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Loan No. L00530

MTG SALES - LB
DEED OF TRUST
(Short Form)

Vol MOO Page 35253

This Deed of Trust made this 22 day of September, 2000 between the Grantor(s) SCOTT D. AND DEANNA L. MCMAHON (referred to as "I" or "me" and includes any heirs, assigns or representatives), the Borrower, whose address is 1427 TAMERA DRIVE, KLAMATH FALLS, OREGON 97603 the Trustee AMERITITLE 222 SOUTH SIXTH STREET, KLAMATH FALLS, OREGON 97601 and the Beneficiary; the STATE OF OREGON, OFFICE OF ENERGY, its successors and assigns (referred to as "OOE" or "You" and includes any heirs, assigns, agents or representatives), whose address is 625 Marion St. NE, Suite 1, Salem, OR 97301-3742.

I, in consideration of THIRTY THOUSAND AND NO/100 dollars (\$30,000.00) paid to me by you and by signing below, am granting to the Trustee, in trust, with the power of sale, this property in KLAMATH County, Oregon:

PARCEL 1: Lot 11, Block 8, THIRD ADDITION TO MOYINA, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 2: Lot 12, Block 8, THIRD ADDITION TO MOYINA, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Commonly know as: 1427 TAMERA DRIVE, KLAMATH FALLS, OREGON 97603 and all buildings and other improvements and fixtures now or later located on it. I'm presently assigning to you any future rents from the property and granting you a security interest in all fixtures as security for the debt described below. I agree that I'll be legally bound by all the terms stated in this Deed of Trust.

1. **Debt Secured.** This Deed of Trust and assignment of rents secures the payment of the principal, interest, late charges, collection costs, attorneys' fees (including any on appeals), and other amounts owing under the following Trust Deed Note:

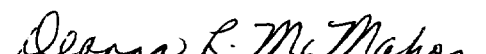
* * * * * TRUST DEED NOTE * * * * *

For value received, I promise to pay to you the principal sum of THIRTY THOUSAND AND NO/100 dollars, (\$30,000) plus interest from the date hereof on the unpaid principal balance at the rate of SEVEN POINT FIVE ZERO percent (7.50%) per year. I agree to make equal monthly payments of TWO HUNDRED SEVENTY EIGHT AND 10/100'S dollars, (\$278.10) each, including principal and accrued unpaid interest starting NOVEMBER 1, 2000 and continuing on the same day of each and every month following until OCTOBER 1, 2015 when the entire unpaid principal balance, plus accrued unpaid interest, shall be due and payable in full.

If I don't make any payment within 30 days of its due date you may, at your option, demand the entire balance plus interest due and payable. You do not have to present the note for payment, or demand payment, or give me notice of dishonor, protest or nonpayment. I will make all payments to you at any place designated by you in writing. This Note is secured by a Deed of Trust, the terms of which are made a part hereof.



SCOTT D. MCMAHON



DEANNA L. MCMAHON

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The Deed of Trust will also secure future credit you may later give me on this property, and any other amounts owed to you under this Deed of Trust. It will also secure my performance of all my promises and agreements in this Deed of Trust.

2. **Payments by Borrower.** I will observe all obligations and will allow no event of default under this Deed of Trust and Note or under any other agreement in effect or later made between myself and the OOE. If the loan secured by the Deed of Trust is refinanced or if I receive any funds from other sources to construct the improvements after this loan is made, then I will pay those funds to you.

3. **Prepayment.**

Borrower may prepay the unpaid principal balance of the Loan, in full or in part, without penalty. Any prepayment shall be applied first to accrued and unpaid interest, and then to the unpaid principal balance of the Loan. No partial prepayment shall postpone the due date of any subsequent Loan payment or change the amount of such Loan payments, unless Lender shall otherwise agree in writing.

4. **Insurance, Liens, and Upkeep.**

4.1 I'll keep the property insured by companies acceptable to you with fire, theft, and extended coverage insurance, or any type or form of insurance you may require from time to time. The policy amount will be enough to pay the entire amount owing on the debt secured by the Deed of Trust or the insurable value of the property, whichever is less, despite any "co-insurance" or similar provision in the policy. The insurance policies will have your standard loss payable endorsement. If there is a loss, you may collect and apply the proceeds to the property or the debt owing at your option.

4.2 I'll pay taxes and any debts that might become a lien on the property, and will keep it free of mortgages and liens, other than those you approve in writing.

4.3 I'll also keep the property in good condition and repair and will prevent the removal of any of the improvements.

4.4 If any of these things agreed to in Section 4 or in any section of this Deed of Trust, are not done, you may do them and add the cost to the loan. I'll pay the cost of your doing these things as soon as you ask, with interest at the highest rate charged on any of the notes that are then secured by this Deed of Trust. You may increase the amount of the payments on the secured debt to include these costs and interest. Even if you do these things, my failure to do them will still be a default under Section 8, and you may still use other rights you have for the default.

WARNING: Unless you provide us with evidence of the insurance coverage as required by this agreement, we may purchase insurance at your expense to protect our interest. If the collateral becomes damaged, the coverage we purchase may not pay 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 loan balance. If the cost is added to your loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be 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 mandatory liability insurance requirements imposed by applicable law.

5. **Use of Property.** The property is not now used for agriculture, timber or grazing purposes. I won't use the property in any way that would cause you to lose your federal tax exemption on the debt secured by this Deed of Trust. The project I build with the loan proceeds will be used as a Small Scale Local Energy Project (as defined in ORS 470, as amended, and known as the "Project") until I have paid this loan in full. I understand that you must approve my plans to build, operate and maintain the project.

6. **Compliance with Laws.** I warrant that the project and improvements comply with any comprehensive land use plan in effect and any and all laws or ordinances that apply to my project and the operation or maintenance thereof.

7. **Indemnification.** I understand that you do not assure the safety, soundness or practicality of my project. I will hold you harmless from any liens, judgments, and claims arising from the building or operation of the project.

8. **Sale or Transfer.** I won't sell, rent, lease or transfer the property without getting your written permission first. If you give me your permission, it won't affect your lien or my responsibility to pay the debt secured by this Deed of Trust.

9. **Protecting Your Interest.** I'll do anything that may now or later be necessary to perfect and preserve your lien, and I'll pay all recording fees and other fees and costs involved. I authorize you as my agent to enter upon the property to do any of the things I have agreed to do in this Deed of Trust and Note.

10. **Condemnation.** If any suit for condemnation arises, I will notify you and you will be entitled to use any of my rights. Any damages resulting will be payable to you against this loan with the excess payable to me.

11. **Default.** It will be a default:

11.1 If I don't make any payment on the debt secured by this Deed of Trust when it's due.

11.2 If I fail to keep any agreement I've made in this Deed of Trust, or if I default under any agreement or other document that secures any part of the debt secured by this Deed of Trust.

- 11.3 If I become insolvent or bankrupt.
- 11.4 If I've given you a false financial statement, or if I haven't told you the truth about my financial situation, about the security, or about my use of the money loaned.
- 11.5 If any person tries or threatens to foreclose or declare a forfeiture on the property under any land sale contract or to foreclose any lien on the property.
11. If a responsible title company refuses to insure that this Deed of Trust is a valid lien subject only to those exceptions previously approved by you or if a title company revokes its policy or fails to perform under that policy.
- 11.7 Any litigation brought under this Deed of Trust and Note shall be conducted in the Courts of the County designated by you (OOE) or Marion County.
12. If you delay or forbear to exercise any of your rights under default, it will not waive your right to exercise those rights at any time.
13. Inspection. You may inspect the property upon reasonable notice. You are not liable for the results of inspecting or not inspecting the property.
14. Your Rights After Default. After a default you will have the following rights and may use any one, or any combination of them, at any time:
- 14.1 You may declare this entire secured debt immediately due and payable without notice.
- 14.2 You may collect all or any part of the debt secured by this Deed of Trust directly from any person obligated to pay it.
- 14.3 You may foreclose this Deed of Trust in equity as a mortgage or direct the Trustee to foreclose by advertisement and sale under the law.
- 14.4 You may have any rents from the property collected and pay the amount received, over and above costs of collection and other lawful expenses, on the debt secured by this agreement.
- 14.5 You may use any other rights you have under the law, this Deed of Trust or other agreements.
15. Reconveyance. When the secured debt is completely paid off, I understand that you will give this Deed of Trust and Note and all notes in connection with this debt to the Trustee. The Trustee will then reconvey the property to me without warranty. I will pay all the Trustee's charges.
16. Change of Address. I'll give you my new address in writing whenever I move. You may give me any notices by regular mail at the last address I've given you.
17. Oregon Law Applies. This Deed of Trust and the loan it secures will be governed by Oregon law. If any section conflicts with the law, only that section is affected and not the entire agreement.

Notice to Borrower

Do not sign this Agreement before you read it.

I agree to all the terms of this Deed of Trust dated September 22, 2000.

Scott D. McMahon
SCOTT D. MCMAHON

Deanna L. McMahon
DEANNA L. MCMAHON

State of Oregon
County of Klamath

This instrument was acknowledged before me on 9-22-00 by Scott D. McMahon & Deanna L. McMahon



Linda L. Baughman
Escrow Officer
Title
My commission expires: 3-15-04

TO TRUSTEE, REQUEST FOR RECONVEYANCE:

The undersigned is the holder of the Note or Notes secured by the Deed of Trust. All indebtedness secured by this Deed of Trust has been paid in full. You are directed to cancel said Note or Notes and this Deed of Trust and reconvey, without warranty, all the estate held under this Deed of Trust to the person or persons legally entitled thereto.

OREGON OFFICE OF ENERGY

Date

Authorized Signature

Title

After Recording Return To:
Oregon Office of Energy
Attn: Small Scale Energy Loan Program
625 Marion Street N.E., SUITE 1
Salem OR 97301-3742

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State of Oregon, County of Klamath
Recorded 09/27/00, at 10:54 a.m.
In Vol. M00 Page 35253
Linda Smith,
County Clerk Fee\$ 26.00