

2008-008364

Klamath County, Oregon



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RECORDING REQUESTED BY:

06/09/2008 11:48:28 AM

Fee: \$91.00

AND WHEN RECORDED MAIL TO: AND MAIL TAX STATEMENT TO:

STERLING SAVINGS BANK
Commercial Loan Servicing
P.O. Box 2131
Spokane, WA 99210

APN NO.R432259

1512008-206

DEED OF TRUST
AND ASSIGNMENT OF RENTS

This Deed of Trust, made this 9th day of June, 2008, by and between EDWIN CLOUGH ("Trustor"), with an address of 1902 Terrace Avenue, Klamath Falls, Oregon 97601, herein called Trustor, FIRST AMERICAN TITLE INSURANCE COMPANY, with an address of 404 Main Street, Suite 1, Klamath Falls, Oregon 97601, herein called Trustee, and STERLING SAVINGS BANK, a Washington chartered commercial bank, with an address of 540 Main Street, Klamath Falls, Oregon 97601, , herein called Beneficiary.

WITNESSETH:

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

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

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

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

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

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

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

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, heating and air conditioning equipment, trash disposal equipment, boilers, hot water tanks, sprinkler and other watering systems, and other articles attached to said buildings and improvements (the "Improvements");

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

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

FOR THE PURPOSE OF SECURING:

1. The payment and performance, by Grantor's affiliates, Ferrell's Fuel Network, Inc. and Clough Oil Company (hereinafter separately and jointly referred to as "Borrower") to Lender, including, without limitation, those obligations under the Promissory Note executed and delivered concurrently herewith, in the principal amount of \$400,000.00 (together with any amendments or modifications thereto, the "Note"), together with interest thereon, which accrues at a variable rate, and any and all costs and attorneys' fees, incurred or made by Beneficiary in enforcing the obligations evidenced by the Note. Unless demand is sooner made, the Note matures on July 1, 2008, at which time the principal thereof, together with all accrued and unpaid interest, shall be due and payable in full.

2. Payment of all other sums which may become due from Grantor or advances by Beneficiary or its successor, with interest thereon at the highest rate allowed by law, not to

exceed 12.00% per annum, which include but are not limited to, fire and other hazard insurance and taxes upon the real property herein described, according to the terms of this Deed of Trust; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in foreclosing this Deed of Trust or realizing upon any of the collateral for the obligations which this Deed of Trust secures; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in defending the priority or validity of this Deed of Trust or the title to the Property.

The Note (including any amendment thereto), and any other document or other instrument given in connection therewith, may hereafter be referred to as the "Loan Documents".

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

**ARTICLE I
COVENANTS AND AGREEMENTS OF GRANTOR**

Grantor hereby covenants and agrees:

1.01 Warranties of Title and Authority. Grantor hereby represents and warrants that it is lawfully seized of an indefeasible fee title to the Property; that it has the authority and right to execute and deliver this Deed of Trust; that it shall defend the title to the Property against all claims and demands whatsoever; that the Property is free and clear of any and all liens, claims, encumbrances, restrictions, encroachments, and interest whatsoever in favor of any third party except as may be described in Beneficiary's title insurance policy, or as approved by Beneficiary in writing; and that any and all obligations it may have incurred in connection with the Property are current and without default.

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

1.03 Maintenance, Repair, Alterations. To keep the Trust Estate in good condition and repair; not to remove, demolish, or substantially alter (except such alterations as may be required by laws, ordinances, or regulations) any of the Improvements; to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions now or hereafter affecting the Trust Estate or any part thereof or requiring any alterations or improvements; not to commit or permit any waste or deterioration of the Trust Estate; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; to comply with the provisions of any Lease; not to commit, suffer, nor permit any act to be done in or upon the Trust Estate in violation of any law, ordinance, or regulation.

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

a. Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage," in an amount at least equal to one hundred percent (100%) of the full replacement cost of the Improvements (exclusive of the cost of excavations, foundations, and footings below the lowest basement floor), whichever is greater; and with not more than One Thousand Dollars (\$1,000.00) deductible from the loss payable for any casualty. The policies of insurance carried in accordance with this subparagraph a. shall contain the "Replacement Cost Endorsement";

b. Insurance against loss or damage to the Personal Property by fire and other risks covered by insurance of the type now known as "fire and extended coverage";

c. Such other insurance and in such amounts as may, from time to time, be required by Beneficiary against the same or other hazards; and

d. All policies of insurance required by the terms of this Deed of Trust shall contain a CP12 and a 438 BFU forms of endorsement or their equivalent.

1.05 Delivery of Policies; Payment of Premiums. That all policies of insurance shall be issued by companies and in amounts in each company satisfactory to Beneficiary. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Beneficiary in form satisfactory to Beneficiary. Grantor shall furnish Beneficiary with an original policy of all policies of required insurance. All such policies shall contain a provision that such policies will not be canceled or materially amended, which term shall include any reduction in the scope or limits of coverage without at least thirty (30) days' prior written notice to Beneficiary. In the event Grantor fails to provide, maintain, keep in force, or deliver and furnish to Beneficiary the policies of insurance required by this section, Beneficiary may procure such insurance or single- interest insurance for such risks covering Beneficiary's interest, and Grantor will pay all premiums thereon promptly upon demand by Beneficiary and, until such payment is made by Grantor, the amount of all such premiums, together with interest thereon, shall be secured by this Deed of Trust.

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

1.07 Indemnification; Subrogation; Waiver of Offset.

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

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

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

1.08 Taxes and Impositions.

a. Grantor agrees to pay or cause to be paid, at least ten (10) days prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including, without limitation nongovernmental levies or charges resulting from covenants, conditions, and restrictions

affecting the Trust Estate, which are assessed or imposed upon the Trust Estate or become due and payable, and which create, may create, or appear to create a lien upon the Trust Estate or any part thereof (all of which taxes, assessments, and other governmental charges of like nature are hereinafter referred to as "Impositions"); provided, however, that if, by law, any such Imposition is payable or may, at the option of the taxpayer, be paid in installments, Grantor may pay or cause to be paid the same, together with any accrued interest on the unpaid balance of such Imposition, in installments as the same become due; and before any fine, penalty, interest, or cost may be added thereto for the nonpayment of any such installment and interest.

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

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

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

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

1.12 Successors and Assigns. That this Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors,

successors and assigns. The term "Beneficiary" shall mean the owner and holder of the Note, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

1.13 Liens. To pay and promptly discharge or cause to be paid and discharged, at Grantor's cost and expense, all liens, encumbrances and charges upon the Trust Estate, or any part thereof or interest therein which have priority over this Deed of Trust.

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

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

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

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

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

1.16 Eminent Domain. That should the Trust Estate, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding or in any other manner ("Condemnation") or should Grantor receive any notice or

other information regarding such proceeding, Grantor shall give prompt written notice thereof to Beneficiary.

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

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

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

ARTICLE II REMEDIES UPON DEFAULT

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

a. Default shall be made in the payment under the Note, the Loan Documents, or any other sum secured hereby when due, or the default in payment of any obligation secured

by a lien against the Trust Estate which has or may have priority over the lien of this Deed of Trust; or

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

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

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

e. There has occurred a breach of or default under any term, covenant, condition, provision, representation or warranty contained in any of the Loan Documents or any part thereof, not referred to in this Section 2.01.

2.02 Acceleration Upon Default, Additional Remedies. In the event of any event of default, Beneficiary may declare all indebtedness secured hereby to be due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Beneficiary, at its sole option, may foreclose this Deed of Trust as a mortgage or specifically enforce any of the covenants hereof;

2.03 Foreclosure by Power of Sale. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall

deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

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

b. After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title and counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the Note rate, all other sums then secured hereby and the remainder, if any, to the person or persons legally entitled thereto.

2.04 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Deed of Trust or the Loan Documents or any laws now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Every power or remedy given herein or by any of the Loan Documents to Trustee or Beneficiary or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary and either of them may pursue inconsistent remedies.

2.05 Sale, Transfer, Vacation or Encumbrance of Property Prohibited. So long as any obligation secured hereby remains unpaid, Grantor covenants and agrees that neither said Property nor any portion thereof nor interest therein shall be sold, conveyed, transferred or encumbered by Grantor without Beneficiary's prior written consent, which consent may be given or withheld in the exercise of Beneficiary's sole, absolute and unfettered discretion. If title to said Property or any portion or interest in said Property shall pass from Grantor by deed or otherwise, voluntarily or involuntarily or if said Property or any portion or interest therein is sold on contract, or if the Property or any portion or interest therein is vacated by Grantor, or if said Property or any portion or interest therein is further encumbered without the consent of Beneficiary, which consent may be given or withheld in the exercise of Beneficiary's sole, absolute and unfettered discretion, such change in title or occupancy or interest of Grantor or

further encumbrance shall be deemed to increase the risk of Beneficiary, and Beneficiary may declare all sums secured hereby immediately due and payable.

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

ARTICLE III MISCELLANEOUS

3.01 Governing Law. This Deed of Trust, shall be governed by the laws of the State of Oregon. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

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

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

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

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

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

WARNING: UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN 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 HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR 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.

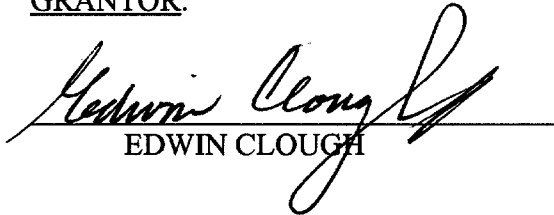
THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW. (Each reference to "you" and "your" shall refer to Grantor and each reference to "us" and "we" shall refer to Beneficiary.)

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER CHAPTER 1, OREGON LAWS 2005 (BALLOT MEASURE 37 [2004]). THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER CHAPTER 1, OREGON LAWS 2005 (BALLOT MEASURE 37 [2004]).

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDERS CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY LENDER TO BE ENFORCEABLE.

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

GRANTOR:


EDWIN CLOUGH

STATE OF OK)
County of Klamath) ss.

I certify that I know or have satisfactory evidence that Edwin Clough personally appeared before me and acknowledged that he signed this instrument, and on oath stated and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: June 9th, 2008.



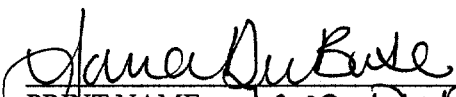

PRINT NAME: Jana DuBose
NOTARY PUBLIC in and for the State of OK
Residing at Klamath, OK
My appointment expires: 2/19/11

Exhibit "A"

Legal Description of Property

Parcel 1: All that portion of Lot 70, Enterprise Tracts, Klamath County, Oregon, described as follows: Beginning at a point in the Southerly line of Sixth Street, at its intersection with a North and South line 390.0 feet West of the East line of Lot 70; thence South 184.0 feet and West 17.5 feet to the true point of beginning; thence West 109.7 feet thence South 172.5 feet; thence East 109.7 feet; thence North 172.5 feet more or less to the true point of beginning, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Parcel 2: A strip of land across Lot 70, Enterprise Tracts, Klamath County, Oregon, 17 feet wide, being 8.5 feet on each side of the center line of the spur track now constructed thereon, said center line being described as follows: Beginning at a point in the Northerly line of the right of way of the Oregon, California and Eastern Railway Company 417.5 feet West of the East line of Lot 70; thence on an 11° 30' curve to the right, a distance of 356 feet Northwesterly to a point 525.7 feet West of the East line of Lot 70; thence North parallel to the East line of Lot 70 a distance of 467 feet to a point 8.5 feet West of the Northwest corner of Parcel 1 hereinabove described.

Parcel 3: All of Lots 5 and 6, and those portions of Lots 2, 3, 4, 7, 8 and 9, lying Southwesterly of State Highway 97 in Block 3 of Chelsea Addition to Klamath Falls, according to the official plat thereof filed December 11, 1929, in Volume 16 sheet 11 Klamath County Plat Book in the office of the County Recorder, Klamath County, Oregon; ALSO all of said closed Pelican Street lying between Block 3 and Block 4 of said Chelsea Addition and lying Southwesterly of State Highway 97, and that portion of closed Lindberg Street lying between Blocks 4 and 5 of said Chelsea Addition; also all of Lots 1 to 12 inclusive in Block 4 of said Chelsea Addition, and all of the Easterly 50 feet of Lots 7 to 12 inclusive in Block 5 of said Chelsea Addition.