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Vol M05 Page 58574

WHEN RECORDED RETURN TO:

Robert J. Sullivan, PC
One SW Columbia, Suite 1600
Portland, Oregon 97258

State of Oregon, County of Klamath
Recorded 07/28/05 3:01 2 m
Vol M05 Pg 58574 - 91
Linda Smith, County Clerk
Fee \$ 106.00 # of Pgs 18

1st 607111

DEED OF TRUST

THIS DEED OF TRUST ("Trust Deed") is made as of the 26th day of July, 2005 by Southview Properties, LLC, an Oregon limited liability company having its office at 22101 NE 150th Avenue, Battleground, WA 98604 ("Grantor"), to First American Title Insurance Company of Oregon, having its office at 422 Main Street, Klamath Falls, Oregon 97601 ("Trustee"), for the benefit of LTM, Incorporated, an Oregon corporation, having its office at 3959 Hamrick Road, Medford, OR 97501 ("Beneficiary").

A. Grantor owns lots 4, 5, 35 and 41 of Tract 1416, The Woodlands - Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, without encumbrances except for the Permitted Exceptions listed on Exhibit "A" attached hereto and made a part hereof (the "Unencumbered Property").

B. In addition, Grantor owns lots 16, 17, 55, 56 and 57 of Tract 1416, The Woodlands - Phase 1, according to the official plat thereof on file with the office of the County Clerk of Klamath County, which will serve as partial security for a loan from Premier West Bank ("Premier") that Beneficiary is accepting as security for payment in a junior lien position (the "Encumbered Property").

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.01 below, Grantor irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of the Beneficiary, with power of sale and right of entry and possession, all of Grantor's right, title, and interest in and to the real property located in Klamath County, state of Oregon, and more particularly described in the attached Exhibits "A" and "B" which are incorporated by this reference, with a tax account numbers of 891019 (1408 Westridge, Klamath Falls, Oregon); 891010 (1406 Westridge Drive, Klamath Falls, Oregon); Lot 35 - Woodlands -

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Phase 1, Klamath Falls, OR 97601; Lot 41 – The Woodlands – Phase 1, Klamath Falls, OR 97601; 890996; 890997, 890956, 890955, and 890954 (the “Property”);

TOGETHER WITH all interests, estates, and rights that Grantor now has or may acquire in (1) the Property; (2) any and all options, agreements, and contracts for the purchase or sale of all or any part or parts of the Property or interests in the Property; (3) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and (4) all tenements, hereditaments, and appurtenances in any manner belonging, relating, or appertaining to the Property; and

TOGETHER WITH all interests, estates, and rights of Grantor, now owned or hereafter acquired, in and to any land lying within any streets, sidewalks, alleys, strips, and gores adjacent to or used in connection therewith; and

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Property and all fixtures, machinery, equipment, and other personal property located on the Property or attached to, contained in, or used in any such buildings and other improvements, and all appurtenances and additions to and substitutions and replacements of the Property (all of the foregoing being collectively referred to below as the “Improvements”); and

TOGETHER WITH any and all mineral, oil and gas rights, air rights, development rights, water rights, water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds; and

TOGETHER WITH all present and future rights in and to the trade name by which all or any portion of the Property and the Improvements are known; all books and records relating to the use and operation of all or any portion of the Property and Improvements; all right, title, and interest of Grantor in, to, and under all present and future plans, specifications, and contracts relating to the design, construction, management, or inspection of any Improvements; all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division, or use of all or any portion of the Property to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law; and all other general intangibles relating to the Property, the Improvements, or their use and operation; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing and sales agreements, and service contracts that are in any way relevant to the ownership, development, improvement, management, sale, or use of all or any portion of the Property or any of the Improvements; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of any Improvements; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may acquire with respect to any damage to or taking of all or any part of the Property or the Improvements, including without limitation any and all proceeds of insurance in effect with respect to the Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property or the Improvements, and any and all awards resulting from any other damage to the Property or the Improvements, all of which are assigned to Beneficiary, and, subject to the terms of this Trust Deed, Beneficiary is authorized to collect and receive such proceeds, to give proper receipts and acquittances for the proceeds, and to apply them to the Obligations secured by this Trust Deed.

All of the above is sometimes referred to below as the "Trust Property."

TO HAVE AND TO HOLD the Trust Property to Trustee and its successors and assigns for the benefit of Beneficiary and its successors and assigns, forever.

PROVIDED ALWAYS, that if all the Obligations (as defined in Section 1.01 below) shall be paid, performed, and satisfied in full, then the lien and estate granted by this Trust Deed shall be reconveyed.

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

ARTICLE I

Particular Covenants and Warranties of Grantor

1.01 Obligations Secured. This Trust Deed secures the following, collectively referred to as the "Obligations": The payment of all indebtedness, including but not limited to principal and interest, and the performance of all covenants and obligations of Grantor, whether such payment and performance is now due or becomes due in the future as evidenced by the Lot Sale and Mutual Release Agreement dated July 26, 2005;

1.02 Payment of Indebtedness; Performance of Covenants. Grantor shall duly and punctually pay and perform all of the Obligations.

1.03 Property. Grantor warrants that it holds good and merchantable title to the Property and the improvements, free and clear of all liens, encumbrances, reservations, restrictions, easements, and adverse claims except those specifically listed in Exhibit "A" as to the Unencumbered Property and Exhibit "B" as to the Encumbered Property. Grantor covenants

that it shall forever defend Beneficiary's and Trustee's rights under this Trust Deed against the adverse claims and demands of all persons.

1.04 Further Assurances; Filing; Refiling; Etc.

(1) Grantor shall execute, acknowledge, and deliver, from time to time, such further instruments as Beneficiary or Trustee may require to accomplish the purposes of this Trust Deed.

(2) Grantor, immediately on the execution and delivery of this Trust Deed, and thereafter from time to time, shall cause this Trust Deed, any supplemental security agreement, mortgage, or deed of trust and each instrument of further assurance, to be recorded and rerecorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Trust Deed.

(3) Grantor shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording, and acknowledgment of this Trust Deed; any security agreement, mortgage, or deed of trust supplemental hereto and any instrument of further assurance; and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Trust Deed, any supplemental security agreement, mortgage, or deed of trust and any instrument of further assurance.

1.05 Compliance with Laws. Grantor further represents, warrants, and covenants that:

(1) The Property will be developed and all Improvements will be constructed and maintained, in material compliance with all applicable laws, statutes, ordinances, regulations, and codes of all federal, state, and local governments (collectively "Laws"), and all covenants, conditions, easements, and restrictions affecting the Property (collectively "Covenants"); and

(2) Grantor and its operations on the Property currently comply, and will hereafter comply, in all material respects with all applicable Laws and Covenants.

1.06 Definitions; Environmental Covenants; Warranties and Compliance

(1) For purposes of this section, "Environmental Law" means any federal, state, or local law, statute, ordinance, or regulation pertaining to Hazardous Substances, health, industrial hygiene, or environmental conditions, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended, 42 USC §§9601–9675, and the Resource Conservation and Recovery Act of 1976 (RCRA), as amended, 42 USC §§6901–6992.

(2) For the purposes of this section, "Hazardous Substance" includes without limitation, any material, substance, or waste that is or becomes regulated or that is or becomes

classified as hazardous, dangerous, or toxic under any federal, state, or local statute, ordinance, rule, regulation, or law.

(3) Grantor will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Property or the Property's groundwater, or transport to or from the Property, any Hazardous Substance and will not permit any other person to do so, except for such Hazardous Substances that may be used in the ordinary course of Grantor's business and in compliance with all Environmental Laws, including but not limited to those relating to licensure, notice, and recordkeeping.

(4) Grantor will keep and maintain the Property in compliance with, and shall not cause or permit all or any portion of the Property, including groundwater, to be in violation of any Environmental Law.

1.07 Reserved.

1.08 Liens. Grantor shall pay when due all claims for labor, materials, or supplies that if unpaid might become a lien on all or any portion of the Trust Property. Grantor shall not create, or suffer, or permit to be created, any mortgage, deed of trust, lien, security interest, charge, or encumbrance on the Trust Property prior to, on a parity with, or subordinate to the lien of this Trust Deed, except as specifically provided in Exhibit B.

1.09 Impositions

(1) Grantor shall pay or cause to be paid, when due and before any fine, penalty, interest, or cost attaches, all taxes, assessments, fees, levies, and all other governmental and nongovernmental charges of every nature now or hereafter assessed or levied against any part of the Trust Property (including, without limitation, levies or charges resulting from Covenants), or on the lien or estate of Beneficiary or Trustee (collectively, the "Impositions"); provided, however, that if by law any such Imposition may be paid in installments, whether or not interest shall accrue on the unpaid balance, Grantor may pay the same in installments, together with accrued interest on the unpaid balance, as the same become due, before any fine, penalty, or cost attaches.

(2) Grantor may, at its expense, contest by appropriate legal, administrative, or other proceedings conducted in good faith and with due diligence, the amount, validity, or application, in whole or in part, of any Imposition or lien on the Trust Property or any claim of any laborer, materialman, supplier, or vendor or lien, and may withhold payment of the same pending completion of such proceedings if permitted by law, provided that (a) such proceedings shall suspend collection from the Trust Property; (b) no part of or interest in the Trust Property will be sold, forfeited, or lost if Grantor pays the amount or satisfies the condition being contested, and Grantor would have the opportunity to do so in the event of Grantor's failure to prevail in the contest; (c) neither Beneficiary nor Trustee shall, by virtue of such permitted contest, be exposed to any risk of liability for which Grantor has not furnished additional security as provided in

clause (d) below; and (d) Grantor shall have furnished to Beneficiary cash, corporate surety bond, or other additional security in respect of the claim being contested or the loss or damage that may result from Grantor's failure to prevail in such contest in an amount sufficient to discharge the Imposition and all interest, costs, attorney fees, and other charges that may accrue in connection with the Imposition. Grantor shall promptly satisfy any final judgment.

(3) Grantor shall furnish to Beneficiary, promptly on request, satisfactory evidence of the payment of all Impositions.

ARTICLE II

Condemnation

2.01 Condemnation

(1) Should any part of or interest in the Trust Property be taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding, or in any similar manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such action, Grantor shall give immediate notice of such action to Beneficiary.

(2) Subject to the rights of any superior mortgagee or trust deed beneficiary as provided in Section 6.10 below, Beneficiary shall be entitled to all compensation, awards, and other payments or relief ("Condemnation Proceeds") up to the full amount of the Obligations, and shall be entitled, at its option, to commence, appear in, and prosecute any Condemnation proceeding in its own or Grantor's name and make any compromise or settlement in connection with such Condemnation. If the Trust Property is taken in its entirety by condemnation, all Obligations secured by this Trust Deed, at Beneficiary's election, shall become immediately due and collectible.

(3) Beneficiary may, at its sole option, apply the Condemnation Proceeds to the reduction of the Obligations in such order as Beneficiary may determine, or apply all or any portion of the Condemnation Proceeds to the cost of restoring and improving the remaining Trust Property. If Beneficiary elects to apply the Condemnation Proceeds to restoration and improvement, the proceeds shall be held by Beneficiary and shall be released only on such terms and conditions as Beneficiary shall require in its sole discretion, including but not limited to prior approval of plans and release of liens. No Condemnation Proceeds shall be released if Grantor is in default under this Trust Deed.

ARTICLE III

Events of Default; Remedies

5.01 Events of Default. Each of the following shall constitute an event of default under this Trust Deed and under each of the other Loan Documents:

(1) *Nonpayment.* Failure of Grantor to pay on its due date any of the Obligations within 10 days after written notice from Beneficiary of any such nonpayment.

(2) *Breach of Other Covenants.* Failure of Grantor to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in this Trust Deed, or in any other Loan Document.

(3) *Misinformation.* Falsity when made in any material respect of any representation, warranty, or information furnished by Grantor or its agents to Beneficiary in or in connection with any of the Obligations.

(4) *Other Default.* The occurrence of any other event of default under the Note or any of the other Obligations.

(5) *Bankruptcy.* The occurrence of any of the following with respect to Grantor, or the then-owner of the Trust Property: (a) appointment of a receiver, liquidator, or trustee for any such party or any of its properties; (b) adjudication as a bankrupt or insolvent; (c) filing of any petition by or against any such party under any state or federal bankruptcy, reorganization, moratorium or insolvency law; (d) institution of any proceeding for dissolution or liquidation; (e) inability to pay debts when due; (f) any general assignment for the benefit of creditors; or (g) abandonment of the Trust Property.

5.02 Remedies in Case of Default. If an Event of Default shall occur, Beneficiary or Trustee may exercise any one or more of the following rights and remedies, in addition to any other remedies that may be available by law, in equity, or otherwise:

(1) *Acceleration.* Beneficiary may declare all or any portion of the Obligations immediately due and payable.

(2) *Receiver.* Beneficiary may have a receiver appointed for the Trust Property. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Trust Property exceeds the amount of the indebtedness secured by this Trust Deed. Employment by Trustee or Beneficiary shall not disqualify a person from serving as receiver. Grantor consents to the appointment of a receiver at Beneficiary's option and waives any and all defenses to such an appointment.

(3) *Possession.* Beneficiary may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Trust Property and use, operate, manage, and control it as Beneficiary shall deem appropriate in its sole discretion. On request after an Event of Default, Grantor shall peacefully relinquish possession and control of the Trust Property to Beneficiary or any receiver appointed under this Trust Deed.

(4) *Power of Sale.* Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Property by advertisement and sale under applicable law.

(5) *Foreclosure.* Beneficiary may judicially foreclose this Trust Deed and obtain a judgment foreclosing Grantor's interest in all or any part of the Property and giving Beneficiary the right to collect any deficiency remaining due after disposition of the Trust Property.

(6) *Abandonment.* Beneficiary may abandon all or any portion of the Trust Property by written notice to Grantor.

5.03 Sale. In any sale under this Trust Deed or pursuant to any judgment, the Trust Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect, without regard to the right of Grantor, any person claiming under Grantor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Trust Property or the part thereof so sold, free and clear of the estate of Grantor, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, its officers, agents, and employees, may purchase at any such sale. Beneficiary and each of its officers are irrevocably appointed Grantor's attorney-in-fact, with power of substitution, to make all appropriate transfers and deliveries of the Trust Property or any portions thereof so sold and, for that purpose, Beneficiary and its officers may execute all appropriate instruments of transfer. Nevertheless, Grantor shall ratify and confirm, or cause to be ratified and confirmed, any such sale or sales by executing and delivering, or by causing to be executed and delivered, to Beneficiary or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Beneficiary, for such purpose.

5.04 Cumulative Remedies. All remedies under this Trust Deed are cumulative and not exclusive. Any election to pursue one remedy shall not preclude the exercise of any other remedy. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy or constitute a waiver of the default.

5.05 Receiver or Trustee-in-Possession. On taking possession of all or any part of the Trust Property, Trustee, Beneficiary, or a receiver may:

(1) *Management.* Use, operate, manage, control, and conduct business with the Trust Property and make expenditures for such purposes and for such maintenance and improvements as are deemed reasonably necessary.

(2) *Rents and Revenues.* Collect all rents, revenues, income, issues, and profits from the Trust Property and apply such sums to the reasonable expenses of use, operation, management, maintenance, and improvements.

(3) *Construction.* At its option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors, and make any changes in plans and specifications as it deems appropriate.

(4) *Additional Indebtedness.* If the revenues produced by the Trust Property are insufficient to pay expenses, Beneficiary, Trustee, or the receiver may borrow or advance such sums on such terms as it deems reasonably necessary for the purposes stated in this section. All advances shall bear interest, unless otherwise provided, at the rate set forth in the Note, and repayment of such sums shall be secured by this Trust Deed.

5.06 Application of Proceeds. All proceeds realized from the exercise of the rights and remedies under this Section 5 shall be applied as follows:

(1) *Costs and Expenses.* To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Trust Property, the costs and expenses of any receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 6.07 below.

(2) *Indebtedness.* To pay all Obligations, in such order as Beneficiary shall determine in its sole discretion.

(3) *Surplus.* The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled to the surplus.

5.07 Deficiency. No sale or other disposition of all or any part of the Trust Property pursuant to this Section 5 shall be deemed to relieve Grantor of any of the Obligations, except to the extent that the proceeds are applied to the payment of such Obligations. If the proceeds of a sale, a collection, or other realization of or on the Trust Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Grantor shall remain liable for any deficiency to the fullest extent permitted by law.

ARTICLE VI General Provisions

6.01 Time Is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Trust Deed.

6.02 Reconveyance by Trustee. At any time on the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Trust Deed, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Trust Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

6.03 Notice. Except as otherwise provided in this Trust Deed, all notices pertaining to this Trust Deed shall be in writing and may be delivered by hand, or mailed by first-class, registered, or certified mail, return receipt requested, postage prepaid, and addressed to the

appropriate party at its address set forth at the outset of this Trust Deed. Any party may change its address for such notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph shall be deemed to have been given on the date of mailing; notices given by hand shall be deemed to have been given when actually received.

6.04 Substitute Trustee. In the event of dissolution or resignation of Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

6.05 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding on and inure to the benefit of the successors and assigns of Grantor, Trustee, and Beneficiary. If the Trust Property or any portion thereof shall at any time be vested in any person other than Grantor, Beneficiary shall have the right to deal with such successor regarding this Trust Deed, the Trust Property, and the Obligations in such manner as Beneficiary deems appropriate in its sole discretion, without notice to or approval by Grantor and without impairing Grantor's liability for the Obligations.

6.06 Expenses and Attorney Fees. If Beneficiary refers any of the Obligations to a lawyer for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit, or proceeding in connection with any of the Obligations or the Trust Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings, or in connection with any state or federal tax lien), and a lawyer is employed by Beneficiary to (1) appear in any such action, suit, or proceeding, or (2) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve, or enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs, and expenses incurred by Beneficiary or its lawyer in connection with the above-mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports, and the cost of surveyors' reports. Such amounts shall be secured by this Trust Deed and, if not paid on demand, shall bear interest at the rate specified in the Note.

6.07 Applicable Law. The Trust Deed and the validity, interpretation, performance, and enforcement of the Trust Deed shall be governed by the laws of the state of Oregon.

6.08 Captions. The captions to the sections and paragraphs of this Trust Deed are included only for the convenience of the parties and shall not have the effect of defining, diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Trust Deed.

6.09 Rights of Prior Mortgagee. If all or any portion of the Trust Property is subject to a superior mortgage or trust deed specifically permitted under Exhibit B, the rights of Beneficiary granted under this Trust Deed that have also been granted to such a superior mortgagee or trust deed beneficiary, shall be subject to the rights of the superior mortgagee or

trust deed beneficiary. Grantor hereby authorizes all such superior mortgagees and beneficiaries, on satisfaction of the indebtedness secured by their mortgage or trust deed, to remit all remaining insurance or Condemnation proceeds and all other sums held by them to Beneficiary to be applied in accordance with this Trust Deed.

6.10 Person Defined. As used in this Trust Deed, the word *person* shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

6.11 Severability. If any provision of this Trust Deed shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Trust Deed, and such other provisions shall be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Trust Deed.

6.12 Entire Agreement. This Trust Deed and the Note contain the entire agreement of the parties with respect to the Trust Property. No prior agreement, statement, or promise made by any party to this Trust Deed that is not contained herein shall be binding or valid.

6.13 Commercial Property. Grantor covenants and warrants that the Property and Improvements are used by Grantor exclusively for business and commercial purposes. Grantor also covenants and warrants that the Property and Improvements are not now, and at no time in the future will be, occupied as the principal residence of Grantor, Grantor's spouse, or Grantor's minor or dependent child.

6.14 ORS 93.040 Warning. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

ARTICLE VII Partial Release

If Grantor is not in default under this Trust Deed and no condition exists or event has occurred or failed to occur that, with or without notice and the passage of time could ripen into such a default, at the time the request for release is made or at any time thereafter through the date the partial release is delivered to Grantor, Grantor may request and Beneficiary shall provide a partial release of any lot secured by this Deed of Trust provided that Grantee shall receive its share of the net proceeds from the sale of said lot as provided in a separate Lot Sale and Mutual Release Agreement of even date herewith, and provided further that Grantor will have given at least 5 days= advance notice to Beneficiary prior to closing the sale of each lot, which notice shall include the delivery of Grantor's escrow instructions and a settlement statement for each closing, reflecting the lot sale proceeds distribution in accordance with the

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terms of the Lot Sale and Mutual Release Agreement. Upon receipt of the requisite notice, Beneficiary will execute, acknowledge, and deliver a Request for Reconveyance to the Trustee, conditioned only upon Beneficiary receiving the designated net proceeds from the sale as provided in the Lot Sale and Mutual Release Agreement. Grantor shall be responsible for any survey, title costs, legal fees and recording expenses which shall be paid in advance by Grantor, and Grantor shall pay Beneficiary on demand the reasonable costs incurred by Beneficiary in preparing or receiving partial release requests or instruments.

GRANTOR:

SOUTHVIEW PROPERTIES, LLC

By: Gregory P. Bessert
Gregory P. Bessert, Manager

STATE OF OREGON)
County of Klamath) ss.

This instrument was acknowledged before me this 28 day of July, 2005 by Gregory P. Bessert as Manager of Southview Properties, LLC, an Oregon limited liability company.

Stacy Collins
Notary Public for Oregon
My commission expires 8-2-07



EXHIBIT "A"

LEGAL DESCRIPTION OF LOTS 4, 5, 35 AND 41

AND PERMITTED EXCEPTIONS

Lot 4;

Lot 4 in Tract 1416, THE WOODLANDS – PHASE I, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 5:

Lot 5 in Tract 1416 – The Woodlands, Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 35:

Lot 35 in Tract 1416 – The Woodlands, Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 41:

Lot 41 in Tract 1416 – The Woodlands, Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

SUBJECT TO AND EXCEPTING:

1.) Taxes for the fiscal year 2005-2006 a lien due, but not yet payable.

2.) Easement, including terms and provisions contained therein:

Recording information: Volume 96 on page 70, records of Klamath County, Oregon.
In Favor of: Pacific Telephone and Telegraph Company.
For: Transmission line.

3.) Easement, including terms and provisions contained therein:

Recording information: Volume 96 on page 75, records of Klamath County, Oregon.
In Favor of: The Pacific Telephone and Telegraph Co.

For: Pole line.

4.) Easement, including terms and provisions contained therein:

Recording Information: Volume 181 on page 65, records of Klamath County, Oregon.
 In Favor of: The California Oregon Power Company.
 For: Pole and wire line.

5.) Agreement, including the terms and provisions thereof, dated December 6, 1967 and recorded December 18, 1967 in Volume M-67 on page 9824, Deed Records of Klamath County, Oregon, from Donald E. McGhehey and Grace G. McGhehey to Pacific Power & Light Company for the right to deposit spoil materials.

6.) Limited access provisions contained in Deed Volume M-69 on Page 302, and in M-69 on Page 5763 and 5767 and in M-70 on Page 9494, records of Klamath County, Oregon, the State of Oregon, by and through it's State Highway Commission recorded January 10, 1969, July 2, 1969, and October 22, 1970. Deed of Records, which provides that no right of easement or right of access to, from or across the State Highway other than expressly therein provided for shall attach to the abutting property.

7.) Easement, including terms and provisions contained therein:

Recording Information: M-69 on page 5771, records of Klamath County, Oregon.
 In Favor of: Nena May Sohrakoff.
 For: Ingress and egress.

8.) Limited access provisions contained in Deed M-72 on Page 13518 the State of Oregon, by and through it's State Highway Commission recorded November 22, 1972 Deed of Records, which provides that no right of easement or right of access to, from or across the State Highway other than expressly therein provided for shall attach to the abutting property.

9.) Easement, including terms and provisions contained therein:

Recording Information: M-92 on page 24107, records of Klamath County, Oregon.
 In Favor of: Various parties.
 For: Access easement.

10.) Memorandum of Agreement, including the terms and provisions thereof, between Southview Properties, L.L.C. and the State of Oregon, by and through its Department of Transportation, dated August 15, 2002 and recorded February 20, 2003 in M-03 on page 10267, records of Klamath County, Oregon.

11.) Easement, including terms and provisions contained therein:

Recording Information: M-03 on page 80315.
In Favor of: Southview Properties, LLC.
For: Access to public utilities.

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- 12.) Easement, including terms and provisions contained therein:

Recording Information: M-03 on page 80327.
In Favor of: Pac Equities, an Oregon corporation.
For: Unrestricted access, including, but not limited to ingress and egress, to/from Oregon State Highway 140 from/to certain property.

- 13.) Easement, including terms and provisions contained therein:

Recording Information: M-04 on page 51783, records of Klamath County, Oregon.
In Favor of: Any and all necessary utility companies.
For: Public utilities.

- 14.) Covenants, conditions, restrictions and/or easements; but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, family status, or national origin to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes:

Recording Information: M-04 on page 51790, records of Klamath County, Oregon.

- 15.) Development Standards, including the terms and provisions thereof, recorded August 6, 2004 in M-04 on page 51821, records of Klamath County, Oregon.

- 16.) Restrictions shown on the recorded plat/partition of Tract 1416 -The Woodlands - Phase 1.

EXHIBIT "B"**LEGAL DESCRIPTION OF LOTS 16, 17, 55, 56, AND 57)****AND PERMITTED EXCEPTIONS****Lot 16:**

Lot 16 in Tract 1416, The Woodlands – Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 17:

Lot 17 in Tract 1416, The Woodlands – Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 55:

Lot 55 in Tract 1416, The Woodlands – Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 56:

Lot 56 in Tract 1416, The Woodlands – Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Lot 57:

Lot 57 in Tract 1416, The Woodlands – Phase 1, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

SUBJECT TO AND EXCEPTING:

1.) Taxes for the fiscal year 2005-2006 a lien due, but not yet payable.

2.) Easement, including terms and provisions contained therein:

Recording information: Volume 96 on page 70, records of Klamath County, Oregon.

In Favor of: Pacific Telephone and Telegraph Company.

For: Transmission line.

3.) Easement, including terms and provisions contained therein:

- Recording information: Volume 96 on page 75, records of Klamath County, Oregon.
In Favor of: The Pacific Telephone and Telegraph Co.
For: Pole line.
- 4.) Easement, including terms and provisions contained therein:
- Recording Information: Volume 181 on page 65, records of Klamath County, Oregon.
In Favor of: The California Oregon Power Company.
For: Pole and wire line.
- 5.) Agreement, including the terms and provisions thereof, dated December 6, 1967 and recorded December 18, 1967 in Volume M-67 on page 9824, Deed Records of Klamath County, Oregon, from Donald E. McGhehey and Grace G. McGhehey to Pacific Power & Light Company for the right to deposit spoil materials.
- 6.) Limited access provisions contained in Deed Volume M-69 on Page 302, and in M-69 on Page 5763 and 5767 and in M-70 on Page 9494, records of Klamath County, Oregon, the State of Oregon, by and through it's State Highway Commission recorded January 10, 1969, July 2, 1969, and October 22, 1970. Deed of Records, which provides that no right of easement or right of access to, from or across the State Highway other than expressly therein provided for shall attach to the abutting property.
- 7.) Easement, including terms and provisions contained therein:
- Recording Information: M-69 on page 5771, records of Klamath County, Oregon.
In Favor of: Nena May Sohrakoff.
For: Ingress and egress.
- 8.) Limited access provisions contained in Deed M-72 on Page 13518 the State of Oregon, by and through it's State Highway Commission recorded November 22, 1972 Deed of Records, which provides that no right of easement or right of access to, from or across the State Highway other than expressly therein provided for shall attach to the abutting property.
- 9.) Easement, including terms and provisions contained therein:
- Recording Information: M-92 on page 24107, records of Klamath County, Oregon.
In Favor of: Various parties.
For: Access easement.
- 10.) Memorandum of Agreement, including the terms and provisions thereof, between Southview Properties, L.L.C. and the State of Oregon, by and through its Department of Transportation, dated August 15, 2002 and recorded February 20, 2003 in M-03 on page 10267, records of Klamath County, Oregon.

- 11.) Easement, including terms and provisions contained therein:
- Recording Information: M-03 on page 80315.
In Favor of: Southview Properties, LLC.
For: Access to public utilities.
- 12.) Easement, including terms and provisions contained therein:
- Recording Information: M-03 on page 80327.
In Favor of: Pac Equities, an Oregon corporation.
For: Unrestricted access, including, but not limited to ingress and egress, to/from Oregon State Highway 140 from/to certain property.
- 13.) Easement, including terms and provisions contained therein:
- Recording Information: M-04 on page 51783, records of Klamath County, Oregon.
In Favor of: Any and all necessary utility companies.
For: Public utilities.
- 14.) Covenants, conditions, restrictions and/or easements; but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, family status, or national origin to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes:
- Recording Information: M-04 on page 51790, records of Klamath County, Oregon.
- 15.) Development Standards, including the terms and provisions thereof, recorded August 6, 2004 in M-04 on page 51821, records of Klamath County, Oregon.
- 16.) Restrictions shown on the recorded plat/partition of Tract 1416 -The Woodlands - Phase 1.
- 17.) A deed of trust with PremierWest Bank as Beneficiary in the original principal amount of \$1,000,000.00 and containing a provision which provides for the release of individual lots in exchange for receipt of \$30,000.00 per lot.