

AFTER RECORDING, RETURN TO:

THE MORTGAGE EXCHANGE, INC.
9725 SW Beaverton-Hillsdale Hwy, #110
Beaverton, OR 97005



00027219200700127760140142

07/18/2007 03:38:05 PM

Fee: \$86.00

UNTIL FURTHER NOTICE,
SEND TAX STATEMENTS TO

No Change

1ST 1048632

The space above this line reserved for Recorder

TRUST DEED

DATE: July 18, 2007

GRANTOR: SIERRA DEVELOPMENT, LLC
PO Box 5077
Klamath Falls, OR 97601

TRUSTEE: MORTGAGE EXCHANGE FINANCIAL SERVICES, INC.
9725 SW Beaverton Hillsdale Highway, #110
Beaverton, OR 97005

BENEFICIARY: THE MORTGAGE EXCHANGE, INC.
9725 SW Beaverton Hillsdale Highway #110
Beaverton, OR 97005

PROPERTY: (Abbreviated) SIERRA HEIGHTS, Klamath Falls, OR plus additional collateral in Keno, OR
Legal description) (See attached "EXHIBIT "A" for complete legal)

PARCEL NO(s):

Property ID	Map & Tax Lot	Lot
R890343	R-3910-006CC-03700	19
R890341	R-3910-006CC-03500	21
R890348	R-3910-006CC-04300	27
R890346	R-3910-006CC-04000	32
R890344	R-3910-006CC-03800	20
R78775	R-4107-00000-02400	2400
R619441	R-4008-00700-00600	600
R621688	R-4008-00600-02600	2600
R589232	R-3910-006CC-00100	100
R875594	R-3910-006C0-00202	202
R590881	R-3910-007BA-00100	100
R589349	R-3910-006CC-01300	1300
R22632	R-4008-006BD-03500	3500
R22623	R-4008-006BD-03400	3400
R621697	R-4008-00600-00700	700

DEBT SECURED: Promissory Note ("Note") in the principal amount of \$ 4,997,574.00
with maturity date of July 18, 2009

1. GRANT

1.01 **Property Covered by Trust Deed.** For good and valuable consideration, including the indebtedness herein recited and the trust assignment and security agreement herein created, the receipt of which is hereby acknowledged, Grantor hereby irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, for the benefit and security of Beneficiary, subject to the terms and conditions hereinafter set forth, the real property (the "Property"), together with:

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

(b) all leasehold estates, the 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 hereunder, including, without limitation, all cash or security deposits, advance rentals, cleaning deposits, key deposits, pet deposits and deposits or payment of similar nature which are required under any rental agreement;

(c) all right, title and interest of Grantor in and to all option to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

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

(e) all warranties of title and against encumbrances given by Grantor's predecessors in interest, and Grantor's rights under any

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policy insuring Grantor's title to the Property;

(f) 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;

(g) all right, title and interest of Grantor, now owned or hereafter acquired, 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 of land adjacent to or used in connection with the Property;

(h) any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery, and other articles attached to said buildings and improvements or used in connection therewith (the "Improvements");

(i) 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, inventory and supplies, machinery, tools, insurance proceeds, equipment (including fire sprinklers and alarm systems, office air conditioning, heating, refrigerating, electronic monitoring, entertainment, recreational, window, or structural cleaning rigs, maintenance and all other equipment of every kind), lobby and all other indoor and outdoor furniture (including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets), wall beds, wall safes, furnishings, appliances (including ice boxes, refrigerators, fans, heaters, stoves, water heaters, and incinerators), inventory, rugs, carpets and other floor coverings, draperies and drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures and office maintenance and other supplies; and

(j) 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 Property, 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 "Property."

1.02 Obligations Secured. This Trust Deed is given as security for:

(a) Grantor's payment of the Note or other indebtedness described above, with interest thereon executed by Grantor, which has been delivered to and is payable to the order of Beneficiary, and which by this reference is hereby made a part hereof, and any and all modifications, extensions and renewals thereof.

(b) Grantor's repayment of any advances or expenses of any kind incurred by Beneficiary pursuant to the provisions of or on account of the Note, this Trust Deed or any other instrument evidencing, securing or relating to the indebtedness evidenced by the Note, with interest thereon at twenty percent (20%) per annum, or the rate then applicable to the loan as provided in the Note, whichever is higher.

(c) Performance of all of the terms, covenants, provisions and agreements of the Trust Deed, the Note and any other instrument evidencing, securing or relating to the indebtedness of Grantor to Beneficiary (hereafter collectively referred to as the "Indebtedness").

2. GRANTOR'S WARRANTIES AND COVENANTS

2.01 Covenant of Title. Grantor covenants that Grantor is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property (and, if the Trust Deed is on a leasehold, that the ground lease is in full force and effect without modification and without default on the part of either lessor or lessee) and that Grantor will warrant and defend generally the title to the Property against all claims and demands, subject to any encumbrances, declarations, easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Beneficiary interest in the Property.

2.02 Validity. Grantor represents and warrants that this Trust Deed and the Note were executed in accordance with the requirements of the laws of the State of Oregon now in effect and, if Grantor is a corporation, in accordance with the requirements of Grantor's certificate of incorporation, bylaws, and any amendments thereto and with the approval of its Board of Directors.

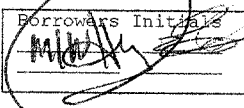
2.03 Payment and Indebtedness. Grantor covenants and agrees to pay the Note and any other Indebtedness secured hereby in the manner and at the times provided for in the Note, this Trust Deed or any other agreement or instrument evidencing, securing or relating to the Note or such other indebtedness.

2.04 Application of Payments. Unless applicable law provides otherwise, each complete installment payment received by Beneficiary from Grantor in accordance with the Loan Documents, shall be applied by Beneficiary in the following order of priority: (a) reserve amounts payable to Beneficiary by Grantor, (b) late charges, (c) interest payable on the Note and any future advances, (d) any other items secured by this Trust Deed in such order as Beneficiary may determine, (e) principal of the Note and any future advances. Upon a breach of any covenant or agreement of Grantor, Beneficiary may apply, in any amount and in any order as Beneficiary shall determine in Beneficiary's sole discretion, any monies received in accordance with the terms of the Note or this Trust Deed.

2.05 Maintenance of Property. Grantor shall keep and maintain or cause to be kept and maintained all buildings and improvements now or at any time hereafter erected on the Property and the sidewalks and curbs abutting them, in good order and condition and in a rentable and tenantable state of repair, and will make or cause to be made, as and when necessary, all repairs, renewals and replacements, structural and nonstructural, exterior and interior, ordinary and extraordinary, foreseen and unforeseen. All repairs and maintenance required of Grantor shall be (in the reasonable opinion of Beneficiary) of first class quality. Grantor shall abstain from and shall not permit the commission of waste in or about the Property; shall not remove, demolish, or alter any building or other improvement erected at any time on the Property without the prior written consent of the Beneficiary; and shall not permit the Property to become vacant, deserted or unguarded.

2.06 Improvements. Grantor shall not make or cause to be made any improvements to the Property unless written approval is first obtained from Beneficiary.

2.07 Liens. Grantor covenants and agrees that this Trust Deed is and will be maintained as a valid lien on the Property, subject only to the liens and encumbrances described in Section 2.01 of this Trust Deed, and that Grantor will not, directly or indirectly, create or suffer or permit to be created, or to stand against the Property, or any portion thereof, or against the rents, issues and profits therefrom, any lien (including any liens arising with respect to the payment of Impositions), any security interest, encumbrance or charge whether prior to or subordinate to the lien of this Trust Deed unless written approval is first obtained from Beneficiary. Grantor will keep and maintain the

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Property free from all liens of persons supplying labor and materials for the construction, modification, repair or maintenance of any building or site improvement whether on the Property or not. If any such liens shall be filed against the Property, Grantor agrees to discharge the same of record within ten (10) days after the liens are filed or, if not filed, within ten (10) days after Grantor has notice thereof, by payment, by deposit or bonding under ORS 87.076-87.088 or similar statutes, by order of a court of competent jurisdiction, or otherwise.

2.08 Compliance with Laws and Regulations. Grantor covenants and agrees that so long as any amount remains owing under the Note or other indebtedness secured by this Trust Deed, Grantor shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to the Grantor or applicable to the Property or any part thereof.

2.09 Compliance With Other Obligations. Grantor covenants and agrees that it will promptly perform and observe, or cause to be performed or observed, all of the terms, covenants and conditions of all instruments of record affecting the Property, noncompliance with which might affect the security of this Trust Deed or impose any duty or obligation upon Grantor. Grantor shall do or cause to be done, all things necessary to preserve intact and unimpaired any and all easements, appurtenances and other interest and rights to, in favor of, or constituting any portion of the Property.

2.10 Condemnation Awards. Grantor covenants and agrees that all awards heretofore or hereafter made by any public or quasi-public authority to the present and all subsequent owners of the Property by virtue of an exercise of the right of eminent domain by such authority, including any award for a taking of title, possession or right of access to a public way, or for any change of grade of streets affecting the Property, are hereby assigned to the Beneficiary. Beneficiary, at its option, is hereby authorized, directed and empowered to collect and receive the proceeds of any such award and awards from the authorities making the same and to give proper receipts and a quittances therefore. Beneficiary may, at Beneficiary's election, use such proceeds in any one or more of the following ways: (i) apply the same or any part thereof upon the Note, whether such Note then be matured or un-matured, (ii) use the same or part thereof to fulfill any of the covenants contained herein as the Beneficiary may determine, (iii) use the same or any part thereof to replace or restore the Property to a condition satisfactory to the Beneficiary or (iv) release the same to the Grantor.

2.11 No Impairment of Security. Grantor covenants and agrees that neither the value of the Property nor the lien of this Trust Deed will be diminished or impaired in any way by any act or omission of the Grantor, and the Grantor agrees it will not do or permit to be done to, in, upon or about said Property, or any part thereof, anything that may in any wise impair the value thereof, or weaken, diminish, or impair the security of this Trust Deed.

2.12 Payment of Licenses, Fees and Charges. Subject to the rights granted Grantor in Section 12 of this Trust Deed, Grantor covenants and agrees to promptly pay and discharge any and all license fees or similar charges, with penalties and interest thereon, which may be imposed by the municipality or county in which the Property is situated or any other governmental body having jurisdiction thereof and will promptly cure any violation of law and comply with any order of said municipality, county or other governmental body in respect of the repair, replacement or condition of the Property and any governmental regulations concerning environmental control and improvements, and that in default thereof, Beneficiary may, but shall not be required to, pay any and all such license fees or similar charges or comply with such regulations with penalties and interest thereon, or pay such charges of the municipality, county or other governmental body for such repair or replacement. All amounts so paid shall thereupon be liens upon the Property and secured by this Trust Deed, and Grantor will repay the same upon demand, with interest thereon at the rate then in effect under the Note or other indebtedness secured by this Trust Deed, from the date of such payment by Beneficiary.

2.13 Defense of Lien. Grantor covenants and agrees that if any action or proceeding is commenced in which Beneficiary in good faith deems it necessary to defend or uphold the validity, enforceability or priority of the lien and interest of this Trust Deed or to preserve the value of the security for this Trust Deed, all sums paid by Beneficiary for the expense of any such litigation to prosecute or defend the lien created by this Trust Deed (including reasonable attorneys' fees at trial, including any bankruptcy proceeding, and upon any appeal) shall be paid by Grantor, together with interest thereon at the rate then in effect under the Note and any such sums and the interest thereon shall be a lien on the Property prior to any right or title to, interest in or claim upon the Property attaching or accruing subsequent to the lien of this Trust Deed, and shall be secured by this Trust Deed.

2.14 Financial Information. Grantor covenants and agrees that it will deliver to Beneficiary:


(a) Such information from time to time regarding the business affairs and financial condition of Grantor as Beneficiary may reasonably request;

(b) Within ninety (90) days after the end of each fiscal year, a copy of Grantor's and each Guarantor's annual, unqualified, audited, consolidated balance sheet and statements of income, retained earnings, capital surplus and capital stock, as of the end of each fiscal year.

(c) Within ninety (90) days after the end of each fiscal year of Grantor, Grantor shall deliver to Beneficiary complete financial statements setting forth all details of the operation of the Property, including an itemized list of rentals and expenses on the Property, a profit and loss statement, balance sheet and reconciliation of surplus, which statements shall be certified by Grantor. Grantor shall furnish, together with the foregoing financial statements and at any other time upon Beneficiary's request, a rent schedule for the Property, certified by Grantor, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable, and the rent paid.

2.15 Marshalling. Grantor covenants and agrees that, to the extent that Grantor may lawfully do so, Grantor shall not assert, and hereby expressly waives, any right under any statute or rule of law pertaining to the marshalling of assets.

2.16 Use of Property. Unless required by applicable law or unless Beneficiary has otherwise agreed in writing, Grantor shall not allow changes in the use for which all or any part of the property was intended at the time this Trust Deed was executed. Grantor shall not initiate or acquiesce in a change in the zoning classification or comprehensive plan governing the Property without Beneficiary's prior written consent. If the Real Property is located in Oregon, Grantor warrants and agrees that this Trust Deed is and will at all times constitute a commercial trust deed, and will not constitute a residential trust deed as defined under Oregon law. The proceeds of the loan evidenced by the Note will be used solely for business purposes other than agricultural purposes, and are not being used for Grantor's personal, family, household or agricultural purposes. None of the Property is used principally or at all for agricultural or farming purposes.

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2.17 No Offset. Grantor's obligation to make payments and perform all obligations, covenants, and warranties under this Trust Deed and under the Note shall be absolute and unconditional and shall not be affected by any circumstance, including without limitation any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense, or other right which Grantor or any guarantor may have or claim against Beneficiary or any entity participating in making the loan secured hereby.

2.18 Additional Documents. Grantor, from time to time, within ten (10) days after request by Beneficiary, shall execute, acknowledge and deliver to Beneficiary such chattel mortgages, security agreements and other similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind whatsoever owned by Grantor or in which Grantor has any interest which, in the sole opinion of Beneficiary, is essential to the operation of the said property covered by this Trust Deed. Grantor shall further, from time to time, within ten (10) days after request of Beneficiary execute, acknowledge and deliver any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may request in order to perfect, preserve, continue, extend or maintain the security interest under, and the priority of this Trust Deed and the priority such chattel mortgage or other security instrument as a first lien. The Grantor irrevocably appoints the Beneficiary its attorney-in-fact to execute and deliver such financing statements and security documents during the term of this Trust Deed. Grantor further agrees to pay to Beneficiary on demand all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing and refilling of any such instrument or document including the charges for examining title and the attorney's fee for rendering an opinion as to the priority of this Trust Deed and of such chattel mortgage or other security instrument as a valid first and subsisting lien. However, neither a request so made by Beneficiary nor the failure of Beneficiary to make such request shall be construed as a release of such property, or any part thereof from the conveyance of title by this Trust Deed, it being understood and agreed that this covenant and any such chattel mortgage, security agreement or other similar security instrument, delivered to Beneficiary, is cumulative and given as additional security.

2.19 Warranties and Covenants. Grantor covenants and agrees that Beneficiary, and its agents and representatives, and persons authorized by Beneficiary shall have the right at any time, upon reasonable notice to Grantor, to enter upon the Property and may make such inspections and take such photographs of the Property as Beneficiary may deem necessary or desirable, at a reasonable hour, and that any such inspections and photographing shall be solely for the benefit of Beneficiary and shall not be relied upon by Grantor for any purpose.


3. TAXES AND ASSESSMENTS

3.01 Payment by Grantor. Grantor covenants and agrees to pay, or cause to be paid, when due and payable by Grantor: (a) all real estate taxes, personal property taxes, assessments, water and sewer rates and charges, and all other governmental and nongovernmental levies, fees and charges, of every kind and nature whatsoever, general and special, ordinary and extraordinary, unforeseen as well as foreseen, which shall be assessed, levied, confirmed, imposed or become a lien upon or against the Property, or any portion thereof, and all taxes, assessments, levies, fees and charges upon the rents, issues, income or profits of the Property, or which shall become payable with respect thereto or with respect to the occupancy, use or possession of the Property, whether such taxes, assessments, levies, fees or charges are levied directly or indirectly (hereinafter collectively called the "Impositions"); and (b) all other payments or charges required to be paid to comply with the terms and provisions of this Trust Deed. Unless Grantor is diligently pursuing the procedures provided for in Section 12 hereof, within ten (10) days after written demand therefor, Grantor shall deliver to Beneficiary the original, or a photo-stat copy, of the official receipt evidencing payment of Impositions or other proof of payment satisfactory to Beneficiary. Failure of Grantor to deliver to Beneficiary the receipts or other satisfactory proof shall constitute a default hereunder.

3.02 Reserve Payments. When requested by the Beneficiary, Grantor shall pay to the Beneficiary on each payment date under the Note, in addition to the monthly installments of principal and interest, an amount equal to one-twelfth (1/12th) of the real personal property taxes and assessments next due on account of the Property, as estimated by the Beneficiary, plus one-twelfth (1/12th) of the annual premiums for the fire and other casualty insurance policies required under the terms of this Trust Deed as estimated by the Beneficiary. The amount due under this paragraph shall be held by the Beneficiary and used to pay the property taxes and insurance premiums. Beneficiary shall not be obligated to account to or pay Grantor any interest on the funds received under this Section 3.02. If, on October 15 of any year, or on or before thirty (30) days prior to any other property tax due date or the due date of any insurance premium, the funds on deposit with Beneficiary under this paragraph are insufficient to pay the property tax or insurance premium then due, Grantor shall, on demand, pay to Beneficiary the amount of the deficiency. In the event foreclosure of this Trust Deed is commenced while any funds are on deposit with Beneficiary under this paragraph, the funds shall be applied against the unpaid balance owing on the Note. The funds shall not be applied against any delinquent installments nor shall such payment cure any such defaults. Upon full payment of the Note or other indebtedness secured by the Trust Deed, Beneficiary shall refund to Grantor the balance remaining on deposit with Beneficiary.

4. INSURANCE

4.01 Casualty. Grantor will procure, deliver to and maintain for the benefit of Beneficiary during the continuance of this Trust Deed and until the same is fully satisfied and released, a policy or policies of insurance insuring the buildings, structures and improvements now existing or hereafter created on the Property against loss or damage by fire, lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, and such other hazards, casualties, and contingencies as Beneficiary may designate, including but not limited to broad form boiler and machinery insurance on all equipment and objects customarily covered by such insurance and providing for full repair and replacement cost coverage, if applicable. All policies of insurance required hereunder shall be in an amount equal to one hundred percent (100%) of the replacement value of the improvements, and in such form and companies as may be acceptable to Beneficiary, and shall contain a "Lender's Loss Payable" clause or endorsement acceptable to Beneficiary, providing the payment of the proceeds of any loss first to Beneficiary. Such insurance shall provide that it may not be cancelled or materially modified except after thirty (30) days prior written notice to Beneficiary. Grantor will promptly pay when due, any premiums on any policy or policies of insurance required hereunder, and will deliver to Beneficiary renewals of such policy or policies at least fifteen (15) days prior to the expiration dates thereof; the said policies and renewals to be marked "paid" by the issuing company or agent. Upon Grantor's failure to comply with the requirements of this paragraph, Beneficiary may, in its discretion, effect any insurance required hereunder and pay the premiums due therefore, and any amounts so paid by Beneficiary shall become immediately due and payable by Grantor with interest thereon at the rate then in effect under the Note from the dates paid, and the amounts shall be secured by this Trust Deed. The delivery to Beneficiary of any policy or policies of insurance hereunder, or renewals thereof, shall constitute an assignment to Beneficiary of all unearned premiums thereon as further security for the payment of the indebtedness secured hereby. In the event any foreclosure action or other proceeding hereunder is instituted by Beneficiary, all right, title and interest of Grantor in any or to any policy or policies of insurance then in force shall vest in Beneficiary.

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4.02 Liability. Grantor shall obtain and keep in force during the term of this Trust Deed public liability insurance against claims for bodily injury, death or property damage occurring in, on or about the demised premises. Such insurance shall provide protection to the limit of not less than the following: \$100,000 in respect to the injury or death of a single person, and to the limit of not less than \$500,000 in respect to any one occurrence, and to the limit of not less than \$100,000 with respect to property damage per occurrence; flood insurance, if applicable; and such other types of insurance in such amounts and in such form as Beneficiary shall require. Such insurance shall name beneficiary as Additional Insured and shall provide that it may not be cancelled or materially modified except after thirty (30) days prior written notice to Beneficiary. Grantor shall deliver evidence of such insurance to Beneficiary in such form and at such times as Beneficiary may reasonably require.

4.03 Business Interruption Insurance. If requested by Beneficiary, Grantor shall provide and maintain business interruption and/or loss of "rental value" insurance in such amounts and with such insurance company or companies as are satisfactory to Beneficiary.

4.04 Loss. In the event of an insured loss, Beneficiary shall have the option to declare the unpaid balance owing under the Note to be immediately due and payable and to settle all claims with insurers, collect all insurance proceeds, and apply the proceeds, after deducting the costs of collection, to payment of the Note. If Beneficiary elects to make the insurance proceeds available to Grantor to repair and restore the damaged Property rather than applying the proceeds to payment of the Note, such proceeds will be deposited with Beneficiary, together with any additional funds of Grantor which Beneficiary determines are necessary to complete the repairs and restoration, and such funds will be disbursed by Beneficiary as Beneficiary may deem prudent. In such event, Grantor agrees to promptly and diligently repair and restore the Property.

4.05 Insurance Policy Defect. Grantor agrees in no event to hold Beneficiary responsible for failure to have any insurance written or for any loss or damage growing out of a defect in any insurance policy, when Beneficiary collects insurance reserves and pays the insurance premiums with said reserves.

5. ENVIRONMENTAL LAWS

5.01 Definitions. In this Trust Deed, the following definition shall apply:

(a) "Environmental Laws" shall mean any present or local, municipal, state or federal law, rule, order, regulation or restriction relating to environmental protection and pollution control (including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 as amended by the Superfund Amendment and Reauthorization Act of 1986, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, the Toxic Substances Control Act, and the Federal Insecticide, Fungicide and Rodenticide Act and any similar federal or state statutes and regulations), land use and zoning, energy and industrial facilities siting, or occupational health and safety.

(b) "Governmental Authority" or "Governmental Authorities" shall mean any federal, state, regional county or municipal governmental agency, board, commission, officer or official whose consent or approval is required or whose regulations must be followed as a prerequisite to (i) the commencement or continuation of the project, (ii) the continued operation and occupancy of the Real Property, or (iii) the performance of any act or obligation or the observance of any agreement, provision or condition of whatever nature contained in this Trust Deed or the Loan Documents.

(c) The term "Hazardous Substance" is used in this Agreement in its very broadest sense and refers to material that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. "Hazardous Substance" shall include, but is not limited to, petroleum, any and all hazardous or toxic substances, materials or waste as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act or any other of the Environmental Laws. "Hazardous Substance" shall specifically include, but not be limited to, petroleum, including crude oil and any fraction thereof.

5.02 Grantor's Representations. Grantor represents that:

(a) To the best of Grantor's knowledge, after due inquiry and investigation, none of the Property nor any property adjacent to the Property has ever been used by previous owners and/or operators or Grantor to generate, manufacture, refine, transport, treat, store, handle or dispose of any Hazardous Substances, and Grantor does not intend to use the Property for any such purposes.


(b) To the best of Grantor's knowledge, after due inquiry and investigation, the Property, whenever and whether owned by previous owners and/or operators or Grantor, has never contained asbestos, PCB or other Hazardous Substances, whether used in construction or stored on the Property.

(c) Grantor has received no summons, citation, directive, letter or other communication, written or oral, from any agency or department of any county or state of the U.S. Government concerning any intentional or unintentional action or omission on Grantor's part which has resulted in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Substances into any waters or onto any lands or where damage may have resulted in the lands, water, fish, shellfish, wildlife, biota, air or other natural resources.

5.03 Covenants.

(a) Grantor shall cause the property and the operations conducted thereon to comply with all Environmental Laws and orders of any governmental authorities having jurisdiction under any environmental Laws and shall obtain, keep in effect and comply with all governmental permits and authorizations required by Environmental Laws with respect to the Property or operations. Grantor shall furnish Beneficiary with copies of all such permits and authorizations and any such amendments or renewals thereof and shall notify Beneficiary of any expiration or revocation or such permits or authorizations.

(b) Grantor shall exercise extreme care in handling Hazardous Substances and Grantor shall, at Grantor's expense, undertake any and all preventative, investigatory or remedial action (including emergency response, removal, containment and other remedial action) (i) required by any applicable Environmental Laws or orders by any Governmental Authority having jurisdiction under Environmental Laws, or (ii) necessary to prevent or minimize property damage (including damage to Grantor's own property), personal injury or damage to the environment, or the threat to any such damage or injury, by releases of or exposure to Hazardous Substances in connection with the Property or operations of Grantor on the Property. In the event Grantor fails to perform any of Grantor's obligations under this Section 5.03, Beneficiary may (but shall not be required to) perform such obligations at Grantor's expense. All such cost and expenses incurred by Beneficiary under this section and otherwise under this Trust Deed shall be reimbursed by Grantor to Beneficiary upon demand with interest at the Default Rate of Interest. Beneficiary and Grantor intend that Beneficiary shall have full recourse to Grantor for any sum at any time

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due to Beneficiary under this Trust Deed, the Note, Loan Agreement or Loan Documents. In performing any such obligations of Grantor, Beneficiary shall at all times be deemed to be the agent of Grantor and shall not by reason of such performance be deemed to be assuming any responsibility of Grantor under any Environmental Law or to any third party. Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact with full power to perform such Grantor's obligations under this Section 5.03 as Beneficiary deems necessary and appropriate.

(c) Grantor represents and warrants that Grantor has not installed any asbestos or any substance containing asbestos in any portion of the premises and has no knowledge of the installation of any such material in any portion of the premises. Grantor shall not install or permit to be installed in the premises, asbestos or any substance containing asbestos and deemed hazardous by federal or state regulations respecting such material (collectively "Asbestos Materials"). If any Asbestos Materials are found on the premises, Grantor shall promptly either remove them or comply with all laws, rules, regulations, or orders with respect to the presence of Asbestos Materials (collectively "Asbestos Laws"). If Grantor fails to comply with the preceding sentence, Beneficiary may (but shall not be obligated to), after notice to Grantor and the expiration of any cure period stated in the notice, either (1) declare an event of default under this Trust Deed and/or (2) enter upon the premises and cause the Asbestos Materials to be removed or otherwise comply with the Asbestos laws, and add the cost of removal of compliance to the indebtedness evidenced by the Note and secured hereby, whereupon such cost shall become due and payable immediately upon demand with interest thereon at the Default Rate of Interest.

5.04 Notices

(a) Any spill, release or disposal of a Hazardous Substance on any of the Property, or in connection with any of its operations if such spill, release or disposal must be reported to any governmental authority under applicable Environmental laws.

(b) Any contamination, or imminent threat of contamination, of the Property by Hazardous Substances, or any violation of Environmental laws in connection with the Property or operations on the Property.

(c) Any order, notice of violation, fine or penalty or other similar action by any governmental authority relating to Hazardous Substances or Environmental Laws and the Property or the operations conducted on the Property.

(d) Any judicial or administrative investigation or proceeding relating to Hazardous Substances or Environmental Laws and to the Property or the operations conducted on the Property.

(e) Any matters relating to Hazardous Substances or Environmental Laws that would give a reasonably prudent Beneficiary cause to be concerned that the value of Beneficiary's security interest in the Property may be reduced or threatened or that may impair, or threaten to impair, Grantor's ability to perform any of its obligations under this Trust Deed when such performance is due.

5.05 Access to Records. Grantor shall deliver to Beneficiary, at Beneficiary's request, copies of any and all documents in Grantor's possession or to which it has access relating to Hazardous Substances or Environmental Laws and the Property, and the operations conducted on the Property, including without limitation, results of laboratory analysis, site assessments or studies, environmental audit reports and other consultant's studies and reports.

5.06 Inspections. Beneficiary reserves the right to inspect and investigate the Property and operations at any time, and Grantor shall cooperate fully with Beneficiary in such inspection and investigations. If Beneficiary at any time has reason to believe that Grantor or any tenants on the Property are not complying with all applicable Environmental Laws or the requirements of this Trust Deed or that a material spill, release or disposal of Hazardous Substances has occurred on or under the Property, Beneficiary may require Grantor to furnish Beneficiary, at Grantor's expense, an environmental audit or a site assessment with respect to the matters of concern to Beneficiary. Such audit or assessment shall be performed at Grantor's expense by a qualified consultant approved by Beneficiary.

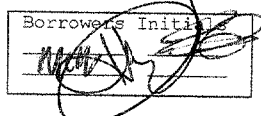
5.07 Further Assurances. At any time Beneficiary requests, Grantor shall provide to Beneficiary further assurance of Grantor's compliance with this Section 5.07. The assurances shall be in form and substance satisfactory to Beneficiary in Beneficiary's sole discretion.

6. SECURITY AGREEMENT AND UCC FINANCING STATEMENTS

6.01 Uniform Commercial Code Security Agreement. To the extent any of the Property is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein together with a security interest in all other personal property of whatever nature which is located on or used or to be used in connection with any of the Property, and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code (the "UCC") of the state in which the Real Property is located, on the terms and conditions contained herein except that where any provision hereof is in conflict with the UCC, the UCC shall control. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the Property except as otherwise specified herein. Grantor agrees that Beneficiary may file this Trust Deed, or a reproduction thereof, in the real estate records or other appropriate filing office or index, as a financing statement for any of the UCC items. Any reproduction of this Trust Deed or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Grantor agrees to execute and deliver to Beneficiary, upon Beneficiary's request, any financing statement, as well as extensions, renewals and amendments thereof, and reproduction of this Trust Deed, in such form as Beneficiary may require to perfect a security interest. Grantor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Grantor shall not create or suffer to be created to the UCC any other security interest in the Property, including replacement and additions. Upon Grantor's breach of any covenant or agreement of Grantor contained in the Note and Loan Documents, including the covenants to pay when due all sums secured by this Trust Deed, Beneficiary shall have the remedies of a secured party under the UCC and, at Beneficiary's option, Beneficiary may proceed against the items of Real Property and any items of personal property specified in this Trust Deed separately or together and in any order whatsoever, whether by sale or otherwise without in any way affecting the availability of Beneficiary's remedies under the UCC or of the remedies provided in this Trust Deed. At the request of Beneficiary, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any event of default, to realize upon the personal property subject to this Trust Deed, independent of any action of Trustee, pursuant to the UCC.

7. ASSIGNMENT OF LEASES AND RENTS

7.01 Assignment. Grantor hereby absolutely and irrevocably assigns to Beneficiary all of Grantor's interest in all rents, issues and

Borrowers Initial


profits of the Property, now due and hereafter to become due and payable under the leases and contracts pertaining to the Property. Grantor grants to Beneficiary the right to enter the Property and to let the Property, or any part thereof, and to apply said rents, issues, profits and proceeds after payment of all charges and expenses, on account of the Note and other sums secured hereby. This assignment and grant shall continue in effect until the Note and other sums secured by this Trust Deed are paid in full. Beneficiary hereby agrees not to exercise the right to enter the Property for the purpose of collecting said rents, issues or profits and Grantor shall be entitled to collect and receive said rents, issues, profits and proceeds until the occurrence of a default by Grantor under the terms and provisions hereof; provided that any rents, issues and profits collected and received by Grantor after the occurrence of a default hereunder which is not cured within the applicable grace period provided hereby, if any, shall be deemed collected and received by Grantor in trust for Beneficiary and Grantor shall account to Beneficiary for the full amount of such receipts. Grantor agrees to apply said rents, issues and profits, whenever received, to payment of the Note, all Impositions on or against the Property and other sums secured by this Trust Deed. The right of Grantor to collect and receive the rents, issues and profits in trust for Beneficiary during the continuance of any default by Grantor under the terms and provisions of this Trust Deed may be revoked by Beneficiary giving written notice of such revocation to Grantor.

7.02 Further Agreements. Grantor will, from time to time after notice and demand, execute and deliver to Beneficiary, in form satisfactory to Beneficiary, further agreements evidencing its willingness to comply and its compliance with the provisions of this Section 7. Grantor shall pay Beneficiary the expenses incurred by Beneficiary in connection with the recording of any such agreement.

7.03 Effect of Assignment. The assignment contained in this Section 7 shall not in any way impair or diminish the obligations of the Grantor, nor shall this assignment impose any obligation on Beneficiary to perform any provision of any lease or contract pertaining to the Property or any responsibility for the nonperformance thereof by Grantor or any other person. The assignment under this Section 7 is given as an absolute assignment of the rights described herein and such assignment shall not be deemed secondary to this Trust Deed. Beneficiary shall have the right to exercise any rights under this Section 7 before, together with, or after exercising any other rights under this Trust Deed.

7.04 Rental Value Insurance. If required by Beneficiary, Grantor covenants that so long as any indebtedness secured by this Trust Deed remains unpaid, Grantor will obtain and maintain at its expense not less than twelve months' full rental value insurance coverage with respect to the leases.


8. PERFORMANCE OF GRANTOR'S OBLIGATIONS

If Grantor shall fail to pay any Impositions or to make any other payment required to be paid by Grantor under this Trust Deed at the time and in the manner provided in this Trust Deed, or if Grantor shall be in default in the performance or observance of any other term, covenant, or condition of any prior encumbrance or any other obligation required to be performed or observed by Grantor under this Trust Deed, the Note, any other agreement or instrument evidencing, securing or relating to the indebtedness of Grantor to Beneficiary or any instrument of record, then, after the expiration of any applicable grace period, and without limiting the generality of any other provision of this Trust Deed and without waiving or releasing Grantor from any of its obligations hereunder, Beneficiary shall have the right, but shall be under no obligation, to make any payment or perform any other act or take such action as may be appropriate to cause such other term, covenant, condition or obligation to be promptly performed or observed on behalf of Grantor. In any such event, Beneficiary and any person designated by Beneficiary shall have, and is hereby granted, the right to enter upon the Property at any time and from time to time for the purposes of performing any such act or taking any such action, and all moneys expended by Beneficiary in connection with making such payment or performing such act (including, but not limited to, attorneys' fees and expenses), together with interest thereon at the rate then in effect under the Note from the date of each expenditure, shall be paid by Grantor to Beneficiary within ten (10) days after written notice to Grantor demanding such payment, and shall be secured by this Trust Deed. Beneficiary shall have the same rights and remedies in the event of nonpayment of any such sums by Grantor as in the case of a default by Grantor in the payment of the Note. Nothing in this paragraph or in any other part of this Trust Deed shall be construed to require Beneficiary to make any payment or perform any obligation of Grantor. Any action taken by Beneficiary hereunder or in relation to the Property is for the sole benefit of Beneficiary and no other person shall rely upon any action, inaction, inspection or other act of Beneficiary in dealing with the Property or Grantor.

9. TRANSFER OF PROPERTY BY GRANTOR

9.01 Consent of Beneficiary. Grantor understands that the loan secured hereby is personal to Grantor, and that Grantor's personal responsibility and occupancy and/or control of the Property is a material inducement to Beneficiary to make the loan secured hereby. Grantor will not, without the prior written consent of Beneficiary, sell, assign, transfer, mortgage, grant a further trust deed, or pledge or otherwise dispose of or further encumber, whether by operation of law or otherwise, any or all of its interest in the Property. Any sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance made in violation of this provision, whether voluntary or involuntary, shall be null and void and of no force and effect, and the making thereof shall constitute a default under this Trust Deed, the Note, and the other agreements and instruments securing the Note. If any Grantor is a corporation or a partnership, the sale, assignment, transfer, mortgage, trust deed, pledge or other disposition or encumbrance of more than twenty percent (20%) of the shares of the stock of the corporation or a partnership interest, shall constitute a sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance of the Property under this provision, determined on the basis of all such events in the aggregate during the term of the Note. On request, Grantor will provide Beneficiary with a certified statement (or copy of any public filing) from time to time listing the persons holding partnership interests in Grantor and the respective percentage interest held by each. Grantor will promptly reimburse Beneficiary for its reasonable costs and reasonable attorney fees incurred in reviewing any requests for consent to transfer and in preparing documents required in connection therewith.

9.02 Conditions of Beneficiary's Consent. Beneficiary may consent to a sale or transfer of the Property if: (a) Grantor causes to be submitted to Beneficiary information required by Beneficiary to evaluate the transferee as if a new loan were being made to the transferee; (b) Beneficiary reasonably determines that Beneficiary's security will not be impaired and that the risk of breach of any covenant or agreement in the Note, Trust Deed or any other instrument evidencing, securing or relating to the Indebtedness evidenced by the Note is acceptable; (c) interest will be payable on the Indebtedness at a rate acceptable to Beneficiary, provided that Beneficiary may not increase the interest rate more than two percent (2%); (d) changes in the terms of the Note, this Trust Deed and any other instrument evidencing, securing or relating to the Indebtedness evidenced by the Note required by Beneficiary are made, including, for example, periodic adjustment in the interest rate, a different final payment date and addition of unpaid interest to principal; and (e) transferee signs an

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assumption agreement that is acceptable to Beneficiary and that obligates the transferee to keep all of the promises and agreements made in the Note, this Trust Deed and any other instrument evidencing, securing or related to the indebtedness evidenced by the Note. To the extent permitted by applicable law, Beneficiary also may charge an assumption fee equal to one percent (1%) of the unpaid principal balance of the note at the time of the transfer.

9.03 No Waiver. Grantor acknowledges and agrees that Beneficiary's consent to any transfer under this Section 9 shall not relieve Grantor of any obligation, responsibility or liability to Beneficiary under the Note or this Trust Deed unless Beneficiary specifically agrees in writing. Consent by Beneficiary to a transfer shall not be deemed a waiver of the provisions of this Section 9 with respect to any subsequent transfer.

10. DEFAULT

10.01 Events of Default. The entire unpaid balance owing under the Note shall become due, at the option of Beneficiary, if any one or more of the following events of default shall occur:

- (a) Failure of Grantor to pay any portion of the Note or other indebtedness secured by this Trust Deed when it is due.
- (b) Failure of Grantor within the time required by this Trust Deed to make any payment, taxes, insurance or any other payment necessary to prevent filing of or discharge of any lien.
- (c) Failure of Grantor to observe or perform, on or before the date due, any of the covenants or conditions to be performed by Grantor under the terms hereof.
- (d) Any warranty or representation of Grantor when made was inaccurate or misleading in any material respect.
- (e) A breach of any of the conditions, terms, covenants or agreements contained in the Note or any other agreement or instrument evidencing, securing or relating to the Note or other indebtedness, and the continuance of such default beyond any applicable grace period contained therein.
- (f) If any of the Grantors shall file a voluntary petition in bankruptcy or shall have an order entered for relief under a bankruptcy petition, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Grantor, or of all or any substantial part of the properties of Grantor or of the Property; or if within thirty (30) days after the commencement of any proceeding against Grantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any present or future applicable federal, state, or other statute or law, such proceeding shall not be dismissed; or if, within thirty (30) days after the appointment of any trustee, receiver or liquidator of Grantor without the consent of acquiescence of Grantor or of all or any substantial part of the properties of Grantor or of the Property, such appointment shall not have been vacated or stayed on appeal or otherwise; or if, within thirty (30) days after the expiration of any such stay, such appointment shall not have been vacated.
- (g) The sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance of the Property in violation of the provisions of Section 9.

10.02 If an event of default shall occur which is not cured within the applicable grace period (if any) provided for, Beneficiary may, at its option, exercise any and all of the following remedies:

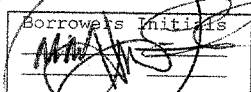
- (a) Declare the unpaid portion of the Note to be immediately due and payable, without further notice or demand (each of which hereby is expressly waived by Grantor), whereupon the same shall become immediately due and payable.
- (b) Commence a court action for breach of or to enforce the Note, this Trust Deed or any of the other agreements securing the Note.
- (c) Exercise any one or more of the rights granted Beneficiary under Section 7 of this Trust Deed.
- (d) Enter upon the Property and take possession of all books, records and accounts relating thereto.
- (e) Either in person, by agent or court appointed receiver, enter upon and take possession and control of the Property, or any part thereof, and collect the income, rents, issues and profits thereof, without regard to the sufficiency of the Property or any other security, and without the showing of insolvency on the part of Grantor, or fraud or mismanagement by Grantor, and without the necessity of filing any judicial or other proceeding for appointment of a receiver.
- (f) Hold, lease, operate or otherwise use or permit the use of the Property, or any portion thereof, in such manner, for such time and upon such terms as Beneficiary may deem to be in its best interest (making such repairs, alterations, additions and improvements thereto, from time to time, as Beneficiary shall deem necessary or desirable) and collect and retain all earnings, rentals, profits or other amounts payable in connection therewith.
- (g) Foreclose this Trust Deed by judicial action and have the Property, in whole or in part, sold under the judgement or decree of the court.
- (h) Cause the Trustee to issue and deliver a written notice of default and election to sell the Property, and proceed with the foreclosure of this Trust Deed by the advertisement and sale procedure established or permitted by the Oregon statutes.
- (i) Exercise any other remedy now or hereafter existing in equity, at law, by virtue of statute, the common law, or otherwise.

10.03 Termination of Enforcement Action. In case Beneficiary shall have proceeded to enforce any right under the Note, this Trust Deed or any other agreement or instrument evidencing, securing or relating to the Note or indebtedness and such proceedings shall have been discontinued or abandoned for any reason, then in every such case Grantor and Beneficiary shall be restored to their former positions and the right, remedies and powers of Beneficiary shall continue as if no such proceedings had been taken.

10.04 No Release. In the event Beneficiary (a) grants an extension of time on any payments of the Note or any indebtedness secured by this Trust Deed, (b) takes other or additional security for the payment thereof, or (c) waives or fails to exercise any right granted herein, said act or omission shall not release Grantor, subsequent purchasers of the Property covered by this Trust Deed or any part thereof, or any Guarantors.

11. FORECLOSURE

11.01 Costs. In any judicial action or advertisement and sale proceedings to foreclose this Trust Deed, there shall be allowed and included as additional indebtedness in the decree of sale all expenditures and expenses which may be paid or incurred by or on behalf of Beneficiary, or holders of the Note, for reasonable trustee's fees and attorneys' fees at the trial, including any bankruptcy proceeding, and on any appeal (including an estimated amount for enforcement of the foreclosure decree), court costs, appraiser's fees, outlays for

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documentary and expert evidence, stenographer's charges, publication costs and costs of procuring title reports and title insurance policies and searches of the UCC financing statement records (which fees, charges and costs may be estimated as to items to be expended after entry of the foreclosure decree), and all other expenses as Beneficiary or holders of the Note may deem reasonably necessary to prosecute such suit or non-judicial proceeding or to evidence to bidders at any sale which may be had pursuant thereto the true condition of the title to or the value of the Property. All expenditures and expenses of the nature in this section mentioned shall become so much additional indebtedness secured hereby and shall be immediately due and payable with interest thereon at the rate in effect under the Note when paid or incurred by Beneficiary or holders of the Note. In addition to foreclosure proceedings, the above provisions of this paragraph shall apply to (a) any proceeding to which Beneficiary or the holders of the Note shall be a party, either as plaintiff, claimant or defendant, by reason of this Trust Deed or any indebtedness or obligation hereby secured; (b) preparations for the commencement of any non-judicial proceedings or suit for foreclosure hereof after accrual of such right to foreclosure whether or not actually commenced; or (c) preparation for the defense of or investigation of any threatened suit, claim or proceeding which might affect the Property or the security hereof, whether or not actually commenced.

11.02 Receiver. At any time after the filing of a judicial action to foreclose this Trust Deed or the filing of a notice of default and election to sell pursuant to a non-judicial foreclosure of this Trust Deed by advertisement and sale, any court having jurisdiction over the Property may appoint a receiver of the Property. Such appointment may be made without notice, without regard to the solvency or insolvency at the time of application for such receiver of the person or persons, if any, liable for the payment of the Note and other sums secured hereby and without regard to the then value of the Property, and the Beneficiary hereunder may be placed in possession of the Property. The receiver shall have power to collect the rents, issues and profits of the Property during the pendency of such foreclosure suit, as well as during any further times when Beneficiary, its successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Property during the whole of said period. The court from time to time may authorize the receiver to apply the net income in his hands in payment in whole or in part of the Note and other sums secured hereby, or in payment of any tax, special assessment or other lien which may be or become superior to the lien hereof or superior to a decree foreclosing this Trust Deed, provided such application is made prior to foreclosure sale.

11.03 Costs During Redemption Period. In the event that this Trust Deed is foreclosed as a mortgage or in any other manner permitted by law and the property sold at a foreclosure sale, the purchaser may, during any redemption period allowed, make such repairs or alterations on said property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the highest lawful rate shall be added to and become a part of the amount required to be paid for redemption from such sale.

11.04 Application of Proceeds of Sale. The proceeds of any sale of all or any portion of the Property and the earnings of any holding, leasing, operating or other use of the Property shall be applied by Beneficiary in the following order:

- (a) first, to the payment of unpaid taxes and insurance premiums, and the costs and expenses of taking possession of the Property and of holding, operating, managing, using, leasing, repairing, improving and selling the same;
- (b) second, to the payment of Beneficiary's attorneys' fees and other foreclosure expenses allowed Beneficiary under this Trust Deed;
- (c) third, to the payment of accrued and unpaid interest on the Note;
- (d) fourth, to the payment of the balance of the Note and any other indebtedness;
- (e) any surplus shall be paid to the parties entitled to receive it.

12. CONTESTING LIENS AND IMPOSITIONS

Grantor, at its expense, may contest, after prior written notice to Beneficiary, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application in whole or in part, of any Impositions described in Section 3.01, any license fees or similar charges, or any construction lien filed against the Property provided that (a) Grantor shall first make all contested payments, under protest if it desires, unless such proceedings shall suspend the collection thereof, (b) neither the Property nor any part thereof or interest therein are at any time in any danger of being sold, forfeited, lost or interfered with, and (c) Grantor shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Beneficiary. Provided, however, Beneficiary may, at its sole discretion, require Grantor to bond against the construction lien under ORS 87.076-.088.

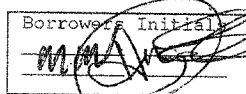
13. MISCELLANEOUS

13.01 Rights Non-Exclusive. Each separate right and remedy granted to Beneficiary under the provisions and covenants in this Trust Deed, the Note and other agreements and instruments securing the Note, or any part thereof, shall be separate, distinct and cumulative and none of them shall be in exclusion of the others. No act of Beneficiary to exercise any one or more of the rights or remedies shall be construed as an election to proceed to the exclusion of the later exercise of any other right or remedy, anything herein or otherwise to the contrary notwithstanding.

13.02 Time Essence. Time is of the essence with respect to all the obligations of the Grantor under this Trust Deed, Note and any other agreement secured by this Trust Deed.

13.03 Release of Property. Any part of the Property may be released by the Beneficiary without affecting the lien, security interest and assignment hereof against the remainder. The lien, security interest and other rights granted hereby shall not affect or be affected by any other security taken for the same indebtedness or any part thereof. The taking of additional security, or the extension or renewal of the Note or other indebtedness secured hereby or any part thereof, shall not release or impair the lien, security interest and other rights granted hereby, or affect the liability of any endorser, guarantor or surety, or improve the right of any permitted junior lien holder. In the event a portion of the Property is released from the lien of this Trust Deed by Beneficiary, or added to this Trust Deed by Grantor, the "Property" as herein defined shall refer only to that portion from time to time subject to the lien of this Trust Deed.

13.04 Waiver. A waiver in one or more instances of any of the terms, covenants, conditions or provisions hereof, of the Note or any other

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documents given by Grantor to secure the Note, or any part thereof, shall apply to the particular instance or instances and at the particular time or times only, and no such waiver shall be deemed a continuing waiver but all of the terms, covenants, conditions and other provisions of this Trust Deed and of such other documents shall survive and continue to remain in full force and effect. No waiver shall be asserted against Beneficiary unless in writing and signed by Beneficiary.

13.05 Amendment. No change, amendment, modification, cancellation or discharge hereof, or any part hereof, shall be valid unless in writing and signed by the parties hereto or their respective successors and assigns.

13.06 Assignment by Beneficiary. Beneficiary may assign all or any portion of its interest hereunder and its rights granted herein and in the Note and other security agreements to any person, trust, financial institution or corporation as Beneficiary may determine and upon such assignment, such assignee shall thereupon succeed to all the rights, interests, and options of Beneficiary herein and in the Note and other security agreements contained, and Beneficiary shall thereupon have no further obligations or liabilities hereunder.

13.07 Notices. All notices, demands and requests given or required to be given by either party hereto to the other party shall be in writing. All notices, demands and requests shall be deemed to have been properly given if sent by U.S. registered or certified mail, return receipt requested, postage prepaid, addressed to the party at the address set forth on page one (1) of this Trust Deed, or to such other address as the party shall have designated by written notice to the other parties given as herein required.

13.08 Action Against Grantor. If any action or proceeding shall be instituted to evict Grantor or recover possession of the Property or any part thereof, or for any other purpose affecting the Property or this Trust Deed, or if any notice relating to a proceeding or a default is served on Grantor, Grantor will immediately, upon service thereof on or by Grantor, deliver to Beneficiary a true copy of each notice, petition, or other paper or pleading, however designated.

13.09 Binding Effect. Each and all of the covenants and obligations of this Trust Deed shall be binding upon and inure to the benefit of the parties hereto, and except as herein otherwise specifically provided, their respective successors and assigns, subject at all times nevertheless to all agreements and restrictions herein contained with respect to the transfer of Grantor's interest in the Property covered by this Trust Deed.

13.10 Severability. If one or more of the provisions of this Trust Deed shall be invalid, illegal or unenforceable in any respect, such provision shall be deemed to be severed from this Trust Deed and the validity, legality and enforceability of the remaining provisions contained herein, shall not in any way be affected or impaired thereby. Without limiting the generality of the foregoing, any provision herein, or in the Note or other agreement or instrument securing the Note to the contrary notwithstanding, Beneficiary shall in no event be entitled to receive or collect, nor shall or may amounts received hereunder be credited, so that Beneficiary shall be paid, as interest, a sum greater than the maximum amount permitted by law. If any construction of this Trust Deed or the Note or other agreement or instrument securing the Note indicates a different right given to Beneficiary to ask for, demand or receive any larger sum as interest this clause shall override and control, and proper adjustment shall automatically be made accordingly.

13.11 Successor Trustee. Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor Trustee appointed hereunder. Upon such appointment, and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Trust Deed and its place of record, and when recorded in the office of the County Clerk or Recorder of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the Successor Trustee.

13.12 Acceptance by Trustee. Trustee accepts this trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of any pending sale under any other Trust Deed or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless such action or proceeding is brought by Trustee.

13.13 Reconveyances. Upon payment when due of the indebtedness secured by this Trust Deed, Beneficiary shall request Trustee to reconvey the Property and shall surrender this Trust Deed and all notes evidencing the indebtedness secured by this Trust Deed to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to the Property. Such person or persons shall pay Trustee's fee, all recording costs including but not limited to recording of a reconveyance document and an appointment of successor trustee documents and other costs incurred in so reconveying the Property.

13.14 Expenses and Attorney Fees. In the event that Beneficiary or Trustee shall take any action, judicial or otherwise, to enforce the Note or any provision of this Trust Deed or if Beneficiary or Trustee shall be required to appear in any proceeding to protect and maintain the priority of Trustee's title to the trust property, Trustee or Beneficiary (or both) shall be entitled to recover from Grantor all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyor's reports, and its attorney fees, whether incurred in a suit or action in any bankruptcy proceeding or any appeals from a judgment or decree therein or petition for review, or in connection with non-judicial action. Grantor shall reimburse Beneficiary or Trustee (or both) for expenses so incurred on demand with interest from the date of expenditure until repaid at a rate equal to the lesser of a rate equal to the Note rate of interest or the highest rate permitted by applicable law.

13.15 Governing Law. This Trust Deed shall be governed by the law of the state in which the Real Property is located.

13.16 Counterparts. This Trust Deed may be executed in one or more identical counterparts, and if so executed, each counterpart shall be deemed an original for all purposes and all such counterparts shall collectively constitute one agreement. For convenience, the signatures pages of each counterpart may be removed from that counterpart and attached to a single agreement.

13.17 Land Use Notice. 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

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PLANNING DEPARTMENT TO VERIFY APPROVED USES.

13.18 Oral Commitments Unenforceable. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER OREGON LAW.

14. SPECIAL PROVISIONS

14.1 Individual Lot Release. Individual Lots located in Sierra Heights may be released from this lien upon payment to The Mortgage Exchange, Inc. of 110 % of the then loan balance divided by the remaining number of unreleased lots of the 56 platted lots in Parcel III..

14.2 Lot Releases. Parcel I of Sierra Heights, Klamath County, Oregon consists of 5 lots and may be released from this lien upon payment of the following amounts: Lot 21 will require a minimum of \$250,000 release amount or 75% of the net sale proceeds, whichever is higher. Lot 32 will require a minimum of \$200,000 release amount or 75% of the net sale proceeds, whichever is higher. Lots 19,20 and 27 may be released from this lien upon payment of \$66,667.00 for each lot. If this loan is not in default the net proceeds received by The Mortgage Exchange, Inc. from the sale of Lot 21 and Lot 32 or Lots 19,20 and 27 which is paid towards the loan can be re0borrowed from Lender subject to Lender approving new plans, budgets and inspections of all draw requests from borrower for possible building of 3 houses on Lots 19,20 and 27 in Parcel I. If there are not adequate funds received by The Mortgage Exchange, Inc.. to pay the total cost to build any of the houses then borrower will be required to deposit the necessary funds to Lender prior to the 1st draw on any new house.

14.3 Additional Security Additional Security is required n this loan and is to be secured on properties described as:

1) 40 acres, Tax Lot 3400, Klamath County, Oregon valued at \$60,000; 2) 167 acres, Tax Lot 3500, Klamath County, Oregon valued at \$501,000; 3) 15 (+/-) acres including residence, Tax Lot 700, Klamath County, Oregon valued at \$450,000. Any of these properties may be released from this lien upon payment to The Mortgage Exchange, Inc. of the individual stated values.

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

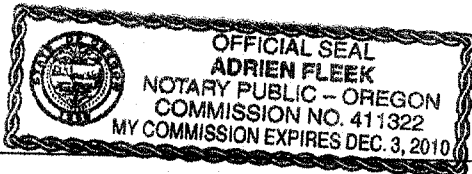
Corporate or Partnership Grantors:

SIERRA DEVELOPMENT, LLC

By: [Signature]
Michael Wilcher, Member
STATE OF OREGON
County of klamath

By: [Signature]
Eddie Wilcher, Member

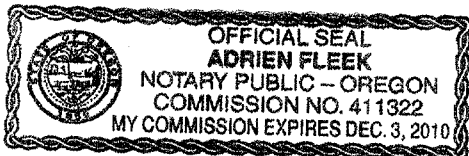
The foregoing instrument was acknowledged before me Adrien Fleeck
Notary Public for the State of Oregon this 18 day of July, 2007 by Michael Wilcher of
SIERRA DEVELOPMENT, LLC, as Member



Adrien Fleeck
Notary Public for Oregon
My Commission Expires: 12-3-10
- (NOTARIAL SEAL)

STATE OF OREGON
County of klamath

The foregoing instrument was acknowledged before me Adrien Fleeck
Notary Public for the State of Oregon this 18 day of July, 2007 by Michael Wilcher of
SIERRA DEVELOPMENT, LLC, as Member



Adrien Fleeck
Notary Public for Oregon
My Commission Expires: 12-3-10
- (NOTARIAL SEAL)

REQUEST FOR FULL RECONVEYANCE

To Be Used Only When Obligations Have Been Paid

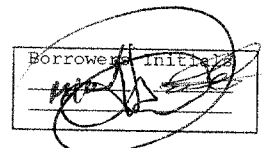
TO: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by said trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same. Mail reconveyance and documents to: _____

Dated: _____

Beneficiary _____

**Do not lose or destroy this Trust Deed OR THE NOTE which it secures.
Both must be delivered to the trustee for cancellation before reconveyance will be made.**



STATE OF Oregon }
COUNTY OF Klamath }

On July 18, 2007, before me, a notary public within and for said County,
personally appeared Eddie Wicher and Hilary Wicher to me known to be the person(s)
described in and who executed the foregoing instrument and acknowledged that
_____ executed the same as free act and deed.

Adrien Fleeck
Notary Public

My commission expires: 12-3-10

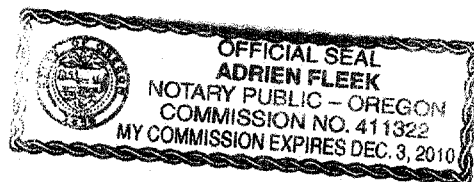


EXHIBIT "A"
LEGAL DESCRIPTION

Real property in the County of Klamath, State of Oregon, described as follows:

PARCEL 1:

LOTS 19, 20, 21, 27 AND 32 IN TRACT 1383, SIERRA HEIGHTS, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON. Property ID No's. R890343, R890341, R890348, R890346 & R890344.

PARCEL 2 – ADDITIONAL SECURITY PROPERTY:

TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON;
SECTION 6: THAT PORTION OF GOVERNMENT LOT 7 LYING WESTERLY OF KENO-WORDEN HIGHWAY
EXCEPTING THERE FROM:

BEGINNING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN; THENCE NORTH 300 FEET; THENCE EAST TO THE MEANDER LINE OF THE SWAMP; SAME BEING THE WESTERLY BOUNDARY OF THE C.V. NELSON PROPERTY; THENCE SOUTHEASTERLY ALONG SAID MEANDER LINE TO THE SECTION LINE BETWEEN SECTIONS 6 AND 7 OF SAID TOWNSHIP AND RANGE;
THENCE WEST TO THE PLACE OF BEGINNING, KLAMATH COUNTY, OREGON.

SECTION 7: NORTH 1/2 NORTHWEST 1/4 AND SOUTHWEST 1/4 NORTHWEST 1/4.

TOWNSHIP 41 SOUTH, RANGE 7 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY OREGON:
SECTION 18; GOVERNMENT LOTS 1, 2, 3 AND 4. Property ID No's R78775, R619441 and R621688.

PARCEL 3:

PARCEL 3 OF LAND PARTITION 11-92 SITUATED IN THE SOUTHWEST QUARTER OF SECTION 6, AND THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 7, ALL IN TOWNSHIP 39 SOUTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, FILED IN THE OFFICE OF THE COUNTY CLERK, ON JULY 09, 1993, RECORDS OF KLAMATH COUNTY, OREGON.

ALSO, COMMENCING AT THE WEST 1/16 CORNER COMMON TO SECTIONS 6 AND 7, TOWNSHIP 39 SOUTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN; THENCE N. 00° 07' 00" EAST 259.45 FEET TO A 5/8" IRON PIN; THENCE N. 49° 37' 00" EAST 627.09 FEET TO A 5/8" IRON PIN; THENCE NORTH 58° 09' 25" EAST 171.49 FEET; THENCE NORTH 28° 30' 00" EAST 84.29 FEET TO THE POINT OF BEGINNING FOR THIS DESCRIPTION; THENCE NORTH 61° 30' 00" WEST 80.00 FEET; THENCE NORTH 28° 30' 00" EAST 25.71 FEET; THENCE SOUTH 61° 30' 00" EAST 80.00 FEET; THENCE SOUTH 28° 30' 00' 11" WEST 25.71 FEET TO THE POINT OF BEGINNING.

SAVING AND EXCEPTING, THE FOLLOWING: COMMENCING AT THE WEST 1/16TH CORNER COMMON TO SECTIONS 6 AND 7 TOWNSHIP 39 SOUTH, RANGE 10 EAST WILLAMETTE MERIDIAN; THENCE NORTH 00° 07' 00" EAST 259.45 FEET TO A 5/8" IRON PIN; THENCE NORTH 49° 37' 00" EAST 627.09 FEET TO A 5/8" IRON PIN; THENCE NORTH 58° 09' 25" EAST 171.49 FEET TO THE POINT OF BEGINNING FOR THIS DESCRIPTION; THENCE NORTH 61° 30' 00" WEST 80.00 FEET; THENCE NORTH 28° 30' 00" EAST 84.29 FEET; THENCE NORTH 61° 30' 00" WEST 58.38 FEET; THENCE SOUTH 28° 30' 00" WEST 160.00 FEET; THENCE SOUTH 61° 30' 00" EAST 176.00 FEET; THENCE NORTH 28° 30' 00" EAST 160.00 FEET; THENCE NORTH 61° 30' 00" EAST 37.62 FEET; THENCE SOUTH 28° 30' 00" WEST 84.29 FEET TO THE POINT OF BEGINNING. Property ID No's R589232, R875594 and R590881.

PARCEL 4:

ALL THAT PORTION OF LOT 7, SECTION 6, TOWNSHIP 39 SOUTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:
BEGINNING AT THE SOUTHWEST COMER OF SAID SECTION 6; THENCE S. 89°59'00" E. ALONG THE SOUTH LINE OF SAID SECTION 6 (N.89°58" E. BY DEED RECORD M-65 ON PAGE 446) A DISTANCE OF 794.00 FEET; THENCE N. 00°01'00" E. AT RIGHT ANGLES TO THE SOUTH LINE OF SAID SECTION 6 (N.00°02' W. BY SAID DEED RECORD) A DISTANCE OF 153.70 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE CONTINUING N. 00°01'00" E. A DISTANCE OF 216.30 FEET, MORE OR LESS, TO THE LOWER BANK OF THE ENTERPRISE IRRIGATION DITCH; THENCE EASTERLY AND SOUTHERLY ALONG THE LOWER BANK OF SAID DITCH A DISTANCE OF 660 FEET, MORE OR LESS, TO ITS INTERSECTION WITH THE SOUTH LINE OF SAID SECTION 6; THENCE N. 89°59'00" W. ALONG THE SOUTH LINE OF SAID SECTION 6 A DISTANCE OF 35.50 FEET; MORE OR LESS, TO A POINT THAT IS S. 89°59'00" E. A DISTANCE OF 909.50 FEET FROM THE SOUTHWEST COMER OF SAID SECTION 6; THENCE N. 00°19'20" W. PARALLEL WITH THE WEST LINE OF SAID SECTION 6 A DISTANCE OF 153.70 FEET; THENCE N 89°5'00" W. A DISTANCE OF 114.60 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION. Property ID No. R589349.

PARCEL 5 – ADDITIONAL SECURITY PROPERTY:

A PARCEL OF LAND LOCATED IN THE W 1/2 OF SECTION 6, TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON MORE PARTICULARLY DESCRIBED AS FOLLOWS: .

Borrowers Initials


BEGINNING AT A 5/8 INCH IRON PIN WHICH IS SOUTH 89°54'36" EAST 60 FEET FROM THE NORTHEAST CORNER OF LOT 1 IN BLOCK 1 WHISPERING PINES SUBDIVISION, SAID POINT BEING ON THE EAST RIGHT OF WAY LINE OF WHISPERING PINES DRIVE; THENCE SOUTH 0°04' EAST 375.90 FEET TO A 5/8 INCH IRON PIN WHICH IS THE TRUE POINT OF BEGINNING; THENCE EAST 703.0 FEET TO A 5/8 INCH IRON PIN WHICH IS ON THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE KENOWORDEN HIGHWAY; THENCE ALONG THE SOUTHWESTERLY RIGHT OF WAY OF SAID HIGHWAY SOUTH 31°33' EAST A DISTANCE OF 324.27 FEET TO A 5/8 INCH IRON PIN; THENCE WEST 872.67 FEET TO A 5/8 INCH IRON PIN ON THE EAST RIGHT OF WAY OF A PROPOSED 60 FOOT ROAD; THENCE NORTH 0°04' WEST 276.35 FEET ALONG THE EAST RIGHT OF WAY OF SAID PROPOSED ROAD TO THE POINT OF BEGINNING.

TOGETHER WITH AN EASEMENT OVER AND ACROSS THE FOLLOWING DESCRIBED TRACT OF LAND SITUATED IN THE NE 1/4 SW 1/4 AND THE SE 1/4 NW 1/4 OF SECTION 6, TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, BEING A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED VOLUME M83 PAGE 4375 OF THE KLAMATH COUNTY DEED RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF LOT 1 IN BLOCK 1 OF "KENO WHISPERING PINES"; THENCE ALONG THE BOUNDARY OF SAID "KENO WHISPERING PINES", SOUTH 00°03'7" EAST 603.80 FEET TO THE C-W 1/16 CORNER OF SAID SECTION 6; THENCE EAST A DISTANCE OF 60 FEET TO A POINT; THENCE NORTH 00°03'57" WEST 276.35 FEET; THENCE CONTINUING NORTH 00°03'57" WEST 375.90 FEET; THENCE SOUTH 89°54'36" WEST 60 FEET TO THE POINT OF BEGINNING.

A PARCEL OF LAND LOCATED IN GOVERNMENT LOT 5 IN SE 1/4 NW 1/4 OF SECTION 6, TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT A 5/8 INCH IRON PIN WHICH IS SOUTH 0°03'59" EAST 2050.32 FEET AND SOUTH 89°54'36" EAST 1385.73 FEET FROM THE NORTHWEST CORNER OF SECTION 6 AND IS ALSO SOUTH 89°54'36" EAST 60.0 FEET FROM THE NORTHEAST CORNER OF LOT 1 IN BLOCK 1 OF KENO WHISPERING PINES SUBDIVISION, WHICH POINT OF BEGINNING IS ALSO ON THE EAST RIGHT OF WAY LINE OF A PUBLIC ROAD; THENCE CONTINUING EAST ALONG THE SOUTH LINE OF PROPERTY DESCRIBED IN DEED FROM BEN L. SNOWGOOSE, ET UX., TO EDWARD J. SHIPSEY, ET UX, RECORDED MAY 6, 1968 DEED VOLUME M68 PAGE 4060, RECORDS KLAMATH COUNTY, OREGON, A DISTANCE OF 455.09 FEET TO A 5/8 INCH IRON PIN ON THE WESTERLY RIGHT OF WAY LINE OF THE KENO-WORDEN COUNTY ROAD; THENCE ALONG SAID WESTERLY RIGHT OF WAY LINE SOUTH 34°10'53" EAST A DISTANCE OF 321.20 FEET; THENCE CONTINUING ALONG SAID RIGHT OF WAY LINE SOUTH 31°33' EAST 129.30 FEET TO A 5/8 INCH IRON PIN; THENCE WEST 703.00 FEET TO A 5/8 INCH IRON PIN ON THE EASTERLY LINE OF THE SOUTHERLY PROJECTION OF THE AFORESAID PUBLIC ROAD; THENCE ALONG SAID EAST LINE NORTH 0°03'57" WEST 375.90 FEET TO THE POINT OF BEGINNING; AND,

TRACT OF LAND SITUATED IN THE NE 1/4 SW 1/4 AND THE SE 1/4 NW 1/4 OF SECTION 6, TOWNSHIP 40 SOUTH, RANGE 8 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, BEING A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED VOLUME M83 PAGE 4375 OF THE KLAMATH COUNTY DEED RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF LOT 1 BLOCK 1 OF "KENO WHISPERING PINES"; THENCE ALONG THE BOUNDARY OF SAID "KENO WHISPERING PINES", SOUTH 00°03'57" EAST 603.80 FEET TO THE C-W 1/16 CORNER OF SAID SECTION 6, AND SOUTH 00°01'15" WEST 273.55 FEET; THENCE SOUTH 89°59'24" EAST 530.06 FEET; THENCE NORTH 71°13'12" EAST 471.36 FEET TO A POINT ON THE WESTERLY RIGHT OF WAY LINE OF THE KENO-WORDEN ROAD; THENCE NORTH 41°33'00" WEST, ALONG SAID RIGHT OF WAY LINE, 86.1 FEET, MORE OR LESS, TO THE SOUTH LINE OF THAT TRACT OF LAND DESCRIBED IN DEED VOLUME M72 PAGE 12797; THENCE, ALONG THE LINES OF SAID TRACT, WEST 871.3 FEET, MORE OR LESS, TO A 5/8 INCH IRON PIN AND NORTH 00°03'57" WEST 276.35 FEET; THENCE CONTINUING NORTH 00°03'57" WEST 375.90 FEET; THENCE SOUTH 89°54'36" WEST 60.00 FEET TO THE POINT OF BEGINNING. Property ID No's. R622632, R622623 and R621697.

Borrowers Initials
WENAS