

2008-009932

Klamath County, Oregon



00049528200800099320190199

AFTER RECORDING, RETURN TO:

INTERVEST-MORTGAGE INVESTMENT COMPANY
Attn: Brenda Lund
5005 S.W. Meadows Road, Suite 400
Lake Oswego, Oregon 97035

07/09/2008 03:17:36 PM

Fee: \$116.00

1st 711521

Document Title: Modification of Promissory Note and Deed of Trust
Reference No. of Document Modified: M05-69441 and M05-69442
Grantor: K Falls One LLC
Trustee: First American Title Insurance Company
Beneficiary: Intervest-Mortgage Investment Company

MODIFICATION OF PROMISSORY NOTE AND DEED OF TRUST

THIS MODIFICATION AGREEMENT is entered into this 24 day of June, 2008, by and between K FALLS ONE LLC, an Oregon limited liability company (hereinafter referred to as "Borrower"), and INTERVEST-MORTGAGE INVESTMENT COMPANY (hereinafter referred to as "Lender").

RECITALS

1. On or about November 17, 2005, Borrower made, executed and delivered to Lender its Promissory Note (hereinafter "Note"), in writing, in the original principal amount of \$20,700,000.00, together with interest thereon at the rate equal to the Prime Rate as published in the Money Rates section of the *Wall Street Journal*. The interest rate on all sums advanced shall be adjusted on the first day of the month following the date said rate is changed to equal the then present published Prime Rate. The Note provided for maturity on June 1, 2008.

2. At the same time as the execution and delivery of the Note, and in order to secure repayment of the same, Borrower executed, in favor of Lender, a Deed of Trust, Assignment of Rents and Security Agreement (hereinafter "Deed of Trust"), encumbering certain real property located in Klamath County, Oregon (the "property"), and legally described in Exhibit "A" attached hereto. The Deed of Trust was thereafter recorded on November 18, 2005, Recording No. M05-69441, records of Klamath County, Oregon.

3. At the same time as the execution and delivery of the Note and Deed of Trust, and in order to further secure repayment of the obligation of the Note, Borrower executed and delivered to Lender an Assignment of Leases and Cash Collateral (hereinafter "Assignment"), wherein Borrower assigned to Lender all of its rights under the leases, rents and income of the

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property. The Assignment was recorded on November 18, 2005, Recording No. M05-69442, records of Klamath County, Oregon.

4. At the same time as the execution and delivery of the Note and Deed of Trust, Borrower executed and delivered to Lender (i) its Certificate and Indemnity Regarding Hazardous Substances, which warrants to Lender that the Property has been and will continue to be used in conformity and in compliance with all local, state and federal ordinances, statutes, rules and regulations relating to the use, disposal, storage or transfer of hazardous substances, and agrees to indemnify and hold Lender harmless from any loss or damage caused by a breach of said warranties, and (ii) its Building Laws Indemnity, which warrants to Lender that the Property has been and will continue to be used in conformity and in compliance with all local, state and federal ordinances, statutes, rules and regulations relating to the development, use and operation of the Property, including the Americans With Disabilities Act, and agrees to indemnify and hold Lender harmless from any loss or damage caused by a breach of said warranties (hereinafter collectively referred to as the "Indemnity").

5. At the same time as the execution and delivery of the Note and Deed of Trust, and in order to further secure repayment of the obligation of the Note, B. Scott Fuller, Danielle L. Fuller, Greg J. Geertsen, Rosa M. Geertsen, Grant A. Appleton, Sharon D. Appleton, Steven E. Wilson, Michael J. Horwitz, Brandy N. Horwitz, the Horwitz Family Trust, Pacwest Group LLC and Western Development Partners ("Guarantors"), and each of them, guaranteed repayment of Borrower's indebtedness to Lender in their written Guarantees. Said Guarantees are unconditional and shall remain in full force and effect as to the indebtedness of said Borrower under the Note and Deed of Trust, as modified herein. Guarantors do hereby reaffirm and ratify their previous Guarantees.

6. At the same time as the execution and delivery of the Note and Deed of Trust, Borrower and Lender entered into a written Construction Loan Agreement (hereinafter "Loan Agreement") which sets forth the terms and conditions on which Lender will advance funds to Borrower for construction of improvements on the property. As of June 15, 2008, construction is partially complete and Lender has advanced \$18,727,312.92 to Borrower pursuant to the Loan Agreement. Interest is paid through May 31, 2008.

7. Borrower is desirous of extending the maturity of the Note. Lender is willing to extend the maturity of the Note upon the other terms and conditions set forth herein.

8. On or about October 30, 2006 Borrower obtained a second loan from Lender in the original principal amount of \$925,000.00 to finance the construction of Building N on adjacent property. The maturity date of the Building N loan is also being extended in a separate modification agreement executed concurrently herewith.

9. The Note, the Deed of Trust, the Assignment, Indemnity, Loan Agreement, Guaranty and this Modification Agreement, and any other document executed in connection therewith or referred to therein, may hereinafter be referred to as the "Loan Documents."

AGREEMENT

NOW, THEREFORE, in consideration of their mutual benefits contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree that the Note and Deed of Trust are modified as follows:

A. The maturity date of the Note is hereby extended from June 1, 2008 to December 1, 2008. Borrower shall execute a Modified Promissory Note concurrently herewith and promises and agrees to pay principal and interest under the Modified Note, as modified herein to

Interwest-Mortgage Investment Company, 5005 S.W. Meadows Road, Suite 400, Lake Oswego, Oregon 97035, or at such other place as Lender may direct, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of private and public debts.

B. The Loan Agreement contains Exhibit "B" known as the Estimated Development Costs and Required Equity Sheet. In consideration of Lender entering into this Modification Agreement, the parties have amended the Estimated Development Costs and Required Equity Sheet which is attached hereto as Exhibit "B", and which will supercede and replace the original Exhibit "B" attached to the Loan Agreement.

C. From the date of this Agreement until December 1, 2008, Borrower shall inject an additional \$2,500,000.00 of equity into the construction project, and Borrower must provide evidence satisfactory to Lender demonstrating this additional equity investment in the construction and/or deposit funds into a bank controlled account which pursuant to the Loan Documents will be advanced toward construction costs. Borrower intends to seek additional investors as members of the borrowing entity, and Borrower shall obtain the funds necessary for the additional equity investment in a manner which does not violate Section 4.08 of the Deed of Trust. A portion of the additional equity investment may be made in Building N of the project which is the subject of a separate loan from Lender.

D. Provided that Borrower is not then in default, or then in default in any other agreements made in connection with any loan by Lender to Borrower and, further, provided that certain parcels/pads have been legally segregated into separate parcels, Borrower shall be entitled to a partial release and partial reconveyance of the Deed of Trust as to a specific parcel/pad upon the following conditions:

(1) Borrower shall deliver a written request to Lender, together with such information as Lender may reasonably request regarding the proposed transaction and Lender shall have thirty (30) days to evaluate such request.

(2) Borrower shall provide the specific description of the parcel/pad to be released which will be subject to Lender's approval.

(3) Borrower shall segregate the parcel/pad as approved by Lender in accordance with applicable statutes and ordinances, according to an approved plat and/or condominium with adequate provisions for access, utilities and parking, subject to Lender's review and approval.

(4) Borrower shall obtain a separate real property tax parcel number for the segregated parcel/pad.

(5) The proposed use of the parcel/pad to be released shall not adversely impact the remainder of the project in Lender's reasonable judgment.

(6) Borrower shall pay to Lender the greater of (i) the sum equal to one hundred percent (100%) of the net proceeds (sale price less ordinary and customary closing costs) of the parcel/pad to be released, or (ii) the release fee attributable to the parcel/pad to be released as set forth in the Modified Note.

(7) Borrower shall reimburse Lender for any reasonable attorneys fees and costs, together with any costs associated with the modification or amendment of Lender's title insurance policy.

All sums paid for the purpose of obtaining a release and reconveyance shall be credited to the principal owing on the Note and shall not defer Borrower's duty to make any monthly interest payment. No payment made according to the above-described release provision shall affect Lender's security interest in any remaining property covered by the Deed of Trust, or other security, nor relieve the undersigned Borrower from the obligation to pay the total indebtedness evidenced by the Modified Note executed in connection herewith.

E. In consideration of Lender entering into this Modification Agreement, Borrower agrees to pay Lender a nonrefundable loan fee in the amount of Fifty-One Thousand Seven Hundred Fifty Dollars (\$51,750.00), the receipt of which is hereby acknowledged. Borrower also agrees to pay for Lender's legal fees incurred in the preparation of this loan documentation, together with the cost of a modification endorsement to Lender's title policy, together with all costs of recording this Agreement with the Office of the Klamath County Recorder.

F. The Deed of Trust includes a security agreement wherein Borrower granted to Lender a security interest in Borrower's personal property. As to all of the personal property which is or which hereafter becomes a "fixture" under applicable law, this Agreement constitutes a fixture filing under the Oregon Uniform Commercial Code, as amended or recodified from time to time. Borrower hereby authorizes Lender to file a financing statement, with or without Borrower's signature, to perfect Lender's lien and security interest in the Personal Property and Improvements as described in the Loan Documents (including any required continuation statements, amendment statements or other such documents necessary to perfect and continue the lien) and Borrower hereby expressly ratifies any financing statements Lender may have filed prior to the date of this Modification Agreement.

G. In the event Borrower shall, at any time be or have been in default hereunder or under the Loan Documents, Lender shall have the right, at Borrower's sole expense, to enter upon the property, either by itself or through its agent, for the purpose of conducting an MAI appraisal of the property. The cost of the appraisal shall be payable by Borrower to Lender on demand, and shall bear interest at the Note rate, as modified. It is expressly agreed and understood by Borrower that the occurrence of such a default shall be deemed to increase Lender's risk hereunder, thereby creating a need for Lender to have the information contained in an MAI appraisal of the property.

H. It is agreed and understood that all of the agreements, covenants and conditions of the Loan Documents shall remain in full force and effect, except for the amendments and modifications expressly mentioned herein.

I. Nothing herein contained shall in any manner affect the validity or priority of the lien established by the Deed of Trust encumbering the property referred to in Paragraph 2 above.


J. The recitals set forth in Paragraphs 1 through 9 above are incorporated into the substantive provisions of this Agreement.

K. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY A LENDER 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 THE LENDER TO BE ENFORCEABLE.

BORROWER:

K FALLS ONE LLC,
an Oregon limited liability company

By Western Development Partners, LLC, a
California limited liability company,
Member and Manager

By 
Greg J. Geertsen, Member and Manager

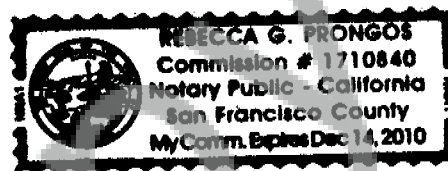
State of California)ss
County of SAN FRANCISCO)

On June 24, 2008 before me, Rebecca G. Prongos, Notary
Public, personally appeared Greg J. Geertsen, who proved to me on the 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Rebecca G. Prongos
Notary Name: Rebecca G. Prongos
My Commission Expires: 12.14.10
Notary Phone: 415.263.7195
Notary Registration Number: 1710840
County of Principal Place of Business: SAN FRANCISCO



This area for official notarial seal

GUARANTORS:

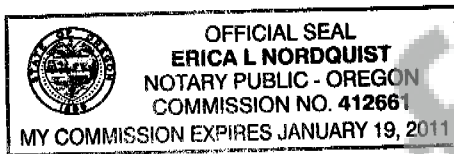

B. SCOTT FULLER



DANIELLE L. FULLER

State of Oregon)
County of Clackamas)ss.

I certify that I know or have satisfactory evidence B. Scott Fuller is the person who appeared before me, and said person signed this instrument and acknowledged it to be his free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.

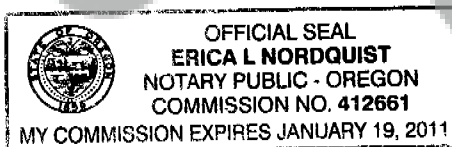


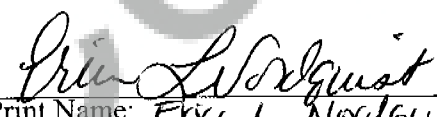

Print Name: Erica L. Nordquist
Notary Public in and for the State
Of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

State of Oregon)
County of Clackamas)ss.

I certify that I know or have satisfactory evidence Danielle L. Fuller is the person who appeared before me, and said person signed this instrument and acknowledged it to be her free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.




Print Name: Erica L. Nordquist
Notary Public in and for the State
of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

GUARANTORS:


GREG J. GEERTSEN


ROSA M. GEERTSEN

State of California)ss
County of SAN FRANCISCO

On June 25, 2008 before me, Rebecca G. Prongos, Notary Public, personally appeared Greg J. Geertsen, who proved to me on the 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature 
Notary Name: REBECCA G. PRONGOS
My Commission Expires: 12-14-10
Notary Phone: 415-263-7195
Notary Registration Number: 1710840
County of Principal Place of Business: SAN FRANCISCO



This area for official notarial seal

GUARANTORS:

GREG J. GEERTSEN
GREG J. GEERTSEN

ROSA M. GEERTSEN
ROSA M. GEERTSEN

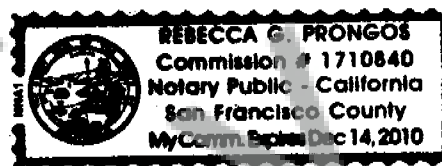
State of California)
County of SAN FRANCISCO)ss

On June 25, 2008 before me, Rebecca G. Prongos, Notary Public, personally appeared Greg J. Geertsen, who proved to me on the 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Rebecca G. Prongos
Notary Name: REBECCA G. PRONGOS
My Commission Expires: 12-14-10
Notary Phone: 415-263-7195
Notary Registration Number: 1710840
County of Principal Place of Business: SAN FRANCISCO



This area for official notarial seal

State of California)
County of Contra Costa)ss

On 6/30/08 before me, S. Shen, Notary Public, personally appeared Rosa M. Geertsens, who proved to me on the 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]

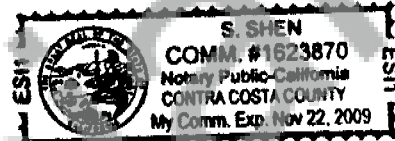
Notary Name: S. Shen

My Commission Expires: 11/22/09

Notary Phone: (925) 288-8344

Notary Registration Number: 1623870

County of Principal Place of Business: Contra Costa



This area for official notarial seal

GUARANTORS:

Grant A. Appleton
GRANT A. APPLETON

Sharon D. Appleton
SHARON D. APPLETON

State of Oregon }
County of Jackson }ss.

I certify that I know or have satisfactory evidence Grant A. Appleton is the person who appeared before me, and said person signed this instrument and acknowledged it to be his free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.



Mary Kallas
Print Name: MARY KALLAS
Notary Public in and for the State
Of Oregon, residing at Jackson County
My appointment expires: 12/14/2010

State of Oregon }
County of Jackson }ss.

I certify that I know or have satisfactory evidence Sharon D. Appleton is the person who appeared before me, and said person signed this instrument and acknowledged it to be her free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.



Mary Kallas
Print Name: MARY KALLAS
Notary Public in and for the State
of Oregon, residing at Jackson County
My appointment expires: 12/14/2010

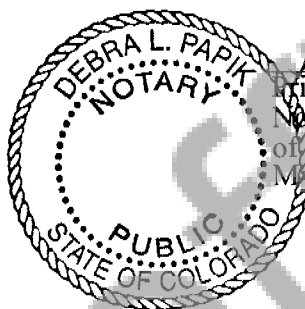
GUARANTOR:

Steven E. Wilson
STEVEN E. WILSON

State of Colorado)
)ss.
County of Arapahoe

I certify that I know or have satisfactory evidence that Steven E. Wilson is the person who appeared before me, and said person signed this instrument and acknowledged it to be his free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.



Debra L. Papik
Print Name: Debra L. Papik
Notary Public in and for the State
of Colorado, residing at Highlands Ranch, CO
My appointment expires: 2-14-10

GUARANTORS:

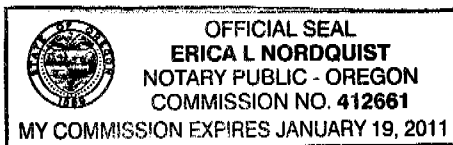
Michael J. Horwitz
MICHAEL J. HORWITZ

Brandy N. Horwitz
BRANDY N. HORWITZ

State of Oregon }
County of Clackamas } ss.

I certify that I know or have satisfactory evidence Michael J. Horwitz is the person who appeared before me, and said person signed this instrument and acknowledged it to be his free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 23, 2008.

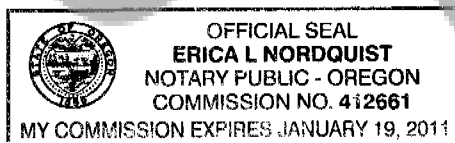


Erica L. Nordquist
Print Name: Erica L. Nordquist
Notary Public in and for the State
Of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

State of Oregon }
County of Clackamas } ss.

I certify that I know or have satisfactory evidence Brandy N. Horwitz is the person who appeared before me, and said person signed this instrument and acknowledged it to be her free and voluntary act, for the uses and purposes mentioned in the instrument.

DATED: June 23, 2008.



Erica L. Nordquist
Print Name: Erica L. Nordquist
Notary Public in and for the State
of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

GUARANTORS:

HORWITZ FAMILY TRUST under Trust
Agreement dated June 6, 2000.

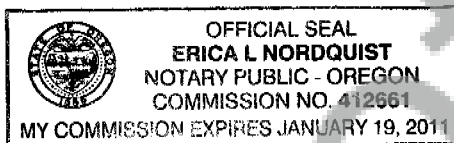
By *Michael J. Horwitz*
Michael J. Horwitz, Trustee

By *Brandy N. Horwitz*
Brandy N. Horwitz, Trustee

State of Oregon }
County of (Clackamas) } ss.

I certify that I know or have satisfactory evidence that Michael J. Horwitz is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as Trustee of the Horwitz Family Trust, to be the free and voluntary act of such party, for the uses and purposes mentioned in the instrument.

DATED: June 23, 2008.

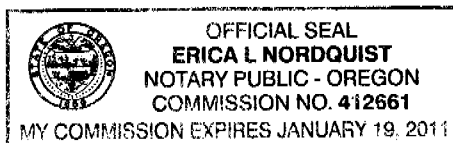


Erica L. Nordquist
Print Name: Erica L. Nordquist
Notary Public in and for the State
of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

State of Oregon }
County of (Clackamas) } ss.

I certify that I know or have satisfactory evidence that Brandy N. Horwitz is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as Trustee of the Horwitz Family Trust, to be the free and voluntary act of such party, for the uses and purposes mentioned in the instrument.

DATED: June 23, 2008.



Erica L. Nordquist
Print Name: Erica L. Nordquist
Notary Public in and for the State
of Oregon, residing at Tigard, OR
My appointment expires: January 19, 2011

GUARANTOR:

PACWEST GROUP LLC, an Oregon
limited liability company

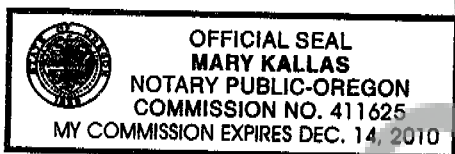
By Grant A. Appleton
Grant A. Appleton, Member

By Sharon D. Appleton
Sharon D. Appleton, Member

State of Oregon }
County of Jackson } ss.

I certify that I know or have satisfactory evidence that Grant A. Appleton is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as a Member of Pacwest Group LLC, to be the free and voluntary act of such party, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.



Mary Kallas
Print Name: MARY KALLAS
Notary Public in and for the State
of Oregon, residing at Jackson County
My appointment expires: 12/14/2010

State of Oregon }
County of } ss.

I certify that I know or have satisfactory evidence that Sharon D. Appleton is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as a Member of Pacwest Group LLC, to be the free and voluntary act of such party, for the uses and purposes mentioned in the instrument.

DATED: June 24, 2008.



Mary Kallas
Print Name: MARY KALLAS
Notary Public in and for the State
of Oregon, residing at Jackson County
My appointment expires: 12/14/2010

GUARANTOR:

WESTERN DEVELOPMENT PARTNERS,
LLC, a California limited liability company

By [Signature]
Greg J. Geertsen, Member and Manager

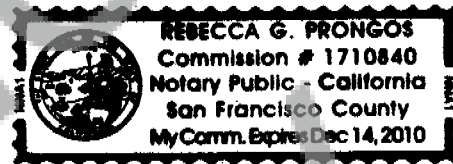
State of California)
County of San Francisco)ss

On June 24, 2008 before me, Rebecca G. Prongos, Notary Public, personally appeared Greg J. Geertsen, who proved to me on the 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Rebecca G. Prongos
Notary Name: Rebecca G. Prongos
My Commission Expires: 12-14-10
Notary Phone: 415.263.7195
Notary Registration Number: 1710840
County of Principal Place of Business: San Francisco



This area for official notarial seal

LENDER:

INTERVEST-MORTGAGE INVESTMENT
COMPANY

By Joanne Economaki
Its Senior Vice President

State of Oregon)
County of Clackamas } ss.

I certify that I know or have satisfactory evidence that JOANNE ECONOMAKI personally appeared before me, and on oath stated that she was authorized to execute the instrument and acknowledged it, as SR VICE PRESIDENT, of INTERVEST-MORTGAGE INVESTMENT COMPANY, to be the free and voluntary act of such person, for the uses and purposes mentioned in the instrument.

DATED: JULY 1, 2008.



Brenda L Lund
Print Name: BRENDA L LUND
NOTARY PUBLIC in and for the State
of Oregon, residing at WILSONVILLE
My appointment expires: 06/13/11

EXHIBIT "A"

Parcel 1:

All that portion of Tracts 32, 33A and 36 of Enterprise Tracts, situated in the NW ¼ of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the point of intersection of the Northeasterly right-of-way of Pershing Way and the Northwesterly right-of-way of Austin Street, said point being a 5/8" iron rod with a 1 ½" aluminum cap per Klamath County Survey No. 1441; thence along said Northwesterly right-of-way of said Austin Street, North 34°06'49" East, 465.40 feet to an angle point in said right-of-way; thence along the Westerly right-of-way of said Austin Street, North 00°19'19" East, 722.25 feet; thence North 89°39'15" West, 629.50 feet to a point on the Southeasterly right-of-way of Avalon Street; thence along said Southeasterly right-of-way, South 30°34'36" West, 667.21 feet to the most Northerly corner of a tract described as Parcel 3 in Deed Volume 256, Page 96, Klamath County Deed Records; thence along the Northeasterly line of said tract, South 59°24'29" East, 150.02 feet; thence along the Southeasterly line of said tract, South 30°44'43" West, 59.15 feet to a point on the Northeasterly right-of-way of said Pershing Way; thence along said Northeasterly right-of-way, South 55°53'18" East, 730.63 feet to the point of beginning.

Parcel 2:

All that portion of Tracts 32 and 36 of Enterprise Tracts, situated in the NW ¼ of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the point of intersection of the Westerly right-of-way of Austin Street and the Southerly right-of-way of Shasta Way, said point being a 5/8" iron rod with a 1 ½" aluminum cap per Klamath County Survey No. 4202; thence along said Southerly right-of-way, South 89°49'57" West, 376.78 feet to the Northeast corner of a tract described in Deed Volume M83, Page 265, Klamath County Deed Records; thence along the Easterly line of said tract, South 00°10'38" East, 150.05 feet; thence along the Southerly line of said tract, South 89°51'08" West, 110.47 feet to a point on the Southeasterly right-of-way of Avalon Street; thence along said Southeasterly right-of-way, South 30°38'16" West, 284.40 feet; thence leaving said Southeasterly right-of-way, South 89°39'15" East, 629.50 feet to a point on the Westerly right-of-way of said Austin Street; thence along said Westerly right-of-way, North 00°19'10" East, 399.95 feet to the point of beginning.

Situated in Klamath County, State of Oregon.

EXHIBIT B - CONSTRUCTION LOAN AGREEMENT

Loan# 143020946
 Requires# 31
 Dated 6/16/2008

INTERVEST
 Mortgage Investment Co.
 Progress Certificate & Request For Payment

Modification

COST CLASSIFICATION	Orig. Cost Estimate	Revised Cost to Complete	Extras & C/O This Draw	Extras & C/O Prev. Draw	Updated Cost Estimate	Borrower Equity	Current Equity	Approved Loan Budget	Amount Earned	Retainage	Previous Payments	Payment Requested	Contract Balance
LAND-Sherma Parcel	\$1,900,000.00				\$1,900,000.00	\$1,125,000.00		\$775,000.00	\$1,900,000.00		\$4,900,000.00	\$0.00	\$0.00
LAND	\$4,900,000.00				\$4,900,000.00			\$4,900,000.00	\$4,900,000.00			\$0.00	\$0.00
SOFT COSTS													
INTERVEST Const Loan Fee	\$155,255.00				\$155,255.00			\$155,255.00	\$155,255.00		\$155,255.00	\$0.00	\$0.00
INTERVEST Permanent Loan Fee/Appraisal	\$163,000.00				\$163,000.00			\$163,000.00	\$163,000.00		\$163,000.00	\$51,750.00	\$57,500.00
INTERVEST legal counsel	\$7,500.00				\$7,500.00			\$7,500.00	\$7,500.00		\$7,500.00	\$0.00	\$3,894.00
Closing/Titles	\$20,000.00				\$20,000.00			\$19,884.00	\$3,616.00		\$3,616.00	\$0.00	\$8,274.00
Site A/E Fees	\$300,000.00	\$14,868.00		\$14,373.81	\$29,241.81	\$116.00		\$314,373.81	\$11,726.00		\$11,726.00	\$0.00	\$114,868.00
A & E Fees Schematic Design - CLC	\$498,740.00				\$498,740.00			\$498,740.00	\$498,740.00		\$498,740.00	\$0.00	\$0.00
Permit & Impact: & City Inspection Fees	\$58,206.00				\$58,206.00	\$258,053.62		\$30,579.23	\$56,783.38		\$56,783.38	\$0.00	\$0.00
Building Permit/Plan Review/Misc. Inspection	\$37,500.00	\$45,492.30			\$82,992.30	\$26,204.15		\$87,514.92	\$29,514.92		\$29,514.92	\$0.00	\$0.00
INTERVEST Training Academy	\$406,500.00				\$406,500.00			\$406,500.00	\$406,500.00		\$406,500.00	\$0.00	\$58,000.00
Testing (Soil, ESA, Etc.)	\$70,000.00				\$70,000.00			\$6,555.55	\$6,555.55		\$6,555.55	\$0.00	\$0.00
Engineering Fees by Others GEO Testing	\$20,000.00				\$20,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Irrigation Tap Fees	\$19,766.00				\$19,766.00			\$21,377.81	\$21,377.81		\$21,377.81	\$0.00	\$0.00
Performance Bond (if required)	\$50,000.00				\$50,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Insurance	\$25,000.00				\$25,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Legal Fees	\$100,000.00				\$100,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Environmental Report Fees/Drilling	\$25,000.00				\$25,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Appraisal Fees	\$75,000.00				\$75,000.00			\$101,769.25	\$101,769.25		\$101,769.25	\$0.00	\$0.00
ALTA/Topo Survey	\$8,000.00				\$8,000.00			\$22,582.75	\$22,582.75		\$22,582.75	\$0.00	\$0.00
Construction Administration - CLC	\$52,811.00				\$52,811.00			\$10,460.52	\$2,580.24		\$2,580.24	\$0.00	\$0.00
INTERVEST Construction Insurance	\$145,316.00				\$145,316.00			\$21,000.00	\$34,900.00		\$34,900.00	\$0.00	\$0.00
Development Services Fee-WDP	\$354,848.00				\$354,848.00			\$9,268.00	\$29,568.00		\$29,568.00	\$0.00	\$0.00
Leasing Commissions	\$515,168.00				\$515,168.00			\$35,014.00	\$35,014.00		\$35,014.00	\$0.00	\$0.00
Advertising and Promo	\$50,000.00				\$50,000.00			\$23,600.00	\$16,000.00		\$16,000.00	\$0.00	\$7,500.00
Pycon Signs (All Buildings)	\$20,000.00				\$20,000.00			\$483,328.08	\$354,848.00		\$354,848.00	\$0.00	\$145,316.00
Direct Costs & Reproductions	\$52,811.00				\$52,811.00			\$677,994.86	\$275,904.86		\$275,904.86	\$0.00	\$402,090.00
Soft Cost Contingency	\$220,763.00				\$220,763.00			\$25,948.57	\$35,112.97		\$35,112.97	\$0.00	\$0.00
								\$116,171.75	\$116,171.75		\$116,171.75	\$0.00	\$0.00
								\$2,277.60	\$2,277.60		\$2,277.60	\$0.00	\$0.00
								\$0.00	\$0.00		\$0.00	\$0.00	\$0.00

EXHIBIT B - CONSTRUCTION LOAN AGREEMENT

Loan# 143002946
Request# 31
Date 6/16/2008

INTERVEST
Mortgage Investment Co.
Progress Certificate & Request For Payment

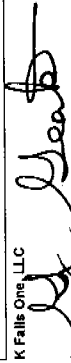
Modification

COST CLASSIFICATION	Orig. Cost Estimate	Revised Cost to Complete	Extras & C/O This Draw	Extras & C/O Prev. Draw	Updated Cost Estimate	Borrower Equity	Current Equity	Approved Loan Budget	Amount Earned	Retainage	Previous Payments	Payment Requested	Contract Balance
HARD COSTS													
Building Shell (See Breakdown/Bldg)	\$8,036,928.00	(\$1,869,294.31)		\$55,492.10	\$6,223,125.79	\$287,317.00	\$75,000.00	\$5,935,808.79	\$6,223,125.79	\$70,121.30	\$5,935,808.79	\$0.00	(\$0.00)
Bldg C (Michaelis)		\$1,781,530.00	\$7,974.00		\$1,789,504.00	\$125,000.00		\$1,589,504.00	\$1,402,426.00		\$1,132,304.70	\$0.00	\$457,199.30
Bldg A		\$1,170,000.00			\$1,170,000.00			\$1,170,000.00				\$0.00	\$1,170,000.00
Bldg B		\$1,350,000.00			\$1,350,000.00			\$1,350,000.00				\$0.00	\$1,350,000.00
Bldg F		\$72,942.00			\$72,942.00			\$72,942.00				\$0.00	\$72,942.00
Bldg G-1		\$591,000.00			\$591,000.00			\$591,000.00				\$0.00	\$591,000.00
Bldg G-2		\$200,000.00			\$200,000.00			\$200,000.00				\$0.00	\$200,000.00
Old Shermans Demolition		\$200,000.00			\$200,000.00			\$200,000.00				\$0.00	\$200,000.00
Building & Site Demolition & Asbestos Removal	\$915,000.00			\$3,300.00	\$918,300.00	\$880,093.66	(\$56,546.76)	\$143,453.24	\$58,522.91	\$2,976.15	\$86,953.09	\$0.00	\$143,453.24
Sitework-Earthwork	\$670,413.00		(\$0.01)	\$275,330.00	\$945,743.00	\$605,756.83		\$588,555.17	\$275,330.00		\$588,555.17	\$0.00	\$588,555.17
Sitework-Storm Drainage	\$238,250.00			\$39,786.00	\$278,036.00	\$25,103.15		\$252,932.85	\$278,036.00		\$252,932.85	\$0.00	\$278,036.00
Sitework-Landscaping	\$427,577.00			(\$427,577.00)	\$0.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Sitework-Contingency (10% #2)				\$106,567.42	\$106,567.42	\$28,279.05		\$78,288.37	\$106,567.42		\$78,288.37	\$0.00	\$106,567.42
Utilities-Water Service	\$227,301.00			\$51,383.00	\$278,684.00	\$32,358.30		\$246,325.70	\$278,684.00		\$246,325.70	\$0.00	\$278,684.00
Utilities-Sanitary Sewer	\$62,688.00			\$14,802.00	\$77,490.00			\$77,490.00	\$77,490.00		\$77,490.00	\$0.00	\$77,490.00
Utilities-Extensions	\$74,500.00			(\$74,500.00)	\$0.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Utilities-Joint Trenching				\$106,750.00	\$106,750.00			\$106,750.00	\$106,750.00		\$106,750.00	\$0.00	\$106,750.00
Paving-Parking Lot	\$1,025,793.00			\$24,382.00	\$1,050,175.00	\$300,000.00		\$750,175.00	\$1,001,411.00		\$750,175.00	\$0.00	\$1,001,411.00
Parking Lot Finishes	\$176,500.00			\$166,265.91	\$10,234.09			\$342,765.91	\$342,765.91		\$342,765.91	\$0.00	\$342,765.91
Contractor's Overhead and Profit-Bldg.	\$386,890.00			(\$14,610.00)	\$372,280.00			\$258,243.09	\$258,243.09		\$258,243.09	\$0.00	\$258,243.09
Contractor's Overhead and Profit-Site	\$139,357.00			\$26,751.24	\$166,108.24	\$47,576.80		\$118,529.44	\$166,108.24		\$118,529.44	\$0.00	\$166,108.24
On-Site Contractor's 5 months Bldg	\$325,000.00			\$17,900.58	\$342,900.58	\$99,237.55		\$243,663.03	\$342,900.58		\$243,663.03	\$0.00	\$342,900.58
General Conditions-5 months Bldg	\$2,700.00			(\$113,250.00)	\$110,550.00			\$0.00	\$113,250.00		\$113,250.00	\$0.00	\$113,250.00
Off-Site Contractor's Overhead and Profit-Site				(\$30,000.00)	\$30,000.00	\$50,000.00		\$0.00	\$50,000.00		\$0.00	\$0.00	\$50,000.00
General Conditions-5 months Site	\$50,000.00				\$50,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
TIF Administrative Fee	\$30,000.00				\$30,000.00			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Offsite Street Improvements	\$1,635,333.00	(\$1,064,544.82)		\$57,294.04	\$570,788.18	\$12,193.00		\$558,605.18	\$346,788.18		\$333,605.18	\$0.00	\$225,000.00
Tenant Improvements				\$97,978.12	\$97,978.12			\$57,294.04	\$57,294.04		\$57,294.04	\$0.00	\$57,294.04
Other C/O #1 changes				\$222,955.36	\$222,955.36	\$0.00		\$97,978.12	\$97,978.12		\$97,978.12	\$0.00	\$97,978.12
Borrower other site costs								\$222,955.36	\$222,955.36		\$222,955.36	\$0.00	\$222,955.36
New Landscaping				(\$260,353.68)	\$208,794.78			\$208,794.78	\$208,794.78		\$208,794.78	\$0.00	\$208,794.78
Hard Cost Contingency	\$530,000.00	(\$32,677.55)	(\$7,973.99)		\$489,349.01								
Total	25,082,500.00	2,500,000.00	0.00	200,000.00	27,782,500.00	3,662,045.76	75,000.00	24,043,453.24	22,581,207.13	73,097.45	18,727,312.92	51,750.00	\$5,264,390.32
Upfront Equity	\$1,332,500.00		\$0.00	\$200,000.00	\$4,032,500.00	\$1,457,500.00	\$75,000.00	\$2,500,000.00	\$2,500,000.00			\$0.00	\$2,500,000.00
Deferred Equity	\$3,950,000.00		\$0.00		\$3,950,000.00	\$2,206,546.76	\$0.00	\$443,453.24	\$443,453.24			\$0.00	\$843,453.24
Loan	20,700,000.00	0.00	0.00	0.00	20,700,000.00	2,206,546.76	0.00	20,700,000.00	22,581,207.13	73,097.45	18,727,312.92	51,750.00	1,520,937.08

LESS Modification Fee (\$51,750.00)
Less Site Inspection \$0.00

DEPOSIT to Borrower

CERTIFICATION: The undersigned hereby certifies, represents and warrants to Lender that by executing this document and delivering the same to Lender, the undersigned is not providing any information to Lender that is inconsistent with the information contained in this document and the signature appearing hereon.

K Falls One, LLC

Greg Gearty
Manager and Member