

Return to:  
 John P. Kneeland  
 11600 SW Shilo Ln  
 Portland, OR.  
 97725

MTC 51080  
**ASSUMPTION AND ASSIGNMENT AGREEMENT**

This Agreement is made among Mark S. Hemstreet, hereinafter called "Transferor," Shilo Inn, Klamath Falls, LLC, hereinafter called "Borrower," and The Bank of Tokyo-Mitsubishi, Ltd., a banking corporation organized under the laws of Japan and doing business in Portland, Oregon, hereinafter called "Lender," and Ticor Title Insurance Company, hereinafter called "Trustee."

RECITALS

- A. Key Bank of Oregon ("Key") entered into the Construction Loan on March 28, 1995 with Transferor ("Loan"). The Loan was evidenced and documented by all of the documents set forth on Exhibit A attached to a Modification of Line of Credit Instrument, Deed of Trust and Security Agreement with Assignment of Rents and Other Defined Loan Documents dated March 8, 1996, and recorded March 19, 1996 in Vol. M96, Page 7441, real property records of Klamath County, Oregon ("Modification of Deed of Trust"), which by this reference is incorporated herein, and all of such documents are herein collectively called the "Original Loan Documents". Beneficiary has received a full and complete assignment of all the right, title and interest of Key in the Loan and the Original Loan Documents.
- B. The Loan is evidenced by a Note (the "Note") dated March 28, 1995 and secured by a Line of Credit Instrument, Commercial Deed of Trust and Security Agreement with Assignment of Rents, of the same date in which the Ticor Title Insurance Company of Oregon is named as Trustee (herein "Deed of Trust"). The Deed of Trust was recorded March 28, 1995 at Book M95, Page 7448, Records of Klamath County, Oregon. The Deed of Trust was amended by the Modification of Deed of Trust and a Second Modification of Deed of Trust dated effective April 1, 2000 ("Second Modification"). The Loan and the Note are further evidenced, guaranteed, and secured by the Original Loan Documents. The term "Note" as used herein include the Note, the Modification of Note and the Second Modification of Note. The term "Deed of Trust" as used herein and in the Second Modification of Note includes the Modification of Deed of Trust and the Second Modification of Deed of Trust. The Deed of Trust encumbers certain lands, premises, and property (the "Property") located in Klamath County, Oregon as more particularly described on Exhibit A attached hereto.
- C. The Modification of Note granted Transferor an option extend the term of the Loan until March 31, 2005, which option Transferor has exercised.

- D. By instrument of even date herewith, Transferor and Beneficiary have entered into a Second Modification of Note pursuant to which Transferor and Beneficiary have modified the Note and the Modification of Note. The term "Note" as used herein includes the Note as modified by the Modification of Note and the Second Modification of Note. The outstanding principal balance of the Loan as evidenced by the Second Modification of Note is now \$7,617,600.56.
- E. Transferor desires to transfer the Property to Borrower, and to have Borrower assume the Loan. Lender has agreed to consent to this transaction on the terms and conditions herein.

THE PARTIES HEREBY AGREE AS FOLLOWS:

Unpaid Balance of Note

1. As of April 1, 2000, the total unpaid principal balance on the Promissory Note is \$7,613,600.56, and the total unpaid accrued interest on the Promissory Note is \$ -0-.

Assumption of Liability

2. Borrower hereby agrees to Lender's conditions of consent and assumes and agrees to pay the obligation represented by the Promissory Note; acknowledges that the Property described in the Deed of Trust shall remain subject to the Deed of Trust and hereby assumes all of the duties of grantor under the Deed of Trust; acknowledges that nothing in this Agreement shall affect the priority of the lien of the Deed of Trust over other liens and encumbrances against the Property; and agrees to be bound by all of the conditions and covenants contained in the Promissory Note, the Assignment of Rents, and Deed of Trust. Borrower also agrees that the Deed of Trust and Assignment of Rents shall secure all other sums that Borrower may borrow in the future from Lender when such sums are evidenced by another note or notes stating that they are so secured, or if such sums become due pursuant to the terms of the Deed of Trust or the Promissory Note. Borrowers shall provide Lender with an Environmental Certificate and Indemnification Agreement satisfactory to Lender.

Consent to Transfer

3. Lender hereby consents to the transfer of the Property described in the Deed of Trust and waives its rights to accelerate the entire unpaid balance of the Promissory Note by reason of the transfer; provided, however, that this consent shall not be deemed a waiver of the right to require consent to future transactions, and provided, further, that any unpaid balance of the purchase price due Transferor from Borrower shall not be secured by lien on the Property, and the repayment shall be subordinate to the repayment of the Promissory Note; and such indebtedness and interest thereon of Borrower to Transferor, if Lender so requests, shall be collected, enforced, and received by Transferor as Trustee for Lender and be paid over to Lender.

#### Transferor's Continued Liability

4. In consideration of the execution and acceptance of this Agreement, Transferor hereby agrees to Lender's conditions of consent and agrees that the liability of Transferor on the Promissory Note, the Deed of Trust, the Assignment of Rents, and the Hazardous Substance Indemnity, shall not be affected by this Agreement. Transferor waives all notices from Lender. Transferor waives all suretyship defenses. Transferor hereby agrees that Lender may compromise, release, discharge, renew, extend, exchange or otherwise modify any obligation assumed by Borrower under the Promissory Note, Deed of Trust, and the Hazardous Substances Indemnity, or the instruments and documents evidencing the same, and may sell, dispose of or otherwise realize upon or release, exchange, or surrender to Borrower or any other owner or lienholder any or all of the collateral securing Borrower's obligation, and any and all such occurrences or events shall in no way effect Transferor's continuing liability on the Promissory Note, Deed of Trust or the Hazardous Substance Indemnity. Transferor, if required by Lender, shall execute a separate guaranty agreement in form satisfactory to Lender guarantying the performance by Borrower of the liabilities assumed by Borrower.

#### Assignment by Transferor

5. Transferor hereby transfers and assigns to Borrower all of its right, title and interest in and to any and all refunds and credits that may at any time accrue under the Deed of Trust.

#### Governing Law

6. All questions about the construction of this Agreement, and the right and liabilities of the parties to this Agreement, shall be governed by the laws of the State of Oregon.

#### Binding on Successors

7. This Agreement shall inure to the benefit of, and shall be binding on, the assigns, successors in interest, personal representatives, estates, heirs, and legatees of each of the parties.

#### Trustee's Acknowledgment

8. Trustee acknowledges the assumption and assignment provided for herein.

#### Attorney Fees and Costs

9. Borrower, Transferor and Guarantors agree to reimburse Lender for all costs, expenses, and reasonable attorneys' fees that Lender incurs in connection with the realization or enforcement of any obligation or remedy contained in this Agreement, the Promissory Note, the Deed of Trust or other related documents, with or without litigation, including without limitation any costs, expenses, and fees incurred: (a) in any foreclosure, trustee's sale or deed in lieu of foreclosure or trustee's sale; (b) on appeal; (c) in any petition for

review; (d) in any arbitration or mediation; (e) in any action contesting or seeking to restrain, enjoin, stay, or postpone the exercise of any remedy in which Lender prevails; (f) in any bankruptcy, probate, receivership or other proceeding involving Borrower, Transferor, or Guarantors; and (g) in connection with all negotiations, documentation, and other actions relating to any workout, compromise, settlement or satisfaction of the obligations being assigned by Transferor and assumed by Borrower. All such costs, expenses, and fees shall be due and payable upon demand, shall bear interest from the date incurred through the date of collection at the Default Rate stated in the Promissory Note, and shall be secured by the Deed of Trust.

Entire Agreement

10. This Agreement contains the entire agreement of the parties and supersedes any prior written or oral agreements between them concerning the subject matter of this Agreement. There are no representations, agreements, arrangements, or understandings, oral or written, among the parties relating to the subject matter of this Agreement, that are not fully expressed in this Agreement.

TRANSFEROR, BORROWER AND GUARANTORS ACKNOWLEDGE THE FOLLOWING TO THE LENDER:

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US 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 TO ENFORCEABLE.

Executed on May 2, 2000.

**TRANSFEROR**

By: Mark S. Hemstreet  
Mark S. Hemstreet

**LENDER**

**The Bank of Tokyo-Mitsubishi, Ltd.**

By: [Signature]  
Name: Hiroyuki Nakazawa  
Title: Vice President

**SIGNATURES CONTINUED**

**BORROWER****Shilo Inn, Klamath Falls, LLC**

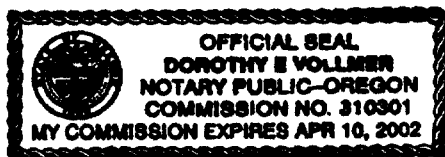
By: Shilo Management Corporation,  
John P. Kneeland *manager*  
 Name: John P. Kneeland  
 Title: V. P.

**TRUSTEE****Ticor Title Insurance Company**

By: Joe E. Spencer  
 Name: Joe E. Spencer  
 Title: Assistant Vice President

State of OREGON )  
 ) ss.  
 County of Washington )

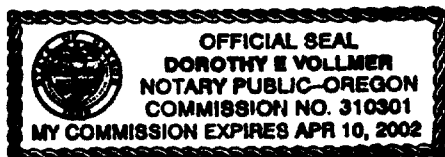
Subscribed and sworn to before me this 28<sup>th</sup> day of April, 2000 by Mark S. Hemstreet as Transferor.



Dorothy E. Vollmer  
 Notary Public for Oregon  
 My Commission Expires: 4/10/2002

State of OREGON )  
 ) ss.  
 County of Washington )

Subscribed and sworn to before me this 28<sup>th</sup> day of April, 2000 by John P. Kneeland as Vice President of Shilo Management Corporation, manager of Shilo Inn, Klamath Falls, LLC.



Dorothy E. Vollmer  
 Notary Public for Oregon  
 My Commission Expires: 4/10/2002

State of OREGON )

County of Multnomah )<sup>ss.</sup>

Subscribed and sworn to before me this 2nd day of May, 2000 by Hiroki Nakazawa as Vice President of The Bank of Tokyo-Mitsubishi, Ltd..



Jo E. Spencer  
Notary Public for Oregon  
My Commission Expires: 4-4-2002

State of OREGON )

County of Multnomah )<sup>ss.</sup>

Subscribed and sworn to before me this 4th day of May, 2000 by Jo E. Spencer as Asst. Vice President of Tigor Title Insurance Company.



Rene' Nicolescu  
Notary Public for Oregon  
My Commission Expires: \_\_\_\_\_

State of Oregon, County of Klamath  
Recorded 05/08/00, at 3:22 p.m.  
In Vol. M00 Page 16537  
Linda Smith,  
County Clerk Fee \$ 46.00