Klamath County, Oregon



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AFTER RECORDING, RETURN TO:

INTERVEST-MORTGAGE INVESTMENT COMPANY

Attn: Brenda Lund

5005 S.W. Meadows Road, Suite 400

Lake Oswego, Oregon 97035

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.
- 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 (hercinafter "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

Intervest-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

Greg J. Geertsen, Member and Manager

State of California ,)ss	
County of SAN Francisco)	

On June 34, 3008 before me, Kelveca C. Yrm603, 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 Rebutta G. Promos

Notary Name: Rebutta G. Promos

My Commission Expires: 12.14.10

Notary Phone: 415.263.7195

Notary Registration Number: 1710840

County of Principal Place of Business: 5An Francisco

This area for official notarial seal

MESECCA G. PRONGOS

Commission # 1710840 Notary Public - California San Francisco County **GUARANT**

State of Oregon County of Chalamas

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 DY OFFICIAL SEAL **ERICA L NORDQUIST** NOTARY PUBLIC - OREGON Notary Public in and for the COMMISSION NO. 412661 MY COMMISSION EXPIRES JANUARY 19, 2011

Of Oregon, residing at Toggad, M My appointment expires: January 19, 2011

State of Oregon County of Chicker mas)

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

OFFICIAL SEAL ERICA L NORDQUIST NOTARY PUBLIC - OREGON COMMISSION NO. 412661 MY COMMISSION EXPIRES JANUARY 19, 2011 Print Name: Erica L. M Notary Public in and for the of Oregon, residing at Tigard My appointment expires: January 19, WII GUARANTORS:

ROSA M. GEERTSEN

State of California (SAN Francisco))ss County of SAN Francisco)

On June 25, 2008 before me, Kebecca 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.

Notary Name: PEBECCO My Commission Expires: 12 -14- My Notary Phone: 415.263.7195

Notary Registration Number: 1710840

County of Principal Place of Business: SAN Francisco

This area for official notarial seal

lotary Public - California San Francisco County

GUARANTORS:	
/ July /	
GREG V. GLERTSEN	
D In It	···
Hosp At Vullen	
ROSA M. GEERTSEN	
ROBIT IVI. OBERTOET	

iolary Public - California San Francisco County

This area for official notarial seal

State of California ()ss County of SAN Francisco () on June 25, 2008 before me, Rebecca G. Prangos 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(res), 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. Commission # 1710840

WITNESS my hand and official seal.

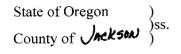
Notary Name: PEBECCO My Commission Expires: 12 -14 - 10 Notary Phone: 415.263.7195

Notary Registration Number: 1710840

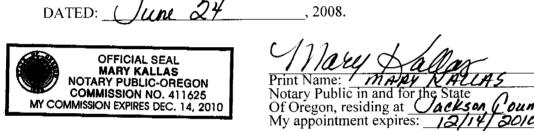
County of Principal Place of Business: SAN Francisco

State of California)ss County of <u>Coulm Cost</u>)
On before me, , Notary Public, personally appeared Rosa M. 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 S. SHEN COMM. #1623870 Notary Public-Callfornia CONTRA COSTA COUNTY My Comm. Exp. Nov 22, 2009
Notary Name: My Commission Expires: Notary Phone: (925) 288-834 Notary Registration Number: Notary

GUARANTORS: CRANT A: APPLETON GRANT A: APPLETON
Sharon D. appleton



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.





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.

OFFICIAL SEAL
MARY KALLAS
NOTARY PUBLIC-OREGON
COMMISSION NO. 411625
MY COMMISSION EXPIRES DEC. 14. 2010

OFFICIAL SEAL
MARY FALLAS
Notary Public in and for the State
of Oregon, residing at Vacksor Octubely
My appointment expires: 12/14/2010

GUARANTOR:

Notary Public in and for the State of Colorado, residing at High Care Ranch Co. My appointment expires: 17-14-16

State of Colorado) ss County of ARCGNA (WC)

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.

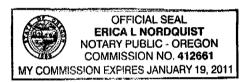
DATED: <u>June . 24</u>, 2008.

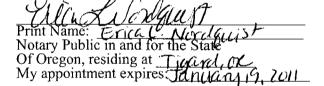
GUARANTORS:
MICHAEL J. HORWITE
1
BRANDY N. HORWAY

State of Oregon) ss.
County of Children

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.

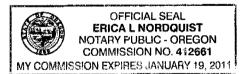




State of Oregon)ss County of (lackanas)

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: $\sqrt{1000}$ $\sqrt{2008}$.



Print Name: Exilt Mayalgus Notary Public in and for the State of Oregon, residing at Tigard, or My appointment expires: January 19, 201

GUARANTORS:

	HORWITZ FAMILY TRUST under Trust Agreement dated June 6, 2000
	By Mull Michael J. Horwitz, Trustee
	By Brandy D. Howitz, Trustee
State of Oregon)	\mathcal{O}
State of Oregon))ss. County of (Autamus)	
I certify that I know or have satisfa who appeared before me, and said person stated that he was authorized to execute t	actory evidence that Michael J. Horwitz is the person acknowledged that he signed this instrument, on oath he instrument and acknowledged it as Trustee of the voluntary act of such party, for the uses and purposes
DATED: June 23	, 2008.
OFFICIAL SEAL ERICA L NORDQUIST NOTARY PUBLIC - OREGON COMMISSION NO. 412661 MY COMMISSION EXPIRES JANUARY 19, 2011	Print Name: Enal Lalurdguist Notary Public in and for the State of Oregon, residing at Ligand, ex My appointment expires: January 19, 1011
State of Oregon) ss. County of (Vallana)	
who appeared before me, and said person a stated that she was authorized to execute	actory evidence that Brandy N. Horwitz is the person acknowledged that she signed this instrument, on oath the instrument and acknowledged it as Trustee of the voluntary act of such party, for the uses and purposes
dated: June 23	, 2008.
OFFICIAL SEAL ERICA L NORDQUIST NOTARY PUBLIC - OREGON COMMISSION NO. 412661 MY COMMISSION EXPIRES JANUARY 19, 2011	Print Name: Exica L. Meril Gu St. Notary Public in and for the State of Oregon, residing at Jugard M. My appointment expires: Ja nuary Fr. 2011

GUARANTOR:

	PACWEST GROUP LLC, an Oregon limited liability company
	By Stant C. Offiction Grant A. Appleton, Metaber
	By Sharon D. Appleton, Member
State of Oregon)ss. County of Jackson)	
who appeared before me, and said person a stated that he was authorized to execute the	ctory evidence that Grant A. Appleton is the person acknowledged that he signed this instrument, on oath the instrument and acknowledged it as a Member of soluntary act of such party, for the uses and purposes
DATED: June 24	, 2008.
OFFICIAL SEAL MARY KALLAS NOTARY PUBLIC-OREGON COMMISSION NO. 411625 MY COMMISSION EXPIRES DEC. 14, 2010	Print Name: MARY KALIAS Notary Public in and for the State of Oregon, residing at Lackson County My appointment expires: 12/14/2010
State of Oregon) ss. County of)	
who appeared before me, and said person a	ctory evidence that Sharon D. Appleton is the person cknowledged that she signed this instrument, on oath the instrument and acknowledged it as a Member of pluntary act of such party, for the uses and purposes, 2008.
OFFICIAL SEAL	Print Name: MARY KANAS Notary Public in and for the State
MARY KALLAS NOTARY PUBLIC-OREGON COMMISSION NO. 411625 MY COMMISSION EXPIRES DEC. 14, 2010	of Oregon, residing at <u>Jacksov</u> buster My appointment expires: <u>12/14/2010</u>
<u>.</u>	

GUARANTOR:

WESTERN DEVELOPMENT PARTNERS, LLC, a California limited liability company

State of California County of SAN FIANCISCO before me, Kebecca G. Promgos 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(les), 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. REBECCA G. PRONGOS WITNESS my hand and official seal. Commission # 1710840 Notary Public - California San Francisco County My Comm. Expires Dec 14, 2010 Signature Notary Name: Re My Commission Expires: 12.14 Notary Phone: 415, 263, 7195

Notary Registration Number: 1710840

County of Principal Place of Business: San Francisco

LENDER:

INTERVEST-MORTGAGE INVESTMENT COMPANY

Its Senior vie President

State of Oregon) ss. County of Clackamas)

I certify that I know or have satisfactory evidence that JOANNE ECONOMAK! personally appeared before me, and on oath stated that she was authorized to execute the instrument and acknowledged it, as SR VILE 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.

OFFICIAL SEAL
BRENDA L LUND
NOTARY PUBLIC-OREGON
COMMISSION NO. 416901
MY COMMISSION EXPIRES JUNE 13, 2011

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

	Previous Payment Contract Payments Requested Balance	\$775,000.00 \$4,500,000.00 \$4,500,000.00 \$6.00	\$0.00		\$11,610.00 \$0.00 \$8,274.00	\$0.00 \$114,8	\$0.00	\$30,579.23 \$0.00 \$50.00)	90.09	80.00		\$0.00	\$0.00	\$0.00	00.03	00.00 00.00	20.00		\$0.00	\$0.00	\$0.00			00 00	
	Retainage																								
	Amount	\$1,900,000.00 \$4,500,000.00	\$155,255.00	\$3,616,00	\$11,726.00	\$314,373.81	5498,140.00	\$26,783.38	5506.500.00	\$6,555.55	\$0.00	\$21,377.81	\$0.00	\$50,000.00	\$101,769.25	\$52 580 24	\$34.900.00	\$29,588.00	\$35,014.00	\$16,600,00	\$354,849.00	\$275,904.86	\$35,112.97	\$116.171.75	
	Approved Loan Budget	\$775,000.00	\$155,255.00	\$7.500.00	\$19,884.00	\$429,241.81	\$240,086.38	\$87,514.92	3606,500,00	\$6,555.55	\$0.00	\$21,377,81	\$0.00	\$50,000.90	\$101,769.25	\$10.490.52	\$21,000.00	\$9,288.00	\$35,014.00	\$23,600.00	\$483,328.0B	\$677,994.86	\$25,948.57	\$116,171,75	
	Current Equity				ř			5.5 5.3		- 7															
t Co. For Payment	Borrower Equity	\$1,125,000.06			\$116.00		\$258,053.62	\$20,2 64 .13						_	\$54 074 61	\$42.089.72	\$13,900.00	\$20,300.00		\$500 00	\$16,836.92		\$13,164,40		
INTERVEST Mortgage Investment Co. Progress Certificate & Request For Payment	Updated Cost Estimate	\$1,900,000.00	\$155,255.00	\$7,500.00	\$20,000.00	\$429,241.81	\$496,140.00	\$87.514.92	\$505,500.00	\$6,555.55	80.00	\$21,377.81	20.00	\$50.000.00	\$101,769.25	\$52.580.24	\$34,900.00	\$29,588.00	\$35,014.00	\$24,100,00	\$500.165.00	\$677,994.86	539,112.97	\$116,171.75	
N Progress Ce	Extras & C/O Prev. Draw					\$14,373.81	(61 422 82)	\$4.522.62		(\$40,523.80)	(\$5,000.00);	\$1,611.81	(\$50,000.00)	00000	(\$10,09.25	(\$5,000,00)	\$19,400.00	\$4.588.00	(\$16.821.00)	\$2,000 000		[\$40,481.78]	(\$4.471.00)	(\$40,659.00)	100 100 0107
	Extras & C/O This Draw						_										\$7,500 00								
Modification	Rewsed Cost to Complete					\$:14,868.00		\$45,492.30		(\$22,920.65)	(\$15,000.00)				(\$12,442,64)	(\$17,419.75)	\$0.00	30.00	(\$876.00)	Se'48 3	\$145,316.00	\$203,307.64	(56,416.03)	(24.3,169.25)	157 005 005
143502946 31 6/16/2008	Orig. Cost Estimate	\$1,900,000.00	\$155,255.00	\$7,506.00	\$20,000.00	\$300.000.00	558.206.00	\$37,500.00	\$606,500.00	\$76,000.00	\$20,000.00	\$19,766.00	\$50,000,000 \$50,000,000	00.000,000	\$100,000.00	\$75,000.00	\$8,000.00	\$25,000.00	\$52,811 00	(m) (m) (m)	\$354,849.00	30.801,0164	30:000:00\$	\$ 200.000 du	CC ***0
Loan# Reques# Daled	COST CLASSIFICATION	LAND-Sherms Parcel	SOFT COSTS INTERVEST Consl Loan Fee INTERVEST Permanent Loan Feel Appraisal	INTERVEST legal course!	Closing/Title	One rate mees	Permit & Impact & Oth Inspection Fees	Building Permit/Plan Review/Misc. inspection	INTERVEST Interest Reserve	Testing (Sail, ESA, Etc.)	Leighteening rees by Others GEC Testing	Parformance Bond (if sequipod)	Property Taxes	Community of the control of the cont	Legal Fees	Environmenta: Report Fees/Drilling	Appraisal Fees	ALIA/lopo Survey	Constitution Administration - CLC	Development Continue Inc. 18(596)00	Leve upment Services Fee-WDF		Distonating all of the Distonation	Display on Organia (24) dominates)	

EXHIBIT B - CONSTRUCTION LOAN AGREEMENT

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

Modification

INTERVEST Mortgage Investment Co. Progress Certificate & Request For Payment

COST	Orig. Cost	Revised Cost	Extras & C/O	Extras & C/O	Updated Cost	Borrower	Current	Approved oan Budget	Amount	Retainage	Previous Payments	Payment Requested	Balance
CLASSIFICATION	Estimate	to Complete	WENT SILVE	Flev. Caw	Caulidia	Lyang	Cime A						
24000	-									_			
Section of the sectio	00 800 acn es	(\$1 889 204 24)		\$55 492.10	\$6 223 125.79	\$287,317,00		\$5,935,808.79	\$6,223,125.79		\$5,935,808.79	\$0.00	(\$0.00)
Dullang Sher (See Breakdown Caug)	20,020,000,00	64 784 530 00	87 974 DB		\$1 789 504 00	\$125,000.00	\$75,000,00	\$1,589,504,00	\$1,402,426.00	\$70,121.30	\$1,132,304.70	\$0.00	\$457 199.30
Bidg C (Michaels)		44 470 000 00			\$1 170 000 00		-	\$1,170,000.00				\$0.00	\$1,170,000.00
		44 250 000 00			\$1.350.000.00		••••	\$1,350,000,00				\$0.00	\$1,350,000,00
		20,000,00		•	672 042 00			\$72 942 00		_		\$0.00	\$72,942.00
	-	DO.242.00			6504 000 00			8591 000 00				\$0.00	\$591,000.00
		00.000,186\$			00.000,000			8200,000,00				\$0.00	\$200,000.00
Bidg G-2B Pizza Hut		\$200,000.00			00'000'007#		37 343 339	8142 453 24	150 522 61	\$7 976 15		\$0.00	\$143,453.24
Old Sherms Demolition		\$200,000.00		00 000	200,000,0024	90 000 000	Vec side 761	606.053.00	64720 499 99		\$96,953.09	20.00	(\$0.00)
Building & Site Demolition & Asbastos Remov	\$915,000,00	(\$200,000.00)	(LOTOS)	95,500.00	\$7.20,433,88	\$000,095,00 \$406,768,83	(20,010)	\$588.555.17	\$945 743.00		\$539,986,17	\$0.00	\$48,569.00
Sitework-Earthwork	\$670,413.00	20.506.02		00.000,0124	9894,012.00	4400,130,00 456,402,45		\$252 932 85	\$278 036 00		\$252,932,85	\$0.00	\$0.00
Sitework-Storm Drainage	00.0c2,8c24			74.77 E77.00t	90.00	2		90.08	\$0.00		\$0.00	\$0.00	\$0.00
Sitework-Landscaping	DD:17c,124¢	_		(00.110.12+¢)	C4.06 667.42	\$0.070.05		\$78 288.37	\$106,567.42		\$78,288.37	\$0.00	\$0.00
Sitework-Contingency (c/o #2)	00 700 1000		-	24.100,0014	4178 684 DO	C32 358 30		\$246,325,70	\$278,684.00		\$246,325.70	\$0.00	\$0.00 \$
Utilities-Water Service	00.106,1224			614 807 00	£77 400 00	20001300	_	\$77.490.00	\$77,490,00		\$77,490.00	\$0.00	20.00
Unities-Santary Sewer	00.000,204			00.200,F14	00.03			20.00	20.00		20.00	\$0.00	\$0.00
Utilities-Extensions	14,300,00			(41 PE 750 00)	\$106 750 00			\$106,750,00	\$106,750,00		\$106,750.00	\$0.00	\$0.00
Childres-Joint Trenching	64 005 703 00			(\$24.382.00)	\$1 001 411 00	\$300,000,00		\$701,411.00	\$1,061,411.00		\$701,411,00	\$0.00	\$0.00
Paving-Panding Lot	00.001,020,15	_		\$166 265 91	\$342 765 91			\$342,765.91	\$342,765,91	_	\$342,765,91	20.00	00.03
Parking Lot Finishes	6386 ROD DD	14114 036 B11		(\$14,610.00)	\$258.243.09			\$258,243,09	\$258,243.09	_	\$258,243.09	\$0.00	(20,00)
Contractor's Overniead and Profits City	6130 357 00	francoler (a)		\$26.751.24	\$166,108.24	\$47,578.80	_	\$118,529,44	\$166,108,24		\$118,529,44	90.0\$	(20.00)
Ortonal Conditions & woodle Bloc	\$325,000,00			\$17,900.58	\$342,900,58	\$99,237,55		\$243,663.03	\$342,900.58		\$243,663.03	20.00	\$0.00
General Conductions of the Conduction of the Con	\$2.700.00	_		(\$2,700,00)	\$0.00	_		\$0.00	\$0.00		\$0.00	20.00	\$0.00
Classes Configures months Site				\$113,250.00	\$113,250.00			\$113,250.00	\$113,250.00		\$113,250.00	20.00	20.04
TIE Administrative Fee	\$50,000.00			_	\$50,000.00	\$50,000,00		\$0.00	\$50,000.00		\$0.00	3.5	00.00
Official Street Improprients	\$30,000,00			(\$30,000,00)	\$0.00			\$0.00	\$0.00		20.04	8 1	00.04
Jean thoroversents	\$1,635,333,00	(\$1,064,544.82)			\$570,788,18	\$12,183.00		\$558,605.18	\$345,788,18		\$333,605,18	20.00	00.000,622\$
Other CiO #1 changes				\$57,294.04	\$57,294.04			\$57,294,04	\$57,294.04		\$57,294.04	00.00	20.00
Borrower other site costs				\$97,978,12	\$97,978.12			\$97,978.12	\$97,978,12		26,978,12	90.00	20.05
New Landscaping				\$222,955.36	\$222,955.36	\$0.00		\$222,955.36	\$222,955.36		92.22,933.30		90,00
Hard Cost Conlingency	\$530,000.00	(\$32,877.55)	(\$7,973,99)	(\$280,353.68)	\$208,794,78			\$208,794.78	\$0.00		90.00	90.0 \$	\$205,134.10
	25 082 500 00	2 500 000 00	800	200 000 00	27 782 500.00	3.664.046.76	75,000.00	24,043,453.24	22,591,207.13	73,097.45	\$18,727,312.92	51,750.00	\$5,264,390.32
- I	C+ 332 500 00	\$2 500 000 BB	00.03	\$200,000,00	\$4 032 500 00		\$75,000,00	\$2,500,000.00				\$0.00	\$2,500,000.00
Control Equity	\$3,050,000,00	00:000	90 d		\$3,050,000,00	_	\$5.30	\$843,453.24				\$0,00	\$843,453.24
Ambig manual	20 000 000 00		(0.00)	-	20.700.000.00	₩.		20,700,000.00	22,591,207.13	73,097.45	18,727,312.92	51,750.00	1,920,937.08
	20,700,000,00		Tanal .						1				
-	2011 001100		7				4						

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

EXEMPLATION: The unamagened letterly confirms, represents and variants to Lander that by executing this document and defended her same to Letterly whether by devaring the objinal document, providing a copy, faining the original or a copy or providing a copy, faining the original or a copy or providing personal color repleation of the same, the enchanging interfigi for Lender to the information contained in the document and the signature appearing hereon.

Greg Geerfeet Manager and Member

K Falls One, ⊞C