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RECORDATION REQUESTED BY AND WHEN RECORDED MAIL TO:

Campbell Killin Brittan & Ray, LLC Attn: J. Kevin Ray, Esq. 270 St Paul, Suite 200 Denver, CO 80206 2013-004484

Klamath County, Oregon 04/26/2013 03:57:45 PM

Fee: \$152.00

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### DEED OF TRUST AND SECURITY AGREEMENT

This **DEED OF TRUST AND SECURITY AGREEMENT** is dated as of April 26, 2013, and is made and given by SAGE MOUNTAIN DEVELOPMENT, LLC, an Oregon limited liability company, whose address is 963 SW Simpson, Suite 110, Bend, OR 97702 (referred to herein sometimes as "Grantor" and sometimes as "Borrower"); in favor of KLAMATH FALLS PARTNERS, LLC, a Colorado limited liability company, whose address is 270 Saint Paul Street, Suite 300, Denver, Colorado 80206 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and First American Title Company of Oregon (referred to below as "Trustee").

On even date herewith, Lender has made a loan to Borrower in the original principal amount of \$89,250 (the "Subordinate Loan"), evidenced by a Promissory Note dated April 26, 2013 (the "Subordinate Note"), made and given by Borrower for the benefit of Lender, in the original principal amount of \$89,250, together with interest at the rate of 10.0% per annum, all Contingent Interest, any accrued default interest, and any other amounts payable in accordance the Subordinate Note. The Subordinate Loan matures on April 26, 2016. Borrower may at any time prior to maturity satisfy the entire obligation owing to Lender under the Subordinate Note by paying to Lender the Subordinate Loan Payoff Amount (as defined below). Further, upon maturity of the Subordinate Note, Borrower shall be obligated to pay the Subordinate Loan Payoff Amount, calculated as of the date of payment, in full satisfaction of the amounts owing to Lender under the Subordinate Note. For the avoidance of doubt, Borrower may at any time prior to maturity, without penalty, make a partial prepayment of all or any part of the outstanding principal and base interest hereunder; provided, however, that Borrower can only satisfy the entire obligation owing to Lender under the Subordinate Note by paying to Lender the full Subordinate Loan Payoff Amount. Any partial prepayment shall be applied as provided in the Subordinate Note.

CONVEYANCE AND GRANT. For valuable consideration, Grantor hereby irrevocably grants, transfers and assigns to Trustee with power of sale in trust for the benefit of Lender as Beneficiary all of Grantor's present and future estate, right, title and interest in and to that real property and all buildings and other improvements now thereon or hereafter constructed thereon



(the "Property"), in the County of Klamath, State of Oregon, described on Exhibit A attached hereto and by this reference made a part hereof, together with all of the following which, with the Property (except where the context otherwise requires), are hereinafter collectively called the "Real Property":

- (a) All appurtenances in and to the Property;
- (b) All water and water rights, contracts with water districts, ditches and ditch rights, reservoir and reservoir rights, stock or interests in irrigation or ditch companies, minerals, oil and gas rights, royalties, lease or leasehold interests (if any) owned by Grantor, now or hereafter used or useful in connection with, appurtenant to or related to the Property;
- (c) All right, title and interest of Grantor now owned or hereafter acquired in and to all streets, roads, alleys and public places, and all easements and rights of way, public or private, now or hereafter used in connection with the Property;
- (d) All machinery, equipment, fixtures and materials now or at any time attached to the Property, including but not limited to all surface and subsurface irrigation and sprinkler system equipment together with all processing, manufacturing and service equipment and other Personal Property now or at any time hereafter located on or appurtenant to the Property and used in connection with the management and operation thereof;
- (e) Any licenses, contracts, permits and agreements required or used in connection with the ownership, operation or maintenance of the Property, and the right to the use of any tradename, trademark, or service mark now or hereafter associated with the operation of any business conducted on the Property;
- (f) Any and all insurance proceeds, and any and all awards, including interest, previously and hereafter made to Grantor for taking by eminent domain of the whole or any part of the Property or any easements therein; and

All existing and future leases, subleases, licenses and other agreements for the use and occupancy of all or any portion of the Property and all income, receipts, revenues, rents, issues and profits arising from the use or enjoyment of all or any portion of the Property. In addition, Grantor hereby grants to the Lender a continuing Uniform Commercial Code security interest in and to the Rents and the Personal Property defined below.

**DEFINITIONS.** The following words shall have the following meanings when used in this Deed of Trust. Terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Loan Documents or Uniform Commercial Code, as applicable. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

Contingent Interest. The term "Contingent Interest" has the meaning given to such term in the Intercreditor Agreement.

**Deed of Trust.** The words "Deed of Trust" mean this Deed of Trust and Security Agreement among Grantor, Lender and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

**Grantor.** The word "Grantor" means any and all persons and entities executing this Deed of Trust.

Improvements. The word "Improvements" means and includes without limitation all existing and future improvements, buildings, structures, facilities, fixtures, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means any and all liabilities, obligations and indebtedness of Borrower to Lender of any and every kind and nature, at any time owing, arising, due or payable and howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed or otherwise, but only to the extent arising or existing under the Subordinate Note or any of the other document evidencing or securing the Subordinate Loan or by operation of law, including without limitation, the Subordinate Loan Payoff Amount.

Intercreditor Agreement. The words "Intercreditor Agreement" mean that certain Intercreditor Agreement dated of even date herewith by and among, Lender, Borrower and Senior Lender, together with all amendments thereto.

Leases. The word "Leases" refers to any lease(s) that may be executed during the term of the Subordinate Loan on the Property.

Lender. The word "Lender" means Klamath Falls Partners, LLC, a Colorado limited liability company, its successors and assigns.

Loan Documents. The words "Loan Documents" mean and include without limitation the Subordinate Note and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness, including this Deed of Trust.

Operating Accounts. The words "Operating Accounts" mean the account in the name of Borrower established into which all operating funds and construction funds of the Borrower will be deposited, including the Construction Reserve Account referred to in the Loan Agreement for the Senior Loan.

Personal Property. The words "Personal Property" mean all of the following property and interests in property of Borrower, whether now owned or existing or hereafter acquired or arising and wheresoever located: all Accounts (specifically including the Operating Accounts), Inventory, Equipment, Goods, General Intangibles, Payment Intangibles, Commercial Tort Claims (specifically described as those Commercial Tort Claims which are proceeds of any of the other herein described collateral), Deposit Accounts, Margin

Accounts, Commodity Accounts, Commodity Contracts, Securities Accounts, Investment Property, Instruments, Letter of Credit Rights, Documents, Chattel Paper, Electronic Chattel Paper, Tangible Chattel Paper, all accessions to, substitutions for, and all replacements, products and proceeds of the foregoing (including without limitation, proceeds of insurance policies insuring any of the foregoing), all books and records pertaining to any of the foregoing (including without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records), and all insurance policies insuring any of the foregoing, and specifically including each of the listed items under the section of this Deed of Trust entitled "Security Agreement and Fixture Filing" below.

**Property.** The word "Property" means collectively the Real Property and the Personal Property.

Protective Advances. The words "Protective Advances" means all advances paid by Lender to cover the payment, performance and discharge of (i) all real estate taxes and assessments levied against the Property, (ii) all insurance premiums relating to the Property, (iii) all fees, expenses or advances in connection with or relating to the Property, (iv) sums advanced to cure any default hereunder or to protect the Property or otherwise assert or protect any of its rights and benefits under the Loan Documents, and (v) expenses incurred by Trustee or Lender to enforce obligations of Borrower under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust.

Real Property. The words "Real Property" mean the property, interests and rights described above in the "Conveyance and Grant" section.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Leases.

Senior Lender. The words "Senior Lender" mean Cottonwood Captial, LLC, a Colorado limited liability company.

Senior Loan. The words "Subordinate Loan" means that certain loan from Senior Lender to Borrower in the original principal amount of \$717,000 which will be secured by a first position deed of trust on the Property and first position lien on all other Collateral, to which the Indebtedness is subordinated to due to recording priority and pursuant to the Intercreditor Agreement.

Subordinate Loan Payoff Amount. The term "Subordinate Loan Payoff Amount" means the total amount from time to time which must be paid to satisfy the Subordinate Loan in full, including payment of all principal as may be advanced and outstanding, together with interest at 10% per annum (or the default rate set forth in this Note, if applicable), Contingent Interest (as such term is defined in the Intercreditor Agreement) that would be payable in the event that Homes were built on each Lot in the Project and sold for fair market value as of the payoff date, plus any Protective Advances, accrued default interest,

and any other amounts payable to Lender under the Subordinate Loan Documents (including but not limited to amounts reimbursable for fees and costs).

Trustee. The word "Trustee" means First American Title Company of Oregon.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE SUBORDINATE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS ALSO GIVEN TO SECURE ANY AND ALL OBLIGATIONS OF BORROWER UNDER THE SUBORDINATE NOTE. ANY EVENT OF DEFAULT UNDER THE SUBORDINATE NOTE OR ANY OF THE LOAN DOCUMENTS, SHALL ALSO BE AN EVENT OF DEFAULT UNDER THIS DEED OF TRUST. THE SUBORDINATE NOTE AND THIS DEED OF TRUST. ARE GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

BORROWER'S REPRESENTATIONS AND WARRANTIES. Borrower warrants that: (a) this Deed of Trust is executed at Borrower's request; (b) Borrower has the full power, right, and authority to enter into this Deed of Trust and to hypothecate the Property; and (c) the provisions of this Deed of Trust do not conflict with, or result in a default under any agreement or other instrument binding upon Borrower and do not result in a violation of any law, regulation, court decree or order applicable to Borrower.

**PAYMENT AND PERFORMANCE.** Borrower shall pay to Lender all Indebtedness secured by this Deed of Trust as it becomes due, and Borrower and Grantor shall strictly perform all their respective obligations under the Subordinate Note, this Deed of Trust, and the Loan Documents.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (a) remain in possession and control of the Property, (b) use, operate or manage the Property, and (c) collect any Rents from the Property.

**Duty to Maintain.** Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Hazardous Substances. The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened release," as used in this Deed of Trust, shall have the same meanings as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801,

et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 8901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for hazardous waste and hazardous substances. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the properties. The provisions of this section of the Deed of Trust, including the obligation to indemnify, shall survive the payment of the Indebtedness and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without the prior written consent of Lender, unless Borrower replaces such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and its agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans with Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are

not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

**Duty to Protect.** Grantor shall do all acts which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at its option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without the Lender's prior written consent, of all or any part of the Property, or any interest in the Property. A "sale or transfer" means the conveyance of Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract to deed, leasehold interest with a term greater than five years, lease option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of Real Property interest. Transfer also includes any change in ownership of any portion of the limited liability company interests of Grantor, directly or indirectly.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are a part of this Deed of Trust.

Payment. Grantor shall cause all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and all claims for work done on or for services rendered or material furnished to the Property to be paid in accordance with the terms of the second position deed of trust securing the Subordinate Loan. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not yet due and except as otherwise provided in this Deed of Trust.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within 15 days after the lien arises or, if a lien is filed, within 15 days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

**PROPERTY DAMAGE INSURANCE.** The following provisions relating to insuring the Property are a part of this Deed of Trust.

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, builders risk and boiler insurance, as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in anyway by any act, omission or default of Grantor or any other person. Should the Real Property at anytime become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance for the full unpaid principal balance of the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to the Senior Lender pursuant to the terms of the Senior Loan Documents, or if the Senior Loan has been repaid in full, to the Borrower.

Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's sale or

other sale held under the provisions of this Deed of Trust, or at any foreclosure sale of such Property.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured, the then current replacement value of such property, and the manner of determining that value; and (e) the expiration date of the policy.

Statutory Notice. WARNING. Unless Grantor provides Lender with evidence of the insurance coverage as required by agreement, Lender may purchase insurance at Grantor's expense to protect Lender's interest. This insurance may, but need not, also protect Grantor's interest. If the collateral becomes damaged, the coverage Lender purchases may not pay any claim Grantor makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained property coverage elsewhere. Grantor is responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to Grantor's loan balance. If the cost is added to Grantor's loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage. The coverage Lender purchases may be considerably more expensive than insurance Grantor can obtain and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

EXPENDITURES BY LENDER. If Grantor fails to comply with any provision of this Deed of Trust, or if any action or proceeding is commenced that would materially affect Lender's interests in the Property, Lender on Grantor's behalf may, but shall not be required to, take any action that Lender deems appropriate. Any amount that Lender expends in so doing will bear interest at the rate provided for in the Subordinate Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Subordinate Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Subordinate Note, or (c) be treated as a balloon payment which will be due and payable at the Subordinate Note's maturity. This Deed of Trust also will secure payment of any Protective Advances which may exceed the stated principal amount of the debt referenced herein. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Lender may be entitled on account of the default. Any such action by Lender shall not be construed as curing the default so as to bar Lender from any remedy that it otherwise would have had.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust.

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Deed of Trust, including the Subordinate Loan, and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance with Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

**CONDEMNATION.** The following provisions relating to condemnation proceedings are a part of this Deed of Trust.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation.

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments as may be requested by it from time to time to permit such participation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust.

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to protect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording,

perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

Taxes. The following shall constitute taxes to which this section applies: (a) a specific tax upon this type of Deed of Trust or upon all or any part of the Indebtedness secured by this Deed of Trust; (b) a specific tax on Borrower which Borrower is authorized or required to deduct from payments on the Indebtedness secured by this type of Deed of Trust; (c) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Subordinate Note; and (d) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Borrower.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default (as defined below), and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (a) pays the tax before it becomes delinquent, or (b) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

ASSIGNMENT OF RENTS AND LEASES. As further security for the indebtedness and the liabilities and obligations secured by this Deed of Trust, Grantor hereby absolutely and irrevocably grants, conveys, pledges, hypothecates, transfers and assigns unto Lender all Rents now or hereafter due or payable for the occupancy or use of the Property or any portion thereof, and all leases and subleases, whether written or oral, with all security therefore, including without limitation, all guaranties thereof, now or hereafter affecting the Property. This is a present and absolute assignment, not an assignment for security purposes only, and Lender's right to the Rents is not contingent upon, and may be exercised without possession of, the Property. Lender confers upon Grantor a license ("License") to collect and retain the Rents as they become due and payable, until the occurrence of an Event of Default. Grantor represents, warrants, and covenants to and with Lender that (a) the Rents have not been sold, assigned, transferred or set over by any instrument now in force and will not at any time during the term of this assignment be sold, assigned, transferred or set over; and (b) Grantor has the right to sell, assign, transfer and set over the Rents and to grant to and confer upon Lender the rights, interests, powers and authorities granted and conferred by this Deed of Trust. Upon or at any time after the occurrence of an Event of Default, Lender may, at its option, without notice, and whether or not the indebtedness shall have been declared due and payable, either in person or by agent, or by a receiver to be appointed by a court, with or without bringing any action or proceeding (a) enter upon, take possession of, manage and operate the Property, or any part thereof (including without limitation, making necessary repairs, alterations and improvements to the Property); (b) make, cancel, enforce or modify leases; (c) obtain and evict tenants; (d) fix or modify Rents; (e) do any acts which Lender deems reasonably proper to protect the security of this Deed of Trust, and (f) either with or without taking possession of the Property, in its own name or in the name of Grantor, collect and receive all or any Rents, including without limitation, those past due and unpaid. Upon written notice from Lender, all tenants of and other obligors with respect to the Property hereby are directed by Grantor to pay promptly all Rents as they fall due to Lender without further notice from Grantor. In connection with the foregoing,

Lender shall be entitled and empowered to employ attorneys and management, rental and other agents in and about the Property to effect the matters which Lender is empowered to do, and if Lender shall itself effect such matters, Lender shall be entitled to charge and receive such reasonable management, rental and other fees as may be customary in the area in which the Property is located; and the reasonable fees, charges, costs and expenses of Lender or such persons shall be so much additional indebtedness subject to the terms of this Deed of Trust. Lender may apply all funds collected as aforesaid, less costs and expenses of operation and collection, including without limitation, reasonable attorneys' and agents' fees, charges, costs and expenses, upon any indebtedness in accordance with the terms of the Subordinate Note. The entering upon and taking possession of the Property and the collection of Rents and the application thereof as set forth in this Deed of Trust shall not cure or waive any default or invalidate any act done by Lender.

**SECURITY AGREEMENT; FINANCING STATEMENTS.** The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust.

Security Agreement and Fixture Filing. This instrument shall constitute a security agreement and fixture filing under the Uniform Commercial Code to the extent any of the Property constitutes fixtures or other Personal Property and shall constitute a security agreement with respect to all of the Personal Property, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time. In addition, for the purpose of securing the Indebtedness, Grantor hereby grants to Beneficiary, as secured party, a security interest in all of the property described below in, to, or under which Grantor now has or hereafter acquires any right, title or interest, whether present, future, or contingent: all equipment, inventory, accounts, general intangibles, instruments, documents, and chattel paper, as those terms are defined in the Uniform Commercial Code, and all other personal property of any kind (including without limitation money and rights to the payment of money), whether now existing or hereafter created, that are now or at any time hereafter (i) in the possession or control of Beneficiary in any capacity; (ii) erected upon, attached to, or appurtenant to, the Property; (iii) located or used on the Property or identified for use on the Property (whether stored on the Property or elsewhere); or (iv) used in connection with, arising from, related to, or associated with the Property or any of the Personal Property described herein, the construction of any improvements on the Property, the ownership, development, maintenance, leasing, management, or operation of the Property, the use or enjoyment of the Property, or the operation of any business conducted on the Property; including without limitation all such property more particularly described as follows:

- (a) Buildings, structures and improvements, and building materials, fixtures and equipment to be incorporated into any buildings, structures or improvements;
- (b) Goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, including without limitation, all such items used for (i) generation, storage or transmission of air, water, heat, steam, electricity, light, fuel, refrigeration or sound; (ii) ventilation, air-conditioning, heating, refrigeration, fire prevention and protection, sanitation, drainage, cleaning, transportation, communications, maintenance or recreation; (iii) removal of dust, refuse, garbage or snow;

- (iv) transmission, storage, processing or retrieval of information; (iv) surface and subsurface irrigation and sprinkler system equipment; and (v) floor, wall, ceiling and window coverings and decorations;
- (c) Income, receipts, revenues, rents, issues and profits, including without limitation, room rents, minimum rents, additional rents, percentage rents, occupancy and user fees and charges, license fees, parking and maintenance charges and fees, tax and insurance contributions, proceeds of the sale of utilities and services, cancellation premiums, and
  - (d) Claims for damages arising from the breach of any leases;
- (e) Water and water rights, contracts with water districts, ditches and ditch rights, reservoirs and reservoir rights, stock or interest in irrigation or ditch companies, minerals, oil and gas rights, royalties, and lease or leasehold interests;
- (f) Plans and specifications prepared for the construction of any improvements, including without limitation, all studies, estimates, data, and drawings;
- (g) Documents, instruments and agreements relating to, or in any way connected with, the operation, control or development of the Property, including without limitation, any declaration of covenants, conditions and restrictions and any articles of incorporation, bylaws and other membership documents of any property owners association or similar group;
- (h) All of Grantor's rights of every kind under or pursuant to any declaration of covenants, conditions and restrictions or similar documents or instruments, which shall hereafter be filed in order to create a condominium community on the Property, and any modifications thereof or supplements thereto (collectively, the "Declaration"), and all of Grantor's rights under or pursuant to any and all other documents which may hereafter be executed or otherwise made effective with respect to the creation or modification of a condominium community on the Property or the creation of an association to govern or administer such community, including, without limitation, all development rights, special declarant rights, rights with respect to any design or architectural review committees, and other rights of Grantor as declarant under the Declaration;
- (i) Claims and causes of action, legal and equitable, in any form whether arising in contract or in tort, and awards, payments and proceeds due or to become due, including without limitation those arising on account of any loss of, damage to, taking of, or diminution in value of, all or any part of the Property or any Personal Property described herein;
- (j) Sales agreements, escrow agreements, deposit receipts, and other documents and agreements for the sale or other disposition of all or any part of the Property or any of the Personal Property described herein, and deposits, proceeds and benefits arising from the sale or other disposition of all or any part of the Property or any of the Personal Property described herein;

- (k) Policies or certificates of insurance, contracts, agreements or rights of indemnification, guaranty or surety, and awards, loss payments, proceeds, and premium refunds that may be payable with respect to such policies, certificates, contracts, agreements or rights;
- (l) Contracts, agreements, permits, licenses, authorizations and certificates, including without limitation all architectural contracts, construction contracts, management contracts, service contracts, maintenance contracts, franchise agreements, license agreements, building permits and operating licenses;
- (m) Trade names, trademarks, and service marks (subject to any franchise or license agreements relating thereto);
- (n) Refunds and deposits due or to become due from any utility companies or governmental agencies;
- (o) Replacements and substitutions for, modifications of, and supplements, accessions, addenda and additions to, all of the Personal Property described herein; and
- (p) Books, records, correspondence, files and electronic media, and all information stored therein.

together with all products and proceeds of all of the foregoing, in any form, including all proceeds received, due or to become due from any sale, exchange or other disposition thereof, whether such proceeds are cash or non-cash in nature, and whether represented by checks, drafts, notes or other instruments for the payment of money.

Security Interest. By execution of this Deed of Trust by Borrower, Lender is hereby authorized to file UCC-1 financing statements and amendments thereto in accordance with the Uniform Commercial Code. Upon request by Lender, Grantor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assemble the Personal Property in a manner and at a place reasonably convenient to Grantor, Subordinate Lender and Lender and make it available to Subordinate Lender and/or Lender in accordance with the terms of the Intercreditor Agreement.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party), from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code), are as stated on the first page of this Deed of Trust.

**FURTHER ASSURANCES; ATTORNEY-IN-FACT.** The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust.

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (a) the obligations of Grantor and Borrower under the Subordinate Note, this Deed of Trust, and the Loan Documents, and (b) the liens and security interests created by this Deed of Trust as liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or agreed to the contrary by Lender in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. Trustee may, upon production of the Subordinate Note duly cancelled, release this Deed of Trust, and such release shall constitute a release of the lien for all such additional sums and expenditures made pursuant to this Deed of Trust. Lender agrees to cooperate with Grantor in obtaining such release and releasing the other collateral securing the Indebtedness. Any release fees required by law shall be paid by Grantor, if permitted by applicable law.

**DEFAULT.** Each of the following, at the option of Lender, shall constitute an event of default ("Event of Default") under this Deed of Trust:

**Default on Indebtedness**. Failure of Borrower to make any payment when due on the Subordinate Loan or Senior Loan.

Other Defaults. Failure of Borrower or any Grantor to comply with or to perform when due any other term, obligation, covenant or condition contained in this Deed of Trust or in any of the Loan Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower relating to the Subordinate Loan secured by this Deed of Trust.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Deed of Trust or the Loan

Documents is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Deed of Trust or any of the Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected first priority security interest or lien) at any time and for any reason.

**Insolvency.** The insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower, any creditor of any Grantor against any collateral securing the Indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender.

Transfer of Property. Except as otherwise provided herein, the sale, transfer, hypothecation, assignment, or conveyance of the Property or the Improvements or any portion thereof or interest therein by Borrower without Lender's prior written consent.

Condemnation. All or any material portion of the Property is condemned, seized, or appropriated without compensation, and Borrower does not within 30 days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender shall give written notice to Borrower which notice shall describe the nature of the Event of Default. Borrower shall have three days in which to cure any default that can be cured by the payment of money and 30 days in which to cure any default that cannot be cured solely by the payment of money (which 30-day period may be extended for such time as may be reasonably necessary, not to exceed an additional 60 days, if the default cannot reasonably be cured in the initial 30-day period, provided that Borrower is making reasonable efforts to cure such default during such period). Upon the expiration of the applicable cure period, and at any time thereafter, Trustee or Lender, at its option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without further notice to Grantor or Borrower to declare the entire Indebtedness immediately due and payable.

Foreclosure. Lender may invoke the power of sale and shall have the right to cause all or any part of the Real Property, and Personal Property, if Lender decides to proceed against it as if it were real property, to be sold by the Trustee according to the laws of the State of Oregon with respect to foreclosures against real property. If Lender invokes the power of

sale, Lender shall give written notice to Trustee of such election. Trustee shall give such notice to Borrower of Borrower's rights as is provided by law. Trustee shall record a copy of such notice as required by law. Trustee shall advertise the time and place of the sale of the Property, and shall mail copies of such notice of sale to Borrower and other persons, all as prescribed by law. After the lapse of such time as may be required by law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place (which may be on the Property or any part thereof as permitted by law) in one or more parcels as Trustee may think best and in such order as Trustee may determine. Lender or Lender's designee may purchase the Property at any sale. The Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including but not limited to Trustee's fees, attorneys' fees, and the cost of title evidence; (b) to all sums secured by this Deed of Trust; (c) to the Subordinate Lender to be applied in accordance with the Subordinate Loan, if in effect, and otherwise; (d) the excess, if any, to the person or persons legally entitled to the excess.

Foreclosure Bids. Lender or its representatives and agents are specifically authorized to bid at any foreclosure sale held and any bid by Lender may take into consideration anticipated taxes, assessments, insurance premiums, utilities, maintenance costs, repairs, title expense, the cost of any appraisal, the cost of satisfying senior indebtedness and the then going real estate agent's commission, all or any of which may be incurred during the period of redemption or in order to subsequently sell or otherwise dispose of the Property after the issuance of a deed, and such amounts shall not be deemed an overplus distributable to junior lienors or Grantor.

**UCC Remedies.** With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor or Borrower, to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If Lender collects the Rents, then Grantor irrevocably designates Lender, as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender

shall not disqualify a person from serving as a receiver. Receiver may be appointed by a court of competent jurisdiction upon ex parte application and without notice, notice being expressly waived.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (a) pay a reasonable rental for the use of the Property, or (b) vacate the Property immediately upon the demand of Lender.

Other Remedies. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Subordinate Note or by law.

Sale of the Property. In exercising its rights and remedies, Lender shall be free to designate on or before it files a notice of election and demand with the Trustee, that the Trustee sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property. Upon any sale of the Property, whether made under a power of sale granted in this Deed of Trust or pursuant to judicial proceedings, if the holder of the Subordinate Note is a purchaser at such sale, it shall be entitled to use and apply all, or any portion of, the Indebtedness for or in settlement or payment of all, or any portion of, the purchase price of the Property purchased, and, in such case, this Deed of Trust, the Subordinate Note, and any documents evidencing expenditures secured by this Deed of Trust shall be presented to the person conducting the sale in order that the amount of Indebtedness so used or applied may be credited thereon as having been paid.

Waiver; Election of Remedies. A waiver by any party of a breach of a provision of this Deed of Trust shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy provided in this Deed of Trust, the Subordinate Note, in any Loan Document, or provided by law shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor or Borrower under this Deed of Trust after failure of Grantor or Borrower to perform shall not affect Lender's right to declare a default and to exercise any of its remedies.

Attorneys' Fees; Expenses. If Lender forecloses or institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Lender which in Lender's opinion are necessary at anytime for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Subordinate Note rate from the date of expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or

injunction), appeals and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

**POWERS AND OBLIGATIONS OF TRUSTEE.** The Trustee shall have all powers and obligations required of or granted to the Trustee in accordance with the laws of the State of Oregon.

NOTICES TO GRANTOR AND OTHER PARTIES. Any notice under this Deed of Trust shall be in writing, may be sent by facsimile (unless otherwise required by law), and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier, or, if mailed, shall be deemed effective when deposited in the United States mail first class, certified or registered mail, postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. All copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. For notice purposes, Grantor agrees to keep Lender and Trustee informed at all times of Grantor's current address. Notwithstanding the foregoing, any notices given hereunder with respect to the foreclosure of any Property shall be given pursuant to applicable law and the foregoing paragraph shall not be deemed to contradict or add to the notice requirements and procedures now or hereafter specified by applicable law with respect to foreclosure of any Property hereunder.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Deed of Trust:

Amendments. This Deed of Trust, together with any Loan Documents and the Intercreditor Agreement, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No alteration of or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Financial Reports. Grantor shall provide financial statements in accordance with the terms and conditions in the Loan Documents.

Applicable Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Oregon.

Caption Headings. Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

Merger. There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at anytime held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Deed of Trust in all other respects shall remain valid and enforceable.

Successors and Assigns. Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Deed of Trust and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the Indebtedness.

Time Is of the Essence. Time is of the essence in the performance of this Deed of Trust.

Waivers and Consents. Lender shall not be deemed to have waived any rights under this Deed of Trust (or under the Loan Documents) unless such waiver is in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by any party of a provision of this Deed of Trust shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. No prior waiver by Lender, nor any course of dealing between Lender and Grantor or Borrower, shall constitute a waiver of any of Lender's rights or any of Grantor or Borrower's obligations as to any future transactions. Whenever consent by Lender is required in this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all Indebtedness secured by this Deed of Trust.

Waiver of Right to Trial by Jury. GRANTOR HERETO HEREBY KNOWINGLY, VOLUNTARILY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM THAT RELATES TO OR ARISES OUT OF THIS DEED OF TRUST. GRANTOR HERETO FURTHER AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE, OR HAS NOT BEEN, WAIVED.

Statutory Notice. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11. CHAPTER 424. OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. 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 THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, 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 ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

{Remainder Left Intentionally Blank - Signatures To Follow}

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND GRANTOR AGREES TO ITS TERMS.

# **BORROWER**:

Sage Mo	untain Development, LLC, an Oregon
limited li	ibility company
By: _	<u> </u>
Name:	Shewn Holm
Its:	Authorized Agent
_	

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT
STATE OF OREGON )
COUNTY OF Ochutes ) ss:
On this 25 day of 4, 2013, before me, the undersigned Notary Public, personally appeared Shaun Holm, the Ashonical Pount of Sage Mountain
Development, LLC, an Oregon limited liability company, and acknowledged this Deed of Trust
and Security Agreement to be the free and voluntary act and deed of the above-named limited liability company, by authority of statute or its Operating Agreement, for the uses and purposes
therein mentioned, and on oath stated that he/she is authorized to execute this Deed of Trust and Security Agreement and in fact executed the Deed of Trust and Security Agreement on behalf of
the such limited liability company.
OFFICIAL SEAL NICOLE M YOUNG NOTARY PUBLIC OREGON
MY COMMISSION NO. 475875  Notary Public In and for the State of Oregon

My Commission Expires: February 20, 2017

## **EXHIBIT A**

# **LEGAL DESCRIPTION**

#### PARCEL 1:

LOTS 177, 178, 179, 185 AND 186 OF TRACT 1496, RIDGEWATER SUBDIVISION, PHASE 1, 1ST ADDITION, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON

#### PARCEL 2:

LOTS 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32 AND 33 OF TRACT 1506, THE TIMBERS, PHASE 1, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

Tax Parcel Number: R893916 and R893910 and R893909 and R893907 and R893908 and R894722 and R894725 and R894726 and R894727 and R894728 and R894729 and R894730 and R894732 and R894733 and R894740 and R894741 and R894742 and R894743 and R894746