

04 OCT 26 PM 3:35

MTT -65294 KR

Vol M04 Page 73296

WHEN RECORDED, RETURN TO:

Pacific Coast Investment Company
Key Tower Building
700 5th Avenue, Suite 6010
Seattle, WA 98104

State of Oregon, County of Klamath
Recorded 10/26/04 3:35 p m
Vol M04 Pg 73296-73326
Linda Smith, County Clerk
Fee \$ 181⁰⁰ # of Pgs 31

LINE OF CREDIT INSTRUMENT

The maximum principal amount to be advanced pursuant to the credit agreement secured by this line of credit instrument is \$1,090,000.00 and the maturity date of the credit agreement secured by this line of credit instrument, exclusive of any option to renew or extend such maturity date, is October 1st 2005. The maximum principal amount to be advanced pursuant to the credit agreement secured by this line of credit instrument may be exceeded by advances to complete construction. *RC*

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

THIS DOCUMENT CONSTITUTES A FIXTURE FILING
IN ACCORDANCE WITH ORS 79.0502

RC THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT is made this 20th 11th day of October, 2004, between **PAUL EARNEST GUEST, aka PAUL E. GUEST**, whose address is 2103 Bush Street, San Francisco, CA 94115 (hereinafter called "Grantor"); **CHICAGO TITLE INSURANCE COMPANY OF OREGON**, whose address is 888 S.W. Fifth Avenue, Suite 930, Portland, OR 97204 (hereinafter called "Trustee"); and **PACIFIC COAST INVESTMENT COMPANY**, a Washington corporation, whose address is Key Tower, 700 Fifth Avenue, Suite 6010, Seattle, WA 98104 (hereinafter called "Beneficiary").

WITNESSETH:

That Grantor does hereby irrevocably GRANT, BARGAIN, SELL, and CONVEY TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in the County of Klamath, State of Oregon, fully described in Exhibit "A" attached hereto, which is herein called the "Property":

PAGE 1. DEED OF TRUST, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT
1220\new\O PCIC (Guest) New Deed of Trust

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11000

TOGETHER WITH all right, title and interest of Grantor in and to all contract rights, chattel paper, rents, insurance proceeds, general intangibles and all accounts now in existence or hereafter acquired which arise out of the use, occupancy or operation of the Property, including, but not limited to, all monies due and to become due thereunder and all guaranties and security for the payment of monies due and to become due thereunder;

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively called "rents"), subject to the right, power and authority hereinafter given to Grantor to collect and apply such rents;

TOGETHER WITH all leasehold estate, right, title and interest of Grantor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into; and all right, title and interest of Grantor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all interests, estate or other claims, both in law and in equity, which Grantor now has or may hereafter acquire in the Property;

TOGETHER WITH all right, title, and interest of Grantor in any permit to extract sand and gravel or other minerals from the Property;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights and shares of stock evidencing the same;

TOGETHER WITH all right, title and interest of Grantor, now owned or hereafter acquired, in water rights, permits to appropriate public waters, stock in any water company, rights under any well use agreement, and all rights, title and interest in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property; and any and all sidewalks, alleys, and strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery, sprinkler and other watering systems, and other articles attached to said buildings and improvements (the "Improvements");

TOGETHER WITH all right, title and interest of Grantor in and to all tangible personal property (the "Personal Property") owned by Grantor and now or at any time hereafter located on or at the Property or used in connection therewith, including, but not limited to, all goods, machinery, tools, insurance proceeds, equipment (including fire sprinklers and alarm systems, air conditioning, heating, refrigerating, electronic monitoring, computers and computer equipment, entertainment, recreational, and all other equipment of every kind whatsoever, all boilers, engines, motors, dynamos, generating equipment, piping and plumbing fixtures, cooling, ventilating, sprinkling, fire

extinguishing apparatus, gas and electric fixtures) and including also all interest of any owner of the said premises in any of such items hereafter at any time acquired under conditional sale contract, chattel mortgage or other title retaining or security instrument, all of which property mentioned in this paragraph shall be deemed part of the realty and not severable wholly or in part without material injury to the freehold; and

TOGETHER WITH all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Property, and any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of the Trust Estate, including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages.

The entire estate, property, and interest hereby conveyed to Trustee may hereafter be referred to as the "Trust Estate."

FOR THE PURPOSE OF SECURING:

1. Payment of indebtedness in the original principal amount of ONE MILLION NINETY THOUSAND and 00/100 dollars (\$1,090,000.00) as evidenced by a promissory note, with interest thereon at a variable rate as provided therein (the "Note"), of even date herewith, together with all costs and fees, including attorneys' fees, incurred by Beneficiary in enforcing the obligations evidenced by the Note. The Note has a maturity date of October 4th, 2005. The Trust Estate also secures payment of all other indebtedness of Grantor to Beneficiary, whether such indebtedness is now owed or hereinafter incurred. RC

2. Payment of all other sums which may become due from Grantor or advances by Beneficiary or its successor, with interest thereon at the Note rate, which include but are not limited to, fire and other hazard insurance and taxes upon the real property herein described, according to the terms of this Deed of Trust; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in foreclosing this Deed of Trust or realizing upon any of the collateral for the obligations which this Deed of Trust secures; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in defending the priority or validity of this Deed of Trust or the title to the Property; payment by Grantor of all sums advanced by Beneficiary to or on behalf of Grantor for the purpose of clearing encumbrances or defects from the title to the Property described in this Deed of Trust where Beneficiary, in good faith, believes such encumbrances to be superior to the lien of the Deed of Trust, including, without limitation, payment of ad valorem taxes and mechanics' or materialmen's liens which may have gained priority over the lien of costs incurred by Trustee or Beneficiary in any bankruptcy proceedings or any reorganization or arrangement proceeding under the Bankruptcy Act affecting Grantor, this Deed of Trust, or the covenant of Grantor herein contained or incorporated herein by reference and payment of all other sums advanced by Beneficiary to protect the Trust Estate, with interest thereon at the Note rate.

3. Payment of all other sums, with interest thereon, which may hereafter be loaned to Grantor, its successors, or assigns, by Beneficiary, whether or not evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

4. Performance of each agreement, term and condition set forth or incorporated by reference in the Loan Application from Grantor to Beneficiary, and any amendments thereto, together with Beneficiary's Loan Commitment, as amended, executed and delivered in connection therewith, which are incorporated herein by this reference or contained herein.

This Deed of Trust, the Note, the loan application and any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby may hereafter be referred to as the "Loan Instruments".

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I COVENANTS AND AGREEMENTS OF GRANTOR

Grantor hereby covenants and agrees:

1.01 Warranties of Title and Authority. Grantor hereby represents and warrants that it is lawfully seized of an indefeasible fee title to the Property; that it has the authority and right to execute and deliver this Deed of Trust; that it shall defend the title to the Property against all claims and demands whatsoever; that the Property is free and clear of any and all liens, claims, encumbrances, restrictions, encroachments, and interest whatsoever in favor of any third party except as may be described in Beneficiary's title insurance policy, or as approved by Beneficiary in writing; and that any and all obligations it may have incurred in connection with the Property, if any, are current and without default. In the event any Grantor hereunder is a partnership or a corporation, each person executing this instrument on behalf of such entity individually and personally represents and warrants that this Deed of Trust and each other instrument signed in the name of such entity and delivered to evidence or further secure the obligations secured hereby is, in all respects, binding upon such entity as an act and obligation of said limited liability company, partnership or corporation.

1.02 Payment of Secured Obligations. To pay when due the principal of, and the interest on, the indebtedness evidenced by the Note; charges, fees, and all other sums as provided in the Loan Instruments; and the principal of, and interest on, any future advances secured by this Deed of Trust.

1.03 Maintenance, Repair, Alterations. To keep the Trust Estate in good condition and repair; not to remove, demolish, or substantially alter (except such alterations as may be required by laws, ordinances, or regulations) any of the Improvements; to complete promptly and in a good and workmanlike manner any building or other improvement which may be constructed on the Property and promptly restore in like manner any Improvement which may be damaged or destroyed thereon;

to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions now or hereafter affecting the Trust Estate or any part thereof or requiring any alterations or improvements; not to commit or permit any waste or deterioration of the Trust Estate; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; to comply with the provisions of any Lease; not to commit, suffer, nor permit any act to be done in or upon the Trust Estate in violation of any law, ordinance, or regulation.

1.04 Required Insurance. At all times to provide, maintain, and keep in force, or cause to be provided, maintained, and kept in force, the following policies of insurance:

- a. Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage," in an amount at least equal to one hundred percent (100%) of the full replacement cost of the Improvements (exclusive of the cost of excavations, foundations, and footings below the lowest basement floor), whichever is greater; and with not more than One Thousand Dollars (\$1,000.00) deductible from the loss payable for any casualty. The policies of insurance carried in accordance with this subparagraph a. shall contain the "Replacement Cost Endorsement";
- b. Insurance against loss or damage to the Personal Property by fire and other risks covered by insurance of the type now known as "fire and extended coverage";
- c. Intentionally Deleted.
- d. Intentionally Deleted.
- e. During the course of any construction or repair at the Premises, builder's risk insurance against all risks of physical loss, on a completed value basis, including collapse and transit coverage, with a deductible not to exceed One Thousand and No/100 Dollars (\$1,000.00), in nonreporting form, covering the total value of work performed and equipment, supplies and materials furnished, and containing the "permission to occupy upon completion of work" endorsement;
- f. Such other insurance and in such amounts as may, from time to time, be required by Beneficiary against the same or other hazards;
- g. All policies of insurance required by the terms of this Deed of Trust shall contain a CP12 and a 438 BFU forms of endorsement or their equivalent; and

Neither Trustee nor Beneficiary shall be obligated to obtain insurance, nor be responsible for the collection of any insurance monies or for any insolvency of any insurer or insurance underwriter.

1.05 Delivery of Policies; Payment of Premiums. That all policies of insurance shall be issued by companies and in amounts in each company satisfactory to Beneficiary. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Beneficiary in form satisfactory to Beneficiary. Grantor shall furnish Beneficiary with an original policy of all policies of required insurance. If Beneficiary consents to Grantor providing any of the required insurance through blanket policies carried by Grantor and covering more than one (1) location, then Grantor shall furnish Beneficiary with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number, and the expiration date. At least thirty (30) days prior to the expiration of each such policy, Grantor shall furnish Beneficiary with evidence satisfactory to Beneficiary of the payment of premium and the re-issuance of a policy continuing insurance in force as required by this Deed of Trust. All such policies shall contain a provision that such policies will not be canceled or materially amended, which term shall include any reduction in the scope or limits of coverage without at least thirty (30) days' prior written notice to Beneficiary. In the event Grantor fails to provide, maintain, keep in force, or deliver and furnish to Beneficiary the policies of insurance required by this section, Beneficiary may procure such insurance or single- interest insurance for such risks covering Beneficiary's interest, and Grantor will pay all premiums thereon promptly upon demand by Beneficiary and, until such payment is made by Grantor, the amount of all such premiums, together with interest thereon at the Note rate, shall be secured by this Deed of Trust. At the request of the Beneficiary, Beneficiary may require Grantor to deposit with Beneficiary in monthly installments, an amount equal to one-twelfth (1/12) of the estimated aggregate annual insurance premiums on all policies of insurance required by this Deed of Trust. In such event, Grantor further agrees, upon Beneficiary's request, to cause all bills, statements, or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements, or other documents and providing Grantor has deposited sufficient funds with Beneficiary pursuant to this Section 1.05, Beneficiary shall pay such amounts as may be due thereunder out of the funds so deposited with Beneficiary. If at any time and for any reason the funds deposited with such Beneficiary are or will be insufficient to pay such amounts as may then or subsequently be due, Beneficiary shall notify Grantor and Grantor shall immediately deposit an amount equal to such deficiency with Beneficiary. Notwithstanding the foregoing, nothing contained herein shall cause Beneficiary to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Beneficiary pursuant to this Section 1.05. Beneficiary may commingle said reserve with its own funds and Grantor shall be entitled to no interest thereon.

1.06 Assignment of Policies Upon Foreclosure. In the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Trust Estate in extinguishment, in whole or in part, of the debt secured hereby, all right, title, and interest of Grantor in and to all policies of insurance required by Section 1.04 shall inure to the benefit of and pass to the successor in interest to Grantor or the purchaser or grantee of the Trust Estate.

a. If Beneficiary is made a party defendant to any litigation concerning this Deed of Trust or the Trust Estate or any part thereof or interest therein, or the occupancy thereof by Grantor, then Grantor shall indemnify, defend, and hold Beneficiary harmless from all liability by reason of said litigation, including attorneys' fees and expenses incurred by Beneficiary in any such litigation, whether or not any such litigation is prosecuted to judgment. If Beneficiary commences an action against Grantor to enforce any of the terms hereof or because of the breach by Grantor of any of the terms hereof or for the recovery of any sum secured hereby, Grantor shall pay to Beneficiary attorneys' fees and expenses, and such fees and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Grantor breaches any term of this Deed of Trust, Beneficiary may employ an attorney or attorneys to protect its rights hereunder and, in the event of such employment following any breach by Grantor, Grantor shall pay Beneficiary attorneys' fees and expenses incurred by Beneficiary, whether or not an action is actually commenced against Grantor by reason of such breach.

b. Grantor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents, and representatives, for loss of or damage to Grantor, the Trust Estate, Grantor's property, or the property of others under Grantor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust.

c. All sums payable by Grantor hereunder shall be paid without notice, demand, counterclaim, setoff, deduction, or defense and without abatement, suspension, deferment, diminution, or reduction; and the obligations and liabilities of Grantor hereunder shall in no way be released, discharged, or otherwise affected (except as expressly provided herein) by reason of (i) any damage to or destruction of or any condemnation or similar taking of the Trust Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Trust Estate or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to Beneficiary, or any action taken with respect to this Deed of Trust by any trustee or receiver of Beneficiary, or by any court, in any such proceeding; (v) any claim which Grantor has or might have against Beneficiary; (vi) any default or failure on the part of Beneficiary to perform or comply with any of the terms hereof or of any other agreement with Grantor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing and whether or not Grantor shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, Grantor waives all rights now or hereafter

conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by Grantor.

1.08 Taxes and Impositions.

a. Grantor agrees to pay or cause to be paid, at least ten (10) days prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including, without limitation nongovernmental levies or charges resulting from covenants, conditions, and restrictions affecting the Trust Estate, which are assessed or imposed upon the Trust Estate or become due and payable, and which create, may create, or appear to create a lien upon the Trust Estate or any part thereof or upon any Personal Property, equipment, or other facility used in the operation or maintenance thereof (all of which taxes, assessments, and other governmental charges of like nature are hereinafter referred to as "Impositions"); provided, however, that if, by law, any such Imposition is payable or may, at the option of the taxpayer, be paid in installments, Grantor may pay or cause to be paid the same, together with any accrued interest on the unpaid balance of such Imposition, in installments as the same become due; and before any fine, penalty, interest, or cost may be added thereto for the nonpayment of any such installment and interest.

b. If, at any time after the date hereof, there shall be assessed or imposed (i) a tax or assessment on the Trust Estate in lieu of or in addition to the Impositions payable by Grantor pursuant to subparagraph a. hereof; or (ii) a license fee, tax, or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby, then all such taxes, assessments, or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph a. hereof; and Grantor shall pay and discharge or cause to be paid and discharged the same as herein provided with respect to the payment of Impositions or, at the option of Beneficiary, all obligations secured hereby, together with all accrued interest thereon, shall immediately become due and payable. Anything to the contrary herein notwithstanding, Grantor shall have no obligation to pay any franchise, estate, inheritance, income, excess profits, or similar tax levied on Beneficiary or on the obligations secured hereby.

c. Subject to the provisions of subparagraph d. of this Section 1.08, Grantor covenants to furnish to Beneficiary, within forty-five (45) days after the date upon which any such Imposition is due and payable by Grantor, official receipts of the appropriate taxing authority or other proof satisfactory to Beneficiary evidencing the payments thereof.

d. Grantor shall have the right, before any delinquency occurs, to contest or object to the amount or validity of any such Imposition by appropriate legal

proceedings, but this shall not be deemed or construed in any way as relieving, modifying, or extending Grantor's covenant to pay or cause to be paid any such Imposition at the time and in the manner provided in this Section 1.08, unless Grantor has given prior written notice to Beneficiary of Grantor's intent to so contest or object to an Imposition; and unless, at Beneficiary's sole option, (i) Grantor shall demonstrate to Beneficiary's satisfaction that the legal proceedings shall conclusively operate to prevent the sale of the Trust Estate or any part thereof to satisfy such Imposition prior to final determination of such Proceedings; or (ii) Grantor shall furnish a good and sufficient bond or surety as requested by and satisfactory to Beneficiary; or (iii) Grantor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

e. At the request of the Beneficiary, Beneficiary may require Grantor to pay to Beneficiary, on the day monthly installments of principal and interest are payable under the Note and until the Note is paid in full, an amount equal to one-twelfth (1/12) of the annual Impositions reasonably estimated by Beneficiary to pay the installment of taxes next due on the Trust Estate. In such event, Grantor further agrees to cause all bills, statements, or other documents relating to Impositions to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements, or other documents and providing Grantor has deposited sufficient funds with Beneficiary pursuant to this Section 1.08, Beneficiary shall pay such amounts as may be due thereunder out of the funds so deposited with Beneficiary. If, at any time and for any reason, the funds deposited with Beneficiary are or will be insufficient to pay such amounts as may then or subsequently be due, Beneficiary shall notify Grantor and Grantor shall immediately deposit an amount equal to such deficiency with Beneficiary. Notwithstanding the foregoing, nothing contained herein shall cause Beneficiary to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Beneficiary pursuant to this Section 1.08. Beneficiary shall not be obliged to pay or allow any interest on any sums held by Beneficiary pending disbursement or application hereunder, and Beneficiary may impound or reserve for future payment of Impositions such portion of such payments as Beneficiary may in its absolute discretion deem proper, applying the balance on the principal of or interest on the obligations secured hereby. Should Grantor fail to deposit with Beneficiary (exclusive of that portion of said payments which has been applied by Beneficiary on the principal of or interest on the indebtedness secured by the Loan Instruments) sums sufficient to fully pay such Impositions at least thirty (30) days before delinquency thereof, Beneficiary may, at Beneficiary's election, but without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, shall be secured hereby and shall be repayable to Beneficiary as herein elsewhere provided or, at the option of Beneficiary, the latter may, without making any advance whatever, apply any sums held by it upon any obligation of the Grantor secured hereby. Should any default occur or exist on the part of the Grantor in the payment or performance of any of

Grantor's and/or any guarantor's obligations under the terms of the Loan Instruments, Beneficiary may, at any time at Beneficiary's option, apply any sums or amounts in its hands received pursuant hereto, or as rents or income of the Trust Estate or otherwise, upon any indebtedness or obligation of the Grantor secured hereby in such manner and order as Beneficiary may elect. The receipt, use or application of any such sums paid by Grantor to Beneficiary hereunder shall not be construed to affect the maturity of any indebtedness secured by this Deed of Trust or any of the rights or powers of Beneficiary or Grantor under the terms of the Loan Instruments or any of the obligations of Grantor and/or any guarantor under this Loan Instrument.

f. Grantor covenants and agrees not to suffer, permit, or initiate the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Trust Estate as a single lien.

g. If requested by Beneficiary, Grantor shall cause to be furnished to Beneficiary a tax reporting service covering the Trust Estate of the type, duration and with a company satisfactory to Beneficiary.

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

1.10 Actions Affecting Trust Estate. To appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear.

1.11 Actions by Trustee and/or Beneficiary to Preserve Trust Estate. That should Grantor fail to make or cause to be made any payment or to do or cause to be done any act as and in the manner provided in any of the Loan Instruments, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. In connection therewith (without limiting their general powers), Beneficiary and/or Trustee shall have and are hereby given the right, but not the obligation, (i) to enter upon and take possession of the Trust Estate; (ii) to make additions, alterations, repairs and improvements to the Trust Estate which they or either of them may consider necessary or proper to keep the Trust Estate in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect or appears to affect the security

of this Deed of Trust or be prior or superior hereto; and (v) in exercising such powers, to pay necessary expenses, including employment of counsel or other necessary or desirable consultants. Grantor shall, immediately upon demand therefor by Beneficiary, pay all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and attorneys' fees.

1.12 Additional Security. That in the event Beneficiary at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder.

1.13 Appointment of Successor Trustee. That in the event of dissolution or resignation of the Trustee, Beneficiary may substitute a trustee or trustees to execute the trust hereby created, and when such substitution has been filed for record in the office of the Recorder of the County in which the Trust Estate is located, it shall be conclusive evidence of the appointment of such trustee or trustees, and such new trustee or trustees shall succeed to all of the powers and duties of the trustee or trustees named herein.

1.14 Successors and Assigns. That 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 term "Beneficiary" shall mean the owner and holder of the Note, 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.

1.15 Inspections. That Beneficiary, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Trust Estate for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Loan Instruments.

1.16 Liens. To pay and promptly discharge or cause to be paid and discharged, at Grantor's cost and expense, all liens, encumbrances and charges upon the Trust Estate, or any part thereof or interest therein which have priority over this Deed of Trust; Grantor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Grantor shall first deposit with Beneficiary a bond or other security satisfactory to Beneficiary in such amounts as Beneficiary shall reasonably require, but not more than one and one-half times (150%) the amount of the claim, and provided further that Grantor shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Grantor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond or the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law.

1.17 Trustee's Powers. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of said Trust Estate, Trustee may (i) reconvey any part of said Trust Estate; (ii) consent in writing to the making of any map or plat thereof; (iii) join in granting any easement thereon; or (iv) join in any extension agreement or any agreement subordinating the lien or charge hereof.

1.18 Beneficiary's Powers. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Property not then or theretofore released as security for the full amount of all unpaid obligations, Beneficiary may, from time to time at the request of any one of the Grantors, or their successors or assigns and without notice (i) release any person so liable; (ii) extend the maturity or alter any of the terms of any such obligation; (iii) grant other indulgences; (iv) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel or portion of the Trust Estate so long as the release or reconveyance does not materially affect the security value of the Trust Estate; (v) take or release any other or additional security for any obligation herein mentioned; or (vi) make compositions or other arrangements with debtors in relation thereto. By accepting payment of any obligation herein mentioned after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other obligations herein mentioned or to declare default for failure so to pay.

1.19 Financial Statements. Grantor will keep full, complete and correct books of account reflecting transactions relating to the Property and at any and all times permit Beneficiary by its agents or attorneys to examine all of his books of accounts, records, occupancy reports and other papers relating to the Property and its construction activities thereon, and shall permit Beneficiary to take copies and extracts therefrom and to examine the Property. So long as any amount is owing and outstanding under the Note, Grantor will furnish to the Beneficiary as soon as available, and in any event within ninety (90) days after the end of each fiscal year of Grantor, certified as correct by Grantor, copies of operating statements showing the gross income (itemized as to sources) during the preceding fiscal year received from the operations of the Property and the expenses of the Property (itemized including depreciation charges) during the preceding fiscal year. Concurrently with the furnishing of the aforesaid financial statements, Grantor will deliver to Beneficiary a statement of income of Grantor for such fiscal year. By April 15 of each year, Grantor shall provide Beneficiary with copies of filed federal income tax returns for the preceding year. Such operating statements and statements of income shall be accompanied by the certificate or opinion of an independent certified public accountant or firm selected by Grantor subject to approval by Beneficiary, which approval shall not be unreasonably withheld, attesting that such statements fairly represent the financial condition of Grantor and that said accountants are independent.

1.20 Trade Names. At the request of Beneficiary, Grantor shall execute a certificate in form satisfactory to Beneficiary listing the trade names under which Grantor intends to operate the Trust Estate, and representing and warranting that Grantor does business under no other trade names

with respect to the Trust Estate. Grantor shall immediately notify Beneficiary in writing of any change in said trade names, and will, upon request of Beneficiary, execute any additional financing statements and other certificates revised to reflect the change in trade name.

1.21 Insurance Proceeds. That after the happening of any casualty to the Trust Estate or any part thereof, Grantor shall give prompt written notice thereof to Beneficiary.

a. In the event of any damage or destruction of the Improvements, Beneficiary shall have the option in its sole discretion of applying all or part of the insurance proceeds (i) to any indebtedness secured hereby and in such order as Beneficiary may determine; (ii) to the restoration of the Improvements on such terms and conditions as may be imposed by Beneficiary in Beneficiary's discretion; or (iii) to Grantor.

b. In the event of such loss or damage, all proceeds of insurance shall be payable to Beneficiary, and Grantor hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to Beneficiary. Beneficiary is hereby authorized and empowered by Grantor to settle, adjust or compromise any claims for loss, damage or destruction under any policy or policies of insurance.

c. Except to the extent that insurance proceeds are received by Beneficiary and applied to the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Grantor from repairing or maintaining the Trust Estate as provided in Section 1.03 hereof or restoring all damage or destruction to the Trust Estate, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount, and the application or release by Beneficiary of any insurance proceeds shall not cure or waive any default or notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.

1.22 Eminent Domain. That should the Trust Estate, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding or in any other manner ("Condemnation") or should Grantor receive any notice or other information regarding such proceeding, Grantor shall give prompt written notice thereof to Beneficiary.

a. Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceedings. Beneficiary shall also be entitled to make any compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds awarded to Grantor (the "Proceeds") are hereby assigned to Beneficiary and Grantor agrees to execute such further assignments of the Proceeds as Beneficiary or Trustee may require.

b. In the event any portion of the Trust Estate is so taken or damaged, Beneficiary shall have the option, in its sole and absolute discretion, to apply all such proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including attorneys' fees, incurred by it in connection with such Proceeds, upon any indebtedness secured hereby and in such order as Beneficiary may determine, or to apply all such Proceeds, after such deductions, to the restoration of the Trust Estate upon such conditions as Beneficiary may determine. Notwithstanding any of the foregoing, the proceeds, less any administrative and legal costs and fees incurred by Beneficiary, shall be used to reimburse Grantor for the cost of restoration of the Improvements, provided that restoration is economically and legally feasible in the reasonable judgment of the Beneficiary and, provided further, that Grantor is not nor has been in default under any of the Loan Instruments. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

1.23 Repayment of Advances. Upon receipt of notice, Grantor shall repay immediately all sums expended or advanced hereunder by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at the rate contained in the Note, and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within ten (10) days of such notice will, at Beneficiary's option, constitute an event of default hereunder; or Beneficiary may, at its option, commence an action against Grantor for the recovery of such expenditure or advance and interest thereon, and in such event Grantor agrees to pay, in addition to the amount of such expenditure or advance, all costs and expenses incurred in such action, together with attorney's fees.

1.24 Right of Inspection and Appraisal. Beneficiary or its agents may enter upon the Property at any reasonable time to inspect it or appraise it, whether or not any default exists hereunder. If Grantor refuses to permit such inspection or appraisal, it shall constitute an event of default hereunder and, in addition to any other remedy available to Beneficiary, Beneficiary may specifically enforce performance of this provision. Grantor agrees to pay the cost of all appraisals required by Beneficiary, in its sole discretion, at any time after the occurrence of an event of default. All such appraisal costs shall be payable by Grantor to Beneficiary on demand, and shall accrue interest at the Note rate.

ARTICLE II ASSIGNMENT OF RENTS, ISSUES AND PROFITS

2.01 Assignment of Rents. Grantor hereby assigns and transfers to Beneficiary all the rents, issues and profits of the Trust Estate, and hereby gives to and confers upon Beneficiary the right, power and authority to collect such rents, issues and profits. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary at any time and from

time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of Grantor or Beneficiary, for all such rents, issues and profits and apply the same to the indebtedness secured hereby; provided, however, that Grantor shall have the right to collect such room receipts, rents, issues and profits (but not more than thirty (30) days in advance) prior to or at any time there is not an event of default under any of the Loan Instruments. The assignment of the rents, issues and profits of the Trust Estate in this Article II is intended to be an absolute assignment from Grantor to Beneficiary and not merely the passing of a security interest. The rents, issues and profits are hereby assigned absolutely by Grantor to Beneficiary contingent only upon the occurrence of an event of default under any of the Loan Instruments.

2.02 Collection Upon Default. Upon any event of default under any of the Loan Instruments, 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 hereby secured, enter upon and take possession of the Trust Estate, or any part thereof, and in its own name sue for or otherwise collect such room receipts, rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The collection of such room receipts, rents, issues and profits, or the entering upon and taking possession of the Trust Estate, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

ARTICLE III SECURITY AGREEMENT

3.01 Creation of Security Interest. Grantor hereby grants to Beneficiary a security interest in the Personal Property located on or at the Property, including without limitation any and all property of similar type or kind hereafter located on or at the Property for the purpose of securing all obligations of Grantor contained in any of the Loan Instruments.

3.02 Warranties, Representations and Covenants of Grantor. Grantor hereby warrants, represents and covenants as follows:

a. Except for the security interest granted hereby, and the security interest of any prior lender disclosed by Grantor to Beneficiary in writing and consented to by Beneficiary in writing, Grantor is, and as to portions of the Personal Property to be acquired after the date hereof will be, the sole owner of the Personal Property, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever. Grantor will notify Beneficiary of, and will defend the Personal Property against, all claims and demands of all persons at any time claiming the same or any interest therein.

b. Grantor will not lease, sell, convey or in any manner transfer the Personal Property without the prior written consent of Beneficiary.

c. The Personal Property will be kept on or at the Property and Grantor will not remove the Personal Property from the Property without the prior written consent of Beneficiary, except such portions or items of Personal Property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Grantor.

e. At the request of Beneficiary, Grantor will join Beneficiary in executing one or more financing statements and renewals and amendments thereof pursuant to the Uniform Commercial Code of Oregon in form satisfactory to Beneficiary, and will pay the cost of filing the same in all public offices wherever filing is deemed by Beneficiary to be necessary or desirable.

f. All covenants and obligations of Grantor contained herein relating to the Trust Estate shall be deemed to apply to the Personal Property whether or not expressly referred to herein.

g. This Deed of Trust constitutes a security agreement as that term is used in the Uniform Commercial Code of Oregon.

ARTICLE IV REMEDIES UPON DEFAULT

4.01 Events of Default. Any of the following events shall be deemed an event of default hereunder:

a. Default shall be made in the payment of any installment of principal or interest on the Note or any other sum secured hereby when due, or the default in payment of any obligation secured by a lien against the Trust Estate which has or may have priority over the lien of this Deed of Trust, or the default in any payment or covenant under a ground lease of the Property; or

b. Grantor shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Grantor or of all or any part of the Trust Estate, or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any

general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

c. A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Grantor seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of Grantor or of all or any part of the Trust Estate, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Grantor and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

d. A writ of execution or attachment or any similar process shall be issued or levied against all or any part of or interest in the Trust Estate, or any judgment involving monetary damages shall be entered against Grantor which shall become a lien on the Trust Estate or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within sixty (60) days after its entry or levy; or

e. There has occurred a breach of or default under any term, covenant, agreement, condition, provision, representation or warranty contained in any of the Loan Instruments or any part thereof, not referred to in this Section 4.01.

4.02 Acceleration Upon Default, Additional Remedies. In the event of any event of default, Beneficiary may declare all indebtedness secured hereby to be due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Beneficiary may:

a. Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Trust Estate, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Trust Estate, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Trust Estate, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Trust Estate, 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 in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Trust Estate or the collection, receipt and application of rents, issues or profits, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Loan Instruments or by law upon occurrence of any event of default, including the right to exercise the power of sale;

b. Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

c. Exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of Oregon, including, but not limited to:

(1) Either personally or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Grantor and all others claiming under Grantor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Grantor in respect to the Personal Property or any part thereof. In the event Beneficiary demands or attempts to take possession of the Personal Property in the exercise of any rights under any of the Loan Instruments, Grantor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;

(2) Without notice to or demand upon Grantor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personal Property, including without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(3) Require Grantor to assemble the Personal Property or any portion thereof, at a place designated by Beneficiary and reasonably convenient to both parties, and promptly to deliver such Personal Property to Beneficiary, or an agent or representative designated by it. Beneficiary, and its agents and representatives shall have the right to enter upon any or all of Grantor's premises and property to exercise Beneficiary's rights hereunder;

(4) Sell, lease or otherwise dispose of the Personal Property at public sale, with or without having the Personal Property at the place of sale, and upon such terms and in such manner as

Beneficiary may determine. Beneficiary may be a purchaser at any such sale;

(5) Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Grantor at least ten (10) days' prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof. Such notice may be mailed to Grantor at the address set forth at the beginning of this Deed of Trust; and

d. Execute or cause the Trustee to execute a written notice of such default and of his election to cause to be sold the Trust Estate to satisfy the obligations hereof and shall cause such notice to be recorded in the office of the Recorder of each recording district in which the Trust Estate or some part thereof is located.

4.03 Foreclosure by Power of Sale. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

a. Upon receipt of such notice from Beneficiary, Trustee shall cause to be given such Notice of Default as then required by law. Trustee shall, without demand on Grantor, after lapse of such time as may then be required by law and after Notice of Sale having been given as required by law, sell the Trust Estate at the time and place of sale fixed by it in said Notice of Sale, either as a whole, or in separate lots or parcels or items as Trustee shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Grantor, Trustee or Beneficiary, may purchase at such sale.

b. After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title and counsel fees 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 Note rate, all other sums then secured hereby and the remainder, if any, to the person or persons legally entitled thereto.

4.04 Appointment of Receiver. If any event of default described in Section 4.01 of this Deed of Trust shall have occurred and be continuing, Beneficiary, as a matter of right and without notice to Grantor or anyone claiming under Grantor, and without regard to the then value of the Trust

Estate or the interest of Grantor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Trust Estate, and Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in Section 4.02a. and shall continue as such and exercise all such powers until the date of confirmation of sale of the Trust Estate unless such receivership is sooner terminated.

4.05 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Deed of Trust or under any Loan Instrument or other agreement or any laws now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or 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 powers 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 absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Instruments to Trustee or Beneficiary or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary and either of them may pursue inconsistent remedies.

4.06 Restoration of Former Positions. In case Beneficiary shall proceed to enforce any right under this Deed of Trust and the proceedings for enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to Beneficiary, then and in every such case Beneficiary, Trustee and Grantor shall, subject to any determination in such proceedings, severally and respectively be restored to their former positions and rights hereunder, and thereafter all rights and remedies and powers of Beneficiary and Trustee shall continue as though no such proceeding had been taken.

4.07 Sale, Transfer, Vacation or Encumbrance of Property Prohibited. So long as any obligation secured hereby remains unpaid, Grantor covenants and agrees that neither said Property nor any portion thereof nor interest therein nor a controlling interest of Grantor (if a corporation) nor a general partnership interest in Grantor (if a partnership), nor a manager's interest or controlling interest, (if a limited liability company) shall be sold, conveyed, transferred or encumbered by Grantor without Beneficiary's prior written consent. If title to said Property or any portion or interest in said Property or a controlling interest of Grantor (if a corporation) or a general partnership interest in Grantor (if a partnership) or a manager's or controlling interest (if a limited liability company) shall pass from Grantor by deed or otherwise, voluntarily or involuntarily or if said Property or any

portion or interest therein is sold on contract, or if the Property or any portion or interest therein is vacated by Grantor, or if said Property or any portion or interest therein or a controlling interest of Grantor (if a corporation) or a general partnership interest in Grantor (if a partnership) or a manager's interest or controlling interest (if a limited liability company) is further encumbered without the consent of Beneficiary, such change in title or occupancy or interest of Grantor or further encumbrance shall be deemed to increase the risk of Beneficiary, and Beneficiary may declare all sums secured hereby immediately due and payable, or may at its sole option consent to such change in title or occupancy or interest of Grantor and increase the interest rate on the indebtedness hereby secured. In the event ownership of the Property or any portion thereof becomes vested in a person other than Grantor herein named, or if a controlling interest in Grantor (if a corporation) or a general partnership interest in Grantor (if a partnership) is sold or encumbered, Beneficiary may, without notice to Grantor herein named, whether or not Beneficiary has given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Deed of Trust and the obligations secured hereby, in the same manner as with Grantor herein named, without in any way vitiating or discharging Grantor's liability hereunder or the obligations hereby secured.

4.08 Further Encumbrances. Grantor acknowledges that Beneficiary has relied upon the Property not being subject to additional liens or encumbrances for reasons which include, but are not limited to, the possibility of competing claims or the promotion of plans disadvantageous to Beneficiary in bankruptcy; the risks to Beneficiary in a junior lienholder's bankruptcy; questions which involve the priority of future advances, the priority of future leases of the Property, the marshaling of Grantor's assets, and the Beneficiary's rights to determine the application of condemnation awards and insurance proceeds; the impairment of the Beneficiary's option to accept a deed in lieu of foreclosure; the increased difficulty of reaching agreements for loan workouts or to the actions to be taken by trustees, receivers, liquidators and fiduciaries; and Beneficiary's requirements of Grantor's preservation of its equity in the Property and the absence of debt which could increase the likelihood of Grantor's inability to perform its obligations when due. Therefore, as a principal inducement to Beneficiary to make this loan and with the knowledge that Beneficiary will materially rely upon this paragraph in so doing, Grantor covenants not to encumber the Property.

4.09 Request for Notice. Grantor hereby requests a copy of any notice of default and that any notice of sale hereunder be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE V MISCELLANEOUS

5.01 Governing Law. Foreclosure of this Deed of Trust, Assignment of Rents and Security Agreement, and the appointment of a receiver of the Property, shall be governed by the laws of the State of Oregon, except that all other aspects of the enforcement and interpretation of this Deed of Trust, the Note, and the Loan Instruments, shall be governed by the laws of the State of Oregon, particularly, without limitation, the usury laws of the State of Oregon, all without regard to conflict of law principals. In the event that any provision or clause of any of the Loan Instruments conflicts with applicable laws, such conflicts shall not affect other provisions of such Loan Instruments which can be given effect without the conflicting provision, and to this end the

provisions of the Loan Instruments are declared to be severable. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

5.02 Limitation of Interest. It is the intent of Grantor and Beneficiary in the execution of this Deed of Trust, the Note and all other instruments securing the Note to contract in strict compliance with the usury laws of the State of Oregon governing the loan evidenced by the Note. In furtherance thereof, Beneficiary and Grantor stipulate and agree that none of the terms and provisions contained in the Loan Instruments shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Oregon governing the loan evidenced by the Note. Grantor or any guarantor, endorser or other party now or hereafter becoming liable for the payment of the Note shall never be liable for unearned interest on the Note and shall never be required to pay interest on the Note at a rate in excess of the maximum interest that may be lawfully charged under the laws of the State of Oregon and the provisions of this section shall control over all other provisions of the Note and any other instrument executed in connection herewith which may be in apparent conflict herewith. If a court of competent jurisdiction shall make a final determination that the performance of any provision of the Note shall result in a payment of an amount for such use, forbearance or detention in excess of such rate, then (i) such provision shall be deemed to be appropriately modified to the extent necessary to reduce such amount to an amount not in excess of such rate; and (ii) any such excess amounts theretofore received by the holder of the Note shall be deemed to have been applied to the redemption at par of a like principal amount of the Note, and all necessary reallocations of subsequent payments with respect to such Note shall be made and appropriately annotated on such Note.

5.03 Statements by Grantor. Grantor, within ten (10) days after being given notice by mail, will furnish to Beneficiary a written statement stating the unpaid principal of and interest on the Note and any other amounts secured by this Deed of Trust and stating whether any offset or defense exists against such principal and interest.

5.04 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Grantor of Trustee's fees, Trustee shall reconvey to Grantor, or the person or persons legally entitled thereto, without warranty, any portion of the Trust Estate then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

5.05 Notices. Whenever Beneficiary, Grantor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the address set forth at the beginning of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

5.06 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

5.07 Captions. The captions or headings at the beginning of each section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

5.08 Invalidity of Certain Provisions. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Trust Estate, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Deed of Trust. Further, the invalidity or unenforceability of any portion or provision of this Deed of Trust shall in no way affect the validity or enforceability of the remainder hereof.

5.09 Subrogation. To the extent that proceeds of the Note are used to pay any outstanding lien, charge or prior encumbrance against the Trust Estate, such proceeds have been or will be advanced by Beneficiary at Grantor's request and Beneficiary shall be subrogated to any and all rights and liens owed by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released.

5.10 No Merger. If both the lessor's and lessee's estates under any lease or portion thereof which constitutes a part of the Trust Estate shall at any time become vested in one (1) owner, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary as to the separate estates. In addition, upon the foreclosure of the lien created by this Deed of Trust on the Trust Estate pursuant to the provisions hereof, any leases or subleases then existing and created by Grantor shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure sale shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice thereof to such tenant or subtenant.

5.11 Use. The Property which is the subject of this Deed of Trust is not used principally or primarily for aquaculture, agricultural or farming purposes.

5.12 Late Charge. In the event that any payment or portion thereof is not paid within fifteen (15) days after the date it is due, Beneficiary may collect, and the Grantor agrees to pay with such payment, a "late charge" of Five Cents (\$0.05) for each dollar so over due as liquidated damages for the additional expense of handling such delinquent payments. Such late charge represents the reasonable estimate of Beneficiary and Grantor of a fair, average compensation due to the failure of Grantor to make timely payments. Such late charge shall be paid without prejudice to

the right of Beneficiary to collect any other amounts provided to be paid or to declare a default hereunder.

5.13 Hazardous Waste.

a. Grantor represents and warrants to Beneficiary that to the best of Grantor's knowledge, after due and diligent inquiry, no hazardous or toxic waste or substances are being stored on the Property or any adjacent property nor have any such waste or substances been stored or used on the Property or any adjacent property prior to Grantor's ownership, possession or control of the Property. Grantor agrees to provide written notice to Beneficiary immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been contaminated with hazardous or toxic waste or substances. Grantor will not cause nor permit any activities on the Property which directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances. For purposes of this Deed of Trust, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term by any applicable federal, state or local statute, regulation or ordinance now or hereafter in effect.

b. Grantor covenants and agrees that in the event at any time there is discovered hazardous or toxic waste or substances on, in or under the Property or on, in or under any other property which becomes contaminated with hazardous or toxic waste or substances as a result of activities on or hazardous or toxic waste or substances from the Property, Beneficiary shall be permitted to incur and pay any and all costs and expenses necessary or reasonably required to perform site tests and to completely clean-up said hazardous or toxic waste or substances, whether or not the clean-up is required by any governmental authority, and which tests and clean-up shall not require prior notice to Grantor, and all such costs and expenses paid or incurred by Beneficiary shall be secured hereby and shall be repayable to Beneficiary as herein elsewhere provided, together with interest at the rate then provided for under the Note. Grantor hereby gives Beneficiary and its agent(s) the unrestricted right to enter the Property at any time to perform site tests for hazardous or toxic waste or substances and to clean-up said hazardous or toxic waste or substances.

5.14 INSURANCE WARNING.

UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, BENEFICIARY MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT GRANTOR'S INTEREST. IF THE COLLATERAL BECOMES DAMAGES, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM GRANTOR MAKES OR ANY CLAIM MADE AGAINST GRANTOR. GRANTOR MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT GRANTOR HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO BALANCE SECURED

HEREBY. IF THE COST IS ADDED TO BALANCE SECURED HEREBY, THE INTEREST RATE ON THE NOTE WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE GRANTOR'S PRIOR COVERAGE LAPSED OR THE DATE GRANTOR FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE GRANTOR CAN OBTAIN ON ITS OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the day and year first above written.

Paul Earnest Guest

Paul Earnest Guest, aka Paul E. Guest

STATE OF OREGON)
County of Klamath) SS.

This instrument was acknowledged before me on October 20th 2004 by Paul Earnest Guest, aka Paul E. Guest.



Kristi L. Redd

Notary Public for Oregon

EXHIBIT A

73321

Legal Description

PARCEL 1:

A tract of land situated in Government Lot 7 and the SW1/4SE1/4 of Section 12, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the C-S 1/16 corner from which the South ¼ corner bears South 00°09'00" West 1319.53 feet; thence South 26°31'58" East 334.41 feet to the true point of beginning; thence South 26°31'58" East 492.00 feet to the Southeasterly corner of the above described tract; thence South 82°30'46" West 1300.84 feet to a 5/8" iron rod at the high water line of Klamath Lake; thence Northwesterly along said high water line a distance of 300.00 feet; thence Northeasterly 1340 feet, more or less to the point of beginning.

AND

A parcel of land located in the SW1/4SE1/4 of Section 12, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at a 5/8" iron pin marking the Northeasterly corner of Parcel B of Minor Partition 7-82; thence North 26°31'58" West 334.41 feet to the Northwest corner of the SW1/4SE1/4 of Section 12, Township 38 South, Range 8 East of the Willamette Meridian; thence along the North line of said SW1/4SE1/4 North 89°49'32" East 368.00 feet; thence South 26°32'20" East 744.14 feet to a point on the Northerly line of Parcel 3 of Minor Partition 20-89; thence along said Northerly line South 60°20'27" West 263.46 feet to the Northwesterly corner of said Parcel 3; thence North 26°00'17" West 72.19 feet; thence South 82°31'55" West 71.33 feet to the Southeasterly corner of Parcel B of Minor Partition 7-82; thence North 26°31'58" West 492.00 feet to the point of beginning, with bearings based on the recorded survey number 5988.

Account No.: 3808-01200-01204-000 Key No.: 885053

PARCEL 2:

A parcel of land situated in the S1/2 of Section 12, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the South ¼ corner of Section 12; thence Easterly 662.82 feet along the South section line of Section 12 to a point; thence North 26°31'58" West, 619.63 feet more or less to a 5/8" iron rod; thence South 82°30'46" West, 1300.84 feet to a 5/8" iron rod on the East shore line of Upper Klamath Lake; thence Southeasterly along the East shore line of Upper Klamath Lake to the Northwest corner of SUNSET BEACH, according to the official plat thereof on file in the

office of the County Clerk of Klamath County, Oregon; thence running Northeasterly and Southeasterly along the Northerly and Easterly boundary lines of said plat of SUNSET BEACH, to a point at the intersection with the South section line of Section 12; thence Easterly along the South section line of Section 12 to the point of beginning.

EXCEPTING THEREFROM a parcel of land situated in the SW1/4SE1/4 of Section 12, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, being a portion of Parcel 1 of the tract of land described in Deed Volume M79, page 4330, Microfilm Records of Klamath County, Oregon and being more particularly described as follows:

Beginning at the South ¼ corner of Section 12; thence South 89°54'30" East, along the South line of said SW1/4SE1/4, 662.82 feet to the Southeast corner of said Tract of land; thence North 26°31'58" West 649.63 feet to a 5/8" iron pin marking the Northeast corner of said tract of land; thence South 82°30'46" West, along the Northerly line of said Tract of land, 374.42 feet to a point on the West line of said SW1/4SE1/4; thence South 00°09'00" West, 531.36 feet to the point of beginning, with bearings and distances based on record of survey no. 2894.

Tax Account No.: 3808-01200-02700-000 Key No.: 421573

PARCEL 3:

Lot 9 of CLOVERDALE, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Tax Account No.: 3909-002DD-05600-000 Key No.: 522991

EXHIBIT B
Exceptions

73323

1. The premises herein described are within and subject to the statutory powers, including the power of assessment and easements of Enterprise Irrigation District. Affects Parcel 3.
2. The premises herein described are within and subject to the statutory powers, including the power of assessment, of Klamath County Drainage Service District. Affects Parcel 3.
3. The premises herein described are within and subject to the statutory powers, including the power of assessment and easements of South Suburban Sanitary District. Affects Parcel 3.
4. The premises herein described are within and subject to the statutory powers, including the power of assessment, of North Shasta Lighting District. Affects Parcel 3.
5. The rights of the public in and to any portion of the herein described premises lying within the limits of streets, roads or highways. Affects Parcels 1 and 2.
6. Rights of the public and of governmental bodies in and to that portion of the premises described herein, now or at any time lying below the high water mark of the Klamath Lake, including any ownership rights which may be claimed by the State of Oregon, in and to any portion of the premises now or at any time lying below the ordinary high water mark thereof. Affects Parcels 1 and 2.
7. Any adverse claim based upon the assertion that:
 - A) Some portion of said land has been brought within the boundaries thereof by an avulsive movement of the Klamath Lake or has been formed by accretion to any such portion.
 - B) Some portion of said property has been created by deposit of artificial fill.

And Excepting:

- C) The rights of the public and governmental bodies for fishing, navigation and commerce in and to any portion of the premises herein described, lying below the high/low water line of the Klamath Lake.
- D) The right, title and interest of the State of Oregon in and to any portion lying below the high/low water line of Klamath Lake.

Affects: Parcels 1 and 2

PG.

8. Subject to the terms and provisions of an Agreement for maintaining the water level of Upper Klamath Lake, in favor of the California Oregon Power Company, recorded in Volume 105, page 297, Deed Records of Klamath County, Oregon. Affects Parcels 1 and 2.
9. A Right of Way created by instrument, subject to the terms and provisions thereof,

Dated: December 15, 1960
 Recorded: January 5, 1962
 Volume: 334, page 574, Deed Records of Klamath County, Oregon
 In favor of: The California Oregon Power
 For: Transmission and distribution lines
 Affects: Not specifically located of record within Government Lot 7 and (Parcels 1 and 2) other property
10. Agreements with the California Oregon Power Company and California-Oregon Power Company, relative to raising and/or lowering the waters of the Upper Klamath Lake and of the streams flowing into an out of said lake, and release of damages caused by such regulation of the water levels, as disclosed by instrument recorded April 10, 1964 in Volume 352, page 274, Deed Records of Klamath County, Oregon. Affects Parcels 1 and 2.
11. An easement created by instrument, subject to the terms and provisions thereof,

Dated: April 1, 1976
 Recorded: September 30, 1976
 Volume: M76, page 15424, Microfilm Records of Klamath County, Oregon
 In favor of: Frederick D. Ehlers, Charles C. Ehlers, Wayne N. Carothers and Ludie M. Carothers
 For: Ingress and egress
 Affects: A strip of land 12 feet in width in a Westerly portion of Parcel 1
12. An easement created by instrument, subject to the terms and provisions thereof,

Dated: June 10, 1977
 Recorded: June 13, 1977
 Volume: M77, page 10279, Microfilm Records of Klamath County, Oregon
 In favor of: Gilbert L. Morey and Eva L. Morey, husband and wife, et al
 For: Access road and utility lines
 Affects: A strip of land 40 feet in width along a Westerly portion of an Easterly portion of Parcel 1

13. Reservations contained in deed recorded February 27, 1979 in Volume M79, page 4330, Microfilm Records of Klamath County, Oregon, as follows:

"As consideration of the conveyance of this property, grantees agree that they will not divide said property into more than 7 parcels."

Affects: Parcel 2 and property to the East

14. An easement created by instrument, subject to the terms and provisions thereof,

Recorded: January 31, 1979

Volume: M79, page 4330, Microfilm Records of Klamath County, Oregon

For: Ingress and egress

Affects: A 60-foot strip along the West boundary of Parcel 2 defined by the East shore line of Upper Klamath Lake and along the South boundary of Parcel 2 defined by the Northerly line of the plat of Sunset Beach

15. An easement created by instrument, subject to the terms and provisions thereof,

Dated: March 20, 1980

Recorded: March 20, 1980

Volume: M80, page 5331, Microfilm Records of Klamath County, Oregon

In favor of: James W. Kerns and Dorothy C. Kerns, husband and wife, et al

For: Access road and utility lines

Affects: A strip of land 40 feet in width in a Westerly portion of an Easterly portion of Parcel 1

16. An easement agreement created by instrument, subject to the terms and provisions thereof,

Dated: February 6, 1991

Recorded: February 8, 1991

Volume: M91, page 2436, Microfilm Records of Klamath County, Oregon

Grantor: James L. Spears and Sandra L. Spears, husband and wife

Grantee: Stephen A. Martisak and Trudy L. Martisak, husband and wife

For: Water-carried on-site sewage disposed system for the benefit of Tax Lot 2900 to the East

Affects: The Northerly 350 feet of the East 150 feet of Parcel 2

17. An easement created by instrument, subject to the terms and provisions thereof,
- Dated: January 6, 1991
Recorded: February 8, 1991
Volume: M91, page 2436, Microfilm Records of Klamath County, Oregon
In favor of: Stephen A. Martisak and Trudy L. Martisak
For: Walkway
Affects: The Northerly 10 feet of Parcel 2
18. An easement created by instrument, subject to the terms and provisions thereof,
- Dated: January 13, 1999
Recorded: January 13, 1999
Volume: M99, page 1208, Microfilm Records of Klamath County, Oregon
In favor of: The State of Oregon through its Department of Environmental
Quality
For: Entrance and inspection, including by excavation, of the on-site
sewage disposal system
Affects: Parcel 1
19. Terms, conditions, provisions and easements, if any, contained in Property Line
Adjustment No. 36-98
- Affects: Parcel 1
20. State of Oregon Well Ownership Information Form:
- Well Id No.: L32709
Recorded: July 14, 1999
Volume: M99, page 28173, Microfilm Records of Klamath County,
Oregon
Affects: The well site is not specifically located of record
21. Financing Statement, subject to the terms and provisions thereof:
- Recorded: February 10, 2004
Volume: M04, page 08138, Microfilm Records of Klamath County,
Oregon
Debtor: Paul Earnest Guest
Secured Party: Pacific Coast Investment Company, a Washington Corporation
Affects: Parcels 1 and 2

