations and Permitted Exceptions;
Taxes.

2.2.1 Payment of Secured Obligations. The Note and all other obligations of Grantor set forth in Recitals B and C above, including all obligations and duties of Grantor hereunder, are herein collectively referred to as the "Secured Obligations." Grantor shall pay and perform as and when due all of the Secured Obligations without offset and without prior notice or demand.

2.2.2 Permitted Exceptions. Grantor shall pay and perform, as and when due, all obligations set forth in or evidenced or secured by the Permitted Exceptions, and keep the same free from default.

2.2.3 Payment of Taxes.

(a) **Generally.** Grantor shall pay, when due and before delinquency, all Taxes (as defined below) with respect to the Premises. Grantor shall have the right to pay any taxes in installments pursuant to and subject to any statute or ordinance allowing such method of payment. Upon demand, Grantor shall provide Beneficiary with evidence, satisfactory to Beneficiary, that such payments have been made. "Taxes" shall mean and include, without limitation, all personal and real property taxes and assessments, both general and special, and all other taxes or impositions, whether public or private, of any kind and nature, levied, assessed or imposed upon the Premises or any portion thereof. If Grantor, in good faith, disputes the amount or validity of any Tax, Grantor may contest the same by any lawful means, provided (a) Grantor gives to Beneficiary prior written notice of such contest, (b) Beneficiary's interest in the Premises, in Beneficiary's sole determination, is not jeopardized by such contest, (c) Grantor provides to Beneficiary a surety bond or other security acceptable to Beneficiary in an amount acceptable to Beneficiary as security for the payment of the contested Tax, and (d) Grantor pays promptly all amounts ultimately determined or adjudged to be payable.

(b) **Right to Require Tax and Insurance Reserve Payments.** In the event of default by Grantor under any instrument evidencing or securing the Secured Obligations, Beneficiary, at its option, may require Grantor to maintain reserves for payment of Taxes or premiums on insurance or both. The reserve shall be created by initial payment and subsequent monthly payment to Beneficiary of an amount determined by Beneficiary to be sufficient to produce, at least thirty (30) days before they are due, amounts equal to or in excess of the Taxes or insurance renewal premiums to be paid. If, at the time payments are to be made, the reserve therefor is insufficient or would be rendered insufficient, Grantor shall upon demand pay such additional sum as Beneficiary shall determine to be necessary. Beneficiary shall not be required to pay any interest with respect to any reserves. If Grantor desires to carry a blanket or package plan of insurance that includes coverage in addition to that required under this Deed of Trust, Beneficiary may, at its option, establish and administer a reserve for that purpose. In such event, the premium attributable to the insurance coverage required hereunder shall be quoted separately. If, at any

time, Beneficiary holds an insufficient amount in the insurance reserve to cover the premium for the entire blanket or package plan, Beneficiary may, at its discretion, pay only that portion of the premium attributable to the required insurance coverage. Beneficiary may, from time to time, establish reasonable service charges for collection and disbursement of premiums on package or blanket insurance plans.

2.3 Construction, Maintenance and Repair. Without limiting Grantor's obligations under any other agreement executed in favor of Beneficiary, Grantor shall keep the Real Property, Improvements and Personal Property in good operating order, repair and condition, ordinary wear and tear excepted, and shall not commit or permit any waste thereof. Grantor, at its cost, shall make all repairs necessary to the Real Property, Improvements and Personal Property and shall complete and restore promptly and in good and workmanlike manner any portion of the same which may be damaged or destroyed, and pay, when due, all costs incurred in connection therewith regardless of whether sufficient proceeds are available to pay such costs; the same shall be restored and repaired so as to be at least equal in value and of substantially the same character as existed prior to such damage or destruction. Grantor shall not remove from the Real Property or demolish any of the Improvements or Personal Property.

2.4 Compliance with Laws.

2.4.1 Generally. Grantor shall comply with all laws, ordinances, regulations, easements, agreements, covenants, conditions and restrictions now or hereafter affecting the Premises or the use or operation thereof. Grantor shall not cause, permit or suffer any violation of any of the foregoing and shall pay all fees or charges of any kind in connection therewith. Grantor shall indemnify and hold Beneficiary, its officers, directors and agents, and the Premises, harmless from any claim, cost, damage or expense, including attorneys' fees and penalties, with respect to any breach or alleged breach of the covenants set forth in this Section.

2.4.2 Environmental Laws. For purposes hereof, the phrase "Hazardous Materials" shall mean and include any oil, petroleum, hazardous substance, pollutant, contaminant, hazardous waste, hazardous material, dangerous waste, extremely hazardous waste, toxic waste, asbestos, urea-formaldehyde, radon or air pollution, as any such term or similar term is now or hereafter defined, regulated, used or understood in or under any Federal, state, county, city or other governmental statute, law, code, rule, regulation, ordinance, order or decree which (i) is applicable to the Premises and (ii) relates in any way to the protection of any aspect of human health or the environment, animal habitats, environmentally sensitive areas, or the use, quality or condition of air, soil, water, shorelines or wetlands ("Environmental Laws"). Grantor warrants and covenants to Beneficiary that, to the best knowledge and belief of Grantor and based on due and diligent inquiry by Grantor, (a) there are no Hazardous Materials in, upon, or buried on or beneath the Real Property or the Improvements, nor have any Hazardous Materials been emitted or released therefrom in violation of any Environmental Laws, and (b) there are not now, nor have there been, any underground storage tanks located on the Real Property, including any tanks used for the storage of Hazardous Materials. In no event shall Grantor bring onto, store upon, bury, use upon, emit or release from, nor allow to be brought onto, stored upon, buried, used upon, or emitted or released from, the Real Property or the Improvements, any Hazardous Materials in violation of any Environmental Laws, nor cause or permit any underground tanks to be installed on the Real Property. Grantor shall indemnify and hold Beneficiary, its officers, directors and agents, and the Premises, harmless from any claim, cost, damage or expense, including attorneys' fees, monitoring costs, response costs and penalties, with respect to any breach or alleged breach of these warranties and covenants. These warranties and covenants shall survive the exercise of any remedies by Beneficiary, including (without limitation) foreclosure of the lien of this Deed of Trust or obtaining title to the Premises in lieu of foreclosure.

2.5 Insurance.

2.5.1 Obligation to Insure. Grantor shall at all times provide, maintain and keep in force, at its own cost and expense, the following policies of insurance, and such other insurance (including, without limitation, flood and earthquake insurance) as Beneficiary may require from time to time against the same or other hazards:

2.5.1.1 Casualty Insurance. Insurance against loss or damage to the Real Property, the improvements and the Personal Property by fire and any and all of the risks covered by insurance of the type known as of the date hereof as "fire and extended coverage," in an amount not less than one hundred percent (100%) of the full replacement cost of the Improvements and Personal Property, as determined from time to time by Beneficiary, without deduction for depreciation. The amount deductible from the loss payable for any casualty shall not exceed One Thousand and No/100 Dollars (\$1,000.00) for any casualty and such deductible shall be the obligation of Grantor. Such policy of insurance shall be maintained for and name Grantor and Beneficiary as insureds, as their respective interests may appear, and shall contain (a) the "replacement cost endorsement," and (b) a lender's loss payable endorsement in favor of Beneficiary in form reasonably acceptable to Beneficiary.

2.5.1.2 Liability Insurance. Comprehensive public liability insurance, including Products and Completed Operations coverage, on an "occurrence basis" insuring against claims for bodily injury, death or property damage occurring in, on or about the Real Property and Improvements and adjoining streets, sidewalks and passageways arising out of or in any way connected with the use, occupancy, possession, ownership or condition (whether or not now existing) of the same. The limits of such coverage shall be no less than Three Million and No/100 Dollars (\$3,000,000.00) per occurrence. Such policy shall insure performance of Grantor's indemnity obligations hereunder and shall name Beneficiary as an additional insured, providing coverage for Beneficiary regardless of whether the asserted claim is also asserted against Grantor.

2.5.1.3 Business Interruption Insurance. A policy of business interruption insurance on an all risk of loss basis and in an amount sufficient to pay all income realized from the Premises for a period of one (1) year in the event of any cessation or reduction of Grantor's business for any reason, including (without limitation) by reason of damage to or destruction of the Premises. The proceeds of such policy shall be payable to Beneficiary and shall be applied by Beneficiary first to all principal, interest and other charges due hereunder and the balance, if any, shall be released to Grantor, provided that Grantor is not in default hereunder. Nothing contained herein shall be deemed to relieve Grantor from making any payment due under this Deed of Trust in the event that business interruption insurance proceeds contemplated herein are not paid to Beneficiary.

2.5.1.4 Builder's Risk Insurance. During the course of any construction or repair at the Premises, builder's risk insurance against all risks of physical loss, on a completed value basis, including collapse and transit coverage, with a deductible not to exceed One Thousand and No/100 Dollars (\$1,000.00), in nonreporting form, covering the total value of work performed and equipment, supplies and materials furnished, and containing the "permission to occupy upon completion of work" endorsement.

2.5.1.5 Exculpation; General Provisions Related to All Policies. Neither Trustee nor Beneficiary shall be obligated to obtain insurance, nor be responsible for the collection of any insurance monies or for any insolvency of any insurer or insurance underwriter. All policies of insurance required by this Deed of Trust (a) shall contain an endorsement or an agreement of the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act of negligence of Grantor or Beneficiary which might otherwise result in forfeiture of said insurance and further waiving all rights of setoff, subrogation, counterclaim or deductions against Beneficiary; (b) shall be issued in amounts no less than those specified in this Section and shall be issued by companies acceptable to Beneficiary; and (c) shall contain a provision that such policies will not be canceled or amended, or be

subject to any reduction in the scope or limits of coverage, without at least thirty (30) days' prior written notice to Beneficiary.

2.5.2 Delivery of Insurance Policies, Payment of Premiums. Grantor shall furnish Beneficiary with a copy of each policy of insurance required hereunder and a certificate of each policy of insurance required hereunder evidencing the required coverage, each such certificate setting forth the coverage, the limits of liability, the name of the carrier, the policy number and the expiration date. At least thirty (30) days prior to the expiration of each such policy, Grantor shall furnish Beneficiary with an original of all policies required hereunder marked "premium paid" and with evidence, satisfactory to Beneficiary, of the reissuance of such policy continuing insurance in force as required by this Deed of Trust. In the event any such insurance policy and/or evidence of payment of premium are not so delivered to Beneficiary as required hereunder, Grantor, by executing this Deed of Trust, specifically requests Beneficiary to obtain and pay for, and Beneficiary may obtain and pay for, such insurance for such risks covering Beneficiary's interest in the Premises (without notice to or demand upon Grantor and without releasing Grantor from any obligation hereunder), and Grantor shall pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Grantor the amount of all such premiums together with interest thereon at the Advance Rate (see Section 2.10) from the date of payment by Beneficiary shall be secured by this Deed of Trust.

WARNING

UNLESS YOU (GRANTOR) PROVIDE US (BENEFICIARY) WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR CONTRACT OR LOAN BALANCE. IF THE COST IS ADDED TO YOUR CONTRACT OR 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 YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

2.5.3 Casualty Insurance Proceeds.

2.5.3.1 Payment and Use of Proceeds. If all or any part of the Premises is damaged or destroyed, then all proceeds of insurance shall be payable and paid to Beneficiary, and the net amount of the same (meaning all such proceeds received by Beneficiary less costs incurred by Beneficiary in the collection thereof, including, without limitation, attorneys' fees) shall be, at Beneficiary's election and in Beneficiary's sole and absolute discretion, either applied to the debt secured hereby, as provided below, or made available to Grantor to be used to restore the damaged property; provided, however, that Beneficiary shall make available to Grantor proceeds of any insurance policy covering the casualty for purposes of rebuilding the damaged property if each of the following terms and conditions are satisfied:

(a) Grantor shall pay to Beneficiary, within ten (10) days after the issuance to Grantor of a statement therefor, a fee equal to one-half percent (.5%) of the total estimated repair costs, said fee being agreed to as a reasonable approximation of the increase in Beneficiary's administrative expenses which are anticipated as a result of the use of insurance proceeds as provided in this paragraph; however, no fee shall be payable if the cost of fully restoring the damaged property is reasonably determined by Beneficiary to be less than the sum of Twenty-Five Thousand and No/100 (\$25,000.00).

(b) Insurance proceeds which are directly attributable to the damage (the "Insurance Proceeds"), less any portion thereof which is necessary to discharge any unpaid portion of the administrative fee referred to in subparagraph (a) above, shall be deposited by Beneficiary in a money market account with Beneficiary, with all interest thereon added to such account, for disbursement upon and subject to satisfaction of each of the following conditions:

(i) There shall exist no default under the Note or this Deed of Trust at any time prior to or during the course of reconstruction.

(ii) Beneficiary shall have received written confirmation that all then existing leases and subleases of the Property will continue in full force and effect without modification (reasonable rent abatements as provided in the leases and subleases and relating to damaged space excepted), and that Grantor's proposed restorations comply with all requirements of such leases and subleases.

(iii) Beneficiary shall have received reasonably satisfactory written evidence to the effect that the proposed restorations will comply with all statutes, ordinances, regulations, restrictive covenants, reciprocal easements, leases and contracts; plans and specifications have been approved by all required governmental agencies; and that Grantor has obtained all necessary building and other permits and approvals for such reconstruction.

(iv) Receipt by Beneficiary of proof reasonably satisfactory to Beneficiary that there exists and will continue to exist until the Premises are reasonably expected to be restored and fully occupied a source of funds sufficient to pay all amounts due under the Note as and when due. Such computation shall include a reasonable estimate of the amount necessary to pay all of Grantor's operating expenses and the sums due under the Note over the projected period of reconstruction, offset by net income from operation of the Premises during such period, and Beneficiary may require Grantor to establish and fund a holdback account up to the amount of the difference between the anticipated debt service and operating expenses of Grantor and such net income. Said fund shall be held by Beneficiary and disbursed as and when debt service and operating expense shortfalls fall due. In the event of any default under the Note, this Deed of Trust or any reconstruction requirements, Beneficiary may, at its option, apply any portion or all of such amounts against the outstanding balance of the Note.

(v) Beneficiary shall have received from Grantor sufficient cash funds to cover one hundred percent (100%) of any difference between the estimated costs of completion, as certified by an architect or engineer approved by Beneficiary in writing, and the Insurance Proceeds, the amount of which difference shall be placed in the money market account used for the Insurance Proceeds. In the event of any default under the Note, this Deed of Trust or any reconstruction requirements, Beneficiary may, at its option, apply any portion or all of such amounts and interest against the sums outstanding under the Note.

(vi) Beneficiary shall have received a certificate executed by Grantor describing the work to be performed in connection with such restoration and a certificate by an independent architect or engineer (selected or approved by Beneficiary) in writing stating that the work described in the Grantor's certificate is the same size, design, quality and condition as existed

prior to the damage. The architect's or engineer's certificate shall include its estimate of all costs and expenses which will be required to complete such restoration.

(vii) Such additional conditions as may reasonably be imposed by Beneficiary to provide assurance that the Insurance Proceeds will be used to restore the damaged property to substantially the same condition, to the extent possible, as existed prior to the damage or taking, including, without limitation, Beneficiary's prior written approval of all permits, plans, specifications and construction contracts for such restoration.

(c) Beneficiary shall disburse the Insurance Proceeds in increments corresponding to the percentage of completion costs then incurred for labor performed and materials furnished (which may, at Beneficiary's discretion, be subject to reasonable holdbacks required by Beneficiary, which holdbacks will not exceed 10 percent (10%) of the total estimated costs of completion and which will be released upon lien free completion of the restorations in accordance with the requirements of this Deed of Trust and the expiration of the periods within which any mechanic's or materialman's lien may be filed). Disbursements shall be conditioned upon Beneficiary's written confirmation that all of its requirements therefor have been satisfied, including its receipt of periodic inspection and completion percentage certificates executed by the project architect approved by Beneficiary in writing, payment acknowledgments and lien waivers, and such other conditions to periodic disbursements as are customarily imposed by Beneficiary in connection with its construction loans, including there existing no defaults or misrepresentations of Grantor and Grantor's obtaining all title insurance endorsements, payment and performance bonds, and builder's risk policies required by Beneficiary. Grantor shall, during the progress of the work, also submit to the Beneficiary, at periodic intervals not less frequently than monthly, a certificate satisfactory to Beneficiary furnished by an architect or engineer approved by Beneficiary in writing showing the cost of labor and materials incorporated into the work during the period specified in the certificate, which period shall not include any part of the period covered by any other such certificate.

(d) After completion of the restoration and subject to the conditions herein stated, and if Grantor is not then in default under the Note or this Deed of Trust, Beneficiary shall pay to Grantor (or such other persons or entities that may have an interest therein) the undisbursed Insurance Proceeds and Grantor's deposit for any estimated restoration expense held by Beneficiary together with any interest on such proceeds and deposit, upon delivery to Beneficiary of (i) a certificate executed by Grantor showing that the work has been completed and that all bills for labor performed and materials furnished in connection therewith have been paid; (ii) lien waivers and other appropriate written acknowledgments of payment in full executed by all contractors and subcontractors performing labor on or furnishing materials to the Premises; (iii) a certificate executed by an architect or engineer approved by Beneficiary confirming that the damaged Property has been restored to substantially the same size, design, quality and condition as existed immediately prior to the damage and in accordance with all applicable Federal, state, local and other governmental laws and regulations; and (iv) a certificate of occupancy or such other permits as may be required to be issued by the appropriate governmental authorities to authorize the occupancy of the Premises for its intended purposes and use.

If any of the conditions in subparagraph (b) above are not fulfilled within sixty (60) days after the date of the casualty, or if Grantor fails to exercise diligence in promptly commencing or continuously prosecuting the work, or if the Grantor is otherwise in default under the Note or this Deed of Trust or any reconstruction requirements, Beneficiary may, at its option, apply the Insurance Proceeds and any deposits made by Grantor hereunder and all interest earned thereon to the indebtedness secured hereby or complete the necessary repairs and use the Insurance Proceeds for the payment thereof.

Grantor shall not commence any repairs or reconstruction of any casualty until Beneficiary consents thereto, which consent may be withheld by Beneficiary in its sole discretion until all of the conditions contained in this paragraph have been satisfied. All work of repairing or restoring damage shall be done in a good and workmanlike manner with materials of good quality and in conformity with all

applicable laws, ordinances and regulations. Nothing herein contained shall be construed as authorizing the Grantor to subject the Premises to any mechanic's, materialman's or other lien for the payment of bills for material furnished or labor performed in connection with any work contemplated by this paragraph.

In any event in which the Beneficiary is not otherwise obligated to permit the Insurance Proceeds to be applied to the restoration of the damaged property as hereinabove described, Insurance Proceeds to be applied to the indebtedness secured hereby shall be applied first against all amounts due hereunder or under the Note other than principal or interest, second against accrued but unpaid interest under the Note, and third against the principal balance of the Note. No such application shall excuse or reduce the amount of any regular payment required under the terms of any document related to the Secured Obligations. Grantor hereby authorizes and directs any affected insurance company to make payment of such Insurance Proceeds directly to Beneficiary. If the Premises are materially damaged by a casualty and Beneficiary elects to apply Insurance Proceeds to the Secured Obligations pursuant to the terms hereof, then Beneficiary, at its option, may elect to accelerate the Secured Obligations and declare the same to be due and payable.

2.5.3.2 No Limit on Grantor's Obligations. Nothing herein contained shall excuse Grantor from repairing or maintaining the Real Property, the Improvements and the Personal Property as provided in Section 2.3 hereof or restoring all damage or destruction to the same, regardless of the existence, payment or adequacy of Insurance Proceeds. The application or release by Beneficiary of Insurance Proceeds paid to Beneficiary shall not cure or waive any Event of Default or notice of default under Deed of Trust or invalidate any act done pursuant to such notice.

2.5.3.3 Proof of Loss; Right to Settle. Grantor shall give prompt written notice to Beneficiary of any casualty to all or part of the Real Property, Improvements or Personal Property. Beneficiary may make proof of loss if Grantor fails to do so within twenty (20) days of the casualty, but in all events Beneficiary may make proof of loss within the time period required to protect the rights of the insureds under any policy of insurance if Grantor fails to do so. Beneficiary is hereby authorized at its option to either (i) settle and adjust any claim under such policies with the consent of Grantor (except that, after any event of default, no consent of Grantor shall be required), or (ii) allow Grantor to agree with the insurance company or companies on the amount to be paid upon the loss; and in any case Beneficiary shall, and is hereby authorized to, collect and receipt for any such Insurance Proceeds; and the reasonable expenses incurred by Beneficiary in the adjustment and collection of Insurance Proceeds shall be deducted from said proceeds and reimbursed to Beneficiary.

2.5.4 Insurance -- Assignment of Policies Upon Foreclosure. Grantor hereby assigns to Beneficiary all unearned premiums under all insurance policies required hereunder and agrees that in the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Premises in extinguishment, in whole or in part of the debt secured hereby, all right, title and interest of Grantor in and to all policies of insurance required hereunder shall inure to the benefit of and pass to the successor in interest to Grantor or the purchaser or grantee of the Premises.

2.5.5 Waiver and Release. Grantor waives all claims against Beneficiary and its officers, employees, agents and representatives for loss or damage to Grantor, the Premises, Grantor's property or the property of others from any cause whatsoever, regardless of whether now existing or insured against or required to be insured against pursuant to this Deed of Trust. All terms of the Secured Obligations shall be paid and performed without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Grantor hereunder shall not be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Premises or any part thereof; (ii) any restriction or prevention of or interference with any use of the Premises or any part thereof; (iii) any title defect or encumbrance or any eviction from the Premises or any part thereof by title paramount or otherwise; or (iv) any claim which Grantor has or might have against Beneficiary.

2.6 Condemnation. The Grantor, immediately upon obtaining knowledge of any contemplated condemnation of the Premises or any portion thereof, or of the institution of any proceeding for the condemnation of the Premises or any portion thereof, shall notify Beneficiary of the pendency thereof. Grantor hereby assigns, transfers and sets over unto the Beneficiary all compensation, rights of action, the entire proceeds of any award and any claim for damages for any of the Premises taken or damaged under the power of eminent domain or by condemnation or by sale in lieu thereof. Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any compromise or settlement, in connection with such condemnation, taking under the power of eminent domain or sale in lieu thereof. After deducting therefrom all of its expenses, including attorneys' fees, the net proceeds of the award which have been paid to Beneficiary shall be applied to the payment of the indebtedness secured hereby, or, at the election of Beneficiary, in Beneficiary's sole and absolute discretion, may be made available to Grantor for restoration or rebuilding of the Premises if such restoration is feasible in such a way as to restore the Premises to the same use and at least the condition and quality as the Premises existed prior to the condemnation, the value of which shall exceed the sum of the then unpaid balance of the debt secured hereby. Any such condemnation proceeds made available to Grantor by Beneficiary shall be advanced to Grantor under a disbursement system similar to the system applicable to advances of Insurance Proceeds, and subject to the same conditions as are applicable to the advance of Insurance Proceeds under Section 2.5.3.1. To the extent that such proceeds are paid to Beneficiary but are either not made available to Grantor under the preceding sentence, or are not used by Grantor for such purpose within one hundred eighty (180) days, such proceeds shall be applied to the indebtedness and obligations secured hereby in the manner set forth in Section 2.5.3.1 above and, in either of such events, Beneficiary, at its option, may declare the Secured Obligations to be entirely due and payable if the condemnation materially affects the Premises or the use thereof. Grantor agrees to execute such further assignments of any compensation, award, damages, right of action and proceeds as Beneficiary may require.

2.7 Liens and Encumbrances. Without limiting Grantor's obligations pursuant to any other agreement executed in favor of Beneficiary, the Grantor shall pay, when due, all obligations, lawful claims or demands of any person which, if unpaid, might result in, or permit the creation of, a lien or encumbrance on the Premises or any portion thereof, whether such lien would be senior or subordinate hereto, including, without limiting the generality of the foregoing, all claims of mechanics, materialmen, laborers and others for work or labor performed or materials or supplies furnished or rented in connection with any work, alteration, improvement of or construction upon the Premises; provided, however, that in the event Grantor disputes the amount or validity of any claim which constitutes a lien or encumbrance on the Premises, Grantor may contest such claim provided (a) Grantor gives to Beneficiary prior written notice of such contest, (b) Grantor causes such lien to be removed, by bond or deposit as allowed by applicable law, from the Premises within fifteen (15) days of the filing of such lien or claim, (c) Beneficiary's interest in the Premises and/or the lien of this Deed of Trust are not, in Beneficiary's sole opinion, jeopardized thereby, and (d) Grantor promptly pays any amount ultimately determined to be due.

2.8 Indemnification. Grantor shall appear in and defend any suit, action or proceeding that, in the sole judgment of Beneficiary, may affect the value of the Premises, the title to the Premises or the rights and powers of Trustee or Beneficiary. Grantor shall indemnify Beneficiary and Trustee from and against any claim, loss, cost, damage or expense (including attorneys' fees) arising out of or related to this Deed of Trust, the Premises or the condition (whether now existing or hereafter arising) thereof. The indemnity obligations of Grantor shall survive the reconveyance or foreclosure hereof.

2.9 Sale of Premises.

2.9.1 Sales. In addition to any other right available hereunder, at law or in equity, Beneficiary may declare all sums secured hereby immediately due and payable if, without Beneficiary's prior written consent: (a) Grantor sells, assigns, transfers, conveys, contracts or agrees to sell (as by execution of a land sale contract), enters into a complete lease, a master lease, or a ground lease with respect to, encumbers, mortgages, assigns for security purposes, or otherwise disposes of, hypothecates

or alienates, voluntarily or involuntarily, all or any part of the Premises or any interest of Grantor therein; (b) Grantor suffers title to or any interest in the Premises to be diverted, whether voluntarily or involuntarily; (c) if any party comprising Grantor is a partnership (general or limited) or a joint venture and any portion of any general partnership interest of any general partner or joint venture of such party is sold, transferred, mortgaged or otherwise disposed; (d) if Grantor is any form of co-tenancy and any portion of the interest of any co-tenant is sold, transferred, mortgaged or otherwise disposed; (e) if Grantor or any general partner of Grantor or any co-tenant of Grantor is a privately held corporation (i.e., a corporation whose stock is not publicly traded on a stock exchange) or a limited liability company and twenty-five percent (25%) or more, in the aggregate, of the capital stock or ownership of any such corporation or limited liability company is sold, transferred, hypothecated or otherwise disposed; or (f) if any party comprising Grantor is a trust, and such trust is dissolved or liquidated or extraordinary distributions of the assets of such trust are made. The foregoing acts are herein referred to as a "Sale" and a Sale without the prior written consent of Beneficiary shall be an Event of Default hereunder. Beneficiary may withhold such consent in its sole discretion. As a condition to the granting of any such consent, and without limiting Beneficiary's right to impose other conditions, Beneficiary shall have the right (x) to receive such executed assumption agreements, certificates, legal opinions, endorsements to Beneficiary's title insurance policy and other documents as Beneficiary may require, (y) to determine the creditworthiness of the transferee, if a conveyance, and (z) the right to receive a fee equal to two percent (2%) of the balance of the debt then secured hereby. Any consent by Beneficiary to one Sale shall not constitute a waiver of Beneficiary's rights hereunder with respect to any subsequent Sale.

2.9.2 Obligations of Grantor and Third Party Transferee. In the event of a Sale which is a conveyance without the prior written approval of Beneficiary, the Beneficiary may, without notice to the Grantor, deal with such successor or successors in interest with reference to this Deed of Trust and the Note in the same manner as with Grantor, without in any way releasing, discharging or otherwise affecting the liability of Grantor hereunder or under the Note or any other document evidencing or securing any Secured Obligation. No Sale shall affect Grantor's obligation to perform each term and provision hereof, nor release Grantor from any liability hereunder. In connection with any Sale, whether such Sale has or has not been approved in writing by Beneficiary, any document conveying the Premises, or any part thereof or interest therein, shall provide that the grantee thereunder assumes all of the Grantor's obligations under this Deed of Trust, the Note, and all other documents evidencing or securing any Secured Obligation. In the event of any unapproved Sale, Beneficiary shall have all rights and remedies reserved to it hereunder, at law or in equity, or if Beneficiary shall elect, by written notice, not to exercise such rights and remedies, the grantee under such conveyance document shall nevertheless be deemed to have assumed such obligations by acquiring the Premises or such portion thereof or interest therein subject to this Deed of Trust. Any transferee (whether approved in advance by Beneficiary or not) hereby agrees to execute, acknowledge and deliver any such further documents to evidence or reflect the interest of Beneficiary in the Premises as Beneficiary shall require, upon demand.

2.10 Advances. If Grantor shall fail to perform any of the covenants contained herein, in the Note, in any instrument constituting additional security for the Note, in any Permitted Exception, or in any document evidencing or securing any Secured Obligation, Beneficiary may, but without obligation to do so, make advances to perform same on behalf of Grantor, and all sums so advanced shall be secured by this Deed of Trust; provided, however, that Beneficiary shall give Grantor fifteen (15) days' prior written notice of such advance if such notice and time period will not, in Beneficiary's sole judgment, jeopardize Beneficiary's interest in the Premises. Grantor shall repay on demand all sums so advanced in its behalf with interest at the rate of eighteen percent (18%) per annum or the highest rate permitted to be charged by applicable law, whichever is the lesser (the "Advance Rate"), from the date of expenditure until the date repaid. Nothing herein contained shall prevent any such failure to perform on the part of Grantor from constituting an Event of Default and no exercise of Beneficiary of any right hereunder shall constitute a waiver of such Event of Default.

2.11 Time. Grantor agrees that time is of the essence with respect to all obligations of Grantor under this Deed of Trust.

2.12 Assignment of Rents, Leases and Income from Operations.

2.12.1 Assignment of Leases, Rents and Room Rates. As additional security, Grantor hereby assigns to Beneficiary all rents, income, revenues and profits arising from the Premises, and all of Grantor's right, title and interest in and to the Tenant Leases. Specifically included in this additional security, but without limitation, are all income, revenues, profits, accounts, accounts receivable, contract rights and general intangibles derived from any operations conducted on the Premises, including rent or room rates, if any, which flow directly from the Premises and all income, revenues, profits, rents, room rates, accounts, accounts receivable, contract rights, and general intangibles derived from any operations on the Premises which constitute Personal Property. The acceptance of this assignment and/or the collection of rents by Beneficiary shall not constitute a waiver of any other right of Beneficiary hereunder. Subject to the provisions of Section 2.12.3(d), Grantor shall have the right to collect, retain and use rentals from the Premises prior to an Event of Default. This assignment shall not operate to place the responsibility for the control, care, management, or repair of the Premises upon Beneficiary. Upon an Event of Default, Beneficiary shall have the right, at its election, independently or through a receiver, to collect the rents, income and profits arising from the Premises, without impairing any other right of Beneficiary; failure to exercise such rights shall not constitute a waiver of such right nor of any Event of Default.

2.12.2 Covenants with Respect to Leases. The Grantor shall not (i) execute an assignment of the rents, any of the items of income described in Section 2.12.1 or the Tenant Leases (whether absolute or for security purposes) or any part thereof; (ii) accept prepayments more than thirty (30) days prior to the due date of any installment of rent to become due and payable under any Tenant Lease (provided Grantor shall have the right to collect first and last months' rents from tenants); nor (iii) enter into, terminate or amend any Tenant Lease except in the ordinary course of business and consistent with good leasing practice. Grantor covenants and agrees that it shall at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all Tenant Leases on the part of the lessor thereunder to be kept and performed. With respect to any existing Tenant Leases, Grantor warrants that each of the same is in full force and effect, and is free from default or claim of offset. Upon request, Grantor shall deliver to Beneficiary a certified list of the names and addresses of all lessees, together with a current rent roll.

2.12.3 Collection of Rents.

(a) Beneficiary shall have no obligation to collect rents or any items of income described in Section 2.12.1 or to perform any obligation with respect to any Tenant Lease.

(b) Following the occurrence of any Event of Default, Beneficiary may require Grantor to hold all rents and any items of income described in Section 2.12.1 in trust for Beneficiary, without commingling, and deliver the same to Beneficiary.

(c) In the event Beneficiary or a receiver collects rents or such items of income, then (i) Grantor hereby irrevocably appoints Beneficiary as its attorney-in-fact, deemed coupled with an interest, to demand, collect, receive, receipt for, sue for and recover all rents and income, to negotiate checks in connection with the foregoing, to settle or compromise claims related to the Tenant Leases, and to do those acts set forth in Section 4.4 below, (ii) Grantor shall pay to Beneficiary an amount equal to all costs incurred by Beneficiary in the collection of rents and income, including receiver's fees and attorneys' fees, together with an administrative fee equal to ten percent (10%) of gross rents and income collected, such sums to be deductible from rents collected and payments thereof to be secured by this Deed of Trust, and (iii) such collected rents and income may be used to defray the expense of operating the Premises or may be applied against the indebtedness secured hereby in the manner set forth in Section 2.5.3.1.

(d) If this Deed of Trust is given to secure payment of a construction loan, then all rents, issues and profits from the Premises shall be applied by Grantor first to all accrued interest on the Note, second to the reduction of the principal balance of the Note, third to any other Secured Obligation and the balance, if any, may be retained by Grantor.

2.13 Additional Security Agreement Provision. Grantor, as debtor, hereby grants to Beneficiary, as secured party, a security interest in the Personal Property and any other portion of the Premises which is deemed to be personal property or fixtures. In addition to the warranties, covenants and agreements contained elsewhere herein which also apply to the Personal Property, Grantor warrants, covenants and agrees as follows:

2.13.1 Grantor shall not voluntarily, involuntarily or by operation of law sell, assign, encumber, transfer, lease, grant a security interest in, or otherwise dispose of any portion of the Personal Property or any interest therein and shall not otherwise do or permit anything to be done or occur that may impair the same as security hereunder, except that so long as Grantor is not in default under this Deed of Trust, Grantor shall be permitted to sell or otherwise dispose of any tangible item of Personal Property when worn out, inadequate, unserviceable or unnecessary for use in the operation of the Premises, upon replacing the same or substituting for the same other collateral of at least equal value and which performs the same function or task as the replaced item performed and in such a manner so that said replacement shall be subject to the security interest created hereby, which security interest shall be the first priority and only security interest in said replacement. Grantor shall not purchase any personal property nor incorporate any property into the Premises which is subject to a security interest in favor of the seller thereof or any third party.

2.13.2 The Personal Property shall not be removed from the Real Property without the prior written consent of Beneficiary.

2.13.3 Grantor warrants that (a) no financing statement covering any of the Personal Property is on file in any public office, (b) Grantor owns the Personal Property, and each and every part thereof, and the same is and shall be free from any prior lien, security interest or encumbrance except that in favor of Beneficiary, and (c) Grantor will defend title to the Personal Property against the claims and demands of all persons whomsoever.

2.13.4 Grantor will pay, when due, all taxes, license fees and assessments relative to the Personal Property and its use.

2.13.5 Grantor shall, upon request, execute and deliver such financing statements and other documents and agreements as Beneficiary may request to perfect and continue Beneficiary's security interest in the Personal Property. A carbon, photographic, or other reproduction of this Deed of Trust may be filed and suffice as a financing statement. Information pertaining to the security interest imposed hereby may be obtained from Grantor and Beneficiary at their respective addresses set forth herein.

2.14 Inspections. Beneficiary, and its agents, representatives and workmen, are authorized, but not obligated, to enter at any reasonable time upon or in any part of the Premises for the purpose of inspecting the same, and for the purpose of performing any of the acts it or Grantor is authorized to perform under the terms of this Deed of Trust or any other document evidencing and/or securing any Secured Obligation.

2.15 Imposition of Tax.

2.15.1 The following shall constitute taxes to which this Section applies:

- (a) A specific tax upon deeds of trust or upon all or any part of an indebtedness secured by a deed of trust;
- (b) A specific tax on a grantor which the taxpayer is authorized or required to deduct from payments on an indebtedness secured by a deed of trust;
- (c) A tax on a deed of trust chargeable against a beneficiary or the holder of an indebtedness; and
- (d) A specific tax on all or any portion of an indebtedness or on payments of principal and interest made by a grantor.

2.15.2 The enactment of any tax to which this Section applies shall constitute an Event of Default, and Beneficiary may exercise any remedy available to it in the case of an Event of Default, unless the following conditions are satisfied:

- (a) Grantor may lawfully pay the tax or charge, or reimburse Beneficiary therefor; and
- (b) Grantor agrees, in writing, within thirty (30) days after notice from Beneficiary that the tax law has been enacted, to pay the tax or charge or reimburse Beneficiary therefor.

2.16 Land Use Matters.

2.16.1 **Warranty.** Grantor warrants that (a) the Real Property and Improvements do and shall at all times comply with the applicable zoning ordinance and comprehensive plan (and any overlay zoning ordinances or other land use control laws and ordinances), and all applicable land use permits and approvals, and (b) the Improvements and uses thereof are and shall be uses permitted as of right.

2.16.2 **Covenants.** Grantor shall not cause any zone change or comprehensive plan change with respect to the Real Property and/or the Improvements, nor submit the Premises to any form of condominium or planned community ownership or system, nor cause or allow any partition, subdivision or lot line adjustment with respect to all or any portion of the Real Property.

2.17 **Construction Inspections.** If this Deed of Trust has been given by Grantor to secure payment of a construction loan, then Beneficiary, acting through its officers, agents or employees, shall have the right at all reasonable times:

2.17.1 To enter upon the Premises and inspect the construction work to determine that the same is in conformity with the approved plans and specifications (the "Plans and Specifications") and all of the requirements of the Construction Loan Agreement.

2.17.2 To retain the services of a licensed architect or engineer selected by Beneficiary who shall consult on the adequacy of the Plans and Specifications and working drawings and inspect the construction work for compliance with the approved Plans and Specifications and with reasonable standards of structural safety. From time to time, Beneficiary may retain the services of other experts and consultants as it may deem appropriate in connection with the supervision and inspection of the Plans and Specifications, working drawings and construction work.

2.17.3 To examine, subject to the limitations hereinafter set forth, the books, records, accounting data and other documents (and to make extracts therefrom or copies thereof) of Grantor and all contractors and their subcontractors supplying goods and/or services in connection with the Premises. However, the right of inspection set forth herein shall extend only to books, records, accounting data and other documents pertaining to the Premises or materials supplied therefor. The books, records and documents shall be made available to Beneficiary upon written demand therefor. All contracts let by

Grantor or its contractors relating to the Premises shall require agreement to the foregoing inspection rights, except where such rights have been waived by Beneficiary in writing.

2.17.4 All costs and expenses incurred by Beneficiary in the exercise of its rights under this Section 2.17, including the fees of any architect, engineer, or other professional engaged by Beneficiary, shall be paid by Grantor upon receipt of written notification from Beneficiary as to the amount thereof, and Beneficiary shall be entitled to deduct such fees and costs from any Loan disbursement to Grantor or from any undisbursed Loan funds.

2.17.5 It is expressly understood that Beneficiary is under no duty to inspect such records, to supervise or inspect the work of construction, or Grantor's books, and any such inspections are for the sole purpose of preserving Beneficiary's rights hereunder. Failure to perform any of the foregoing shall not constitute a waiver of any of the rights of Beneficiary. Inspection not followed by a notice of default shall not constitute a waiver of any default then existing; nor shall it constitute a representation that there has been or will be compliance with the Plans and Specifications or that the construction is free from defective materials or workmanship. The results of any such inspection conducted by or at the request of Beneficiary shall be the sole property of Beneficiary and shall not be available to Grantor without Beneficiary's approval, which Beneficiary may withhold with or without cause.

2.18 Utilities. Grantor shall pay or cause to be paid when due all utility charges which are incurred by Grantor or others for the benefit of or for service to the Premises or which may become a charge or lien against the Premises for gas, electricity, water, sewer or other utility services furnished to the Premises and all other assessments or charges of a similar nature, whether public or private, affecting the Premises or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

2.19 Actions by Beneficiary to Preserve Premises. Should Grantor fail to make any payment or to do any act as and in the manner provided herein or in any of the other instruments or other agreements which evidences any of the Secured Obligations, Beneficiary, at its discretion but without obligation so to do and without releasing Grantor from any obligation, may make or do the same in such manner and to such extent as it may deem necessary to protect the security hereof. In connection therewith (without limiting its general powers), Beneficiary shall have and is hereby given the right, but not the obligation, (i) to enter upon and take possession of the Premises; (ii) to make additions, alterations, repairs and improvements to the Premises which it may consider necessary and proper to keep the Premises in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the Premises, the security hereof or the rights or powers of Beneficiary; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of Beneficiary may affect or appears to affect the Premises or the security of this Deed of Trust or which may be prior or superior hereto; and (v) in exercising such powers, to pay necessary expenses, including employment of and payment of compensation to counsel or other necessary or desirable consultants, contractors, agents and other employees. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at Beneficiary's election, to do and cause to be done all or any of the foregoing in the event Beneficiary shall be entitled to take any or all of the action provided for in this paragraph. Grantor shall immediately, upon demand therefor by Beneficiary, pay all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including, without limitation, costs of evidence of title, court costs, appraisals, surveys and attorneys' fees, all of which shall constitute additional indebtedness secured by this Deed of Trust immediately due and payable, with interest thereon at the Advance Rate.

3. DEFAULT

3.1 Events of Default. Time is of the essence in the performance of each and every obligation of Grantor contained herein. The following, in addition to all other acts, events, and conditions declared to be events of default herein, are events of default hereunder ("Events of Default"):

3.1.1 The occurrence of any event of default with respect to the Note and/or any other instrument or agreement which evidences, secures or is related to any of the Secured Obligations other than this Deed of Trust.

3.1.2 Failure by Grantor to make any payment to Beneficiary or to any third party when due in accordance with the terms of this Deed of Trust.

3.1.3 Failure by Grantor to perform, when due, any of the terms, covenants and conditions set forth in this Deed of Trust other than the obligations mentioned in Section 3.1.2; provided, however, that Grantor shall have a period of fifteen (15) days following notice from Beneficiary to cure any such Event of Default under this Deed of Trust if (a) Grantor promptly requests such cure period, in writing, and (b) in Beneficiary's opinion (i) such Event of Default can be cured within such time period, and (ii) the lapse of such time period would not jeopardize Beneficiary's interest in the Premises or Beneficiary's ability to collect all amounts secured hereby.

3.1.4 Breach of any warranty or representation given by Grantor to Trustee or Beneficiary.

3.1.5 Without implying Beneficiary's consent to the creation of any lien encumbering the Premises, institution of foreclosure or other proceedings (either judicial or nonjudicial) to enforce any security interest or other lien or encumbrance (junior or senior) of any kind upon the Premises or any portion thereof or interest therein.

3.1.6 Should the Grantor, any co-tenant or general partner of Grantor, any guarantor of any Secured Obligation, or any successor or assign thereof:

- (i) Become insolvent, dissolve, or have its existence terminated;
- (ii) File a petition in voluntary bankruptcy or for an arrangement or reorganization pursuant to the Federal bankruptcy statutes, or any similar law, state or Federal, whether now or hereafter existing (herein referred to as a "Bankruptcy Proceeding");
- (iii) File any answer admitting, or otherwise admit in writing, insolvency or inability to pay its debts;
- (iv) Be the object of any involuntary Bankruptcy proceeding which is not stayed or dismissed within thirty (30) days of filing;
- (v) Be adjudicated a bankrupt or declared insolvent in any Bankruptcy Proceeding;
- (vi) Have a trustee or receiver appointed for or have any court take jurisdiction of any of its property, in any proceeding for the purpose of reorganization, arrangement, dissolution or liquidation unless such trustee or receiver is discharged or if such jurisdiction be relinquished or vacated within thirty (30) days of appointment or commencement; or
- (vii) Make an assignment for the benefit of its creditors or consent to an appointment of a receiver or trustee of any of its property.

3.1.7 Should any act, event, omission, or condition, or any combination of one or more of any of the foregoing, occur or exist which, either alone, or together with notice and/or the passage of time, constitutes or would constitute a default under any Permitted Exception.

3.1.8 Should any guarantor of any Secured Obligation revoke or attempt to revoke or otherwise avoid or diminish the obligation evidenced by the applicable guarantee.

3.1.9 Any default by Grantor under a loan commitment dated January 29, 1999, executed by Grantor and Beneficiary, or any default by Grantor under any loan made pursuant to that loan commitment.

3.2 **Remedies.** In addition to any other rights and remedies provided herein, in the Note, in any document evidencing or securing the Secured Obligations, or available at law or in equity, Beneficiary shall have the following rights and remedies upon the occurrence of any Event of Default.

3.2.1 **Acceleration.** The Beneficiary, by written notice given to the Grantor, may declare the entire principal of the Note then outstanding, and all accrued and unpaid interest thereon, and all other obligations of Grantor to Beneficiary related to any Secured Obligation (including any prepayment penalty due under the Note upon acceleration thereof), to be due and payable immediately, anything in the Note or in this Deed of Trust to the contrary notwithstanding.

3.2.2 **Possession and Receiver.** The Trustee or Beneficiary personally or by its agents or attorneys, or through a duly appointed receiver, may enter into and upon all or any part of the Premises, and each and every part thereof, and may exclude the Grantor and its agents wholly therefrom; and, having and holding the same may possess, use, operate, manage, improve and control the Premises and conduct the business thereof; and the Trustee or Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits, income, accounts, accounts receivable, contract rights and general intangibles included in the Premises or generated by operations of the Premises and every part thereof whether or not Beneficiary, Trustee, or a receiver is then in possession of the Premises. Beneficiary shall be entitled to the appointment of a receiver as a matter of right, whether or not the apparent value of the Premises exceeds the indebtedness secured hereby, and any receiver appointed may serve without bond. Employment by Beneficiary shall not disqualify a person from serving as a receiver. The exercise of any right under this Section 3.2.2 shall not be deemed an election of remedies nor a "pending action" so as to preclude the exercise of any other right or remedy. Upon taking possession of all or any part of the Premises, the receiver may:

(a) Possess, use, operate, manage, control, and conduct the business of the Premises and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect all room rates, rents, revenues, income, issues, profits, contract rights, accounts, accounts receivable and general intangibles from the Premises and apply such sums or the proceeds thereof to the expenses of use, operation and management; and

(c) Complete any construction in progress and, in that connection, pay bills, borrow funds, employ contractors and make any changes in plans or specifications as it deems appropriate.

If the revenues produced by the Premises are insufficient to pay expenses, the receiver may borrow, from Beneficiary or otherwise, such sums as it deems necessary for the purposes stated herein and repayment of such sums shall be secured by the lien hereof. The amounts borrowed from or advanced by Beneficiary shall bear interest at the Advance Rate from the date of expenditure until repaid, and such amounts and interest shall be an indebtedness of Grantor secured hereby.

3.2.3 **Uniform Commercial Code.** Beneficiary shall have all of the remedies of a secured party under the Uniform Commercial Code as adopted in the state where the Premises are situated and any other applicable law. To the extent permitted by law, Grantor expressly waives any notice of sale or other disposition and notice of the exercise of any other right or remedy of Beneficiary arising by reason of an Event of Default hereunder, and to the extent any such notice is required and cannot be waived, Grantor agrees, for the purpose of this paragraph only, that if such notice is mailed, postage prepaid, to the Grantor at the above address at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

3.2.4 Sale. The Trustee may, and upon the written request of Beneficiary, shall, and the Beneficiary may to the extent permitted by law, with or without entry, personally or by its agents or attorneys insofar as applicable:

(i) Sell the Premises and otherwise exercise the power of sale granted herein as a nonjudicial foreclosure of this Deed of Trust in the manner provided by applicable laws pertaining to the foreclosure of deeds of trust;

(ii) Institute proceedings for the complete or partial judicial foreclosure of this Deed of Trust as a mortgage in the manner provided by applicable law; and/or

(iii) Apply to any court of competent jurisdiction for the appointment of a receiver for the Premises to operate the same and collect all the earnings, revenues, rents, issues, profits and income therefrom.

3.2.5 Proceeds. In the event of any judicial or nonjudicial foreclosure sale made under or by virtue of this Section, the entire principal of and interest on the Note, if not previously due and payable, and all other sums secured hereby, immediately thereupon shall become due and payable, anything in the Note or in this Deed of Trust to the contrary notwithstanding. The purchase money, proceeds or avails of any sale made under or by virtue of this Section, together with any other sums which then may be held by the Trustee or Beneficiary under this Deed of Trust, whether under the provisions of this Section or otherwise, shall be applied in the manner provided by law.

3.2.6 Bid. Upon any judicial or nonjudicial sale made under or by virtue of this Section, the Beneficiary may bid for and acquire the Premises or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of the Grantor secured by this Deed of Trust the net sales price after deducting therefrom the expenses of the sale and the cost of the action and any other sums which the Beneficiary is authorized to deduct under this Deed of Trust.

3.2.7 Tenancy at Will. In the event Grantor remains in possession of the Premises after the same have been sold as provided herein or after Beneficiary otherwise becomes entitled to possession of the same, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Real Property and shall pay, while in possession, a reasonable rental for use of the Real Property and Improvements.

3.2.8 Remedies Not Exclusive. No remedy granted herein is intended to be exclusive of any other remedy provided herein or at law or in equity, but each shall be cumulative. Each such remedy may be exercised singly, collectively or seriatim, and as often as may be deemed expedient by Trustee or Beneficiary. If there exists additional security for the performance of the obligations secured hereby, Beneficiary, at its sole option and without limiting or affecting any rights or remedies hereunder, may exercise any of the rights and remedies to which it may be entitled hereunder either concurrently with whatever other rights it may have in connection with such other security or in such order as it may determine.

4. MISCELLANEOUS TERMS AND CONDITIONS

4.1 Acceptance of Trust; Notice. The Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is recorded. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless Trustee brings such action.

4.2 Powers of Trustee. From time to time, upon written request of Beneficiary, and without affecting the obligations of Grantor for payment of any indebtedness or performance of the obligations

secured hereby, Trustee may, without liability therefor and without notice: reconvey all or any part of the Premises; consent to the making of any map or plat thereof; join in granting any easement thereon; join in any declaration of covenants and restrictions; or join in any extension agreement or any agreement subordinating the lien hereof. Trustee or Beneficiary may from time to time apply in any court of competent jurisdiction for aid and direction in the execution of the trusts hereunder and the enforcement of the rights and remedies available hereunder, and Trustee or Beneficiary may obtain orders or decrees directing or confirming or approving acts in the execution of said trusts and the enforcement of said remedies. Grantor shall pay to Trustee reasonable compensation and reimbursement for services and expenses in the administration of the trusts created hereunder, including reasonable attorneys' fees, but in no event more than allowed by any then applicable statute. Grantor agrees to and does hereby indemnify Trustee and Beneficiary against all losses, claims, demands and liabilities which either may incur, suffer or sustain in the execution of the trusts created hereunder or in the performance of any act required or permitted hereunder or by law.

4.3 Substitution of Trustee. By a writing signed and acknowledged by Beneficiary and filed for record in the office of the recorder of the county in which the Real Property is situated, Beneficiary from time to time may appoint another trustee to act in the place and stead of Trustee or any successor.

4.4 Leases. In the event Beneficiary shall institute judicial proceedings to foreclose the lien hereof, and shall be appointed as a mortgagee in possession of the Premises. Beneficiary, during such time as it shall be mortgagee in possession, shall have, and Grantor hereby gives and grants to Beneficiary, the right, power and authority to make and enter into leases of the Premises or any portion thereof for such rents and for such periods of occupancy and upon such conditions and provisions as such mortgagee in possession may deem desirable, and Grantor expressly acknowledges and agrees that the term of any such lease may extend beyond the date of any sale of the Premises hereunder, it being the intention of Grantor that, while Beneficiary is a mortgagee in possession of the Premises, Beneficiary shall be deemed to be and shall be the attorney-in-fact of Grantor for the purpose of making and entering into leases of parts or portions of the Premises for the rents and upon the terms, conditions and provisions deemed desirable by Beneficiary. The power and authority hereby given and granted by Grantor to Beneficiary shall be deemed to be coupled with an interest and shall not be revocable by Grantor.

4.5 Marshaling of Assets. Grantor hereby expressly waives all rights to require a marshaling of assets by the Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to the sale of any portion of the Premises which might have been retained by Grantor before foreclosing upon and selling any other portion thereof.

4.6 Partial Release. Without affecting the liability of any other person for the payment of the Secured Obligations and without affecting the lien or priority hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any obligation or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the Premises described herein, release or abandon any security for payment of the Secured Obligations, including (without limitation) the Premises or any part thereof, or take or release any other security.

4.7 Nonwaiver. By accepting payment of any sum secured hereby after its due date or late performance of any obligation secured hereby, Beneficiary shall not waive its right against any person obligated directly or indirectly hereunder or on any indebtedness hereby secured either to require prompt payment or performance when due of all other sums and obligations so secured or to declare a default for failure to make such payment. No exercise of any right or remedy by Trustee or Beneficiary hereunder shall constitute a waiver of any other right or remedy allowed herein, in any other document evidencing or securing any Secured Obligation, or at law or in equity. No delay or omission of the Trustee or Beneficiary in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any default or acquiescence therein.

Receipt of rents, Proceeds or any other monies, and any disposition of the same, shall not constitute a waiver of any obligation of Grantor or any right of Beneficiary hereunder.

4.8 Rules of Construction. When the identity of the parties hereto or the context of a provision makes it appropriate, the masculine gender shall include the feminine and neuter, and the singular shall include the plural. The headings of each Section are for information and convenience only and shall not limit or affect the contents of any provisions hereof.

4.9 Severability. If any term of this Deed of Trust or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Deed of Trust or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each term of this Deed of Trust shall be valid and enforceable to the fullest extent permitted by law.

4.10 Successors in Interest; Joint and Several Liability. Subject to the limitations set forth in Section 2.9, this Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, executors, administrators, successors and assigns. If Grantor is comprised of more than one person or entity, then all obligations of Grantor hereunder are joint and several and each party comprising Grantor agrees and promises to pay the Secured Obligations. The term "Beneficiary" shall mean the holder and owner, including pledgees, of the Note secured hereby, whether or not named as Beneficiary herein.

4.11 Notices. All notices to be given pursuant to this Deed of Trust shall be in writing and shall be sufficient if personally delivered or deposited in the United States Mail, postage prepaid, certified or registered mail, return receipt requested, addressed to the party to whom directed at its address shown above. Notices (as distinguished from payments) will be deemed received when personally delivered or two (2) days after deposit in the U.S. Mail. Any party may change its address set forth herein by giving ten (10) days' prior written notice thereof to all other parties.

4.12 Modifications. This Deed of Trust may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by an instrument in writing and signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought.

4.13 Attorneys' Fees. If any litigation or arbitration is instituted to enforce or interpret any provision hereof, or to foreclose this Deed of Trust, the prevailing party shall be entitled to collect, in addition to all other amounts and relief, its court costs, title search costs, and other reasonable attorneys' fees, incurred both at and in preparation for trial and any appeal or review, such amount to be set by the court before which the matter is heard. Without limitation on and in addition to the foregoing, Grantor agrees to reimburse Beneficiary for all such costs and fees which Beneficiary may incur in connection with any bankruptcy or similar proceeding wherein the Grantor, or any guarantor, surety or accommodation party is the "debtor," including (without limitation) issues peculiar to Federal bankruptcy law. If Beneficiary is the prevailing party, such costs and attorneys' fees shall be secured by this Deed of Trust.

4.14 Authority. Each individual executing this Deed of Trust on behalf of Grantor hereby warrants his or her authority to do so.

4.15 Priority of Trust Deed. The terms of the obligation secured hereby may provide that the interest rate, payment terms or balance due may be indexed, adjusted or renewed. The priority of this Deed of Trust shall not be affected by renegotiation or adjustment of the interest rate provided in the Note (which may increase or decrease the amount of periodic payments or extend or shorten the term of this Deed of Trust), any increase in the underlying obligation as a result of deferment of all or a portion of interest payments and the addition of such payments to the outstanding balance of the obligation, or the execution of new agreements which reflect such changes.

4.16 Annual Operating Statements.

Grantor shall furnish Beneficiary, upon request:

(a) Reports for the past three (3) years of income and expense incurred in the operation of the Premises, or in the case of new construction, a pro forma statement showing the anticipated income, expenses and cash flow.

(b) A certified annual operating statement for the Premises within ninety (90) days following the end of each fiscal year. Said statements shall include, but not necessarily be limited to, gross income (itemized as to source), itemized operating expenses, depreciation charges, and the net income before and after Federal income taxes.

(c) Such financial statements as Beneficiary may from time to time request with respect to Grantor, any co-tenant or general partner of Grantor, any guarantor of any Secured Obligation, or any successor or assign thereof, including balance sheets, profit and loss statements and any supplemental schedules; upon the occurrence of an Event of Default, Beneficiary may require that any of the foregoing be audited.

4.17 **Commercial Trust Deed.** This Deed of Trust is a commercial trust deed and is not a residential trust deed, as the phrase "residential trust deed" is defined in ORS 86.705, and the provisions of ORS 86.705 through 86.795 applicable to the foreclosure of commercial trust deeds shall apply to this Deed of Trust at the option of Beneficiary. Grantor warrants that the loan secured hereby is for commercial purposes and is not for residential, household, personal or consumer purposes.

4.18 **Land Use Disclosure.** THIS INSTRUMENT WILL NOT ALLOW USE OF THE 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 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.

4.19 **Statutory Notice.** UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (BENEFICIARY) AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US (BENEFICIARY) TO BE ENFORCEABLE.

4.20 **Mutual Negotiation.** Beneficiary and Grantor confirm that they have mutually negotiated this Deed of Trust and that none of the terms or provisions of this Deed of Trust shall be presumptively construed against either party.

4.21 **Jury Trial Waiver.** GRANTOR KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A JURY TRIAL IN CONNECTION WITH ANY ACTION, PROCEEDING OR COUNTERCLAIM RELATED TO THIS DEED OF TRUST, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THE NOTE OR ANY INSTRUMENT OR OTHER AGREEMENT WHICH EVIDENCES ANY OF THE SECURED OBLIGATIONS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. GRANTOR ACKNOWLEDGES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR BENEFICIARY MAKING THE LOAN EVIDENCED BY THE NOTE.

4.22 Arbitration.

4.22.1 General. Upon the demand of either Beneficiary or Grantor, whether made before the institution of any judicial proceeding or not more than sixty (60) days after service of a complaint, third party complaint, cross-claim or counterclaim or any answer thereto or any amendment to any of the above, any action, dispute, claim or controversy of any kind, whether founded in contract, tort, statutory or common law, equity, or otherwise, now existing or hereafter arising between any of the parties arising out of, pertaining to or in connection with this Deed of Trust or any agreement, document or instrument relating to the Secured Obligations shall be resolved by binding arbitration in accordance with the arbitration provisions of this Deed of Trust; provided, however, this Section shall not apply to or limit the rights of Beneficiary to (1) foreclose against the Premises or any other security held by Grantor, or obtain a personal or deficiency award; (2) exercise self-help remedies (including repossession and setoff rights); or (3) obtain provisional or ancillary remedies such as injunctive relief, sequestration, attachment, replevin, garnishment, or the appointment of a receiver from a court having jurisdiction. Any party who fails wrongfully to submit to binding arbitration following a lawful demand by another party shall bear all costs and expenses, including reasonable attorneys' fees (including those incurred in any trial, bankruptcy proceeding or on appeal) incurred by the other party in obtaining a stay of any pending judicial proceeding or compelling arbitration.

4.22.2 Rules. Arbitrations conducted pursuant to this Section shall be administered by the Arbitration Services of Portland, or such other mutually agreeable administrator (the "Administrator"), in accordance with the arbitration rules of the Administrator. The Arbitrator (as defined below) shall resolve all disputes in accordance with the applicable substantive law designated in the applicable document. Grantor and Beneficiary agree not to assert any claim for punitive damages or prejudgment interest except to the extent such awards are specifically authorized by statute. Judgment upon any award rendered hereunder may be entered in any court having jurisdiction.

4.22.3 Arbitrator. Grantor and Beneficiary shall mutually agree upon a competent and disinterested person employed or affiliated with the Administrator (the "Arbitrator") to whom the dispute shall be submitted, or if Grantor and Beneficiary cannot agree on such person, each of Grantor and Beneficiary shall choose a competent and disinterested person employed or affiliated with the Administrator and those two persons shall select a third person to act as Arbitrator. The Arbitrator shall not have the power to award punitive or exemplary damages except where such damages are specifically provided for by statute upon which the award is based. The Arbitrator shall be empowered to resolve any dispute regarding the terms of the arbitration provisions of this Section but shall have no power to change or alter the terms of the arbitration provisions of this Deed of Trust. The Arbitrator shall have the discretion to award reasonable attorneys' fees to the prevailing party in any dispute hereunder.

4.22.4 Miscellaneous. All statutes of limitation applicable to any dispute shall apply to any proceeding in accordance with this Section. Grantor and Beneficiary shall, to the maximum extent practicable, take any action necessary to conclude an arbitration hereunder within one hundred eighty (180) days of the filing of a dispute with the Administrator. The Arbitrator shall be empowered to impose sanctions for any party's failure to proceed within the time periods established herein. Arbitrations shall be conducted in the state in which the Premises are located. The provisions of this Section shall survive any termination, amendment, or expiration hereof unless the parties otherwise expressly agree in writing. Grantor and Beneficiary shall keep all disputes and arbitration proceedings strictly confidential except for disclosures of information required in the course of business or as required by applicable law, regulation or court order. Grantor understands that any dispute covered by this Section may be resolved by arbitration rather than in a court and once so decided cannot later be brought, filed, or pursued in court.

4.23 Waiver of Statute of Limitations. Grantor hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Note, any other instrument or other agreement which evidences any of the Secured Obligations.

4.24 Federal Tax Regulations.

4.24.1 Report of Real Estate Transaction. Grantor has made or provided for making, or will make or provide for making, on a timely basis, any reports or returns required under Section 6045(e) of the Internal Revenue Code of 1986 as amended (the "Code") (and any similar reports or returns required by state or local law) relating to the Premises, notwithstanding the fact that the primary reporting responsibility may fall on Beneficiary, counsel for Beneficiary, or another party. Grantor's obligations under this paragraph will be deemed to be satisfied if proper and timely reports and returns required under this paragraph are filed by a title company or real estate broker involved in the real estate transaction relating to the Premises, but nothing contained herein shall be construed to require such returns or reports to be filed by Beneficiary or counsel for Beneficiary.

4.24.2 Nonforeign Certification. Section 1445 of the Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform Beneficiary that the withholding of tax will not be required in the event of the disposition of the Premises pursuant to the terms of this Deed of Trust, Grantor hereby certifies, under penalty of perjury, that:

(a) Grantor is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate, as those terms are defined in the Code and the regulations promulgated thereunder;

(b) Grantor's Social Security or U.S. employer identification number is 57-0912303;
and

(c) Grantor's principal place of business is 2129 NW Northrup, No. 8, Portland,
Oregon 97210.

Beneficiary may disclose the contents of this certification to the Internal Revenue Service. Grantor acknowledges that any false statement could be punished by fine, imprisonment or both. Grantor covenants and agrees to execute such further certificates, which shall be signed under penalty of perjury, as Beneficiary shall reasonably require. In addition, Grantor hereby irrevocably appoints Beneficiary as its true and lawful attorney-in-fact, at Beneficiary's election, to execute any such further certificate.

4.25 Assessment Districts. Grantor agrees not to consent to the inclusion of the Premises in any local improvement or special assessment district or to the imposition of any special or local improvement assessment against the Premises without the prior written consent of Beneficiary.

4.26 Assignment by Beneficiary. Beneficiary may assign this Deed of Trust in whole or in part to any person and may grant participation in any of its rights under this Deed of Trust, without notice and without affecting Grantor's liability under this Deed of Trust. In connection with any proposed assignment, participation or similar arrangement, Beneficiary may make available to any person all credit and financial data furnished or to be furnished to Beneficiary by Grantor or any guarantor of the Note.

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ASPEN TITLE & ESCROW

TEL: 541-883-9068

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Grantor agrees to provide to the person designated by Beneficiary any information as such person may reasonably require to form a decision regarding the proposed assignment, participation or other arrangement.

Executed as of the date first above written.

GRANTOR:

C-3 INVESTMENTS, INC., an Oregon corporation

By: [Signature]

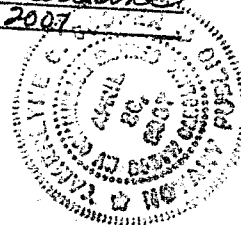
Name: C. Gordon Lovingood

Title: President

STATE OF South Carolina)
County of Charleston) ss.

This instrument was acknowledged before me this 26 day of February, 1999, by C. Gordon Lovingood, as President of C-3 Investments, Inc., an Oregon corporation, on behalf of the corporation.

[Signature]
NOTARY PUBLIC FOR South Carolina
My Commission Expires: 4-28-2007



LEGAL DESCRIPTION

Two (2) tracts of land located in the Northeast one-quarter of Section 4, Township 39 South, Range 9 East, of the Willamette Meridian, more particularly described as follows: Lots 8 through 27, and portions of Lots 28 through 40, Block 4, SIXTH STREET ADDITION TO THE CITY OF KLAMATH FALLS and a portion of Lot 802, ENTERPRISE TRACTS, in the County of Klamath, State of Oregon, more particularly described as follows:

TRACT 1:

Beginning at a 5/8 inch iron rod with a plastic cap marked TRUELINE SURVEYING, INC. at the Northwest corner of said Lot 8; thence South 55°50'00" East, a distance of 499.71 feet along the southwesterly right-of-way line of Pershing Way to a railroad spike set at the intersection of the southwesterly right-of-way line of Pershing Way and the westerly right-of-way line of Washburn Way; thence South 00°00'00" East, a distance of 120.86 feet along the westerly right-of-way line of Washburn Way to a railroad spike set at the intersection the westerly right-of-way of Washburn Way and the northeasterly right-of-way line of a Public alley in said Block 4; thence North 55°50'00" West, a distance of 567.59 feet along the northeasterly right-of-way line of said Public alley to a 5/8 inch iron rod with a plastic cap marked TRUELINE SURVEYING, INC. at the Southwest corner of said Lot 8; thence North 34°10'00" East, a distance of 100.00 feet to the point of beginning of Tract 1, containing 53,365 square feet, 1.2251 acres.

TRACT 2:

Beginning at a 5/8" iron rod with a plastic cap marked TRUELINE SURVEYING, INC. that bears North 55°50'00" West a distance of 6.25 feet from the Northwest corner of Lot 39; thence South 55°50'00" East, a distance of 397.27 feet along the southwesterly right-of-way of a Public alley in said Block 4 to a railroad spike set at the intersection of the southwesterly right-of-way line of said Public alley and the westerly right-of-way of Washburn Way; thence South 00°00'00" East, a distance of 58.34 feet along the westerly right-of-way line of Washburn Way to a railroad spike; thence southwesterly a distance of 24.26 feet along the arc of a 12.00 foot radius curve right through a central angle of 115°51'00" (the long chord of which bears South 57°55'30" West, a distance of 20.34 feet) to a 5/8 inch iron rod with a plastic cap marked TRUELINE SURVEYING, INC.; thence North 64°09'00" West, a distance of 150.73 feet along the northeasterly right-of-way line of South Sixth Street to a P-K Nail; thence northwesterly a distance of 11.61 feet along the arc of a 80.00 foot radius curve right through a central angle of 08°19'00" (the long chord of which bears North 59°59'30" West, a distance of 11.60 feet) to a P-K Nail; thence North 55°50'00" West, a distance of 261.12 feet continuing along said Northeasterly right-of-way line to a 5/8 inch iron rod with a plastic cap marked TRUELINE SURVEYING, INC. that bears North 55°50'00" West, a distance of 6.25 feet from the Southwest corner of Lot 39, Block 4; thence leaving said northeasterly right-of-way line, North 34°10'00" East, a distance of 89.53 feet at right angles to the centerline of South Sixth Street to the point of beginning of TRACT 2, containing 35,773 square feet, 0.8212 acres.

STATE OF OREGON : COUNTY OF KLAMATH:

ss.

Filed for record at request of ASPEN TITLE & ESCROW the 26th day
of FEB A.D., 1999 at 2:09 o'clock P M., and duly recorded in Vol. M99
of MORTGAGES on Page 6879

FEE \$140.00

Linda Smith, County Clerk

by Kathleen Rosa