

MT80995

THIS INSTRUMENT WAS PREPARED BY
AND UPON RECORDING RETURN TO:

Citicorp Leasing, Inc.
2600 Michelson, Suite 1200
Irvine, CA 92612
Attn.: COMPLIANCE OFFICER

Re: CLOUGH OIL COMPANY
5800 South Sixth Street,
Klamath Falls, OR 97603
KLAMATH COUNTY
#37734

2007-020579

Klamath County, Oregon



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12/07/2007 03:16:24 PM

Fee: \$181.00

[SPACE ABOVE FOR RECORDER'S USE ONLY]

**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY
AGREEMENT and FINANCING STATEMENT**

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT and FINANCING STATEMENT (herein sometimes called "Deed of Trust") is made as of October 26, 2007 by **Edwin J Clough, an individual and Jan M Clough (a/k/a Jan Clough), an individual** (herein, jointly and severally together with its successors and assigns, the "Grantor"), in favor of **AmeriTitle, inc., an Oregon Corporation**, (herein, together with its successors in trust, the "Trustee"), as trustee for the benefit of **CITICORP LEASING, INC., a Delaware corporation** (herein, together with its successors and assigns, called the "Beneficiary").

R E C I T A L S

A. Along with other Borrower named therein, Grantor has entered into that certain Credit and Security Agreement, dated as of October 26, 2007 with Beneficiary (said Agreement, as it may hereafter be amended, modified, supplemented, extended, renewed or replaced from time to time, being the "Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined).

B. Pursuant to the Agreement and subject to the terms and conditions therein set forth, the Beneficiary has agreed to make Loans (as defined in the Agreement) to Grantor and the other Borrower to assist Grantor and the other Borrower in financing certain of its activities in connection with one or more facilities, for the operation of a gas station and convenience store.

C. The aggregate principal amount of the Loans outstanding from time to time under the Agreement may not exceed **\$1,200,000.00** excluding advances made to protect the lien and security of this Deed of Trust.

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D. To evidence and secure such indebtedness, Grantor and the other Borrower have executed and delivered the Agreement, a Note or Notes **as more particularly described in Annex I attached hereto and made part hereof** (collectively, the "Note") and certain other Loan Documents.

E. It has been agreed that as a condition precedent to the making of the Loans, Beneficiary will further secure such indebtedness by the execution and delivery of this Deed of Trust.

F. As used in this Deed of Trust, the term "Secured Obligations" means and includes all of the following: (i) all performance and payment obligations of the Grantor and the other Borrower under or in connection with the Agreement, the Note, or any of the other Loan Documents and (ii) all other obligations of the Grantor and the other Borrower to the Beneficiary, in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due, arising out of or in connection with the Agreement, the Note, the Deed of Trust or any of the other Loan Documents, including, without limitation, any and all advances, costs or expenses paid or incurred by the Beneficiary to protect any or all of the Collateral (hereinafter defined) and other collateral under the Loan Documents, to perform any obligation of the Grantor hereunder or of the Grantor or any of the other Borrower under any of the other Loan Documents or to collect any amount owing to the Beneficiary which is secured hereby or under the other Loan Documents; interest on all of the foregoing; and all costs of enforcement and collection of this Deed of Trust, the Loan Documents and the Secured Obligations.

G. For purposes of this Deed of Trust, the term "Collateral" means and includes all right, title and interest of the Grantor in and to all of the following:

(i) All of the land described on Exhibit A attached hereto (the "Land"), together with all and singular the tenements, rights, easements, hereditaments, rights of way, privileges, liberties, appendages and appurtenances now or hereafter belonging or in anywise appertaining to the Land (including, without limitation, all rights relating to storm and sanitary sewer, water, gas, electric, railway and telephone services); all development rights, air rights, water, water rights, water stock, gas, oil, minerals, coal and other substances of any kind or character underlying or relating to the Land; all estate, claim, demand, right, title or interest of the Grantor in and to any street, road, highway, or alley (vacated or otherwise) adjoining the Land or any part thereof; all strips and gores belonging, adjacent or pertaining to the Land; and any after-acquired title to any of the foregoing (all of the foregoing is herein referred to collectively as the "Real Estate");

(ii) All buildings, structures, replacements, furnishings, fixtures, fittings and other improvements and property of every kind and character now or hereafter located or erected on the Real Estate and owned or purported to be owned by the Grantor, together with all building or construction materials, equipment, appliances, machinery, fittings, apparatus, fixtures and other articles of any kind or nature whatsoever now or hereafter

found on, affixed to or attached to the Real Estate and owned or purported to be owned by the Grantor, including (without limitation) all trees, shrubs and landscaping materials, reels, hoses, pumps, tanks, compressors, hydraulic lifts, generators, motors, boilers, engines and devices for the operation of pumps, and all heating, venting, electrical, lighting, power, plumbing, air conditioning, and ventilation equipment (all of the foregoing is herein referred to collectively as the "Improvements");

(iii) All furniture, furnishings, equipment (including, without limitation, telephone and other communications equipment, office and record keeping equipment, window cleaning, building cleaning, signs, monitoring, garbage, air conditioning, computers, point of sale devices, drive-through equipment and other equipment) inventory and goods (including, without limitation, all motor oil, lubrication products, lubricants and automotive filters) and all other tangible property of any kind or character now or hereafter owned or purported to be owned by the Grantor and used or useful in connection with the Real Estate, regardless of whether located on the Real Estate or located elsewhere including, without limitation, all rights of the Grantor under any lease to equipment, furniture, furnishings, fixtures and other items of personal property at any time during the term of such lease below (all of the foregoing is herein referred to collectively as the "Goods");

(iv) All goodwill, trademarks, trade names, franchise rights, franchise agreements, option rights, purchase contracts, condemnation claims, demands, awards and settlement payments, insurance contracts, insurance payments and proceeds, unearned insurance premiums, warranties, guarantees, utility deposits, books and records and general intangibles of the Grantor relating to the Real Estate or the Improvements and all accounts, contract rights, instruments, chattel paper and other rights of the Grantor for payment of money to it for property sold or lent by it, for services rendered by it, for money lent by it, or for advances or deposits made by it, (including, without limitation, any deposits made by the Grantor pursuant to Section 1.19) and any other intangible property of the Grantor related to the Real Estate or the Improvements (all of the foregoing is herein referred to collectively as the "Intangibles");

(v) All rents, issues, profits, royalties, avails, income and other benefits derived or owned by the Grantor directly or indirectly from the Real Estate or the Improvements (all of the foregoing is herein collectively called the "Rents");

(vi) All rights of the Grantor under all leases, licenses, occupancy agreements, concessions or other arrangements, whether written or oral, whether now existing or entered into at any time hereafter, whereby any Person agrees to pay money to the Grantor or any consideration for the use, possession or occupancy of, or any estate in, the Real Estate or the Improvements or any part thereof, and all rents, income, profits, benefits, avails, advantages and claims against guarantors under any thereof (all of the foregoing is herein referred to collectively as the "Leases");

(vii) All rights of the Grantor, if any, to all plans and specifications, designs, drawings and other matters prepared in connection with the Real Estate (all of the foregoing is herein called the "Plans");

(viii) All rights of the Grantor under any contracts executed by the Grantor with any provider of goods or services for or in connection with any construction undertaken on, or services performed or to be performed in connection with, the Real Estate or the Improvements, including, without limitation, any architect's contracts, construction contracts and management contracts (all of the foregoing are herein referred to collectively as the "Contracts for Construction");

(ix) All rights of the Grantor as seller or borrower under any agreement, contract, understanding or arrangement pursuant to which the Grantor has, with the prior written consent of the Beneficiary, obtained the agreement of any Person to pay or disburse any money for the Grantor's sale (or borrowing on the security) of the Collateral or any part thereof (all of the foregoing is herein referred to collectively as the "Contracts for Sale");

(x) All rights of the Grantor in any permits, approvals, consents and other authorizations in connection with the Real Estate or the Improvements (all of the foregoing is herein referred to collectively as the "Permits"); and

(xi) All other property or rights of the Grantor of any kind or character related to the Real Estate or the Improvements, all substitutions, replacements and additions thereto, whether now existing or hereafter acquired, and all proceeds (including insurance and condemnation proceeds) and products of any of the foregoing. All of the Real Estate and the Improvements, and any other property which is real estate under applicable law, is sometimes referred to collectively herein as the "Premises".

H. For purposes herein, "Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

I. For purposes herein, "Hazardous Substances" means lubricants, waste oils and any petroleum and petroleum products, byproducts or breakdown products, chemical solvents, alcohols, polychlorinated biphenyls ("PCBs"), radioactive materials, asbestos-containing materials, radon gas, toxic mold, and any other chemicals, materials or substances which are or become designated, classified or regulated as being "toxic" or "hazardous," or words of similar import, under any Environmental Law.

J. For purposes herein, "Environmental Law" means any federal, state or local statute, law, ordinance, rule, regulation, code, principle of common or civil law, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to (i) the control, management, disposal, storage or treatment of Hazardous Substances, (ii) any release of or

contamination by Hazardous Substances or (iii) the protection of natural resources, health, safety or the environment.

G R A N T

NOW THEREFORE, for and in consideration of the Beneficiary's making any loan, advance or other financial accommodation to or for the benefit of the Grantor, including sums advanced under the Agreement, the Note, this Deed of Trust or the other Loan Documents and in consideration of the various agreements contained herein, in the Agreement, in the Note, and in the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Grantor, and in order to secure the full, timely and proper payment and performance of each and every one of the Secured Obligations,

THE GRANTOR HEREBY GRANTS, SELLS, WARRANTS, CONVEYS, TRANSFERS AND ASSIGNS THE PREMISES TO THE TRUSTEE IN TRUST FOR THE BENEFIT OF THE BENEFICIARY AND ITS SUCCESSORS AND ASSIGNS FOREVER, WITH POWER OF SALE, AND GRANTS TO THE BENEFICIARY AND ITS SUCCESSORS AND ASSIGNS FOREVER A CONTINUING SECURITY INTEREST IN AND TO, ALL OF THE COLLATERAL OTHER THAN THE PREMISES.

TO HAVE AND TO HOLD the Premises unto the Trustee, its successors in trust, forever, with power of sale, hereby expressly waiving and releasing any and all right, benefit, privilege, advantage or exemption under and by virtue of any and all statutes and laws of the state or other jurisdiction in which the Real Estate is located providing for the exemption of homesteads from sale on execution or otherwise.

The Grantor hereby covenants with and warrants to the Trustee and the Beneficiary and with the purchaser at any foreclosure sale: that at the execution and delivery hereof it is well seized of the Premises, and of a good, indefeasible estate therein, in fee simple and that it has rights in the other Collateral; that the Collateral is free from all encumbrances whatsoever (and any claim of any other Person thereto) other than the interest granted to the Trustee and security interest granted to the Beneficiary herein and pursuant to the other Loan Documents and the encumbrances set forth in the title insurance policy insuring the lien of this Deed of Trust in favor of the Beneficiary (the "Permitted Exceptions"); that it has good and lawful right to sell, mortgage and convey the Collateral; and that it and its successors and assigns will forever warrant and defend the Collateral against all claims and demands whatsoever with the exception of those arising by, through or under the Permitted Exceptions.

ARTICLE I

COVENANTS AND AGREEMENTS OF THE GRANTOR

Further to secure the payment and performance of the Secured Obligations, the Grantor hereby covenants, warrants and agrees with the Trustee and the Beneficiary as follows:

1.1. Payment of Secured Obligations. The Grantor agrees that it will pay, timely and in the manner required in the appropriate documents or instruments, all the Secured Obligations (including fees and charges). All sums payable by the Grantor hereunder shall be paid without demand, counterclaim, offset, deduction or defense. The Grantor waives all rights now or hereafter conferred by statute or otherwise to any such demand, counterclaim, offset, deduction or defense.

1.2. Payment of Taxes. The Grantor will pay or cause to be paid when due all taxes and assessments, general or special, and any and all levies, claims, charges, expenses and liens, ordinary or extraordinary, governmental or non-governmental, statutory or otherwise, due or to become due, that may be levied, assessed, made, imposed or charged on or against the Collateral or any property used in connection therewith, and will pay when due any tax or other charge on the interest or estate in lands created or represented by this Deed of Trust or by any of the Loan Documents, whether levied against the Grantor or the Beneficiary or otherwise, and will submit to the Beneficiary all receipts showing payment of all of such taxes, assessments and charges.

1.3. Maintenance and Repair. The Grantor will: not abandon the Premises; not do or suffer anything to be done which would depreciate or impair the use, operation or value of the Collateral or the security of this Deed of Trust; not remove or demolish any of the Improvements; pay promptly for all labor and materials for all construction, repairs and improvements to or on the Premises; not make any changes, additions or alterations to the Premises except as required by any applicable governmental requirement or as otherwise approved in writing by the Beneficiary; maintain, preserve and keep the Goods and the Premises in good, safe and insurable condition and repair and promptly make any needful and proper repairs, replacements, renewals, additions or substitutions required by wear, damage, obsolescence or destruction, all as promptly as possible under the circumstances but in all cases in compliance with any time period provided under applicable requirements of governmental authorities and insurers; not commit, suffer, or permit waste of any part of the Premises; and maintain all grounds and abutting streets and sidewalks in good and neat order and repair.

1.4. Sales; Liens. The Grantor will not: sell, contract to sell, assign, transfer or convey, or permit to be transferred or conveyed, the Collateral or any part thereof or any interest or estate in any thereof (including any conveyance into a trust or any conveyance of the beneficial interest in any trust that may be holding title to the Premises) or remove any of the Collateral from the Premises; or create, suffer or permit to be created or to exist any mortgage, lien, claim, security interest, charge, encumbrance or other right or claim of any kind whatsoever upon the Collateral or any part thereof, except those of current taxes not then due and payable, and the Permitted Exceptions.

1.5. Access by Beneficiary. The Grantor will at all times: deliver to the Beneficiary either all of its executed originals (in the case of chattel paper or instruments) or (in all other cases), if requested by Beneficiary, certified copies of all Leases, agreements creating or evidencing Intangibles, Plans, Contracts for Construction, Contracts for Sale, Permits, all amendments and supplements thereto, and any other document which is, or which evidences, governs, or creates, Collateral; permit access at reasonable times by the Beneficiary to the

Grantor's books and records; permit the Beneficiary to inspect construction progress reports, tenant registers, sales records, insurance policies and other papers for examination and the making of copies and extracts; prepare such schedules, summaries, reports and progress schedules as the Beneficiary may reasonably request; and permit the Beneficiary and its agents and designees, to inspect the Premises at reasonable times.

1.6. Stamp and Other Taxes. If the federal, or any state, county, local, municipal or other, government or any subdivision of any thereof having jurisdiction, shall levy, assess or charge any tax (excepting therefrom any income tax on the Beneficiary's receipt of interest payments on the principal portion of the Loans), assessment or imposition upon this Deed of Trust, the Note, any of the Secured Obligations, or any of the other Loan Documents, the interest of the Beneficiary in the Collateral, or any of the foregoing, or upon the Beneficiary by reason of or as holder of any of the foregoing, or shall at any time or times require revenue stamps to be affixed to this Deed of Trust, the Note, or any of the other Loan Documents, the Grantor shall pay all such taxes and stamps to or for the Beneficiary as they become due and payable. If any law or regulation is enacted or adopted permitting, authorizing or requiring any tax, assessment or imposition to be levied, assessed or charged, which law or regulation prohibits the Grantor from paying the tax, assessment, stamp, or imposition to or for the Beneficiary, then all sums hereby secured shall become immediately due and payable at the option of the Beneficiary.

1.7. Insurance. The Grantor will at all times maintain or cause to be maintained on the Goods, the Premises and on all other Collateral, all insurance required at any time or from time to time by the Beneficiary and in any event all-risk property insurance covering, without limitation, fire, extended coverage, vandalism and malicious mischief, in an amount which is not less than 100% of the replacement cost of the Improvements and Goods without consideration for depreciation, with an inflation guard endorsement, insurance against business interruption and loss of rentals for such occurrences and in such amounts as the Beneficiary may reasonably require, and insurance against flood if required by the Federal Flood Disaster Protection Act of 1973 and regulations issued thereunder, and comprehensive general public liability insurance, protecting the Grantor in an amount acceptable to the Beneficiary, and if required by Beneficiary, environmental insurance in form and substance satisfactory to Beneficiary, and all other insurance commonly or, in the judgment of the Beneficiary, prudently maintained by those whose business, improvement to, and use of real estate is similar to that of the Grantor, all in amounts satisfactory to the Beneficiary, and all of such insurance to be maintained in such form and with such companies as shall be approved by the Beneficiary, and to deliver to and keep deposited with the Beneficiary original certificates and certified copies of all policies of such insurance and renewals thereof, with premiums prepaid, and with standard non-contributory mortgagee and loss payable clauses satisfactory to the Beneficiary, and clauses providing for not less than 30 days' prior written notice to the Beneficiary of cancellation or material modification of such policies attached thereto in favor of the Beneficiary and successors and assigns of each. All of the above-mentioned original insurance policies or certified copies of such policies and certificates of such insurance satisfactory to the Beneficiary, together with receipts for the payment of premiums thereon, shall be delivered to and held by the Beneficiary, which delivery shall constitute an assignment to the Beneficiary of all return premiums to be held as additional security hereunder. The liability insurance policies required hereunder shall name the Beneficiary as additional

insured and loss payee. All renewal and replacement policies shall be delivered to the Beneficiary at least thirty (30) days before the expiration of the expiring policies. The Grantor agrees that any loss paid to the Beneficiary under any of such policies shall be applied, at the option of the Beneficiary, toward pre-payment of the Loans or any of the Secured Obligations, or to the rebuilding or repairing of the damaged or destroyed Improvements or other Collateral, as the Beneficiary in its sole and unreviewable discretion may elect; provided, however, that any proceeds of insurance made available for the rebuilding or repairing of the damaged or destroyed Improvements or other Collateral shall be subject to the Beneficiary's construction, lending conditions and to such other conditions as the Beneficiary may in its discretion impose; and provided further that no election made by Beneficiary under this section shall relieve Grantor of the duty to repair and restore. The Grantor hereby empowers the Beneficiary, in its discretion, to settle, compromise and adjust any and all claims or rights under any insurance policy maintained by the Grantor relating to the Collateral. In the event of foreclosure of this Deed of Trust transfer of title to the Premises by deed in lieu of foreclosure or other transfer of title to the Premises in extinguishment, in whole or in part, of the Secured Obligations all right, title and interest of the Grantor in and to any insurance policies then in force shall pass to the purchaser or grantee. Nothing contained in this Deed of Trust shall create any responsibility or obligation on the Beneficiary to collect any amounts owing on any insurance policy or resulting from any condemnation, to rebuild or replace any damaged or destroyed Improvements or other Collateral or to perform any other act hereunder. The Beneficiary shall not by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or payment or defense of lawsuits, and the Grantor hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

Notwithstanding the foregoing, should the Premises be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Beneficiary that the Premises are located in a special flood hazard area, for the full unpaid balance of the Loans, and any prior liens on the Premises securing the Loans, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Beneficiary, and to maintain such insurance for the term of the Loans.

WARNING

Unless you (Grantor) provide us (Beneficiary) with evidence of insurance coverage as required by our contract or Agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your

contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance imposed by applicable law.

1.8. Eminent Domain. In case the Collateral, or any part or interest in any thereof, is taken by condemnation, the Grantor shall take all action required by the Beneficiary, in order to protect Grantor's and Beneficiary's rights with respect to any such taking, including the commencement of, appearance in or prosecution of any appropriate action or proceeding. The Beneficiary is hereby empowered to collect and receive all compensation and awards of any kind whatsoever (referred to collectively herein as "Condemnation Awards") which may be paid for any property taken or for damages to any property not taken (all of which the Grantor hereby assigns to the Beneficiary), and all Condemnation Awards so received shall be forthwith applied by the Beneficiary, as it may elect in its sole and unreviewable discretion, to the prepayment of the Loans or any of the other Secured Obligations or, at the option of the Beneficiary, may be held by the Beneficiary as additional security for the Secured Obligations, or may be applied to the repair and restoration of any property not so taken or damaged, provided, however, that no election made by the Beneficiary under this section shall relieve the Grantor of the duty to repair and restore. The Grantor hereby empowers the Beneficiary, in the Beneficiary's absolute discretion to settle, compromise and adjust any and all claims or rights arising under any condemnation or eminent domain proceeding relating to the Collateral or any portion thereof.

1.9. Governmental Requirements. The Grantor will at all times fully comply in all material respects with, and cause the Collateral and the use and condition thereof fully to comply in all material respects with, all federal, state, county, municipal, local and other governmental statutes, ordinances, requirements, regulations, rules, orders and decrees of any kind whatsoever that apply or relate to the Grantor or the Collateral or the use thereof (including, without limitation, those relating to land use and development, construction, access, water rights and use, noise, environmental pollution and hazardous waste and substances including, without limitation, Specified Substances), and will observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits, privileges, franchises and concessions (including, without limitation, those relating to land use and development, construction, access, water rights and use, noise, environmental pollution and hazardous waste and substances including, without limitation, Specified Substances) which are applicable to the Grantor or have been granted for the Collateral or the use thereof. Unless required by applicable law, or unless Beneficiary has otherwise first agreed in writing, the Grantor shall not make or allow any changes to be made in the nature of the occupancy or use of the Premises or any portion thereof for which the Premises or such portion was intended at the time this Deed of Trust was delivered. The Grantor shall not initiate or acquiesce in any change in any zoning or other land use classification now or hereafter in effect and affecting the Premises or any part thereof without in each case obtaining the Beneficiary's prior written consent thereto.

1.10. No Mechanics' Liens. The Grantor will not suffer any construction, mechanic's, laborer's or materialmen's lien to be created or remain outstanding upon the Premises or any part thereof and will bond or otherwise discharge all such liens within 10 days from the date of filing. The Grantor agrees to promptly deliver to the Beneficiary a copy of any notices that the Grantor receives with respect to any pending or threatened lien or the foreclosure thereof.

1.11. Continuing Priority. The Grantor will: pay such fees, taxes and charges, execute and record or file (at the Grantor's expense) such deeds, conveyances, mortgages and financing statements, obtain such title opinions, title insurance policy endorsements, acknowledgments or consents, notify such obligors or providers of services and materials and do all such other acts and things as the Beneficiary may from time to time request to establish and maintain a valid and perfected first and prior lien on and security interest in the Collateral; maintain its office and principal place of business at all times at the address shown below; and keep all of its books and records relating to the Collateral on the Premises or at such address; and keep all tangible Collateral on the Real Estate except as the Beneficiary may otherwise consent in writing.

1.12. Utilities. The Grantor will pay or cause to be paid all utility charges incurred in connection with the Collateral promptly when due and maintain all utility services available for use at the Premises.

1.13. Contract Maintenance; Other Agreements; Leases. The Grantor will, for the benefit of the Beneficiary, fully and promptly keep, observe, perform and satisfy each obligation, condition, covenant, and restriction of the Grantor affecting the Premises or imposed on it under any agreement between Grantor and a third party relating to the Collateral or the Secured Obligations secured hereby, including, without limitation, the Leases, the Contracts for Sale, Contracts for Construction and the Intangibles (collectively, the "Third Party Agreements"), so that there will be no default thereunder and so that the Persons (other than the Grantor) obligated thereon shall be and remain at all times obligated to perform for the benefit of the Beneficiary; and the Grantor will not permit to exist any condition, event or fact which could allow or serve as a basis or justification for any such Person to avoid such performance. Without the prior written consent of the Beneficiary, the Grantor shall not (i) make or permit any termination or amendment of the rights of the Grantor under any Third Party Agreement; (ii) collect rents or the proceeds of any Leases or Intangibles more than 30 days before the same shall be due and payable; (iii) modify or amend any Leases, or, except where the lessee is in default, cancel or terminate the same or accept a surrender of the leased premises; (iv) consent to the assignment or subletting of the whole or any portion of any lessee's interest under any Leases; or (v) in any other manner impair Beneficiary's rights and interest with respect to the Rents. The Grantor shall promptly deliver to the Beneficiary copies of any demands or notices of default received by the Grantor in connection with any Third Party Agreement and allow the Beneficiary the right, but not the obligation, to cure any such default. All security or other deposits, if any, received from tenants under the Leases shall be segregated and maintained in an account satisfactory to the Beneficiary and in compliance with the law of the state where the Premises are located and with an institution satisfactory to the Beneficiary.

1.14. Environmental Matters. The Grantor will investigate, clean up, remove or remediate any spill or release of Specified Substances at the Premises in accordance with the requirements of all Environmental Laws and will otherwise use, handle, store and dispose of all Specified Substances in accordance with the requirements of all Environmental Laws.

1.15. No Assignments; Future Leases. The Grantor will not cause or permit any Rents, Leases, Contracts for Sale, or other contracts relating to the Premises to be assigned, transferred, conveyed, pledged or disposed of to any party other than the Beneficiary without first obtaining the express written consent of the Beneficiary to any such assignment or permit any such assignment to occur by operation of law. In addition, the Grantor shall not cause or permit all or any portion of or interest in the Premises or the Improvements to be leased (that word having the same meaning for purposes hereof as it does in the law of landlord and tenant) directly or indirectly to any Person, except Leases of storage space in the ordinary course of Grantor's business under Leases the form of which has been approved in writing by the Beneficiary which Leases are for a term not exceeding one year and are for a rental rate of at least equal to the then current market rate for similar space.

1.16. Assignment of Leases and Rents and Collections.

(a) All of the Grantor's interest in and rights under the Leases now existing or hereafter entered into, and all of the Rents, whether now due, past due, or to become due, and including all prepaid rents and security deposits, and all other amounts due with respect to any of the other Collateral, are hereby absolutely, presently and unconditionally assigned and conveyed to the Beneficiary to be applied by the Beneficiary in payment of all sums due under the Note, the other Secured Obligations and all other sums payable under this Deed of Trust. Prior to the occurrence of any Default, the Grantor shall have a license to collect and receive all Rents and other amounts, which license shall be terminated at the sole option of the Beneficiary, without regard to the adequacy of its security hereunder and without notice to or demand upon the Grantor, upon the occurrence of any Default. It is understood and agreed that neither the foregoing assignment to the Beneficiary nor the exercise by the Beneficiary of any of its rights or remedies under Article III hereof shall be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Collateral or the use, occupancy, enjoyment or any portion thereof, unless and until the Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Collateral by any court at the request of the Beneficiary or by agreement with the Grantor, or the entering into possession of any part of the Collateral by such receiver, be deemed to make the Beneficiary a mortgagee-in-possession or otherwise responsible or liable in any manner with respect to the Collateral or the use, occupancy, enjoyment or operation of all or any portion thereof. Upon the occurrence of any Default, this shall constitute a direction to and full authority to each lessee under any Leases, each guarantor of any of the Leases and any other Person obligated under any of the Collateral to pay all Rents and other amounts to the Beneficiary without proof of the Default relied upon. The Grantor hereby irrevocably authorizes each such Person to rely upon and comply with any notice or demand by the

Beneficiary for the payment to the Beneficiary of any Rents and other amounts due or to become due.

(b) The Grantor shall apply the Rents and other amounts to the payment of all necessary and reasonable operating costs and expenses of the Collateral, debt service on the Secured Obligations and otherwise in compliance with the provisions of the Loan Documents.

(c) The Beneficiary shall have the right to assign the Beneficiary's right, title and interest in any Leases to any subsequent holder of this Deed of Trust or any participating interest therein or to any Person acquiring title to all or any part of the Collateral through foreclosure or otherwise. Any subsequent assignee shall have all the rights and powers herein provided to the Beneficiary. Upon the occurrence of any Default, the Beneficiary shall have the right to execute new leases of any part of the Collateral, including leases that extend beyond the term of this Deed of Trust. The Beneficiary shall have the authority, as the Grantor's attorney-in-fact, such authority being coupled with an interest and irrevocable, to sign the name of the Grantor and to bind the Grantor on all papers and documents relating to the operation, leasing and maintenance of the Collateral.

1.17. The Beneficiary's Performance. If the Grantor fails to pay or perform any of its obligations herein contained (including payment of expenses of foreclosure and court costs), the Beneficiary may (but need not), as agent or attorney-in-fact of the Grantor, make any payment or perform (or cause to be performed) any obligation of the Grantor hereunder, in any form and manner deemed expedient by the Beneficiary, and any amount so paid or expended (plus reasonable compensation to the Beneficiary for its out-of-pocket and other expenses for each matter for which it acts under this Deed of Trust), with interest thereon at the rate of two per cent (2%) above the interest rate provided for in Section 3 of the Agreement (the "Default Rate"), shall be added to the principal debt hereby secured and shall be repaid to the Beneficiary upon demand. By way of illustration and not in limitation of the foregoing, the Beneficiary may (but need not) do all or any of the following: make payments of principal or interest or other amounts on any lien, encumbrance or charge on any of the Collateral; complete construction; make repairs; collect rents; prosecute collection of the Collateral or proceeds thereof; obtain insurance and pay premiums therefor; purchase, discharge, compromise or settle any tax lien or any other lien, encumbrance, suit, proceeding, title or claim thereof; contest any tax or assessment; and redeem from any tax sale or forfeiture affecting the Premises. In making any payment or securing any performance relating to any obligation of the Grantor hereunder, the Beneficiary shall be the sole judge of the legality, validity and amount of any lien or encumbrance and of all other matters necessary to be determined in satisfaction thereof. No such action of the Beneficiary shall ever be considered as a waiver of any right accruing to it on account of the occurrence of any matter which constitutes a Default or an Event of Default.

1.18. Subrogation. To the extent that the Beneficiary, on or after the date hereof, pays any sum under any provision of law or any instrument or document creating any lien or other interest prior or superior to the lien of this Deed of Trust, or the Grantor or any other Person pays

any such sum with the proceeds of the loan secured hereby, the Beneficiary shall have and be entitled to a lien or other interest on the Collateral equal in priority to the lien or other interest discharged and the Beneficiary shall be subrogated to, and receive and enjoy all rights and liens possessed, held or enjoyed by, the holder of such lien, which shall remain in existence and benefit the Beneficiary in securing the Secured Obligations.

1.19. Reserve for Taxes, Assessments and Insurance. Upon request by the Beneficiary, the Grantor covenants and agrees to pay to the Beneficiary (or the Beneficiary's agent) monthly until the Loans and all of the other Secured Obligations have been paid in full, a sum equal to real estate taxes and assessments and insurance premiums next due upon the Premises (all as reasonably estimated by the Beneficiary or its agent) divided by the number of months to elapse before one month prior to the date when such taxes, and assessments and insurance premiums will become due and payable, such sums to be held by the Beneficiary without interest accruing thereon (except to the extent, if any, required by applicable law), to pay each of the said items.

All payments described above in this Section shall be paid by the Grantor each month in a single payment to be applied by the Beneficiary (or its agent) to the foregoing items in such order as the Beneficiary shall elect in its sole but reasonable discretion. The Grantor shall also pay to the Beneficiary, at least 30 days prior to the due date of any taxes, and assessments levied on, against or with respect to the Premises, or any insurance premium due with respect to the Premises, such additional amount as may be necessary to provide the Beneficiary (or its agent) with sufficient funds to pay any such tax, assessment, and insurance premiums under this Section 1.19 at least 30 days in advance of the due date thereof.

The Beneficiary (or its agent) shall, within 20 days of receipt from the Grantor of a written request therefor together with such supporting documentation as the Beneficiary (or its agent) may reasonably require (including, without limitation, official tax bills or, as applicable, statements for insurance premiums), cause proper amounts to be withdrawn from such account and paid directly to the appropriate tax collecting authority or insurer. Even though the Grantor may have made all appropriate payments to the Beneficiary (or its agent) as required by this Deed of Trust, the Grantor shall nevertheless have full and sole responsibility at all times to cause all taxes, assessments and insurance premiums to be fully and timely paid, and the Beneficiary (or its agent) shall have no responsibility or obligation of any kind with respect thereto except with respect to payments required to be made by the Grantor hereunder for which the Beneficiary (or its agent) has received funds to cover such payments in full and all statements, invoices, reports or other materials necessary to make such payments, all not less than 30 days prior to the deadline for any such payment. If at any time the funds so held by the Beneficiary (or its agent) shall be insufficient to cover the full amount of all taxes, assessments and insurance premiums then accrued (as estimated by the Beneficiary or its agent) with respect to the then-current twelve-month period, the Grantor shall, within ten days after receipt of notice thereof from the Beneficiary (or its agent) deposit with the Beneficiary (or its agent) such additional funds as may be necessary to remove the deficiency. If the Premises are sold under foreclosure or are otherwise acquired by the Beneficiary, accumulations under this Section 1.19 may be applied to the Secured Obligations in such order of application as the Beneficiary may elect in its sole discretion.

1.20. Periodic Appraisals. If at anytime the Beneficiary shall determine in good faith that as a result of:

- (a) any law, regulation or guideline or any change or interpretation thereof;
- (b) any central bank or other fiscal, monetary or other governmental authority having jurisdiction over the Beneficiary or the activities of the Beneficiary requesting, directing or imposing a condition upon the Beneficiary (whether or not such request, direction or condition shall have the force of law); or
- (c) the Beneficiary, in its sole discretion deeming appropriate;

the Beneficiary may require that the Grantor provide at the Grantor's sole cost and expense, within forty-five (45) days after the Beneficiary's request (but not more than once during each calendar year), an update or supplement to the previously furnished appraisal for the Collateral indicating the present appraised fair market value of the Collateral.

1.21. Indemnity Clause. Without limiting any other rights hereunder or under applicable law, the Grantor does and shall indemnify the Beneficiary and hold the Beneficiary harmless from and against any and all claims, losses, damages (including natural resources damages), liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including without limitation all reasonable attorneys' fees and expenses, arising directly or indirectly in whole or in part, out of any spill or attributable to the presence, use, generation, disposal, discharge, storage, release or threatened release of Specified Substances on, from, under or affecting the Premises, or transported to or from the Premises, whether prior to or during the term of the indebtedness secured hereby, and whether by the Grantor or any predecessor in title or any employees, agents, contractors, or subcontractors of the Grantor or any predecessors in title, or any third persons at any time occupying or present on the Premises.

1.22. Reasonable Attorneys' Fees. The Grantor and each borrower, endorser, and guarantor jointly and severally agree to pay all costs, reasonable attorneys' fees, paralegal fees, and expenses incurred in the event it becomes necessary for the Beneficiary to protect its security and/or in the event of collection, whether suit be brought or not, and if suit is brought said parties agree to pay the Beneficiary's costs and reasonable attorneys' fees, paralegal fees and expenses incurred therein including costs and reasonable attorneys' fees, paralegal fees and expenses incurred upon appeal, if any.

1.23. Title Warranty. The Grantor covenants with the Beneficiary that the Grantor warrants the title to the premises.

ARTICLE II

DEFAULT

2.1. The occurrence of an "Event of Default" or "Default" under the terms and provisions of the Agreement, any of the Loan Documents or any of the documents evidencing the Secured Obligations, or the occurrence of any default under any such documents which do not define "Event of Default" or "Default", shall constitute an Event of Default or Default, respectively, under this Deed of Trust.

Grantor shall be in default upon the occurrence of any one or more of any of the following events (each an "Event of Default"; a "Default" is any Event of Default or any event, which with the lapse of time or the giving of notice or both would be an Event of Default):

(a) Grantor shall fail to pay, when due, any amount required hereunder or under the Note, the Agreement or any other Loan Documents, and such failure shall continue for ten (10) business days after notice of such failure by Beneficiary; or Grantor shall fail to pay, when due (but subject to any applicable grace period) any other indebtedness of Grantor to Beneficiary or any third parties; or

(b) Any warranty or representation made by Grantor or any guarantor of the Secured Obligations shall prove to be false or misleading in any respect at the time made or deemed made; or

(c) Grantor or any guarantor of the Secured Obligations shall liquidate, merge, dissolve, terminate its existence, suspend business operations, for any reason, generally wind up or readjust its debt, have a receiver or similar official appointed for all or any part of its property, make an assignment for the benefit of its creditors, admit in writing its inability to pay its debts when due, generally fail to pay its obligations when due, or have any bankruptcy or insolvency proceeding with respect to it or a substantial part of its property instituted by or against it, or take any action to authorize any of the foregoing; or

(d) Grantor or any guarantor of the Secured Obligations fails to perform any covenants or obligations under any Loan Document or any other agreement intended to secure the repayment of the Secured Obligations and such failure shall continue for ten (10) days after notice from Beneficiary of such failure; or

(e) Any provision of any Loan Document shall for any reason cease to be valid and binding on any party thereto and such invalidity continues for ten days, or any guarantor revokes or seeks to revoke its guaranty or the Agreement and the other Loan Documents shall cease or fail to create a valid perfected first priority security interest in the Collateral; or

(f) Grantor shall fail to perform its obligations under any lease or other material contract relating to the Premises and such failure shall continue for ten (10) days after notice from Beneficiary; or

(g) Enforcement shall have commenced of any judgment or final order for the payment of money in an amount of \$10,000 or more against Grantor, any of the other Borrower or any Guarantor without a stay of enforcement for a period of ten (10) days, unless contested in good faith by appropriate proceedings with adequate reserves set aside therefor satisfactory to Beneficiary; or

(h) Grantor, any of the other Borrower or any Guarantor shall at any time suffer a material adverse change in its business, condition (financial or otherwise), operations, performance, properties or prospects; or

(i) Grantor, if an individual, shall die and no Successor Arrangement shall have been entered into with parties acceptable to the Beneficiary, in its sole discretion, within ninety (90) days of the Grantor's death. "Successor Arrangement" shall mean such documents, instruments, recordings and filings as shall be satisfactory in form and substance to the Beneficiary, in its sole discretion, including without limitation, amendments hereto and to the other Loan Documents, satisfactory compliance with all inheritance, probate, tax and other similar laws and regulations and assumption of all obligations of the Grantor under this Deed of Trust and the other Loan Documents. Under no circumstances shall the foregoing constitute a commitment on the part of the Beneficiary to enter into or consent to any Successor Arrangement or other agreement with any party upon the death of the Grantor.

ARTICLE III

REMEDIES

3.1. Acceleration. Upon the occurrence of any Event of Default under Section 2.1(c), the entire indebtedness evidenced by the Note and all other Secured Obligations together with interest at the Default Rate shall become immediately due and payable. Upon the occurrence of any other Event of Default, the entire indebtedness evidenced by the Note and all other Secured Obligations together with interest thereon at the Default Rate shall, subject to the terms of the Agreement and Note, at the option of the Beneficiary, without demand or notice of any kind to the Grantor or any other person, become immediately due and payable.

3.2. Remedies Cumulative. No remedy or right of the Beneficiary hereunder or under the Agreement, the Note or any of the other Loan Documents, or otherwise, or available under applicable law or in equity, shall be exclusive of any other right or remedy, but each such remedy or right shall be in addition to every other remedy or right now or hereafter existing under any such document or under applicable law or in equity. No delay in the exercise of, or omission to exercise, any remedy or right accruing on any Event of Default shall impair any such remedy or right or be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or a different nature. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by the Beneficiary. All obligations of the Grantor, and all rights, powers and remedies of the Beneficiary, expressed herein shall be in addition to, and not in limitation of,

those provided by law or in equity or in the Agreement, the Note or any other Loan Documents or any other written agreement or instrument relating to any of the Secured Obligations or any security therefor.

3.3. Foreclosure; Receiver. Upon the occurrence of any Event of Default, Trustee, or his successors, at the request of the Beneficiary, or the representatives or assigns of the Beneficiary, after giving notice of the time and place of sale as required by law shall proceed to sell the Premises or any portion thereof, at public auction for cash, and in bar of the right and equity of redemption, whether statutory or common law, homestead, dower, marital share, and all other rights and exemptions of every kind, all of which are hereby expressly waived; and the Trustee shall apply the proceeds from such sale in the manner provided in the case of the appointment of a receiver as set forth below. Trustee may adjourn or postpone by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale or any sale hereunder by public announcement at the time and place fixed by the preceding announcement or subsequently noticed sale, and without further notice, make such sale at the time and place fixed by the last postponement. Alternatively, at the request of the Beneficiary, Trustee may immediately institute an action for the complete or partial foreclosure of the Deed of Trust. Upon the filing of any complaint for that purpose, the court in which such complaint is filed may, upon application of the Beneficiary or at any time thereafter, either before or after foreclosure sale, and without notice to the Grantor or to any party claiming under the Grantor and without regard to the solvency or insolvency at the time of such application of any Person then liable for the payment of any of the Secured Obligations, without regard to the then value of the Premises or whether the same shall then be occupied, in whole or in part, as a homestead, by the owner of the equity of redemption, and without regarding any bond from the complainant in such proceedings, appoint a receiver for the benefit of the Beneficiary, with power to take possession, charge, and control of the Premises, to lease the same, to keep the buildings thereon insured and in good repair, and to collect all Rents during the pendency of such foreclosure suit, and, in case of foreclosure sale and a deficiency, during any period of redemption.

The court may, from time to time, authorize said receiver to apply the net amounts remaining in its hands, after deducting reasonable compensation for the receiver and its counsel as allowed by the court, in payment (in whole or in part) of any or all of the Secured Obligations, including without limitation the following, in such order of application as the Beneficiary may elect: (i) amounts due under the Note, (ii) amounts due upon any decree entered in any suit foreclosing this Deed of Trust, (iii) costs and expenses of foreclosure and litigation upon the Premises, (iv) insurance premiums, repairs, taxes, special assessments, water charges and interest, penalties and costs, in connection with the Premises, (v) any other lien or charge upon the Premises that may be or become superior to the lien of this Deed of Trust, or of any decree foreclosing the same and (vi) all moneys advanced by the Beneficiary to cure or attempt to cure any Default by the Grantor in the performance of any obligation or condition contained in any Loan Documents or this Deed of Trust or otherwise, to protect the security hereof provided herein, or in any Loan Documents, with interest on such advances at the Default Rate. The surplus of the proceeds of sale, if any, shall then be paid to the Grantor, upon reasonable request. This Deed of Trust may be foreclosed once against all, or successively against any portion or portions, of the Premises, as the Beneficiary may elect, until all of the Premises have been

foreclosed against and sold. As part of the foreclosure, the Beneficiary in its discretion may, with or without entry, personally or by attorney, sell to the highest bidder all or any part of the Premises, and all right, title, interest, claim and demand therein, and the right of redemption thereof, as an entirety, or in separate lots, as Beneficiary may elect, and in one sale or in any number of separate sales held at one time or at any number of times, all in any manner and upon such notice as provided by applicable law. Upon the completion of any such sale or sales, Beneficiary shall transfer and deliver, or cause to be transferred and delivered, to the purchaser or purchasers the property so sold, in the manner and form as provided by applicable law, and Beneficiary is hereby irrevocably appointed the true and lawful attorney-in-fact of Grantor, in its name and stead, to make all necessary transfers of property thus sold, and for that purpose Beneficiary may execute and deliver, for and in the name of Grantor, all necessary instruments of assignment and transfer, Grantor hereby ratifying and confirming all that said attorney-in-fact shall lawfully do by virtue hereof. In the case of any sale of the Premises pursuant to any judgment or decree of any court at public auction or otherwise, Beneficiary may become the purchaser, and for the purpose of making settlement for or payment of the purchase price, shall be entitled to deliver over and use the Note and any claims for the debt in order that there may be credited as paid on the purchase price the amount of the debt. In case of any foreclosure of this Deed of Trust (or the commencement of or preparation therefor) in any court, all expenses of every kind paid or incurred by the Beneficiary for the enforcement, protection or collection of this security, including court costs, attorneys' fees, stenographers' fees, costs of advertising, appraisals and environmental investigations, including the costs of the preparation of phase I and phase II surveys of the Premises, and costs of title insurance and any other documentary evidence of title, shall be paid by the Grantor.

3.4. Possession of the Premises; Remedies for Leases and Rents. The Grantor hereby waives all right to the possession, income, and rents of the Premises from and after the occurrence of any Event of Default, and the Beneficiary is hereby expressly authorized and empowered, at and following any such occurrence, to enter into and upon and take possession of the Premises or any part thereof. If any Event of Default shall occur, then, whether before or after institution of legal proceedings to foreclose the lien of this Deed of Trust or before or after the sale thereunder, the Beneficiary shall be entitled, in its sole discretion, to do all or any of the following: (i) enter and take actual possession of the Premises, the Rents, the Leases and other Collateral relating thereto or any part thereof personally, or by its agents or attorneys, and exclude the Grantor therefrom; (ii) with or without process of law, enter upon and take and maintain possession of all of the documents, books, records, papers and accounts of the Grantor relating thereto; (iii) as attorney-in-fact or agent of the Grantor, or in its own name as mortgagee and under the powers herein granted, hold, operate, manage and control the Premises, the Rents, the Leases and other Collateral relating thereto and conduct the business, if any, thereof either personally or by its agents, contractors or nominees, with full power to use such measures, legal or equitable, as in its sole discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment of the Rents, the Leases and other Collateral relating thereto (including actions for the recovery of rent, actions in forcible detainer and actions in distress of rent); (iv) cancel or terminate any Lease or sublease for any cause or on any ground which would entitle the Grantor to cancel the same; (v) elect to disaffirm any Lease or sublease made subsequent hereto or subordinated to the lien hereof; (vi) make all necessary or proper

repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements to the Premises that, in its discretion, may seem appropriate; (vii) insure and reinsure the Collateral for all risks incidental to the Beneficiary's possession, operation and management thereof; and (viii) receive all such Rents and proceeds, and perform such other acts in connection with the management and operation of the Collateral, as the Beneficiary in its discretion may deem proper, the Grantor hereby granting the Beneficiary full power and authority to exercise each and every one of the rights, privileges and powers contained herein at any and all times after any Event of Default without notice to the Grantor or any other Person. The Beneficiary, in the exercise of the rights and powers conferred upon it hereby, shall have full power to use and apply the Rents to the payment, in such order as Beneficiary may determine, of or on account of any one or more of the following: (a) to the payment of the operating expenses of the Premises, including the cost of management and leasing thereof (which shall include reasonable compensation to the Beneficiary and its agents or contractors, if management be delegated to agents or contractors, and it shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized; (b) to the payment of taxes, charges and special assessments, the costs of all repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements of the Collateral, including the cost from time to time of installing, replacing or repairing the Collateral, and of placing the Collateral in such condition as will, in the judgment of the Beneficiary, make it readily rentable; and (c) to the payment of any Secured Obligations. The entering upon and taking possession of the Premises, or any part thereof, and the collection of any Rents and the application thereof as aforesaid shall not cure or waive any Event of Default theretofore or thereafter occurring or affect any notice of Default hereunder or invalidate any act done pursuant to any such Event of Default or notice, and, notwithstanding continuance in possession of the Premises or any part thereof by the Beneficiary or a receiver and the collection, receipt and application of the Rents, the Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust or by law or in equity upon or after the occurrence of an Event of Default. Any of the actions referred to in this Section 3.4 may be taken by the Beneficiary irrespective of whether any notice of Default has been given hereunder and without regard to the adequacy of the security for the indebtedness hereby secured.

3.5. Personal Property. If any Event of Default shall occur, the Beneficiary may exercise from time to time any rights and remedies available to it under the Loan Documents or applicable law upon default in payment of indebtedness, including, without limitation, those available to a secured party under the Uniform Commercial Code of the state where the goods are located. The Grantor shall, promptly upon request by the Beneficiary, assemble the Collateral and make it available to the Beneficiary at such place or places, reasonably convenient for both the Beneficiary and the Grantor, as the Beneficiary shall designate. The Grantor hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings, or process of law in connection with the exercise by the Beneficiary of any of its rights and remedies after an Event of Default occurs. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed by registered or certified mail, return receipt requested, at least five (5) business days before such disposition, postage prepaid, addressed to the Grantor either at the

address shown below or at any other address of the Grantor appearing on the records of the Beneficiary. Without limiting the generality of the foregoing, whenever there exists an Event of Default hereunder, the Beneficiary may, with respect to so much of the Collateral as is personal property under applicable law, to the fullest extent permitted by applicable law, without further notice, advertisement, hearing or process of law of any kind, (i) notify any Person obligated on the Collateral to perform directly for the Beneficiary its obligations thereunder, (ii) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto, (iii) endorse any checks, drafts or other writings in the name of the Grantor to allow collection of the Collateral, (iv) take control of any proceeds of the Collateral, (v) enter upon any premises where any of the Collateral may be located and take possession of and remove such Collateral and render all or any part of the Collateral unusable, all without being responsible for loss or damage, (vi) sell any or all of the Collateral, free of all rights and claims of the Grantor therein and thereto, at any lawful public or private sale and on such terms as the Beneficiary deems advisable and (vii) bid for and purchase any or all of the Collateral at any such public or private sale. Any proceeds of any disposition by the Beneficiary of any of the Collateral may be applied by the Beneficiary to the payment of expenses in connection with the Collateral, including attorneys' fees and legal expenses, and any balance of such proceeds shall be applied by the Beneficiary toward the payment of such of the Secured Obligations and in such order of application as the Beneficiary may from time to time elect. Without limiting the foregoing, the Beneficiary may exercise from time to time any rights and remedies available to it under the Uniform Commercial Code or other applicable law as in effect from time to time or otherwise available to it under applicable law. The Grantor hereby expressly waives presentment, demand, notice of dishonor, protest and notice of protest in connection with the Note and, to the fullest extent permitted by applicable law, any and all other notices, demands, advertisements, hearings or process of law in connection with the exercise by the Beneficiary of any of its rights and remedies hereunder. The Grantor hereby constitutes the Beneficiary its attorney-in-fact with full power of substitution to take possession of the Collateral upon any Event of Default and, as the Beneficiary in its sole discretion deems necessary or proper, to execute and deliver all instruments required by the Beneficiary to accomplish the disposition of the Collateral; this power of attorney is a power coupled with an interest and is irrevocable while any of the Secured Obligations are outstanding. The Grantor shall remain liable for any deficiency resulting from the sale of the Collateral and shall pay such deficiency forthwith upon demand, and the Beneficiary's right to recover such deficiency shall not be impaired by the sale or other disposition of Collateral without required notice. Expenses of retaking, holding, preparing for sale, selling or the like will first be paid from the proceeds before the balance will be applied toward any Secured Obligations.

3.6. No Liability on Beneficiary. Notwithstanding anything contained herein, the Beneficiary shall not be obligated to perform or discharge, and does not hereby undertake to perform or discharge, any obligation, duty or liability of the Grantor, whether hereunder, under any of the Third Party Agreements or otherwise. The Beneficiary shall not have responsibility for the control, care, management or repair of the Premises (including but not limited to use, storage, manufacture, discharge or transportation of hazardous waste or substances including, without limitation, Specified Substances, by the Grantor) or be responsible or liable for any

negligence in the management, operation, upkeep, repair or control of the Premises resulting in loss, injury or death to any tenant, licensee, employee, stranger or other Person. No liability shall be enforced or asserted against the Beneficiary in its exercise of the powers granted to it under this Deed of Trust, and the Grantor expressly waives and releases any such liability. Should the Beneficiary incur any such liability, loss or damage under any of the Third Party Agreements or under or by reason hereof, or in the defense of any claims or demands, the Grantor agrees to reimburse the Beneficiary immediately upon demand for the full amount thereof, including costs, expenses and attorneys' fees.

3.7. Transfer of Premises by Grantor. To induce the Beneficiary to extend credit under the Agreement, the Grantor agrees that in the event of any transfer (by sale, lease, operation of law or otherwise) of the Premises without the prior written consent of the Beneficiary, the Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. Any transfer consented to by the Beneficiary shall be made subject to this Deed of Trust, and any such transferee shall assume the obligations of the Grantor hereunder, without releasing Grantor therefrom.

ARTICLE IV

GENERAL

4.1. Permitted Acts. The Grantor agrees that, without affecting or diminishing in any way the liability of the Grantor or any other Person, except any Person expressly released in writing by the Beneficiary (with the consent of any pledge of the Secured Obligations), for the payment or performance of any of the Secured Obligations or for the performance of any obligation contained herein or affecting the lien hereof upon the Collateral or any part thereof, the Beneficiary may at any time and from time to time, without notice to or the consent of any Person, release any Person liable for the payment or performance of the Note or any of the other Secured Obligations or any guaranty given in connection therewith; extend the time for, or agree to alter the terms of payment of, any indebtedness under the Note or any of the other Secured Obligations or any guaranty given in connection therewith; modify or waive any obligation; subordinate, modify or otherwise deal with the lien hereof; accept additional security of any kind for repayment of the Note or the other Secured Obligations or any guaranty given in connection therewith; release any Collateral or other property securing any or all of the Note or the other Secured Obligations or any guaranty given in connection therewith; make releases of any portion of the Premises; consent to the making of any map or plat of the Premises; the creation of any easements on the Premises or of any covenants restricting the use or occupancy thereof; or exercise or refrain from exercising, or waive, any right the Beneficiary may have.

4.2. Legal Expenses. The Grantor agrees to indemnify the Beneficiary from all loss, damage and expense, including (without limitation) attorneys' fees, incurred in connection with any suit or proceeding in or to which the Beneficiary may be made or become a party for the purpose of protecting the lien or priority of this Deed of Trust.

4.3. Security Agreement; Fixture Filing; Future Advances.

(a) This Deed of Trust, to the extent that it conveys or otherwise deals with personal property or with items of personal property which are or may become fixtures, shall also be construed as a security agreement under the Uniform Commercial Code as in effect in the state in which the Premises are located, and this Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the Premises are located with respect to any and all fixtures included within the term "Collateral" as used herein and with respect to any Goods or other personal property that may now be or hereafter become such fixtures. For purposes of the foregoing, the Grantor is the debtor (with its address as set forth below), the Beneficiary is the secured party (with its address as set forth below). If any item of Collateral hereunder also constitutes collateral granted to the Beneficiary under any other mortgage, agreement, document, or instrument, in the event of any conflict between the provisions of this Deed of Trust and the provisions of such other mortgage, agreement, document, or instrument relating to the Collateral, the provision or provisions selected by the Beneficiary shall control with respect to the Collateral.

(b) This Deed of Trust is granted to secure, among other Secured Obligations, future advances and loans (whether obligatory, made at the option of Beneficiary or otherwise) from the Beneficiary to or for the benefit of the Grantor or its successors or assigns or the Premises, as provided in the Agreement, and costs and expenses of enforcing the Grantor's obligations under this Deed of Trust, the Agreement and the other Loan Documents. All advances, disbursements or other payments required by the Agreement are obligatory advances up to the credit limits established therein and shall, to the fullest extent permitted by law, have priority over any and all construction and mechanics' liens and other liens and encumbrances arising after this Deed of Trust is recorded.

4.4. Defeasance. Upon full payment of all indebtedness secured hereby and satisfaction of all the Secured Obligations in accordance with their respective terms and at the time and in the manner provided, and when the Beneficiary has no further obligation to make any advance, or extend any credit hereunder, under the Note or any Loan Documents, this conveyance shall be null and void, and thereafter, upon demand therefor, the Beneficiary shall promptly direct the Trustee to make an appropriate instrument of reconveyance or release to the Grantor, at the expense of the Grantor.

4.5. Notices. All notices, demands and other communications provided for hereunder shall be given in accordance with the notice provisions of the Agreement to the parties hereto at the addresses set forth on the signature page hereof.

4.6. Successors; the Grantor; Gender; Severability. All provisions hereof shall bind the Grantor and the Beneficiary and their respective successors, vendees and assigns and shall inure to the benefit of the Beneficiary, its successors and assigns, and the Grantor and its permitted successors and assigns. THE GRANTOR CONSENTS TO THE ASSIGNMENT BY THE BENEFICIARY OF ALL OR ANY PORTION OF ITS RIGHTS UNDER THIS DEED OF

TRUST AND THE OTHER LOAN DOCUMENTS. THE GRANTOR ACKNOWLEDGES AND AGREES THAT ANY AND ALL RIGHTS OF THE BENEFICIARY UNDER THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS MAY BE EXERCISED FROM TIME TO TIME BY ANY ASSIGNEE OR SUCCESSOR OF THE BENEFICIARY. The Grantor shall not have any right to assign any of its rights hereunder. Except as limited by the preceding sentence, the word "Grantor" shall include all Persons claiming under or through the Grantor and all Persons liable for the payment or performance by the Grantor of any of the Secured Obligations whether or not such Persons shall have executed the Note or this Deed of Trust. Wherever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. Whenever possible, each provision of this Deed of Trust shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Deed of Trust shall be prohibited by or invalid under the applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity only, without invalidating the remainder of such provision or the remaining provisions of this Deed of Trust, it being the parties' intention that this Deed of Trust and each provision hereof be effective and enforced to the fullest extent permitted by applicable law.

4.7. Care by the Beneficiary. The Beneficiary shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral assigned by the Grantor to the Beneficiary or in the Beneficiary's possession if it takes such action for that purpose as the Grantor requests in writing, but failure of the Beneficiary to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Beneficiary to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Grantor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

4.8. No Waiver; Writing. No delay on the part of the Beneficiary in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Beneficiary of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. The granting or withholding of consent by Beneficiary to any transaction as required by the terms hereof shall not be deemed a waiver of the right to require consent to future or successive transactions.

4.9. Governing Law. This Deed of Trust shall be a contract made under and governed by the internal laws of the State where the Premises are located.

4.10. Waiver. The Grantor, on behalf of itself and all Persons now or hereafter interested in the Premises or the Collateral, to the fullest extent permitted by applicable law hereby waives all rights under all appraisement, homestead, moratorium, valuation, exemption, stay, extension, and redemption statutes, laws or equities now or hereafter existing, and hereby further waives the pleading of any statute of limitations as a defense to any and all Secured Obligations secured by this Deed of Trust, and the Grantor agrees that no defense, claim or right based on any thereof will be asserted, or may be enforced, in any action enforcing or relating to this Deed of Trust or any of this Collateral. Without limiting the generality of the preceding

sentence, the Grantor, on its own behalf and on behalf of each and every Person acquiring any interest in or title to the Premises subsequent to the date of this Deed of Trust, hereby irrevocably waives any and all rights of redemption from sale under any order or decree of foreclosure of this Deed of Trust or under any power contained herein or under any sale pursuant to any statute, order, decree or judgment of any court. The Grantor, for itself and for all Persons hereafter claiming through or under it or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Collateral shall be sold in the event of any sale or sales pursuant hereto and to have any of the Collateral and/or any other property now or hereafter constituting security for any of the indebtedness secured hereby marshaled upon any foreclosure of this Deed of Trust or of any other security for any of said indebtedness.

4.11. JURY TRIAL. THE GRANTOR HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS DEED OF TRUST OR ANY LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS DEED OF TRUST OR ANY RELATED DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

4.12. No Merger. It being the desire and intention of the parties hereto that this Deed of Trust and the lien hereof do not merge in fee simple or leasehold title to the Premises, it is hereby understood and agreed that should the Beneficiary acquire an additional or other interests in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by the Beneficiary as evidenced by an express statement to that effect in an appropriate document duly recorded, this Deed of Trust and the lien hereof shall not merge in the fee simple or leasehold title, toward the end that this Deed of Trust may be foreclosed as if owned by a stranger to the fee simple or leasehold title.

4.13. Time of Essence and Severability. Time is declared to be of the essence in this Deed of Trust, the Agreement, the Note and the Loan Documents and of every part hereof and thereof. If the Beneficiary chooses to waive any covenant, section, or provision of this Deed of Trust, or if any covenant, section, or provision of this Deed of Trust is construed by a court of competent jurisdiction to be invalid or unenforceable, it shall not affect the applicability, validity, or enforceability of the remaining covenants, paragraphs, or provisions.

4.14. Acts by Trustee. At any time upon written request of Beneficiary, payment of its fees and (in case of full reconveyance, for cancellation and retention) presentation of this Deed of Trust and the appropriate instruments evidencing the Secured Obligations for endorsement and without affecting the liability of any person for the payment of the Secured Obligations, Trustee may: (a) consent to the making of any map or plat of the Real Estate; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or (d) reconvey, without warranty, all or

any part of the Premises, as provided in Section 4.4 hereof. The recitals in any reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. Grantor agrees to pay a reasonable trustee's fee for full or partial reconveyance, together with a recording fee if Trustee, at its option, elects to record said reconveyance. Trustee may resign by instrument in writing filed in the office of the Recorder or Registrar of Titles in which this Deed of Trust shall have been recorded or filed.

4.15. Successor Trustee. In the event of the resignation, refusal or inability of Trustee to act or at the option of Beneficiary, with or without any reason, Beneficiary is authorized either in its own name or through an attorney or attorney-in-fact appointed for the purpose by written instrument duly recorded and without any formality other than a designation in writing of a successor or substitute trustee, to appoint a successor or substitute trustee who shall thereupon become vested with and succeed to all the rights, title and powers given to the Trustee herein named, the same as if the successor or substitute trustee had been named original Trustee herein; and such right to appoint a successor or substitute trustee shall exist as often as and whenever Beneficiary desires.

4.16. Covenants of Trustee. Trustee covenants faithfully to perform the trust herein created, being liable, however, only for its own gross negligence or misconduct and that of the employees and agents of Trustee.

4.17. Employment of Agents. Trustee, or anyone acting in its stead, shall have, in its discretion, authority to employ all proper agents and attorneys in the execution of this trust and in the conducting of any sale made pursuant to the terms hereof, and to pay for such services rendered out of the proceeds of the sale of the Premises, should any be realized; and if no sale be made or if the proceeds of sale be insufficient to pay the same, then Grantor hereby undertakes and agrees to pay the costs of such services rendered to Trustee. Trustee may rely on any document believed by it in good faith to be genuine. All money received by Trustee shall, until used or applied as herein provided, be held in trust, but need not be segregated (except to the extent required by law), and Trustee shall not be liable for interest thereon.

4.18. Indemnification of Trustee. If Trustee shall be made a party to or shall intervene in any action or proceeding affecting the Premises or the title thereto, or the interest of Trustee or Beneficiary under this Deed of Trust, except for any action or proceeding arising out of the willful misconduct or, to the extent prohibited by law, the gross negligence of Trustee or Beneficiary, Trustee and Beneficiary shall be reimbursed by Grantor, immediately and without demand, for all reasonable costs, charges and attorneys' fees incurred by them or any of them in any case, and the same shall become so much additional indebtedness secured hereby.

4.19. Matters to Be in Writing. This Deed of Trust cannot be altered, amended, modified, terminated, waived, released or discharges except in a writing signed by the party against whom enforcement is sought.

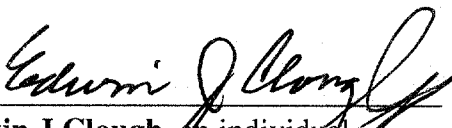
4.20. Sole Discretion of Beneficiary. Whenever Beneficiary's judgment, consent or approval is required hereunder for any matter, or Beneficiary shall have an option or election

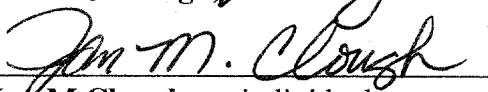
hereunder, such judgment, the decision as to whether or not to consent to or approve the same or the exercise of such option or election shall be in the sole discretion of Beneficiary.

This Deed of Trust was prepared by Christine Kim, Esq. whose address is 2600 Michelson Drive, Suite 1200, Irvine, CA 92612.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Deed of Trust on the day and year first above written and is effective on 12/7/07 (the closing date).

GRANTOR


Edwin J Clough, an individual



Jan M Clough, an individual

Address of Grantor/Debtor:

865 Spring Street,
Klamath Falls, OR 97601

Address of Beneficiary/Secured Party:

CITICORP LEASING, INC.
2600 Michelson Drive, Suite 1200
Irvine, CA 92612

State of <u>Oregon</u> County of <u>Kendall</u>		CAPACITY CLAIMED BY SIGNER	
On <u>11/1/07</u> before me, <u>Bonnie Murdock</u> Date Name, Title of Officer-e.g. "Jane Doe, Notary"	<input checked="" type="checkbox"/> INDIVIDUAL		
personally appeared <u>JAW m. Clough</u>	<input type="checkbox"/> CORPORATE OFFICER(S)		
<input checked="" type="checkbox"/> personally known to me -OR- <input type="checkbox"/> proved to me on basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.	<input type="checkbox"/> PARTNER(S)		
	<input type="checkbox"/> ATTORNEY-IN-FACT		
	<input type="checkbox"/> TRUSTEE(S)		
	<input type="checkbox"/> SUBSCRIBING WITNESS		
	<input type="checkbox"/> GUARDIAN/ CONSERVATOR		
	<input type="checkbox"/> OTHER: _____		
	SIGNER IS REPRESENTING: _____		
Witness my hand and official seal. <u>Bonnie Murdock</u> SIGNATURE OF NOTARY			
			
ATTENTION NOTARY: Although the information requested below is OPTIONAL, it could prevent fraudulent attachment of this certificate to unauthorized documents.			
THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT AT THE RIGHT:		Title or Type of Document <u>Deed of Trust, Assignment of Leases</u> Number of Pages <u>26</u> Date of Document <u>11/1/07</u> Signer(s) Other Than Named Above: <u>Edwin J. Clough</u>	

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EXHIBIT A

DESCRIPTION OF THE LAND

Parcel 1 of Minor Land Partition 41-91, situated in Lots 3, 4 and 5 of Block 2 HOMELAND TRACTS, in the NW1/4 SW1/4 of Section 1, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Common Address: 5800 South Sixth Street, Klamath Falls, OR 97603

Real Estate Tax Index No(s).: 508338

ANNEX I

NOTES

1. That certain Promissory Note dated October 26, 2007, made by Grantor and other Borrower (as defined in the Agreement) in favor of Beneficiary in the original principal face amount of \$1,062,000.00 as modified or amended from time to time.
2. That certain Promissory Note dated October 26, 2007, made by Grantor and other Borrower (as defined in the Agreement) in favor of Beneficiary in the original principal face amount of \$138,000.00 as modified or amended from time to time.