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| <b>Recording Requested By:</b><br><br>Rural Community Assistance Corporation<br>3120 Freeboard Drive, Suite 201<br>West Sacramento, CA 95691   | 200 SEP 19 PM 3: 22                      |
| <b>And When Recorded Mail To:</b><br><br>Rural Community Assistance Corporation<br>Attn: Loan Specialist<br>3120 Freeboard Drive, Suite 201<br>West Sacramento, CA 95691<br><br>Loan No: 0227-KHA-01 | Space above this line for Recorder's Use |

MTL 50538-KR  
**Deed of Trust and Assignment of Rents**

This deed of trust and assignment of rents made August 25, 2000, herein called "Deed of Trust", between Klamath Housing Authority, a Public Agency, herein called "Trustor", whose mailing address is 1445 Avalon, Klamath Falls, Oregon 97601, and AmeriTitle, herein called "Trustee", whose address is 222 South Sixth Street, Klamath Falls, Oregon 97601, and Rural Community Assistance Corporation, a California nonprofit public benefit corporation, herein called "Beneficiary", whose address is 3120 Freeboard Drive, Suite 201, West Sacramento, California 95691.

WITNESSETH: That Trustor, for the purpose of securing:

- (a) The payment of that certain promissory note of even date herewith in the principal sum of Two Hundred Thousand Dollars and No Cents (\$200,000.00), herein called "Note"; together with interest thereon payable to Beneficiary, or order, with final payment, if not sooner paid, due and payable on September 1, 2001; and to secure payment of any and all extensions or renewals of the Note, which extensions or renewals shall be optional with the Beneficiary, but at the Beneficiary's option may be made by new notes or otherwise, and at, before, or after maturity, and for all of which this Security Instrument shall stand as a continuing security until paid;
- (b) Performance of each agreement of Trustor incorporated by reference or herein contained;
- (c) The Note secured hereby evidences a construction loan and provides for advances as construction advances; advances under said Note are conditional in accordance with the terms and conditions of a Loan Agreement of even date between Trustor and Beneficiary which is incorporated hereby by reference, herein called "Loan Agreement";
- (d) The payment of all sums of money with interest which may be paid out or advanced by, or may otherwise be due to Trustee or Beneficiary under any provision of this Deed of Trust;
- (e) Payment of such further sums as the record owner of the subject property may hereafter borrow from Beneficiary, its successors or assigns when said borrowing is evidenced by a promissory note or notes reciting that it or they are so secured;

- (f) Performance and discharge of each and every obligation, covenant and agreement of Trustor herein contained and in any and all pledge agreements, supplemental agreement(s), or other instruments of security executed by Trustor as of even date herewith or at any time subsequent to the date hereof for the purpose of further securing any indebtedness hereby secured, or any part thereof, or any further advancement or further or additional loans of any sums hereafter made by Beneficiary or any successor of Beneficiary holding this Note, to Trustor or any successor of Trustor owning the real property described herein during the continuance of these trusts and secured hereby, or for the purpose of supplementing or amending this Deed of Trust or any instrument secured hereby; and
- (g) Performance under the Loan Agreement of even date herewith executed by Trustor;

Hereby irrevocably grants, transfers and assigns to Trustee in trust with power of sale, all of Trustor's interest, together with leases, issues, profits and income, subject however to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income, and any and all interest hereafter acquired by Trustor, in that certain real property, in the City of Klamath Falls, County of Klamath, State of Oregon described as follows:

See Exhibit A attached hereto and made a part hereof

Commonly known as Sunrise Meadows Subdivision/Country Village Apartments

Together with all buildings, improvements, and tenements now or hereafter erected on the property, and all heretofore or hereafter vacated alleys and streets abutting the property, and all easements, rights, appurtenances, rents (subject, however, to the assignment of rents to Beneficiary herein), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property, and all fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, on, or used, or intended to be used in connection with the property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants; all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the real property covered by this Deed of Trust; and all of the foregoing, together with said property are herein referred to as the "Property."

Trustor covenants that Trustor is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the Property, and that Trustor will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Beneficiary's interest in the Property.

*Uniform Covenants:* Trustor and Beneficiary covenant and agree as follows:

1. *Application of Payments:* Trustor shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, any late charges provided in the Note and all other sums secured by this Deed of Trust. Unless applicable law provides otherwise, all payments received by Beneficiary from Trustor under the Note or this Deed of Trust shall be applied by Beneficiary in the following order of priority: (a) any fees that may be due; (b) interest payable on the Note; (c) principal on the Note; (d) interest payable on advances; and (e) any other sums secured by this instrument in such order as Beneficiary, at Beneficiary's option, may determine.
  
2. *Charges; Liens:* Trustor agrees to pay, and to submit to Beneficiary evidence of payment: (a) at least ten (10) days before delinquency, all taxes and assessments affecting the Property, including assessments on appurtenant water stock, without permitting any improvement bond to issue for any special assessment for public improvements; (b) at least ten (10) days before delinquency, all rents, assessments and charges for water appurtenant to or used in connection with the Property; (c) when due, all encumbrances, charges and liens, with interest, on the Property, or any part thereof, which are, or appear to Beneficiary to be, prior to or superior hereto; (d) when due, the claims of all persons supplying labor or materials or equipment to or in connection with the Property; and/or (e) upon demand, all costs, fees, charges and expenses of this trust, whether or not described herein. Should Trustor fail to pay when due any of these items, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the Note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.
  
3. *Hazard Insurance:* Trustor shall keep the improvements now existing or hereafter erected on the Property insured by carriers at all times satisfactory to Beneficiary against loss by fire, hazards included within the term "extended coverage", rent loss and such other hazards, casualties, liabilities against bodily injury death or property damage and contingencies as Beneficiary shall require and in such amounts and for such periods as Beneficiary shall require, naming Beneficiary as loss payee. All premiums on insurance policies shall be paid by Trustor making payment, when due, directly to the carrier.

All insurance policies and renewals thereof shall be in a form acceptable to Beneficiary and shall include a standard mortgage clause in favor of and in form acceptable to Beneficiary. Beneficiary shall have the right to hold the policies, and Trustor shall promptly furnish to Beneficiary all renewal notices and all receipts of paid premiums. At least thirty (30) days prior to the expiration date of a policy, Trustor shall deliver to Beneficiary a renewal policy in form satisfactory to Beneficiary.

In the event of loss, Trustor shall give immediate written notice to the insurance carrier and to Beneficiary. Trustor hereby authorizes and empowers Beneficiary as attorney-in-fact for Trustor to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds and to deduct therefrom Beneficiary's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this paragraph shall require Beneficiary to incur any expense or take any action hereunder. Trustor further authorizes Beneficiary, at Beneficiary's option, (a) to hold the balance of such proceeds to be used to reimburse Trustor for the cost of reconstruction or repair of the Property, or (b) to

apply the balance of such proceeds to the payment of the sums secured by this Deed of Trust, whether or not then due, in the order of application.

If the insurance proceeds are held by Beneficiary to reimburse Trustor for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Beneficiary may approve in writing. Beneficiary may, at Beneficiary's option, condition disbursement of said proceeds on Beneficiary's approval of such plans and specifications of an architect satisfactory to Beneficiary, contractors' cost estimates, architects' certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as Beneficiary may reasonably require. If the insurance proceeds are applied to the payment of the sums secured by this Deed of Trust, any such application of proceeds to principal shall not extend or postpone the due dates of installments or change the amount of such installments. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

4. *Liability Insurance.* Trustor will maintain comprehensive general liability insurance covering the legal liability of Trustor against claims for bodily injury, death, or property damage occurring on, in, or about the Property with coverage of One Million Dollars (\$1,000,000) combined single limit, and naming Beneficiary an additional insured.
  - 4.1. *Insurance Survey.* During the last thirty (30) days of every third year computed from the date hereof, Trustor will have an insurance survey of the Property made. Trustor shall at these times obtain such additional coverage or make such increased in the amounts of existing coverage as may be requested by Beneficiary on the basis of such survey.
  - 4.2. *General Provisions.* All policies of insurance required to be maintained by Trustor pursuant to Paragraph 3 and 4 hereof shall be in form and substance and with companies acceptable to Beneficiary. Beneficiary retains the discretion to increase the amount of the required coverage, require insurance against additional risks, or withdraw approval of any insurance company at any time. Trustor shall obtain renewals of any policies which expire and deliver evidence of such renewals (or, if requested by Beneficiary, the original policy) to Beneficiary no later than ten (10) days prior to the expiration date of the policy being replaced. All policies and renewals thereof shall contain provisions for thirty (30) days' notice to Beneficiary prior to any cancellation thereof. Notwithstanding any of the foregoing, neither Trustee nor Beneficiary shall be responsible for any such insurance or for the collection of any insurance moneys, or for any insolvency of any insurer or insurance underwriter. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any Trustee's or sheriff's sale held hereunder.
5. *Late Payment; Partial Payment:* The acceptance by Beneficiary of any payment less than the amount then due shall be deemed an acceptance on account only, and shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due or of Beneficiary's right either to require prompt payment of all sums then due or to declare default. The acceptance by Beneficiary of payment of any sum secured hereby after its due date shall not constitute a

waiver of the right of Beneficiary either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay. No waiver of any default shall be a waiver of any preceding or succeeding default of any kind, nor shall the consent to any transaction or occurrence be a consent to, or a waiver of the right to require a consent to, any other transaction or occurrence, whether or not similar in nature.

6. *Appear and Defend:* Trustor agrees to appear in and defend any action or proceeding purporting to affect the security hereof, the Property or the rights or powers of Beneficiary and/or Trustee. Beneficiary, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may appear in and defend any such action or proceeding and may make any compromise or settlement thereof. Trustor agrees to pay all costs and expenses of Beneficiary and Trustee, including costs of evidence of title and attorneys' fees in a reasonable sum, at trial, on appeal and in bankruptcy proceedings, in any such action or proceeding in which Beneficiary may appear, irrespective of whether the interest of Beneficiary in the Property is directly questioned by such action or proceeding or whether Trustor appears or defends, including any action for the condemnation or partition of the Property, and in any action or proceeding instituted by Beneficiary to protect or enforce the security of this Deed of Trust or the obligations secured hereby, including a suit by Beneficiary to foreclose this Deed of Trust.
7. *Hazardous Waste:* For purposes of this Deed of Trust, "hazardous substance" means any hazardous or toxic substances, materials or wastes, including, but not limited to, those substances, materials, and wastes defined by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law including, without limitation, any material, waste or substance which is: (i) petroleum; (ii) asbestos; (iii) polychlorinated biphenyls; (iv) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §1251 et. seq. (33 U.S.C. §1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. §1317), (Hazardous Substances, Radiation Sources, ORS Chapters 453.001, et. seq. Solid Waste Control, ORS Chapters 459.005, et. seq., Hazardous Waste and Hazardous Materials, ORS Chapters 466.005, et. seq., Pollution Control, ORS Chapters 468.0005, et. seq., Oregon Drinking Water Quality Act, ORS Chapters 448.123, et. seq., Ground Water Act of 1955, ORS Chapters 537.505, et. seq.; (v) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act., 42 U.S.C. § 6903); or (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C §9601, et seq. (42 U.S.C. §9601); all as amended, replaced or succeeded, and any other substance or matter defined as a toxic or hazardous substance or material or pollutant or contaminant under any other federal, state or local laws, ordinances or regulations or under any reported decision of a state or federal court, or any substance or matter imposing liability for clean-up costs or expenses on any person or entity under any statutory or common law theory.
- 7.1. To Trustor's best knowledge and after due and diligent inquiry, Trustor represents and warrants that neither Trustor nor any previous owner or user of the Property has used, generated, stored or disposed of above, in, on, under or around the Property any hazardous substance and that there is not now, nor have there ever been tanks or facilities on, under or

at the Property which contaminated materials, which if known to be present in solid or ground water, would require cleanup, removal or some other remedial action under any federal, state or local law or regulation. Trustor hereby covenants and agrees that Trustor will not conduct, permit or authorize the generation, transportation, storage, treatment or disposal at the Property of any hazardous substance, and neither Trustor or any agent, servant or employee shall generate, store, bury or dispose of any hazardous substance on or in a location that will adversely affect the Property. Trustor shall promptly and diligently comply with all requirements of federal, state or local laws, statutes, ordinances or regulation, or court or administrative orders or decrees, or private agreements pertaining to hazardous substances.

- 7.2. If the presence, release, threat of release, placement on or in the Property, or the generation, transportation, storage, treatment or disposal at the Property of any hazardous substance: (i) gives rise to liability (including but not limited to, a response action, remedial action or removal action) under RCRA, CERCLA, state toxic waste laws, or otherwise, or (ii) causes a significant public health effect, or (iii) pollutes or threatens to pollute the environment, Trustor shall, at its sole expense, promptly take any and all remedial and removal action necessary to clean up the Property and mitigate exposure to liability arising from the hazardous substance, whether or not required by law.
- 7.3. Trustor shall promptly give Beneficiary: (i) written notice and a copy of any notice or correspondence it receives from any federal, state or other government authority regarding hazardous substances on the Property or hazardous substances which affect or will affect the Property; (ii) written notice of any knowledge or information Trustor obtains regarding hazardous substances on the Property or hazardous substances which will affect the Property or expenses or losses incurred or expected to be incurred by Trustor or any government agency to study, assess, contain or remove any hazardous substances on or near the Property; and (iii) written notice of any knowledge or information Trustor obtains regarding the release or discovery of hazardous substances on the Property or on other Property owned by the Trustor or for which Trustor is or may be responsible.
8. *Condition of Property:* Trustor agrees to keep the Property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting the Property or requiring any alterations or improvements to be made thereon: not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of laws; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of the Property may be reasonably necessary, the specific enumerations herein not excluding the general.
9. *Use of Property:* Unless required by applicable law or unless Beneficiary has otherwise agreed in writing, Trustor shall not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed as described in the Loan Agreement. Trustor shall not initiate or acquiesce in a change in the zoning classification of the Property without Beneficiary's prior written consent. Trustor shall comply with all laws of applicable governmental entities with respect to the property.

10. *Protection of Beneficiary's Security:* If Trustor fails to perform the covenants and agreements contained in this Deed of Trust, the Note and/or Loan Agreement, or if any action or proceeding is commenced which affects the Property or title thereto or the interest of Beneficiary therein, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Beneficiary or Trustee at Beneficiary's option and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof may make such appearances, disburse such sums and take such action as Beneficiary deems necessary, in its sole discretion, to protect Beneficiary's interest, including, but not limited to, (a) disbursement of attorney's fees, (b) entry upon the Property to make repairs, and (c) procurement of satisfactory insurance as provided in paragraphs 3 and 4 hereof.

Any amount disbursed by Beneficiary pursuant to this paragraph, with interest thereon, shall become additional indebtedness of Trustor secured by this Deed of Trust. Unless Trustor and Beneficiary agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the rate stated in the Note. Trustor hereby covenants and agrees that Beneficiary shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the indebtedness secured hereby. Nothing contained in this paragraph shall require Beneficiary to incur any expense or take any action hereunder.

11. *Inspection:* Beneficiary may either in person or by agent enter the Property, including the building and improvements thereon, for the purpose of inspecting same.
12. *Books and Records:* Trustor shall keep and maintain at all times at Trustor's address stated above, or such other place as Beneficiary may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operations of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Beneficiary. Upon Beneficiary's request, Trustor shall furnish to Beneficiary, within one hundred and twenty (120) days after the end of each fiscal year of Trustor, a balance sheet, a statement of income and expenses of the Property, and a statement of changes in financial position, each in reasonable detail and certified by Trustor and, if Beneficiary shall require, by an independent certified public accountant.
13. *Condemnation:* Trustor shall promptly notify Beneficiary of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or any part thereof, and Trustor shall appear in and prosecute any such action or proceeding unless otherwise directed by Beneficiary in writing. Trustor authorizes Beneficiary, at Beneficiary's option, as attorney-in-fact for Trustor, to commence, appear in and prosecute, in Beneficiary's or Trustor's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, or

for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Beneficiary.

Trustor authorizes Beneficiary to apply such awards, payments, proceeds or damages, after the deduction of Beneficiary's expenses incurred in the collection of such amounts, at Beneficiary's option, to restoration or repair of the Property or to payment of the sums secured by this Deed of Trust, whether or not then due, in the order of application set in paragraph 1 hereof, with the balance, if any, to Trustor. Unless Trustor and Beneficiary otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments change the amount of such installments. Trustor agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Beneficiary may require.

14. *Forbearance by Beneficiary Not a Waiver:* Any forbearance by Beneficiary in exercising any rights or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Beneficiary of payment of any sum secured by this Deed of Trust after the due date of such payment shall not be a waiver of Beneficiary's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Beneficiary shall not be a waiver of Beneficiary's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.
15. *Remedies Cumulative:* Each remedy provided in this Deed of Trust is distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.
16. *Acceleration in Case of Trustor's Insolvency:* If Trustor shall voluntarily file a petition under the Federal Bankruptcy Act, as such Act may from time to time be amended, or under any similar or successor Federal statute relating to bankruptcy, insolvency, arrangements or reorganizations, or under any state bankruptcy or insolvency act, or file an answer in an involuntary proceeding admitting insolvency or inability to pay debts, or if Trustor shall fail to obtain a vacation or stay of involuntary proceedings brought for the reorganization, dissolution or liquidation of Trustor, or if Trustor shall be adjudged a bankrupt, or if a Trustor or receiver shall be appointed for Trustor or Trustor's Property, or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court or similar state court, or if Trustor shall make an assignment for the benefit of Trustor's creditors, or if there is an attachment, execution or other judicial seizure of any portion of Trustor's assets and such seizure is not discharged within ten (10) days, then Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable without prior notice to Trustor, and Beneficiary may invoke any remedies permitted by paragraph 24 of this Deed of Trust. Any attorney's fees and other expenses incurred by Beneficiary in connection with Trustor's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Trustor secured by this Deed of Trust pursuant to paragraph 10 hereof.



17. *Transfer of Property:* The financial stability of Trustor (and of those persons or entities having a direct or beneficial interest in Trustor if it is a corporation or partnership) are a substantial and material consideration to Beneficiary in its agreement to make the loan to Trustor evidenced by the Note. Trustor understands that a transfer of Property may significantly and materially alter and reduce Beneficiary's security for the Note. Therefore, in order to induce Beneficiary to make the loan secured hereby, Trustor agrees that, in the event of any transfer of Property without the prior written consent of Beneficiary, Beneficiary shall have the absolute right at its option, to declare all sums secured hereby immediately due and payable. Beneficiary may grant or deny such consent in its sole discretion and, if consent should be given, any such transfer shall be subject to the Deed of Trust, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained hereon. Such assumption shall not, however, release Trustor, maker or any Guarantor of the Note from any liability thereunder unless Beneficiary releases Trustor, maker or Guarantor in writing. As used herein, "transfer" includes the sale, agreement to sell, transfer or conveyance of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise or the lease of all or substantially all of the Property. "Transfer" shall also include the transfer, assignment or conveyance, beneficially or legal, of (i) fifty percent (50%) of the voting stock of Trustor, if Trustor is a corporation, and/or (ii) fifty percent (50%) of the aggregate partnership interest of Trustor, if Trustor is a partnership.

If Beneficiary exercises the option to require immediate payment in full, Beneficiary shall give Trustor notice of acceleration. The notice shall provide a period of not less than thirty (30) days from the date the notice is delivered or mailed within which Trustor must pay all sums secured by this Deed of Trust. If Trustor fails to pay these sums prior to the expiration of this period Beneficiary may invoke any remedies permitted herein, without further notice or demand on Trustor.

18. *Notices:* All notices, including any notice or notices of any default or sale pursuant to such default, hereunder, and any other statement, demands, requests, consents, approvals, authorizations, agreements and designations under this Deed of Trust shall be in writing and, unless otherwise provided herein or by law, shall be sufficiently given and served if delivered personally or sent by mail, postage prepaid, and addressed as follows:

To Beneficiary at its principal office for the transaction of business;  
 To Trustee at its principal office for the transaction of business;  
 To Trustor at its post office address as shown in this Deed of Trust.

19. *Successors and Assigns:* The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to the respective successors and assigns of Beneficiary and Trustor, subject to the provisions of paragraph 17 hereof. All covenants and agreements of Trustor shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Beneficiary may act through its employees, agents or independent contractors as authorized by Beneficiary. The caption and heading of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof. 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.

20. *Waiver of Statute of Limitations:* Trustor 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 or any other obligation secured by this Deed of Trust.
21. *Waiver of Marshalling:* Notwithstanding the existence of any other security interests in the Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Beneficiary shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Trustor, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.
22. *Construction:* If the indebtedness secured hereby, or any part hereof, is incurred for the purpose of constructing improvements on the Property, anything in this Deed of Trust to the contrary notwithstanding, Trustor agrees: a) to commence construction promptly and to pursue same with reasonable diligence to completion; (b) to complete the improvements in accordance with the plans and specifications satisfactory to Beneficiary; (c) to comply with all the provisions of the Loan Agreement and assignment of account entered into with Beneficiary; (d) to replace any work or materials unsatisfactory to Beneficiary within fifteen (15) days after written notice from Beneficiary of such fact; (e) that work shall not cease on the construction of such improvements for any reason whatsoever for a period of fifteen (15) days, whether consecutive or not; and (f) to allow Beneficiary to inspect said Property at all times during construction. If the Property is part of a larger tract upon which improvements are to be constructed, Trustor shall make separate contracts for constructing improvements on the Property and shall keep separate, full and complete records of all work and materials furnished to the Property.
23. *Assignment of Rents:* As additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of this trust, to collect the rents, issues and profits of the Property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any obligation hereunder, to collect and retain such rents, issues and profits but not before 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 appointed by a court, and without regard to the adequacy of any security for the indebtedness secured hereby, enter upon and take possession of the Property or any part thereof; in its own name sue for or otherwise collect such rents, 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 in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, 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.

24. *Acceleration; Remedies:* Upon default by Trustor in payment of any indebtedness secured hereby or in performance of any obligation hereunder, or any obligation under the Loan Agreement or any other Loan Documents or upon default under any prior lien or encumbrance on all or any part of the Property, whether or not a default has been declared, or if any representation or warranty made by or for the benefit of Trustor herein or elsewhere in connection with the loan secured hereby, including but not limited to any representations in connection with the security therefor, shall prove to have incorrect or misleading in any material respect; Beneficiary may declare the entire indebtedness secured hereby immediately due and payable. Beneficiary may: a) foreclose this Trust Deed as a mortgage; b) cause the Trustee to foreclose this Trust Deed by advertisement and sale in accordance with Oregon law; c) waive the collateral for the loan and sue to collect the debt; and d) exercise all other rights and remedies under the Loan Documents, under law or otherwise, including without limitation to the appointment of a receiver as a matter of right without regard to the sufficiency of the collateral for the debt.

All Property securing the indebtedness secured hereby, including any shares of corporate stock, may be sold as a unit or in such order as Trustee shall determine. Beneficiary may at its option foreclose upon any shares of corporate stock securing the indebtedness secured hereby by independent pledge sale. Any person, including Trustor, Trustee or Beneficiary, may purchase at any sale hereunder. After deducting all costs, fees and expenses of Trustee and of this trust, including costs of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: (a) all sums expended under the terms hereof, not then repaid, with interest from the date of expenditure at the rate specified in the Note; (b) all other indebtedness then secured hereby; and (c) the remainder, if any, to the person or persons legally entitled thereto.

Trustee and Beneficiary, and each of them, shall be entitled to enforce payment or performance of any obligation secured hereby and to exercise all rights and powers under this Deed of Trust or under any other agreement or any laws now or hereafter in force, notwithstanding some or all of the obligations secured hereby are now or shall hereafter be otherwise secured, whether by mortgage, Deed of Trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other power herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary or Trustee in such order and manner as they or either of them may in their uncontrolled discretion determine.

25. *Fraud:* Trustor has made certain representations and disclosures in order to induce Beneficiary to make the loan evidenced by the Note or notes secured hereby, and if Trustor has made any material misrepresentation or failed to disclose any material fact, Beneficiary may declare the entire indebtedness secured hereby immediately due and payable.
26. *Trustee:* At any time, or from time to time, without liability therefor and without notice, upon written request from Beneficiary and presentation of this Deed of Trust and the Note or notes secured hereby for endorsement, and without affecting the liability of any person

- for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Property in securing the full amount of the indebtedness then or thereafter secured hereby or the rights or powers of Beneficiary or Trustee with respect to the remainder of the Property, Trustee may (but shall not be obligated so to do): (a) reconvey all or any part of the Property; (b) consent in writing to the making of any map or plat thereof; or (c) join in granting any easement or creating any restriction thereon.
27. *Reimbursement of Costs:* Trustor agrees to pay: (a) the amount demanded by Beneficiary, not to exceed the maximum allowed by law therefor at the time such request is made, for each statement requested by Trustor, or on his behalf, regarding the indebtedness secured hereby; and (b) the charges of Beneficiary for any other service rendered Trustor, or on his behalf, connected with this Deed of Trust or the indebtedness secured hereby including the delivery to an escrow holder of a request for full or partial reconveyance of this Deed of Trust, transmitting to an escrow holder moneys secured hereby, changing its records pertaining to this Deed of Trust and indebtedness secured hereby, to show a new owner of the Property, and replacing an existing policy of insurance held by Beneficiary hereunder with another such policy.
  28. *Reconveyance:* Upon written request of Beneficiary stating that the entire indebtedness secured hereby has been paid, and upon surrender to Trustee of this Deed of Trust and the Note or notes secured hereby for cancellation and retention and upon payment of Trustee's fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Such reconveyance shall operate as a reassignment of rents, issues and profits hereinafter assigned to Beneficiary.
  29. *Substitution of Trustee:* Beneficiary or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the predecessor Trustee, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustee, Trustor and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee. Trustee is not obligated to notify any party hereto of pending sales under any other Deed of Trust or of any action or proceeding in which Trustor, Trustee and Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.
  30. *Future Advances/Modifications:* Upon request of Trustor, Beneficiary, at Beneficiary's option as long as this Deed of Trust secures indebtedness held by Beneficiary, may make future advances to Trustor. Such future advances, with interest thereon, shall be secured by this Deed of Trust when evidenced by promissory notes stating that said notes are secured hereby.

From time to time, Beneficiary may, at Beneficiary's option, without giving notice to or obtaining the consent of Trustor, Trustor's successors or assigns or of any junior lienholder or guarantors, without liability on Beneficiary's part and notwithstanding Trustor's breach of any covenant or agreement of Trustor in this Deed of Trust, extend the time for payment of said indebtedness or any part thereof, reduce the payment thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of said indebtedness, release from the lien of this instrument any part of the Property, take or release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in the extension or subordination agreement and agree in writing with Trustor to modify the rate of interest or period of amortization of the Note or change the amount of installments payable thereunder. Any action taken by Beneficiary pursuant to the terms of this paragraph shall not affect the obligation of Trustor or Trustor's successors or assigns to pay the sums secured by this Deed of Trust and to observe the covenants of Trustor contained herein, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the indebtedness secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Trustor shall pay Beneficiary a reasonable service charge, together with such title insurance premiums and attorney's fees as may be incurred at Beneficiary's option, for any such action if taken at Trustor's request.

31. *Governing Laws; Severability:* This Deed of Trust shall be governed by the law of the jurisdiction in which the Property is located. In the event that any provision of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provisions, and to this end the provisions of this Deed of Trust and the Note are declared to be severable. In the event of any inconsistency among or between the documents evidencing the Note secured by this Deed of Trust the order of precedence shall be: (1) Deed of Trust, (2) Promissory Note, and (3) Loan Agreement.
32. *Changes:* This Deed of Trust cannot be changed except by agreement in writing signed by the parties against whom enforcement of the change is sought.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust and has caused to same to be executed by its representatives hereunto due authorized as of the date first written above.

*Klamath Housing Authority,*  
a Oregon public agency

By:

  
Wayne Connors  
Executive Director

## General Acknowledgment:

State of Oregon

County of Klamath

} ss.

On August 30, 2000 before me, Kristi L. Redd, Notary Public for Oregon  
(Notary Name and Title)

personally appeared Wayne Connors, Executive Director, Klamath Housing Authority, a Oregon public agency, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacity, and that by their signature on the instrument, the entity upon behalf of which they acted, executed the instrument.

Witness my hand and official seal.

Signature

Kristi L. Redd

(This area for official notarial seal)



RCAC Loan #0227-KHA-01

Exhibit A

**Legal Description**

Parcel 2 of Land Partition 58-94 on file in the office of the Klamath County Clerk, situated in the SE1/4 of the NE1/4 and the S1/4 and the S1/2 of the NE1/4 of the NE1/4 of Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

**State of Oregon, County of Klamath**  
Recorded 09/19/00, at 3:22 p. m.  
In Vol. M00 Page 34271  
**Linda Smith,**  
County Clerk Fee\$ 96.<sup>00</sup>