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WHEN RECORDED MAIL TO:
StanCorp Mortgage Investors, LLC
920 SW Sixth Avenue
Portland, OR 97204

Attn: **Becky Breitrose**
Loan Closer, PSB11E

SMI Loan No. **99122701**

MTC 50076

**DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY
AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST made this **January 14, 2000**, is among **First Klamath L.L.C.**, a Nevada limited liability company ("Grantor"), and **Ticor Title Insurance Company**, a California corporation ("Trustee"), and **StanCorp Mortgage Investors, LLC**, an Oregon limited liability company ("Beneficiary").

The Tax Account Number(s) for the property subject to the lien of this instrument is:
3909 003BB 00300.

Commonly known as: **2660 Shasta Way, Klamath Falls, Oregon, 97603**

Notice to Recorder:

THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH
ORS 79.4020(6).

Grantor irrevocably grants, bargains and sells to Trustee in trust, with power of sale, that property in the City of **Klamath Falls**, County of **Klamath**, State of Oregon, described as follows (the "Property"):

See Exhibit "A" attached hereto and by this reference made a part hereof for legal description.

Together with (a) all rents, income, contract rights, issues and profits now due or which may become due under or by virtue of any lease, rental agreement or other contract, whether written or oral, for the use or occupancy of the Property, or any part thereof, together with all tenant security deposits, subject, however, to the right, power and authority hereinafter given to and conferred upon Grantor to collect and apply such rents, issues, income, contract rights,

146.00
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security deposits and profits prior to any default hereunder; (b) all buildings and improvements now or hereafter thereon, and all appurtenances, easements, rights in party walls, water and water rights, pumps and pumping plants and all shares of stock evidencing the same; (c) all fixtures and property now or hereafter attached to or used in the operation of the Property, including but not limited to machinery, equipment, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel or refrigeration, or for ventilating or sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse or garbage, all wallbeds, wallsafes, built-in furniture and installations, shelving, lockers, partitions, door stops, vaults, elevators, dumbwaiters, awnings, window shades, venetian blinds, light fixtures, fire hoses and brackets and boxes for same, fire sprinklers, alarm systems, drapery rods and brackets, screens, linoleum, carpets, plumbing, laundry tubs and trays, ice boxes, refrigerators, heating units, stoves, water heaters, incinerators, communication systems and all installations for which any such building is specifically designed; (d) all awards, compensation and settlements in lieu thereof made as a result of the taking by power of eminent domain of the whole or any part of the Property; (e) all trade names by which all or any part of the Property is known, any books and records relating to the use and operation of all or any portion of the Property, all present and future plans and specifications and contracts relevant to the design, construction, management or inspection of any construction of any improvements on the Property and all present and future licenses, permits, approvals and agreements with or from any municipal corporation, county, state or other governmental or quasi-governmental entity relevant to the development, improvement or use of all or any portion of the Property; and (f) all rights of Grantor in and to any escrow or withhold agreements, surety bonds, warranties, management contracts, leasing or sales agreements with any real estate agents or brokers, and service contracts with any entity, which are in any way relevant to the development, improvement, leasing, sale or use of the Property or any personal property located thereon; and all of said items whether now or hereafter installed being hereby declared to be, for all purposes of this Deed of Trust, a part of the realty; and all the estate, interest or other claim or demand, including insurance, in law as well as in equity, which Grantor now has or may hereafter acquire, in and to the aforesaid property; the specific enumerations herein not excluding the general. The Property and all of the foregoing shall constitute the "Trust Property."

This Deed of Trust is made for the purpose of securing, in such order of priority as Beneficiary may elect: (a) payment of the indebtedness in the sum of **\$1,300,000.00** evidenced by that certain Deed of Trust Note of even date herewith made by Grantor, delivered to Beneficiary and payable to its order, with final payment due on the **first** day of **March, 2010**, which is the maturity date of this Deed of Trust, and any and all modifications, extensions or renewals thereof, whether hereafter evidenced by the Note or otherwise (the "Note"); (b) payment of interest on said indebtedness according to the terms of the Note; (c) payment of all other sums, with interest as herein provided, becoming due and payable under the provisions hereof to Trustee or Beneficiary; (d) performance of each and every condition, obligation, covenant, promise and agreement of Grantor contained herein, or in the Note, or in any loan agreement relative to any indebtedness evidenced by the Note, or in any security agreement or deed of trust at any time given to secure any indebtedness hereby secured or any part thereof; and (e) payment of such additional sums with interest thereon as may be hereafter advanced by

or borrowed from the Beneficiary, its successors or assigns, by the then record owner or owners of the Trust Property when evidenced by another promissory note or notes which are by the terms thereof secured by this Deed of Trust. To the extent permitted by law, any sums hereafter advanced by or borrowed from Beneficiary, its successors or assigns, shall have the same priority as the original sums advanced by Beneficiary and secured hereby.

Grantor's Covenants and Warranties. Grantor hereby warrants that: (a) Grantor is the owner in fee simple absolute of the Property and every part thereof; (b) the Trust Property is free, and will be kept free, from all liens and encumbrances, except those accepted by Beneficiary in writing, and Grantor will defend the title hereby granted to and in favor of Trustee and Beneficiary as against all and every person claiming or to claim the same; (c) the loan proceeds are not for use primarily for personal, family or household purposes; (d) to the best of Grantor's knowledge after due inquiry into previous ownership and use of the Trust Property, there are no Hazardous Substances (as defined below) located on the Trust Property and Grantor will not place or permit to be placed on the Trust Property any Hazardous Substances (as defined below), except in minor quantities as necessary for the operation and maintenance of the Trust Property, used and stored in accordance with applicable law, or in the form of consumer products held for retail sale in sealed containers; (e) the Property is zoned for the existing or contemplated use of the Property; (f) the Property is in compliance with all zoning, subdivision, and environmental laws, regulations, and ordinances applicable thereto; all deed restrictions, subdivision and building ordinances and other applicable governmental laws (including the Fair Housing Act and the Americans With Disabilities Act, as each is amended from time to time) have been fully complied with; and Grantor has all licenses and permits required by governmental authorities with respect to the Trust Property, its operation, improvement and use; (g) the Trust Property has indefeasible access to public rights of way as now improved and open to public passage, and is not encroached upon by improvements or rights of others, nor do the improvements on the Property encroach upon the property of others; (h) there are no actions, lawsuits, or other proceedings pending or threatened against or affecting the Trust Property or Grantor which might adversely affect the ability of Grantor to perform its obligations under the Note or other loan documents, or which might adversely affect the priority of Beneficiary's first lien on the Trust Property; (i) consummation of the loan secured hereby and performance under the loan documents will not conflict with or result in a breach of any law, regulation or court order applicable to Grantor or the Trust Property; (j) no condemnation proceeding is pending or, to the knowledge of Grantor, threatened with respect to the Trust Property; (k) there has been no material adverse change in the financial condition of Grantor which might adversely affect the ability of Grantor to perform its obligations under the loan documents, or which might adversely affect the priority of Beneficiary's first lien on the Trust Property; (l) all services and utilities, such as water, electricity and sewer, are available to the Trust Property; and (m) with respect to each Grantor who is an individual, no part of the Trust Property constitutes any part of Grantor's business homestead or residential homestead. As used in this Deed of Trust, Hazardous Substances means: (a) any "hazardous waste" as defined in the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 *et seq.*), as amended from time to time, and regulations promulgated thereunder; (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 *et seq.*), as

amended from time to time, and regulations promulgated thereunder; (c) radon, asbestos, polychlorinated biphenyls (PCB's), explosives, radioactive substances, and material quantities of petroleum products; (d) any substance the presence of which on the Trust Property is regulated by any federal, state or local law relating to the protection of the environment or public health; and (e) any other substance which by law requires special handling in its collection, storage, treatment or disposal.

A. Grantor agrees as follows:

1. **Payment of Indebtedness; Performance of Covenants.** Grantor shall pay each and every installment of principal and interest on the Note and all other indebtedness secured hereby, as and when the same shall become due, and perform and observe all of the covenants, agreements and provisions contained herein, in the Note and any other instrument given as security for the payment of the Note.

2. **Maintenance; Compliance; Inspection.** Grantor shall: keep the Trust Property in good condition and repair; not permit or suffer any extraordinary repairs or removal or demolition of, or a structural change in any building, fixture, equipment, or other improvement on the Trust Property; comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Trust Property or requiring any alteration or improvements to be made thereon (including the Fair Housing Act and the Americans With Disabilities Act, as each is amended from time to time); not commit or permit waste thereon; not commit, suffer or permit any act upon the Trust Property in violation of law; cultivate, irrigate, fertilize, prune and do all other acts which from the character or use of the Trust Property may be reasonably necessary, the specific enumeration herein not excluding the general; and keep the Trust Property free from all encumbrances, except those accepted by Beneficiary in writing. Grantor shall permit Beneficiary, or its agents, upon reasonable prior notice, to inspect the Trust Property, including the interior of any structure.

3. **Hazardous Waste and Substances; Environmental Requirements.**

(a) Grantor shall comply with all laws, governmental standards and regulations applicable to Grantor or to the Trust Property in connection with occupational health and safety, hazardous waste and substances, and environmental matters. Grantor shall promptly notify Beneficiary of its receipt of any notice of: (i) a violation of any such law, standard or regulation; (ii) all claims made or threatened by any third party against Grantor or the Trust Property relating to any loss or injury resulting from any Hazardous Substances; and (iii) Grantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Trust Property that could cause the Trust Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of the Trust Property under any environmental law. The use, generation, storage, release, threatened release, discharge, disposal or presence on, under or about the Trust Property of Hazardous Substances by Grantor,

Grantor's agents, or any tenant or sublessee occupying part or all of the Trust Property, except in minor quantities as necessary for the operation and maintenance of the Trust Property, used and stored in accordance with applicable law, or in the form of consumer products held for retail sale in sealed containers, shall be an event of default under this Deed of Trust, and Grantor shall not engage in or permit such activities or events to occur upon the Trust Property.

- (b) Grantor shall defend, indemnify and hold Beneficiary, its directors, officers, employees, agents, successors and assigns harmless from all loss, cost, damage, claim and expense (including attorney fees and costs, whether at trial, on appeal or otherwise) incurred by Beneficiary in connection with the falsity in any material respect of the covenants contained herein or of Grantor's failure to perform the obligations of this paragraph 3.
- (c) Grantor agrees that a receiver may be appointed to enable Beneficiary to enter upon and inspect the Trust Property for the purpose of determining the existence, location, nature and magnitude of any past or present release or threatened release of any hazardous substance into, onto, beneath or from the Trust Property. Any costs incurred by Beneficiary in obtaining the appointment of a receiver and performing the inspections, including reasonable attorney fees, shall be paid by Grantor. If not paid within ten (10) days after such fees, costs and expenses become due and written demand for payment is made upon Grantor, such amount may, at Beneficiary's option, be added to the principal of the Note and shall bear interest at the Default Rate (defined below).

4. **Casualty Loss/Restoration Construction.** Unless Beneficiary determines, pursuant to the provisions in paragraph B.1., to apply the insurance proceeds to the reduction of the indebtedness, Grantor shall promptly commence and diligently pursue to completion the repair, restoration and rebuilding of any portion of the Trust Property that has been partially damaged or destroyed in full compliance with all legal requirements and to the same condition, character and at least equal value and general utility as nearly as possible to that existing prior to such damage or destruction. Grantor further agrees: to complete same in accordance with plans and specifications satisfactory to Beneficiary, to allow Beneficiary to inspect the Trust Property at all times during construction and to replace any work or materials unsatisfactory to Beneficiary within fifteen (15) days after notice from Beneficiary of such fact. If said work upon the construction or restoration of the building or buildings shall be discontinued for a period of fifteen (15) days, Beneficiary may, at its option, also enter into and upon the Trust Property and complete the construction or restoration of said building or buildings. Grantor hereby gives to Beneficiary full authority and power to make such entry and to enter into such contracts or arrangements as may be necessary to complete or restore said building or buildings and all monies expended by Beneficiary in connection with such completion or restoration shall be added to the principal theretofore advanced under the Note and secured by these presents and shall be payable by Grantor on demand with interest at the Default Rate.

Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this numbered paragraph or under any other provision of this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

5. Insurance.

- (a) Property and Other Insurance. Grantor shall obtain and maintain in full force and effect during the term of this Deed of Trust such insurance as Beneficiary may reasonably require from time to time by notice to Grantor, including, without limitation, insurance providing (i) protection against fire, extended coverage and other all risk perils, including earthquake (if required by Beneficiary) and flood (where required), with endorsements for waiver of subrogation, replacement cost coverage, inflation adjustment, and vandalism and malicious mischief coverage, all in amounts not less than the full replacement cost of all improvements including the cost of debris removal, (ii) comprehensive general public liability coverage with a broad form coverage endorsement and a combined single limit of at least \$2,000,000, and (iii) business interruption and/or rent loss insurance (equal to twelve (12) months annualized income). If any portion of the fire and other risks insured as provided herein are reinsured, the policies shall contain a so-called "cut-through" endorsement.
- (b) Insurance Companies and Policies. All such insurance shall be written by a company or companies acceptable to Beneficiary with an A Category or better rating by A.M. Best Company, Inc. The policies described in Paragraphs 5a(i) and (iii) above shall contain (i) a standard Beneficiary clause naming Beneficiary as the first Beneficiary with loss proceeds under the policies payable to Beneficiary, and (ii) a waiver of subrogation endorsement as to Beneficiary. The policy described in Paragraph 5a(ii) above shall name Beneficiary as an additional named insured, and the policy described in Paragraph 5a(iii) above shall provide that all proceeds be payable to Beneficiary. Each policy described above shall provide for a thirty (30) day notice of cancellation or modification, (except that any earthquake policy shall provide for sixty (60) days notice of cancellation) shall be satisfactory to Beneficiary as to form and substance, and shall contain endorsements that no act or negligence of Grantor or any occupant, and no occupancy or use of the Trust Property for purposes more hazardous than permitted by the terms of the policy will affect the validity or enforceability of such insurance as against Beneficiary. If any portion of the fire and other risks insured as provided herein are reinsured, the policies shall contain a so-called "cut-through" endorsement. Each policy shall be in full force and effect as of the date of this Deed of Trust, shall contain such additional provisions as Beneficiary deems necessary or desirable to protect its interest, and shall be accompanied by proof of premiums paid for the current policy year. All such insurance shall be written in amounts sufficient to prevent Grantor from becoming a co-insurer

under the applicable policies. Grantor shall provide a **Standard ACORD Form 27 Evidence of Insurance Certificate** to Beneficiary thirty (30) days prior to any policy expiration date or in the event any policy is modified or canceled.

- (c) Blanket Policy. If a blanket policy is issued, Grantor shall furnish Beneficiary with a certified copy of said policy, together with a certificate indicating that Beneficiary is the insured under said policy in the proper designated amount.
- (d) Notice of Loss. In the event of loss, Grantor shall immediately notify Beneficiary. Beneficiary may make proof of loss if it is not made promptly by Grantor.
- (e) Insurance Obtained by Third Party. If insurance is provided to Beneficiary by a tenant or any party other than Grantor, there is a lapse in coverage, coverage is not with a company acceptable to Beneficiary with an A Category or better rating, coverage is not in an amount equal to the full replacement value of the improvements, or coverage does not in any other way meet conditions required by Beneficiary, Grantor will provide coverage within thirty (30) days of being notified by Beneficiary of any inadequacy in coverage. If Beneficiary does not receive proof of such coverage within thirty (30) days, Beneficiary will force place insurance until proof of coverage which meets the conditions of the loan is received. Premiums for this force place coverage are at rates higher than Grantor could obtain, and payment will be the responsibility of Grantor, provided that at Beneficiary's sole option, Beneficiary may add the cost of such premiums to the principal balance of the loan.

6. **Defense.** Grantor shall appear in and defend any action or proceeding purporting to affect the Trust Property or any other security for the Note or the rights or powers of Beneficiary or of Trustee and shall pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding, or appeal therefrom, in which Beneficiary or Trustee may appear.

7. **Taxes and Assessments.** Grantor shall pay, at least ten (10) days before the due date, all taxes and assessments affecting the Trust Property or upon this Deed of Trust or the debt secured thereby, or against Beneficiary by reason of the ownership of this Deed of Trust and the Note, or either of them, including assessments on appurtenant water stock. Grantor shall also pay, when due, all encumbrances, charges and liens, with interest, on the Trust Property or any part thereof, which appear to be prior or superior hereto and shall deliver to Beneficiary upon request the official receipt or receipts showing payment thereof and recorded releases therefor, and shall pay all costs, fees and expenses of this Deed of Trust. The foregoing shall not in any way constitute the consent of Beneficiary to Grantor placing, or allowing to be placed, any encumbrances, charges, or liens against the Trust Property, whether superior or inferior to the liens, rights, and security interests created in this Deed of Trust.

8. **Monthly Deposits.** Unless this covenant is prohibited by law or waived in writing by Beneficiary, Grantor shall pay each year to Beneficiary, together with and in addition to the monthly payments of principal and interest payable under the terms of the Note, until the Note is fully paid, in equal monthly installments, the estimated amount of the annual property taxes, assessments, insurance premiums and similar charges next payable, as estimated by Beneficiary. If at any time Beneficiary determines that such payments will not be sufficient to account for each such charge on its due date (and in the case of annual property taxes, on the due date of the first installment thereof), Grantor shall pay to Beneficiary, upon demand, additional sums as necessary to account for such deficiency. Beneficiary may retain the sums received under this paragraph 8 and apply them to such charges when they (and in the case of annual property taxes, the first installment thereof) become due. Sums received shall not earn interest and may be commingled with other funds of Beneficiary. If Beneficiary is required by law to pay interest on these sums, Beneficiary may, to the extent permitted by law, impose a charge for holding and disbursing such funds. In the event of a default under the Note, this Deed of Trust or any other instrument securing the Note, Beneficiary may apply the sums required under this paragraph 8 (without prepayment charge and without limiting the privilege, if any, to prepay any amounts secured hereby) first to accrued interest and then to the principal balance secured hereby. As an additional covenant hereof, and in any event if the foregoing provision for prepayment is at any time prohibited by law, or waived in writing by Beneficiary, or Grantor fails to make payments in the full amount required under this paragraph 8, Grantor shall pay such charges when they (and in the case of annual property taxes, the first installment thereof) are due and, upon demand, provide Beneficiary with satisfactory evidence of payment and coverage.

9. **Leases.** Grantor shall fully perform all the terms and conditions on Grantor's part to be performed in any existing or future lease with respect to which Grantor is lessor covering all or a portion of the Trust Property. Grantor shall not, without the prior consent of Beneficiary, terminate, cancel or accept the surrender of, or suffer or permit the termination, cancellation or surrender of such lease, except upon the expiration of the term thereof, or materially modify or alter, or suffer or permit the material modification or alteration of such lease. Grantor further covenants and agrees not to enter into any lease for a term in excess of three (3) years for fifteen percent (15%) or more of the net rentable area of the Trust Property without the prior written consent of Beneficiary.

10. **Payment of Premiums.** Grantor shall pay all premiums upon any life insurance policy which may be held by Beneficiary as additional security for the debt herein referred to.

11. **Fees for Information.** Grantor shall pay Beneficiary, to the extent permitted by law, a reasonable fee, as determined by Beneficiary, for providing to Grantor or a third party a statement concerning the obligations secured by this Deed of Trust or any other information requested by Grantor or the third party.

12. **Security Agreement.**

- (a) **Grant of Security Interest.** With respect to any portion of the Trust Property which constitutes personal property or fixtures governed by the Uniform Commercial Code of the State where the Trust Property is located (the "Code"), this Deed of Trust shall constitute a security agreement between Grantor as Debtor and Beneficiary as Secured Party, and Grantor hereby grants to Beneficiary a security interest in such portion of the Trust Property. Cumulative of all other rights of Beneficiary hereunder, Beneficiary shall have all of the rights conferred upon secured parties by the Code. Grantor shall execute and deliver to Beneficiary all financing statements that may from time to time be required by Beneficiary to establish and maintain the validity and priority of the security interest of Beneficiary, or any modification thereof, and shall bear all costs and expenses of any searches reasonably required by Beneficiary.
- (b) **Rights of Beneficiary.** Beneficiary may exercise any or all of the remedies of a secured party available to it under the Code with respect to such property, and it is expressly agreed that if, upon default, Beneficiary shall proceed to dispose of such property in accordance with the provisions of the Code, ten (10) days' written notice by Beneficiary to Grantor shall be deemed to be reasonable notice under any provision of the Code requiring such notice; provided, however, that Beneficiary may, at its option, dispose of such property in accordance with Beneficiary's rights and remedies with respect to the real property pursuant to the provisions of this Deed of Trust, in lieu of proceeding under the Code.
- (c) **Change in Grantor's Name.** Grantor shall give advance notice in writing to Beneficiary of any proposed change in Grantor's name, identity, or corporate structure and shall execute and deliver to Beneficiary, prior to or concurrently with the occurrence of any such change, all additional financing statements that Beneficiary may require to establish and maintain the validity and priority of Beneficiary's security interest with respect to any Trust Property described or referred to herein.
- (d) **Fixture Filing.** With respect to those items of the Trust Property that are or will become fixtures upon the Property and those items, if any, specifically described in Exhibit "B", this Deed of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Trust Property or Exhibit "B" property is situated. Information concerning the security interest created by this instrument may be obtained from Beneficiary, as Secured Party, at the address of Beneficiary stated below. The mailing address of Grantor, as Debtor, is as stated below.

13. **Restrictive Uses.** Grantor shall not, without Beneficiary's prior written consent, change the general nature of the occupancy of the Trust Property, initiate, acquire or permit any change in any public or private restrictions (including without limitation a zoning reclassification) limiting the uses which may be made of the Trust Property, or take or permit

any action which would impair the Trust Property or Beneficiary's lien or security interest in the Trust Property.

14. **Changes In Use.** If Grantor or a related entity or person occupies or leases the Trust Property, Grantor shall make no change in the use or occupancy of the Trust Property or otherwise limit the uses which may be made of the Trust Property without Beneficiary's prior written consent.

B. It is mutually agreed that:

1. **Application of Insurance or Condemnation Proceeds.** All sums paid under any insurance policy or condemnation award shall be paid to the Beneficiary. Beneficiary agrees to allow the use of sums paid for repair and reconstruction of the Property provided:

- (a) there exists no default or other event which with the passing of time or the giving of notice or both would constitute a default under the Note or this Deed of Trust;
- (b) all proceeds and additional funds deposited by the Grantor with Beneficiary prior to the commencement of any repair or reconstruction are adequate, as determined by Beneficiary, to complete repair and reconstruction of the Property pursuant to plans and specifications approved by Beneficiary;
- (c) if, in Beneficiary's determination, the loan to value ratio, upon completion of repair or restoration, will exceed seventy-five percent (75%), the balance due on the Note shall be reduced to an amount which, reduces the loan to value ratio, as calculated by Beneficiary, to no more than seventy-five percent (75%). In such a case, the remaining monthly payments of principal and interest may be adjusted to amortize the reduced principal balance over the remaining term of the Loan, at Beneficiary's discretion. Any amount prepaid under this provision may be paid without a prepayment charge, provided however, any additional amount Grantor desires to prepay, if any, shall be subject to applicable prepayment charges.
- (d) disbursement procedures acceptable to Beneficiary are in place;
- (e) Beneficiary shall have received acceptable estoppels, consents and assurances from municipal authorities, tenants in the Property, and others, as Beneficiary may request; and
- (f) Beneficiary has received evidence satisfactory to it, that reconstruction and/or repair can be completed at least three (3) months prior to the date the Note secured by this Deed of Trust is due and payable.

If the above conditions are not satisfied as to the application of the proceeds or any awards, Beneficiary shall apply the same (after first deducting therefrom Beneficiary's

reasonable expenses incurred in collecting the same, including but not limited to reasonable attorneys' fees) to the reduction of the outstanding principal balance of the Loan (the "Principal Balance") without a prepayment charge or to payment of the restoration, repair, replacement or rebuilding of the property that is damaged, destroyed or taken in such manner as Beneficiary may determine.

If any proceeds are applied to the reduction of the Principal Balance, the remaining monthly payments of principal and interest may be adjusted to amortize the reduced Principal Balance over the remaining term of the Loan, at Beneficiary's discretion.

2. **Non-Waiver.** No waiver of any default on the part of Grantor or breach of any of the provisions of this Deed of Trust or of any other instrument executed in connection with the indebtedness secured hereby shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers herein granted shall be construed as a waiver of such rights and powers, and likewise no exercise or enforcement of any rights or powers hereunder shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time.

3. **Release.** When all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the note for cancellation and retention, Beneficiary shall release the lien of this Deed of Trust.

4. **Assignment of Rents.** Grantor hereby assigns to Beneficiary absolutely, not only as collateral, the present and future rents, income, issues and profits of the Trust Property and hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of this Deed of Trust, to collect the rents, income, issues and profits of the Trust Property, reserving unto Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, income, issues and profits as they become due and payable. Upon any such default, Beneficiary may, at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, the solvency of Grantor, or the presence of waste or danger of loss or destruction of the Trust Property, enter upon and take possession of the Trust Property, or any part thereof, and any personal property in which Beneficiary has a security interest as additional security for the indebtedness secured by this Deed of Trust, and may, in its own name, sue for or otherwise collect such rents, income, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. In the exercise of any of the foregoing rights and powers, Beneficiary shall not be liable to Grantor for any loss or damage thereby sustained unless due solely to the willful misconduct of Beneficiary. The entering upon and taking possession of the Trust Property, the collection of such rents, income, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. To the extent the provisions of this paragraph are inconsistent with the terms of a separate Assignment

of Lessor's Interest in Leases, if any, the terms of the Assignment of Lessor's Interest in Leases shall control.

5. **Beneficiary's Right to Cure and Defend.** Should Grantor fail to make any payment or to do any act as provided in this Deed of Trust, in the Note or in any other instrument securing the Note, Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, and Grantor authorizes Beneficiary or Trustee to enter upon the Trust Property for such purpose. Beneficiary and/or Trustee may, at any time prior to full payment of all sums secured by this Deed of Trust: appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which, in the judgment of either, appears to be prior or superior to the liens, rights and security interests created in this Deed of Trust; and, in exercising any power conferred by this Deed of Trust, pay necessary expenses, employ counsel and pay reasonable fees therefor (including fees on appeal). Grantor agrees to repay immediately and without demand all sums so expended by Beneficiary or Trustee with interest from date of expenditure at the Default Rate as herein provided.

6. **Default; Acceleration; Default Rate.** Time is material and of the essence hereof with respect to the payment of any sums of any nature by and the performance of all duties or obligations of Grantor. Each of the following shall be an Event of Default under this Deed of Trust: (a) failure of Grantor to make any payment of principal and/or interest or any other payment required by the provisions of the Note, this Deed of Trust, or any other instrument securing the Note on the date such payment or payments are due; (b) failure to perform any other provision of the Note, this Deed of Trust, or any other instrument securing the Note; (c) a proceeding under any bankruptcy, receivership or insolvency law is instituted by or against Grantor; (d) the making of an assignment for the benefit of creditors by Grantor; (e) the imposition upon Beneficiary, under any laws, of what Beneficiary may deem to be a substantial tax upon Beneficiary by reason of its interest in this Deed of Trust (unless Grantor may lawfully pay such tax and does so); or (f) if any warranty contained in this Deed of Trust is false in any material respect or any representation, warranty or information furnished by the Grantor or its agents to Beneficiary in connection with the indebtedness secured hereby is false in any material respect. Any default under this Deed of Trust shall constitute a default under the Note and under all other security instruments securing the Note. Any default under such other security instruments shall constitute a default under this Deed of Trust. Upon default, Beneficiary may declare all sums secured hereby immediately due and payable, without notice except as described in paragraph 21. Any sum not paid as provided herein or in the Note or any other security instrument securing the Note shall bear interest from such due date at a rate of interest four (4) percentage points per annum greater than the Note Rate (as defined in the Note) or the maximum rate permitted by law, whichever is lesser (the "Default Rate"). If a default occurs during a period of time in which prepayment is permitted only on payment of a prepayment charge, such charge shall be computed as if the sum declared due on default were a prepayment and shall be added to the sums due and payable under the Note.

7. **Foreclosure; Power of Sale.** Beneficiary may foreclose this Deed of Trust like a mortgage and obtain a decree foreclosing Grantor's interest in all or any part of the Trust Property. Beneficiary may also direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of sale under applicable law.

8. **Attorney Fees; Proceeds of Sale.** If foreclosure be made by Trustee, reasonable attorney fees for services in the supervision of foreclosure proceedings shall be allowed by Trustee as part of the costs of foreclosure. After deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the Default Rate as herein provided; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

9. **Expenses and Attorney Fees.** If Beneficiary refers the Note to an attorney for collection or seeks legal advice following a default alleged in good faith under the Note; if Beneficiary is the prevailing party in any litigation instituted in connection with the Note; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit or proceeding in connection with the Note, the indebtedness evidenced thereby or the security therefor (including, but not limited to, an action to recover possession of the Trust Property after foreclosure), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary's interest in the Note, the Deed of Trust or any other security for the Note (including but not limited to proceedings under federal bankruptcy law, in eminent domain, under probate proceedings, appellate reviews, or in connection with any state or federal tax lien), then, in any such event, to the extent allowed by law, Grantor shall pay attorney fees and costs and expenses incurred by Beneficiary and/or its attorney in connection with the above-mentioned events and any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports, the cost of appraisals, the cost of surveyors' reports and the cost of environmental surveys. Grantor acknowledges and agrees that such fees and expenses shall be deemed to be advances to protect Beneficiary's interest in the Trust Property, and may be charged and collected from Grantor in connection with a reinstatement following a default hereunder. If not paid within ten (10) days after such fees, costs and expenses become due and written demand for payment is made upon Grantor, such amount may, at Beneficiary's option, be added to the principal of the Note and shall bear interest at the Default Rate.

10. **Binding Effect; Waiver of Defenses; Interpretation.** This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The right to plead any Statute of Limitations in any suit brought upon the Note or the indebtedness thereby evidenced or to foreclose or enforce this Deed of Trust or arising therefrom or by reason of any default of Grantor, is hereby waived to the full extent permissible by law. The term Beneficiary shall mean the owner and holder, including pledgees, of the Note secured hereby, whether or not named as Beneficiary

herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

11. Due on Sale or Encumbrance.

- (a) Generally. The loan evidenced by the Note (the "Loan") is personal to Grantor and not assignable. In making it, Beneficiary has relied on Grantor's credit, Grantor's interest in the Property, and the financial market conditions at the time the Loan is made. Except as described in paragraphs B.11(c) and (d) below, in the event of a sale, conveyance, transfer or encumbrance, directly or indirectly, either voluntarily, involuntarily or by operation of law, of the title to or possession of all or part of the Property (a "Transfer"), Beneficiary may declare the entire balance of this Loan immediately due and payable. In such event, and to the extent permitted by law, a prepayment charge calculated in accordance with the prepayment provisions of the Note shall be added to the sum due and payable. Alternatively, the provisions in the Note, the Deed of Trust and any other instrument securing the Note may be modified, at Beneficiary's sole option, to conform to provisions being offered by Beneficiary in similar Loans at the time Beneficiary's waiver is sought, or in the event Beneficiary is not offering similar Loans at such time, on such reasonable terms as Beneficiary may determine.
- (b) Transfer Examples. For the purpose of, and without limiting the generality of the foregoing, the occurrence at any time of any of the following events, shall constitute a Transfer:
- (i) Any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, all or any part of the legal and/or equitable title to the Real Property;
 - (ii) Any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, any share of stock of Grantor if Grantor is a corporation;
 - (iii) Any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, any general partnership interest in Grantor if Grantor is a partnership; or
 - (iv) Any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, any member's interest in Grantor if Grantor is a limited liability company.

Notwithstanding the foregoing, transfers between or among existing shareholders, partners, or members of Grantor shall not constitute Transfers so long as the Loan is not

in default at the time of such transfers and Beneficiary receives prompt written notice of such transfers.

- (c) Permitted Third-Party Transfer. If Grantor makes a written request to Beneficiary ("Transfer Request") for a third-party transfer, Beneficiary will waive its acceleration and prepayment call rights under Paragraph 11(a), if the Loan is not then in default and the following conditions are met:
- (i) The following items, all of which must be satisfactory to Beneficiary, in its sole and absolute discretion, shall be submitted to Beneficiary with the Transfer Request:
 - (A) The identity and organizational documents for the purchaser of the Property;
 - (B) The financial statements, financial strength, tax returns and credit history of the purchaser;
 - (C) The current rent roll for the Property;
 - (D) The operating statements for the Property:
 - (i) A current year-to-date; and
 - (ii) The two most recent years/historical;
 - (E) The current leases for the Property;
 - (F) A current environmental inspection report for the Property;
 - (G) The sale agreement and related documents; and
 - (H) A detailed description of the source of the purchaser's equity in the Property.
 - (ii) The purchaser evidences a history of property management satisfactory to Beneficiary or contracts for management of the Property with a property management firm satisfactory to Beneficiary.
 - (iii) If the amount then due on the Note exceeds seventy percent (70%) of the sale price of the Property, the balance due on the Note shall be reduced to an amount which does not exceed seventy percent (70%) of the sales price and the remaining monthly payments of principal and interest may be adjusted to amortize the reduced principal balance over the remaining term

of the Loan, at Beneficiary's discretion. Any amount prepaid under this provision may be paid without a prepayment charge, provided however, any additional amount Grantor or the purchaser desires to prepay, if any, shall be subject to applicable prepayment charges.

- (iv) The purchaser promptly signs and delivers to Beneficiary, Beneficiary's assumption documents.
- (v) Grantor furnishes to Beneficiary, at Grantor's expense, an endorsement to Beneficiary's title insurance policy insuring the continued validity, enforceability, and priority of the Deed of Trust following the assumption. The form and content of the endorsement shall be satisfactory to Beneficiary. If required by the Beneficiary or the title insurer, the Grantor shall furnish estoppels and subordination agreements from tenants of the Property and other necessary parties in form and substance acceptable to the Beneficiary and the title insurer.
- (vi) In the event the Loan was made with a requirement imposed upon the Grantor to complete any specified repairs of the Property, the Grantor shall not be entitled to a consent by Beneficiary pursuant to the terms of this provision until such repairs have been completed to Beneficiary's satisfaction.
- (vii) The Beneficiary may, at its option, require tax reserves as referred to in paragraph A.8 of this Deed of Trust, whether or not previously waived conditionally or otherwise as a condition to its consent.
- (viii) Beneficiary is paid a lump sum fee of one percent (1%) of the loan balance.
- (ix) The payment of a transfer fee to Beneficiary's designated servicing agent in an amount equal to one percent (1%) of the loan balance.
- (x) Grantor will be released from liability for payment of the Loan.
- (xi) Without limiting the generality or effect of the foregoing, waiver by Beneficiary of its right to accelerate the Loan upon any transfer or contract to transfer, or to require satisfaction of the conditions set forth in this subparagraph, shall not be deemed a waiver by Beneficiary of its right to accelerate the Loan upon any other transfer or contract to transfer or of its right upon such transfer or contract to transfer to require satisfaction of the conditions set forth above in this subparagraph.

- (d) Permitted Related-Party Transfer. If Grantor (including existing shareholders, members or partners) makes a Transfer Request for a related-party transfer, Beneficiary will waive its acceleration and prepayment call rights under Paragraph 11(a), if the Loan is not then in default and the following conditions are met:
- (i) Beneficiary is paid a lump sum fee of \$1,000.00;
 - (ii) Grantor and the transferee promptly sign and deliver to Beneficiary, Beneficiary's assumption documents whereby the transferee assumes liability for payment and performance of the Note, the Deed of Trust, and any other security instruments securing the Note, all to the same extent and tenor of Grantor's liability, which shall remain primary and will not be released; and
 - (iii) The transferee is:
 - (A) The spouse and/or issue of Grantor;
 - (B) The trustee(s) of a testamentary trust for the benefit of the spouse and/or issue of Grantor, that succeeded to Grantor's interest upon Grantor's death, divorce or legal separation;
 - (C) The trustee(s) of an inter vivos trust established by Grantor for estate planning purposes, provided that Grantor is a trustee of such trust at the time of transfer; or
 - (D) A new entity established for estate planning purposes, composed of Grantor, Grantor's principals, and/or Grantor's spouse and/or issue.

12. **Late Charges.** The Note provides that if any payment is not received by Beneficiary (or by the correspondent if a correspondent has been designated by Beneficiary to receive payments) within five (5) calendar days after its due date, Beneficiary, at its option, may assess a late charge equal to five cents for each \$1.00 of each overdue payment or the maximum late charge permitted by the laws of the State where the Trust Property is located, whichever is less. Such late charge shall be due and payable on demand, and Beneficiary, at its option, may (a) refuse any late payment or any subsequent payment unless accompanied by such late charge, (b) add such late charge to the principal balance of the Note, or (c) treat the failure to pay such late charge as demanded as a default hereunder. If such late charge is added to the principal balance of the Note, it shall bear interest at the Default Rate.

13. **Deficiency.** Grantor consents to a personal deficiency judgment for any part of the debt hereby secured which shall not be paid by the sale of the Trust Property, unless such

judgment is prohibited by law. Any Grantor who is a married person hereby expressly agrees that recourse may be had against his or her other property, however owned, but without hereby creating any lien or charge thereon, for any deficiency due after sale of the Trust Property; except that this provision shall not apply in the case of a Grantor who executes this Deed of Trust but not the Note secured hereby.

14. **Waiver of Rights Regarding Property.** To the extent permitted by law, Grantor hereby releases and waives: (a) all rights to any homestead exemption in the Trust Property; (b) all rights of dower and curtesy in the Trust Property; and (c) all rights to possession of the Trust Property during any period allowed by law for redemption.

15. **Waiver of Right to Marshal.** Grantor, for Grantor and for all persons hereafter claiming through or under Grantor or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Trust Property shall be sold in the event of any sale or sales pursuant hereto and to have any of the Trust Property and/or any other property now or hereafter constituting security for any of the indebtedness secured hereby marshaled upon any foreclosure of this Deed of Trust or of any other security for any of said indebtedness.

16. **Severability.** In the event any provision contained in this Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

17. **Signature on Deed of Trust Only.** Notwithstanding any other provision of this Deed of Trust, any person who executes this Deed of Trust, but not the Note secured hereby, shall have no personal liability on the Note or for any deficiency judgment which may be obtained upon foreclosure of this Deed of Trust. Such persons jointly and severally waive presentment, demand, protest, notice of intent to accelerate the Note, notice of acceleration of the Note, and all notices and agree that Beneficiary, without notice to them or their consent, and upon such terms as Beneficiary may deem advisable, and without affecting in any way Beneficiary's rights hereunder as against the Trust Property, may:

- (a) Extend, release, surrender, exchange, compromise, discharge or modify any right or obligation secured by or provided by this Deed of Trust or any other instrument securing the Note, or
- (b) Take any other action which Beneficiary may deem reasonably appropriate to protect its security interest in the Trust Property.

18. **Governing Law.** The law of the State where the Trust Property is located shall govern the validity, interpretation, construction and performance of this Deed of Trust.

19. **Financial Statements.** Within sixty (60) days of the close of each calendar year, Grantor shall furnish Beneficiary, at Grantor's expense, all in a form satisfactory to Beneficiary and certified by Grantor or guarantors, as the case may be, with (a) annual statement of operations of the Property, stating that such annual statement presents fairly the financial condition of the Property being reported upon and has been prepared in accordance with sound accounting principles consistently applied, (b) the financial statement for any tenants in whom Grantor has a controlling interest, and (c) Grantor's financial statement, if Grantor is not an individual. The annual operating statement shall include an annual rent schedule, and a schedule of gross receipts of each tenant who is obligated to pay additional rent based on a percentage of gross receipts.

20. **Prepayment Charges.** Prepayment charges will be imposed, as specified in the Note, to the extent permitted by law, whether the prepayment is (a) voluntary, involuntary, or by operation of law, (b) in connection with a default in performance of the payment obligations or any other obligations under the Note or under any instrument securing the Note, or (c) required by Beneficiary as provided herein in connection with a transfer or contract to transfer the Trust Property, provided that no prepayment charges shall be added to sums prepaid with casualty insurance proceeds or condemnation awards, or when the Note is prepaid within ninety (90) days of its maturity date.

21. **Notice and Opportunity to Cure.** Notwithstanding any other provision of this Deed of Trust, Beneficiary shall not accelerate the sums secured hereby because of a nonmonetary default (defined below) by Grantor unless Grantor fails to cure the default within fifteen (15) days of the earlier of the date on which Beneficiary mails or delivers written notice of the default to Grantor. For purposes of this Deed of Trust, the term "nonmonetary default" means a failure by Grantor or any other person or entity to perform any obligation contained in the Note or any other Loan document, other than the obligation to make payments provided for in the Note or any other Loan document. If a nonmonetary default is capable of being cured and the cure cannot reasonably be completed within the fifteen (15) day cure period, the cure period shall be extended up to sixty (60) days so long as Grantor has commenced action to cure within the fifteen (15) day cure period, and in Beneficiary's opinion, Grantor is proceeding to cure the default with due diligence. No notice of default and no opportunity to cure shall be required if during any 12-month period Beneficiary has already sent a notice to Grantor concerning default in the performance of the same obligation. None of the foregoing shall be construed to obligate Beneficiary to forebear in any other manner from exercising its remedies and Beneficiary may pursue any other rights or remedies which Beneficiary may have because of a default.

22. **Successor Trustee; Notice.** Beneficiary at any time and from time to time, by instrument in writing, may substitute and appoint a successor or successors (either corporate or individual) to any trustee named herein or previously substituted hereunder, which instrument when executed, acknowledged, and recorded in the office of the Recorder of the county or counties where the Trust Property is situated shall be conclusive proof of the proper substitution and appointment of each such successor trustee or trustees, who shall then have all the title, powers, duties and rights of the predecessor trustee, without the necessity of any conveyance

from such predecessor. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. The undersigned Grantor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Grantor. 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 brought by Trustee. Except as otherwise provided in this Deed of Trust, all notices and consents required or permitted under this Deed of Trust shall be in writing and may be telecopied, telexed, cabled, delivered by hand, or mailed by first class registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to Beneficiary/Secured Party:	First Klamath L.L.C. 331 Filbert St. San Francisco, CA 94133
If to Grantor/Debtor:	StanCorp Mortgage Investors, LLC Mortgage Loan Servicing PSB11D 920 SW Sixth Avenue Portland, OR 97204
If to Trustee:	Ticor Title Insurance Company 1000 SW Broadway Suite 1555 Portland, OR 97205

Changes in the respective addresses to which such notices may be directed may be made from time to time by any party by notice to the other parties. Notices and consents given by mail in accordance with this paragraph shall be deemed to have been given on the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

23. **Dissemination of Information.** If Beneficiary determines at any time to sell, transfer or assign the Note or this Deed of Trust and the other security documents, and any or all servicing rights with respect thereto, or to grant participations therein, Beneficiary may provide to any prospective purchaser, transferee, assignee, participant or rating agency and their agents and successors, all documents and information Beneficiary now has or may hereafter acquire relating to this loan, Grantor, any guarantors and/or indemnitors, if applicable, and the Property.

24. **ERISA.** Grantor shall not engage in any transaction which could cause this loan or any action taken hereunder to be a non-exempt prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Grantor is not an employee benefit plan or a governmental plan under ERISA. Grantor's assets do not constitute plan assets under ERISA. Grantor shall indemnify and hold Beneficiary harmless for any and all ERISA or state-related liability or losses.

25. **Non-Foreign Person.** Grantor is not a "foreign" person as defined by the IRS.

26. **Entire Agreement.** This Deed of Trust, the Note and any other security agreements securing the Note constitute the entire and complete agreement of the parties with respect to the subject matter hereof, and supersede all prior or contemporaneous understandings, arrangements and commitments, all of which, whether oral or written, are merged herein. This Deed of Trust shall bind and inure to the benefit of the parties to this Deed of Trust and any heir, executor, administrator, successor or assignee thereof acquiring an interest hereunder consistent with paragraph B.11 above.

27. **ORS 41.580 Disclosure.** UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS BY 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 AN AUTHORIZED REPRESENTATIVE OF BENEFICIARY TO BE ENFORCEABLE.

28. **ORS 93.040 Warning.** 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 APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

29. **Insurance Warning.** **UNLESS YOU PROVIDE US 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.

Signature of Grantor

First Klamath L.L.C.,
a Nevada limited liability company

By: _____
Peter L. Dwares, Managing Member

AFFIX NOTARIAL ACKNOWLEDGMENTS FOR EACH GRANTOR
IN SIZE AND FORM AS REQUIRED BY STATE LAW.

State of Colorado

County of Pitkin

Be it remembered, that on this 27th day of January, 2000, before me, the undersigned, a Notary Public in and for the State of Colorado, personally appeared before me Peter L. Dwares as Managing Member of First Klamath, L.L.C., a Nevada limited liability company, who proved to me on the basis of satisfactory evidence to be the identical individual described in and who executed said instrument on behalf of the Limited Liability Company for the purposes therein mentioned.

In TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Connie L. Bair

Notary Public for Colorado

My commission expires: 07/22/03

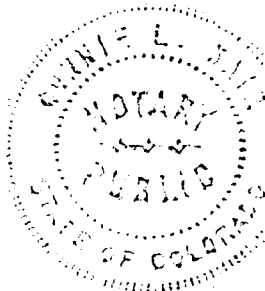


EXHIBIT "A"
DEED OF TRUST, LOAN NO. 99122701
DATED January 14, 2000

A portion of Tract 36 and 43 ENTERPRISE TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, more particularly described as follows:

Beginning on the Southerly line of Shasta Way, South 0 degrees 00 1/2' East 73 feet and North 89 degrees 54' East 280 feet from the section corner common to Sections 33 and 34, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, and Sections 3 and 4, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; thence South 0 degrees 00 1/2' East parallel with the West line of said Tract 43 along the East line of the tracts of land described in 2 deeds recorded in Deed Volume 225 at page 261 and Deed Volume 255 at page 613, 659.44 feet to the Northeast line of Pershing Way; thence South 55 degrees 50 1/2' East 277.99 feet along said Northeasterly line of Pershing Way; thence North 0 degrees 00 1/2' West 820 feet more or less to the Southerly line of Shasta Way; thence South 89 degrees 54' West 230 feet to the point of beginning.

Exhibit "B"
SMI Loan No. 99122701
Deed of Trust
Dated January 14, 2000

100 Frigidaire Refrigerators,
100 Frigidaire Stoves, and

to the extent, if any, that Trustor (Debtor) has an interest in: all machinery, equipment, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel or refrigeration, or for ventilating or sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse or garbage; all wallbeds, wallsafes, built-in furniture and installations, shelving, lockers, partitions, door stops, vaults, elevators, dumbwaiters, awnings, window shades, venetian blinds, light fixtures, fire hoses and brackets and boxes for same, fire sprinklers, alarm systems, drapery rods and brackets, screens, linoleum, carpets, plumbing, laundry tubs and trays, ice boxes, refrigerators, heating units, stoves, water heaters, incinerators, communication systems, all installations for which any such building is specifically designed, any reserve funds held pursuant to the Deed of Trust between the parties, any funds deposited with Secured Party pursuant to the Account Agreement, chattel paper, instruments, documents, and general intangibles from and relating to any leases, tenancies, occupancy or uses of the property, and any lease or other use agreement (if any should ever be considered personal property) on the property described on Exhibit "A".

State of Oregon, County of Klamath
Recorded 2/04/00, at 11:22 a. m.
In Vol. M00 Page 3726
Linda Smith,
County Clerk Fee \$ 146⁰⁰