

2018-002756

Klamath County, Oregon

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**Recording Requested by, and
When Recorded, mail to:**

Law Offices of Robert Rauch
1159 Chuckanut Ridge Drive
Bow, Washington 98232
Attention: Robert J. Rauch

FIRST LEASEHOLD DEED OF TRUST

This First Leasehold Deed of Trust, is made this 7th day of March, 2018 by and among Klamath Hills Geothermal, LLC, an Oregon limited liability company, with its principal office located at 1533 SW Williams Rd. Powell Butte, OR 97753 ("**Grantor**" or "**KHG**"), AmeriTitle, Inc., an Oregon corporation, with offices located at 300 Klamath Ave, Klamath Falls, OR 97601 ("**Trustee**") and Kalina Power Limited, an Australian, publicly held, limited company, with its principal offices located at 585 Burwood Road, Hawthorn, VIC, 3122, Australia ("**Beneficiary**"). Beneficiary, Trustee, and Grantor are sometimes hereinafter collectively referred to as the "**Parties**," and individually as a "**Party**."

RECITALS

WHEREAS, Grantor has obtained the right to develop and utilize certain geothermal resources located in Klamath County, Oregon pursuant to that certain Geothermal Resources Lease between Grantor and Fred R. Barnes IV and Dawn Catherine. Barnes dated December 29, 2017, which lease was recorded January 2, 2018 as document No. 2018-000001 in the Official Records of Klamath County (the "**Lease**"); and

WHEREAS, the property subject to the Lease ("**Land**") is improved by buildings and improvements located thereon, and may be further improved by Grantor, pursuant to the terms of the Lease; and

WHEREAS, Grantor has executed and delivered to Beneficiary that certain Secured Promissory Note dated of even date herewith in the maximum principal amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS \$1,500,000.00 (the "**Note**") evidencing a loan of equal amount ("**Loan**"); and

WHEREAS, the proceeds from the Loan have been utilized, and will be utilized, to develop Grantor's 9.7 MW geothermal project located in Klamath Hills, Klamath County, Oregon ("**Project**"); and

WHEREAS, this First Leasehold Deed of Trust is intended to secure the payment of the principal amount of the Note, together with interest thereon, and any other sums due thereunder,

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in accordance with the terms thereof, the terms of said Note being incorporated herein and made a part hereof by reference; and

WHEREAS, the members of Grantor have approved the grant of this First Leasehold Deed of Trust to Beneficiary; and

WHEREAS, in order to secure the Loan to KHG, Grantor hereby makes this First Leasehold Deed of Trust in the amount of the Loan, in favor of Beneficiary; and

WHEREAS, Grantor and Beneficiary acknowledge that Beneficiary may elect to make additional loans to Grantor to further develop the Project, and the promissory note(s) evidencing such additional loans shall also be secured by this First Leasehold Deed of Trust, and shall be added to the original Note secured hereby (collectively the "Notes");

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, Grantor does hereby give, grant, bargain, sell, alien, enfeoff, convey, grant a security interest in, and confirm to Beneficiary, its leasehold rights in the Land, subject to the receipt of any required consents to the grant of such leasehold deed of trust;

TOGETHER with all the right, title and interest of Grantor as tenant under the Lease in and to the land lying in the streets and roads adjoining the Land or any part thereof;

TOGETHER with all of Grantor's right, title and interest created under the Lease;

TOGETHER with any and all other, further or additional estates, rights, title or interests which may at any time be acquired by Grantor by reason of amendments, modifications, supplements, extensions and renewals of the Lease (such Lease and all amendments, modifications, supplements, extensions and renewals thereof being hereinafter called the "Lease");

TOGETHER with all rights and benefits of whatsoever nature derived, or to be derived by Grantor under, or by virtue of, the Lease, including, without limitation, the right to exercise options, to give consents, and to receive monies payable to the landlord thereunder;

TOGETHER with all other leases, sub-leases and under-lettings of the Premises (as hereinafter defined), or any part thereof, now existing or hereafter entered into or assumed by Grantor, and all rights and benefits derived, or to be derived, by Grantor therefrom, including without limitation, any security deposits made by the tenants thereunder;

TOGETHER with all right, title and interest of Grantor as tenant under the Lease in and to all buildings and improvements now situated on or hereafter to be erected on the Land (the "Improvements"), all machinery, apparatus, equipment, fittings, fixtures, furniture, furnishings and articles of personal property of every kind and nature whatsoever, now or hereafter located in the Improvements, or upon the Premises, or any part thereof, and used or usable in connection with the present use of the Improvements or any other future occupancy or use of the

Improvements (hereinafter called "**Equipment**"), (the "**Improvements**", the Land and the Equipment and the "Lease" being collectively referred to as the "**Premises**"), including, but without limiting the generality of the foregoing, all heating, lighting, loading, unloading, landscaping, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating and communications apparatus, air cooling and air conditioning apparatus, elevators, escalators, ducts and compressors, cleaning equipment and supplies, and all right, title and interest of Grantor in and to any Equipment which may be subject to any security agreements (as defined in Article 9 of the Uniform Commercial Code of the State of Oregon and hereinafter called "**Security Agreements**") superior in lien to the lien of this First Leasehold Deed of Trust; and Grantor agrees to execute and deliver, from time to time, such further instruments (including further Security Agreements) as may be requested by Beneficiary to confirm the lien of this First Leasehold Deed of Trust on any Equipment; and

TOGETHER with all awards or payments, including interest thereon, heretofore and hereafter made to Grantor for the taking by eminent domain of the whole or any part of the Premises, or the use thereof, or any easement therein, including any awards or payments for changes of grade of streets or any other injury to or decrease in the value of the First Leasehold Deed of Trust Property (as hereinafter defined), which said awards and payments are hereby assigned to Beneficiary, who is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor, and to apply the same toward the payment of the indebtedness at any time secured hereby, notwithstanding the fact that the amount thereof may not then be due and payable and toward the reasonable counsel fees, costs and disbursements incurred by Beneficiary in connection with the collection of such awards or payments and toward the payment of the indebtedness at any time secured hereby, notwithstanding the fact that the amount thereof may not then be due and payable; and Grantor hereby agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning said awards or payments to Beneficiary, free, clear and discharged of any encumbrances of any kind or nature whatsoever.

ALL of the foregoing real and personal property and rights and interests in property and awards are herein collectively referred to as the "**First Leasehold Deed of Trust Property.**"

AND, subject to acquisition of any required consents to the grant of this leasehold mortgage, which consents Grantor will pursue with all due diligence, Grantor covenants that it is lawfully seized of a leasehold interest in the Land, that it has good right, full power and lawful authority to make the conveyances made herein, and that it will warrant and forever defend the title thereto against the lawful claims of any and all persons whomsoever; and Grantor covenants that the Lease is free and clear of all taxes, liens, and encumbrances created by Grantor whatsoever, except as appear in **Exhibit B** hereto.

Grantor further covenants with Beneficiary as follows:

1. Payment of Indebtedness. Grantor will pay the indebtedness secured by this First Leasehold Deed of Trust in accordance with the terms of the Notes and this First Leasehold Deed

of Trust and all other documents executed in connection with the Loan (hereinafter, "**Loan Documents**").

2. Insurance. (a) To the extent required under the Lease, Grantor will keep the Premises insured against loss by fire, casualty and such other hazards as may reasonably be required by Beneficiary, and each policy shall be endorsed to name Beneficiary as an insured thereunder, as its interest may appear, with loss payable to Beneficiary, without contribution, under a standard Beneficiary endorsement substantially equivalent to the Oregon standard Beneficiary endorsement. Such insurance shall be written in forms, amounts, and by companies, satisfactory to Beneficiary and the policies shall by their terms be non-cancellable without at least ten (10) days' prior written notice to Beneficiary pursuant to a standard First Leasehold Deed of Trust endorsement clause of the character described above. In addition, from time to time, upon the occurrence of any change in the use, operation or value of the Premises, or in the availability of insurance in the area in which the Premises is located, Grantor shall, within five (5) business days after demand by Beneficiary, take out such additional amounts and/or such other kinds of insurance as Beneficiary may reasonably require; provided, however, that so long as the Lease is in full force and effect, Beneficiary will not require any insurance in excess of that required under the Lease which names Beneficiary as an insured and reasonably protects its interests adequately. In the event Grantor fails to keep the Premises insured in compliance with this paragraph, Beneficiary may obtain insurance and pay the premiums therefor and Grantor shall, on demand, reimburse Beneficiary for all sums advanced and expenses incurred in connection therewith together with interest thereon at the Default Rate (provided in the Note(s)). The policy or policies of such insurance shall be delivered to Beneficiary, except when original policies have been delivered to a prior Beneficiary, in which case Grantor shall deliver certificates thereof to Beneficiary. Grantor shall give Beneficiary prompt notice of any loss covered by such insurance and Beneficiary shall have the right to join Grantor in adjusting any loss in excess of \$25,000. Any moneys received as payment for any loss under any such insurance shall be paid over to Beneficiary to be applied at the option of Beneficiary either to the prepayment of the Note(s), without premium, and/or to the reimbursement of Grantor for expenses incurred by it in the collection of the insurance proceeds, and/or to the restoration of the Premises. Notwithstanding anything contained in the preceding sentence to the contrary, if in the reasonable opinion of Beneficiary, and if permitted by the Lease, the Premises may be restored to a condition substantially similar to that which existed prior to the casualty in respect of which insurance proceeds were received, and the Premises so restored shall have a value equal to or greater than the value of the Premises prior to the casualty, Beneficiary shall hold the net insurance proceeds (after reimbursement of Beneficiary for the expenses of collection), as a trust fund with interest to the extent provided in Section 5 hereof, for the payment for the restoration of the Premises and shall utilize the insurance proceeds for expenses reasonably incurred by Grantor in the restoration of the Premises upon the written request of Grantor, accompanied by the following:

(i) A certificate signed by an officer of Grantor dated not more than thirty (30) days prior to such request, setting forth the following:

(A) That Grantor has promptly commenced the restoration of the Premises and is diligently proceeding therewith;

(B) That said restoration, to the extent performed, has been satisfactorily commenced or accomplished in accordance with plans and specifications approved by Beneficiary and in compliance with all applicable requirements of law;

(C) That the sum then requested either has been paid by Grantor, or is justly due to contractors, subcontractors, materialmen, or other persons who have rendered services or furnished materials for the restoration therein specified, the names and addresses of such persons, a brief description of such services and materials, the several amounts so paid or due to each of said persons in respect thereof, that no part of such expenditures has been or is being made the basis, in any previous or then pending request, for the withdrawal of insurance money or has been made out of the proceeds of insurance received by Grantor, and that the sum then requested does not exceed the value of the services and materials described in the certificate;

(D) That, except for the amount stated in such certificate, there is no outstanding indebtedness which is then due in connection with the restoration of the Premises;

(E) That the cost, as estimated by the persons signing such certificate, of the restoration required to be done subsequent to the date of such certificate in order to complete the same does not exceed the insurance plus any other money deposited by Grantor to defray such expense and remaining in the hands of Beneficiary after payment of the sum requested in such certificate.

(ii) Such other proof as Beneficiary may reasonably require that the statements contained in the Certificate delivered under clause (i) above are true.

(iii) Certification by Grantor, together with evidence reasonably satisfactory to Beneficiary, showing that there has not been filed, with respect to the Premises, any lien which has not been discharged of record, except such as will be discharged upon payment of the sum requested in such certificate.

If the net insurance proceeds at the time available for the purpose, shall be insufficient to pay the entire cost of the restoration, Grantor shall pay the deficiency, assuming Grantor has elected to proceed with the restoration.

Upon receipt by Beneficiary of satisfactory evidence of the character required above, that the restoration has been completed and paid for in full, and that there are no liens of the character referred to therein, any remaining balance of the insurance proceeds held by Beneficiary shall, at the option of Beneficiary, be applied to prepayment of the Note(s), without premium, or if not so applied, shall be paid to Grantor. In the event the proceeds are used to prepay the Note(s) as aforesaid, same shall be applied to the principal due under the Note(s).

(b) To the extent not required under the Lease, Grantor shall not take out separate insurance (other than personal liability insurance) concurrent in form or contributing in the event of loss with that required to be maintained under this Article 2, unless Beneficiary has approved (i) such insurance, which approval shall not be unreasonably withheld, conditioned or delayed, (ii) the insurance company and (iii) the form and content of the insurance policy, including, without limitation, the naming thereon of Beneficiary as a named insured with loss payable to Beneficiary under a standard First Leasehold Deed of Trust endorsement of the character above described. Grantor shall immediately notify Beneficiary whenever any such separate insurance is taken out, and shall promptly deliver to Beneficiary the policy or policies of such insurance or certificates thereof in accordance with this Article 2.

3. Payment of Taxes, Etc. To the extent required by the Lease, Grantor shall pay any and all taxes, charges, excises and levies imposed upon Beneficiary by reason of its ownership of the Note(s) or this First Leasehold Deed of Trust, other than income, franchise and doing business taxes, and shall pay all corporate stamp taxes and other taxes required to be paid on the Note(s). In the event Grantor fails to make such payment within five (5) business days after written notice thereof, Beneficiary shall have the right to pay the amount due, and Grantor shall, on demand, reimburse Beneficiary for said amount together with interest at the Default Rate from the date that such sum is advanced to and including the date of reimbursement. The amount advanced by Beneficiary, together with the interest thereon, shall be part of the indebtedness secured hereby.

4. No Alterations. To the extent required under the Lease, the Premises shall not be materially altered by Grantor without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, except for the Improvements as constructed as of the date hereof, and except that Grantor may make non-structural tenant improvements, and Grantor may replace any part of the Equipment with articles of a value at least equal to the replaced articles, and upon such replacement such new articles shall be subject to the lien created by the security agreement made a part of this First Leasehold Deed of Trust. All such replaced Equipment shall be free from any title retention, security agreement or other encumbrance in favor of any party.

5. Interest on Insurance Proceeds and Condemnation Awards. At any time that Beneficiary shall have received any insurance proceeds or condemnation awards and shall be holding such proceeds or awards for disbursement in accordance with the provisions of Section 2 or 11 of this First Leasehold Deed of Trust, as the case may be, then, upon the written request of Grantor, Beneficiary shall use its best efforts to invest temporarily any such proceeds or awards in short term United States government securities, certificates of deposit, bankers acceptances or other money market instruments, and the interest on such investments shall be applied in the same manner as the proceeds or awards in respect of which such interest was earned as set forth in Section 2 or 11 of this First Leasehold Deed of Trust, as applicable; provided, however, that Beneficiary shall not be required to make any such investment which would interfere with the timely application of such proceeds or awards in accordance with Section 2 or 11 hereof as applicable, and further provided, however, that Beneficiary shall not be required to make any investment which it deems to be insecure for any reason. For income tax purposes, interest or

other income arising out of any such investment shall be deemed received and reportable by Grantor.

6. Estoppel Certificates. Grantor, within ten (10) business days after Beneficiary's request, (a) will furnish a written statement, duly acknowledged, of the total amount due Grantor under the Note(s) secured by this First Leasehold Deed of Trust, and whether any offsets or defenses exist against repayment by Beneficiary of the indebtedness secured by this First Leasehold Deed of Trust, and whether any events of default under the Lease have come to the attention of Grantor, and (b) will use its diligent efforts to obtain the applicable landlord's written estoppel certificate, addressed to such person or persons as Beneficiary shall specify, together with an affirmation by Grantor of the facts therein recited. Beneficiary, within ten (10) business days after any such request, will furnish a written statement of the amount due Beneficiary under the Note(s) secured by this First Leasehold Deed of Trust, and whether any events of default have come to the attention of Beneficiary.

7. Impositions. To the extent required by the Lease, Grantor will pay when due all special assessments for local improvements, sewer rents, water rates, and real estate taxes or assessments or any other charges in lieu of or in substitution of real estate taxes or assessments from which the Land or the Premises or any part thereof is not exempt (other than those paid under the Lease) and in default thereof, Beneficiary may pay any such special assessments, sewer rents, water rates, taxes, assessments and charges (the "Impositions"), and all such payments so made by Beneficiary shall be deemed to be due and payable to Beneficiary by Grantor, with interest at the Default Rate, upon five (5) days notice by Beneficiary and shall be an additional indebtedness secured by this First Leasehold Deed of Trust. Upon the reasonable request of Beneficiary from time to time, Grantor shall deliver to Beneficiary receipts showing payment of all Impositions. Notwithstanding the foregoing, if Grantor has instituted and is diligently prosecuting appropriate administrative or judicial action to contest such taxes and assessments, and if in the reasonable opinion of Beneficiary's legal counsel, neither the Premises nor the Land, nor any part thereof is in danger of being forfeited or lost by a postponement of payment of such contested charge, then, in lieu of payment, pending a final determination of such proceedings, Grantor may furnish such surety bonds or other assurances as Beneficiary shall reasonably deem sufficient to assure the payment of such taxes, assessments or charges.

8. Changes in Method of Taxation. In the event of the passage after the date hereof of any law of the state of Oregon deducting from the value of the Land for the purposes of taxation any lien thereon, or changing in any way the laws for the taxation of first leasehold deeds of trust, or debts secured thereby for state or local purposes, or the manner of collection of any such taxes, and imposing a tax, either directly or indirectly, on first leasehold deeds of trust or debts secured thereby, the holder of this First Leasehold Deed of Trust shall have the right to declare the principal sum and accrued interest due under the Note(s) on a date to be specified by Beneficiary, but not less than 45 days' written notice to be given to Grantor unless Grantor within such 45-day period shall, if permitted by law, assume as an obligation hereunder the payment of any taxes, costs and charges incurred by Beneficiary as a result thereof, until full payment of the indebtedness secured by this First Leasehold Deed of Trust.

9. Expenses of Litigation. Beneficiary shall have the right to appear in, and defend any action or proceeding, in the name of, and on behalf of Grantor, which Beneficiary, in its reasonable discretion, feels may adversely affect the Premises or this First Leasehold Deed of Trust, and Beneficiary shall also have the right to institute any action or proceeding which Beneficiary, in its discretion, feels should be brought to protect its interest in the Premises or its rights hereunder. If any action or proceeding be commenced (except an action to foreclose this First Leasehold Deed of Trust or to collect the indebtedness secured hereby), to which action or proceeding Beneficiary is or becomes a party or in which it becomes necessary to defend or uphold the lien of this First Leasehold Deed of Trust, all reasonable expenses incurred by Beneficiary in connection with any such action or proceeding (including reasonable attorneys' fees) shall on notice and demand be paid by Grantor, together with interest thereon at the same rate of interest that is then payable under the Note(s), and shall be a lien on the First Leasehold Deed of Trust Property prior to any right or title to, interest in or claim upon the First Leasehold Deed of Trust Property subordinate to the lien of this First Leasehold Deed of Trust, and shall be secured by this First Leasehold Deed of Trust, and, in any action or proceeding to foreclose this First Leasehold Deed of Trust, or to recover or collect the indebtedness secured hereby, the provisions of law respecting the recovery of costs, disbursements and allowances shall prevail unaffected by this covenant. To the extent permitted by law, Grantor agrees to bear and pay all reasonable expenses (including reasonable attorneys' fees for legal services of every kind) of, or incidental to, the enforcement of any provision hereof, or the enforcement, compromise, or settlement of this First Leasehold Deed of Trust, or the indebtedness secured hereby, and for the curing thereof, or for defending or asserting the rights and claims of Beneficiary in respect thereof, by litigation or otherwise, and all such expenses incurred by Beneficiary shall become part of the indebtedness secured hereby.

10. Maintenance. To the extent required under the terms of the Lease, Grantor shall maintain the Premises and all Improvements thereon in good condition and repair, shall not commit or suffer any waste thereof, and shall comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority to which the Premises is subject. To the extent required by the Lease, Grantor will promptly repair, restore, replace or rebuild any part of the Improvements or the Equipment now or hereafter subject to the lien of this First Leasehold Deed of Trust which may be damaged or destroyed by any casualty whatsoever, free from liens and encumbrances, except the lien of this First Leasehold Deed of Trust.

11. Condemnation Awards. Grantor, immediately upon obtaining knowledge of the institution of any proceedings for the condemnation or taking by eminent domain or purchase in lieu thereof (referred to herein collectively as "condemnation") of the Premises or any portion thereof, will notify Beneficiary of the pendency of such proceedings. Beneficiary may participate in any such proceedings, and Grantor, from time to time, will deliver to Beneficiary all instruments requested by it to permit such participation. In the event of such condemnation proceedings, the award or compensation payable is hereby assigned to, and shall be paid to, Beneficiary. Grantor, upon request by Beneficiary, shall make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid awards and compensation to Beneficiary free and clear of any liens, charges or encumbrances of any

kind or whatsoever. Beneficiary shall be under no obligation to question the amount of any such award or compensation and may accept the same in the amount in which the same shall be paid. In any such condemnation proceedings Beneficiary may be represented by counsel selected by Beneficiary. The proceeds of any award or compensation so received shall, at the option of Beneficiary, either be applied, without premium, to the prepayment of the Note(s) or be paid over to Grantor for restoration of the Premises. Beneficiary shall not be limited to the interest paid on the proceeds of any award or compensation, but shall be entitled to the payment of interest by Grantor at the rates provided for herein or in the Note(s). Grantor shall not enter into an agreement for the taking of the First Leasehold Deed of Trust Property, or any part thereof, with anyone authorized to acquire the same by condemnation unless Beneficiary shall have consented thereto in writing. Notwithstanding anything contained in this Article 11 to the contrary, if in the reasonable opinion of Beneficiary, the Premises may be restored to a condition substantially similar to that which existed prior to the condemnation, Beneficiary shall hold the award proceeds, as a trust fund with interest to the extent provided in Section 5 hereof, for the payment for the restoration of the Premises and shall reimburse Grantor from time to time out of such award proceeds for expenses incurred by Grantor in the restoration of the Premises upon written request of Grantor accompanied by the following:

(i) A certificate signed by an officer of Grantor dated not more than 30 days prior to such request, setting forth the following:

(A) That Grantor has promptly commenced the restoration of the Premises and is diligently proceeding therewith;

(B) That said restoration, to the extent performed, has been satisfactorily commenced or accomplished in accordance with plans and specifications approved by Beneficiary and in compliance with all applicable requirements of law;

(C) That the sum then requested either has been paid by Grantor, or is justly due to contractors, subcontractors, materialmen, or other persons who have rendered services or furnished materials for the restoration therein specified, the names and addresses of such persons, a brief description of such services and materials, the several amounts so paid or due to each of said persons in respect thereof, that no part of such expenditures has been or is being made the basis, in any previous or then pending request, for the withdrawal of the award money or has been made out of the proceeds of the award received by Grantor, and that the sum then requested does not exceed the value of the services and materials described in the certificate;

(D) That, except for the amount stated in such certificate, there is no outstanding indebtedness which is then due in connection with the restoration of the Premises;

(E) That the cost, as estimated by the persons signing such certificate, of the restoration required to be done subsequent to the date of such certificate in order to complete the same, does not exceed the award, plus any other money deposited by Grantor to defray such expense and remaining in the hands of Beneficiary after payment of the sums requested in such certificate.

(ii) Such other proof as Beneficiary may reasonably require that the statements contained in the Certificate delivered under clause (i) above are true.

(iii) Certification by Grantor, together with evidence reasonably satisfactory to Beneficiary, showing that there has not been filed, with respect to the Premises, any lien which has not been discharged of record, except such as will be discharged upon payment of the sum requested in such certificate.

If the net award at the time available for the purpose, shall be insufficient to pay the entire cost of the restoration, Grantor shall pay the deficiency, assuming Grantor has previously agreed to the restoration.

Upon receipt by Beneficiary of satisfactory evidence of the character required by clauses (i)-(iii) above, that the restoration has been completed and paid for in full and that there are no liens of the character referred to therein, any balance of the award money held by Beneficiary shall, at the option of Beneficiary, be applied to prepayment of the Note(s), without premium, or if not so applied, shall be paid to Grantor. In the event that any portion of condemnation awards or compensation shall be used to prepay the Note(s), as aforesaid, the same shall be applied to the then unpaid Principal due under the Note(s).

12. Inspection. Beneficiary, and any persons authorized by Beneficiary, shall have the right to enter upon, and inspect, the Land during normal business hours with reasonable prior notice.

13. Assignment of Rents, Issues and Profits. Grantor hereby assigns to Beneficiary all of its right, title and interest to the rents, issues and profits derived from (i) all leases and sub-leases, if any, of the Premises or part thereof now or thereafter assumed by or entered into by Grantor, including all security deposits held by Grantor pursuant to any such lease and sub-lease, (ii) all other underlettings of the Premises or part thereof now or hereafter entered into, and (iii) all occupancy, license and concession agreements in respect of any part of the Premises now or hereafter entered into, as further collateral security for the payment of the indebtedness secured by this First Leasehold Deed of Trust, and Grantor grants to Beneficiary the right to enter the Premises for the purpose of collecting the same and to sublet or underlet the Premises, or any part thereof, and to apply said rents, issues and profits on account of said indebtedness; this assignment and grant shall continue in effect until the indebtedness secured by this First Leasehold Deed of Trust is paid, but Beneficiary hereby waives the right to enter the Land for the purpose of collecting said rents, issues and profits, and Grantor shall be entitled to collect, receive, use and retain said rents, issues and profits, until the occurrence of an Event of Default under this First Leasehold Deed of Trust; such right of Grantor to collect, receive, use and retain said rents, issues and profits may be revoked by Beneficiary upon the occurrence of any Event of Default under this First Leasehold Deed of Trust, by Beneficiary giving written notice of such revocation to Grantor; Grantor shall not accept prepayments of installments of rent to become due for a period of more than one month in advance.

14. Suits without Foreclosure. Beneficiary shall have the right, from time to time, to take action against Grantor to recover any sums, whether interest, principal or any installment of either, or any other sums required to be paid under the terms of this First Leasehold Deed of Trust, as the same become due, without regard to whether or not the indebtedness evidenced by the Note(s) shall be due, and without prejudice to the right of Beneficiary thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Grantor existing at the time such earlier action was commenced.

15. Deposits. In order to more fully protect the security afforded hereby, if reasonably requested at any time in writing by Beneficiary, Grantor will pay to Beneficiary monthly, together with, and in addition to, the periodic installments of interest and/or principal payable under the Note(s), until the indebtedness at any time secured by this First Leasehold Deed of Trust shall have been fully paid, a sum determined by Beneficiary to be required to make any payment of fixed rent under the Lease or to amortize any installment of insurance premiums, real estate taxes, assessments and water or other charges within one month prior to the date such payment or installment is payable without interest or penalty. Notwithstanding the foregoing, Grantor shall not be required to make escrow payments to the extent Grantor receives payment for the foregoing items under the Lease and applies such payments in a manner that adequately protects the interests of Beneficiary, in Beneficiary's opinion. If Grantor has instituted and is diligently prosecuting appropriate administrative or judicial action to contest such taxes and assessments, and if in the reasonable opinion of Beneficiary's legal counsel, neither the Land nor any part thereof is in danger of being forfeited or lost by a postponement of payment of such contested charge, then, in lieu of such deposits, Grantor may furnish such surety bonds or other assurances as Beneficiary shall reasonably deem sufficient to assure the payment of such taxes, assessments or charges. The amounts so deposited will be held by Beneficiary without interest, and provided Grantor shall not be in default in the performance of its obligations hereunder, shall be applied to payment of the aforementioned charges ("under protest", if applicable and if Grantor shall so request) as they become due and payable, to the extent Beneficiary shall have funds on hand. Upon the occurrence of an Event of Default under this First Leasehold Deed of Trust, Beneficiary may apply such portion of such deposits as shall be necessary to remedy such Default. In the event of the acceleration of the indebtedness secured by this First Leasehold Deed of Trust, Beneficiary may apply such amounts in reduction of any indebtedness secured hereby. Notwithstanding the foregoing provisions of this Section 15, Beneficiary shall not be entitled to require deposits under this Section 15 so long as no Event of Default has occurred and is continuing under this First Leasehold Deed of Trust.

16. Events of Default. The whole of the indebtedness secured by this First Leasehold Deed of Trust shall become immediately due and payable at the option of Beneficiary upon the occurrence of any of the following Events of Default:

(a) Subject to Grantor's rights to cure a payment default as set out in the Note(s), after default in the payment of any amount of principal or interest, as and when due pursuant to the terms of the Note(s), or in the payment of the deposits referred to in Article 15; or

(b) after Grantor's default for ten (10) days following receipt of notice and demand from Trustee or Beneficiary, in the payment of any tax, municipal water rate, sewer rent, assessment or insurance premium for which deposits have not been made pursuant to Article 15, subject to Grantor's right to contest as provided in Articles 7 and 15; or

(c) after Grantor's default for ten (10) days following receipt of notice and demand from Trustee or Beneficiary, either in assigning and delivering the policies insuring the Premises against loss by fire and other hazards or in reimbursing Beneficiary for premiums paid on such insurance, as provided in Article 2; or

(d) after Grantor's default for ten (10) days following receipt of a request from Beneficiary to furnish a statement of the amount due under the Note(s) secured by this First Leasehold Deed of Trust and a statement whether any offsets or defenses exist against the First Leasehold Deed of Trust debt; or

(e) upon the commencement of any structural alteration or demolition or removal of any part of the Land, Improvements or the Equipment otherwise than as provided for in Article 4, and failure to restore the Improvements and the Equipment to their original condition within thirty (30) days after notice and demand from Beneficiary, provided, however, if the nature of the restoration is such that it cannot reasonably be accomplished within such thirty (30) day period, no Event of Default shall be deemed to have occurred if Grantor shall begin to comply within such thirty (30) day period and shall thereafter diligently prosecute the same to completion; or

(f) after the assignment of any of the rents, issues, profits or sub-lease of the Premises, or any part thereof, to anyone other than Beneficiary without the prior written consent of Beneficiary, except under any First Leasehold Deed of Trust permitted pursuant to Article 27; or

(g) if the Land is not maintained in good condition and repair in accordance with the provisions of the Lease and this First Leasehold Deed of Trust and such condition is not remedied within thirty (30) days after notice from Beneficiary, provided, however, that if the nature of any required repair is such that it cannot reasonably be accomplished within thirty (30) days, no Event of Default shall be deemed to have occurred if Grantor shall begin to repair within such thirty (30) day period and thereafter shall diligently prosecute the same to completion; or

(h) after failure to comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the Premises within thirty (30) days after the issuance of such order or notice, provided, however, if the nature of the compliance is such that it cannot reasonably be accomplished within such day period, no Event of Default shall be deemed to have occurred if Grantor shall begin to comply within such thirty (30) day period and thereafter diligently prosecute the same to completion; or

(i) if, on application of Beneficiary after failure by Grantor to maintain insurance as provided in Article 2 hereof, two or more casualty insurance companies lawfully doing business in the State of Oregon refuse to issue policies insuring the Premises as a result of the failure of Grantor to maintain the Premises in insurable condition; or

(j) in the event of the removal, demolition or destruction in whole or in part, other than as permitted by Article 4 hereof, of any of the Equipment, unless, within 30 days after notice and demand, the same is promptly replaced by similar articles at least equal in quality and condition to those replaced, free from security interests or encumbrances thereof, including reservation of title thereto, except as permitted by Article 4; or

(k) should an action be instituted for the foreclosure of any lien affecting the First Leasehold Deed of Trust Property or any part thereof, and such action shall not be discharged or bonded within 30 days; or

(l) in the event an non-permitted sublease (other than a space lease of any part of the Improvements made in the ordinary course of business), assignment or other transfer of Grantor's interest as Tenant therein including, without limitation, transfers described in Article 28, without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed; or

(m) if any representation made to Beneficiary in writing by or on behalf of Grantor shall be false or incorrect in any material respect on the date as of which it was made; or

(n) if Grantor grants further first leasehold deeds of trust, pledges or otherwise encumbers the Land or any part thereof or any interest therein, without the consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, except as permitted in Article 27 and except for the Prior First Leasehold Deed of Trust; or

(o) if Grantor fails for a period of thirty (30) days after notice from Beneficiary to keep, observe and perform any of the other material covenants, warranties, conditions or agreements contained in this First Leasehold Deed of Trust or the Note(s) or any other agreement executed at any time by Grantor for the benefit of Beneficiary as additional security for the Note(s), provided, however, if the nature of such failure of compliance is such that it cannot reasonably be cured within such thirty (30) day period, no Event of Default shall be deemed to have occurred if Grantor shall begin to comply within such thirty (30) day period and shall thereafter diligently prosecute the same to completion; or

(p) if Grantor shall (i) apply for or consent to the appointment of a custodian, receiver, trustee or liquidator of Grantor or of all or a substantial part of Grantor's assets; or (ii) be adjudicated a bankrupt or insolvent or shall file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they become due or fail to pay debts generally as they become due; or (iii) make a general assignment for the benefit of creditors; or (iv) file a petition or answer seeking reorganization or arrangement with creditors or

to take advantage of any insolvency law; or (v) file an answer admitting the material allegations of, or consenting to, or default in answering, a petition filed against Grantor in any bankruptcy, reorganization or insolvency proceeding; or (vi) in any action instituted by someone other than Grantor, an order, judgment or decree shall be entered approving a petition seeking reorganization of Grantor, or of all or substantially all of Grantor's assets and such order, judgment or decree shall continue un-stayed for a period of sixty days; or

(q) if, (i) by order of a court of competent jurisdiction, a receiver, liquidator or trustee of Grantor or the Premises shall be appointed and shall not have been discharged within sixty (60) days, or (ii) if a petition in bankruptcy, insolvency proceeding or petition for reorganization shall have been filed against Grantor and same is not withdrawn, dismissed, cancelled or terminated within sixty (60) days, or (iii) if Grantor is adjudicated bankrupt or insolvent or a petition for reorganization is granted (without regard for any grace period provided for herein), or (iv) if there is an attachment or sequestration of any of the property of Grantor and same is not discharged or bonded within ten days.

(r) if Grantor fails to obtain any required consents to the grant of this First Leasehold Deed of Trust to Beneficiary within one year from the date of this First Leasehold Deed of Trust.

(s) If Grantor defaults on any of its obligations to the Lessor under the Lease, and fails to cure such default within the period authorized under the Lease.

17. Remedies Upon Default. Upon the occurrence of any Event of Default hereunder, Beneficiary may take such reasonable action, without notice or demand except as otherwise provided in this First Leasehold Deed of Trust, as it deems advisable to protect and enforce its rights against Grantor and in and to the Land, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its reasonable discretion, without impairing or otherwise affecting the other rights and remedies of Beneficiary: (a) declare the entire unpaid indebtedness secured hereby to be immediately due and payable; or (b) enter into or upon the Premises, either personally or by its agents, nominees or attorneys, and dispossess Grantor and its agents and servants therefrom, and thereupon Beneficiary may (i) use, operate, manage, control, insure, maintain, restore and otherwise deal with all and every part of the Premises and conduct the business thereat; (ii) complete any construction on the Premises in such manner and form as Beneficiary deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Improvements or the Equipment; (iv) exercise all rights and powers of Grantor with respect to the Premises either in the name of Grantor or otherwise, including, without limitation, the right to make, cancel, enforce or modify the Lease, obtain and evict tenants, and demand, sue for, collect and receive all earnings, revenues, rents, issues, profits and other income of the Premises; and (v) apply the receipts from the Premises to the payment of the indebtedness secured hereby, after deducting therefrom all expenses incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments, insurance and other charges in connection with the Premises, as well as just and reasonable compensation for the services of Beneficiary, its counsel, agents and employees; or (c) institute proceedings for the

complete foreclosure of this First Leasehold Deed of Trust, but only after giving Grantor the opportunity for a period of one month after an Event of Default, to assign the Lease to a third party reasonably acceptable to Beneficiary, in order to raise sufficient funds to pay the Obligation; or (d) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law and subject to the rights granted Grantor under subparagraph (c) above, institute proceedings for the partial foreclosure of this First Leasehold Deed of Trust for the portion of the indebtedness then due and payable, subject to the continuing lien of this First Leasehold Deed of Trust for the balance of the indebtedness not then due; or (e) sell, subject to the rights granted Grantor under subparagraph (c) above, the Premises or any part thereof and all estate, claim, demand, right, title and interest of Grantor therein and right of redemption thereof, pursuant to power of sale or otherwise as provided for in of the Code of Oregon , as amended, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law, and in the event of a sale, by foreclosure or otherwise, of less than all of the Premises, this First Leasehold Deed of Trust shall continue as a lien on the remaining portion of the Premises; or (f) recover judgment on the Note(s) either before, during or after any proceedings for the enforcement of this First Leasehold Deed of Trust; or (g) apply for the appointment of a trustee, receiver, liquidator or conservator of the Premises, without regard for the adequacy of the security for the indebtedness and without regard for the solvency of Grantor or any other person, firm or other entity liable for the payment of the indebtedness, to which appointment Grantor hereby consents; or (h) pursue such other remedies as Beneficiary may have under applicable law. Upon the sale of the Premises or any part thereof under the power of sale herein granted, or as a result of judicial proceedings or a judgment or decree of foreclosure, Beneficiary may bid for and acquire the Premises or any part thereof and credit against the indebtedness secured hereby, the net sales price thereof after deducting therefrom all expenses of the sale and the proceedings in connection therewith and all other items which Beneficiary is authorized to deduct under this First Leasehold Deed of Trust, the Note(s) and applicable law. Beneficiary and any receiver of the Premises or any part thereof shall be liable to account for only those rents, issues and profits actually received by it.

In the event of any Event of Default hereunder, it is agreed that the then occupant of the Premises and or any part thereof, shall immediately surrender possession of the Premises so occupied to Beneficiary, and if such occupant is permitted to remain in possession, the possession shall be as tenant of Beneficiary and such occupant shall, on demand, pay monthly in advance to Beneficiary a reasonable rental for the space so occupied and in default thereof, such occupant may be dispossessed by the usual summary proceedings. The covenants herein contained may be enforced by any receiver of the Premises or any part thereof.

18. Remedies Cumulative; No Waivers, Etc. The rights and remedies of Beneficiary hereunder shall be cumulative, and shall be in addition to every other right and remedy now and hereafter provided by law or equity. No delay or omission by Beneficiary in exercising a right or remedy shall exhaust or impair the same or any other remedy or constitute a waiver or acquiescence in the default or in any other default. Any failure by Beneficiary to insist upon the strict performance of any of the terms and provisions of this First Leasehold Deed of Trust shall not be deemed to be a waiver of any of the terms and provisions hereof, and Beneficiary, notwithstanding any such failure, shall have the right thereafter to insist upon the strict

performance of any and all of the terms and provisions of this First Leasehold Deed of Trust; neither Grantor nor any other person now or hereafter obligated for the payment of the whole or any part of the sums now or hereafter secured by this First Leasehold Deed of Trust, including, but not limited to, any guarantor, shall be relieved of such obligation by reason of the failure of Beneficiary to comply with any request of Grantor or of any other person so obligated, to take action to foreclose this First Leasehold Deed of Trust or otherwise enforce any of the provisions of this First Leasehold Deed of Trust or of any obligations secured hereby, or by reason of the release, regardless of consideration, of the whole or any part of the security held for the indebtedness secured by this First Leasehold Deed of Trust, or by reason of any agreement or stipulation between any subsequent owner or owners of the First Leasehold Deed of Trust Premises and Beneficiary extending the time of payment or modifying the terms of the Note(s) or this First Leasehold Deed of Trust without first having obtained the consent of Grantor or such other person and, in the last-mentioned event, Grantor and all such other persons shall continue liable to make such payments according to the terms of any such agreement of extension or modification unless expressly released and discharged in writing by Beneficiary; Beneficiary may release, regardless of consideration and without the necessity for any notice to or consent by the holder of any subordinate lien on the First Leasehold Deed of Trust Premises, any part of the security held for the indebtedness secured by this First Leasehold Deed of Trust without, as to the remainder of the security, in any way impairing or affecting the lien of this First Leasehold Deed of Trust or the priority of such lien over any subordinate lien; the holder of any subordinate lien on the First Leasehold Deed of Trust Property shall have no right to terminate any lease affecting the Premises whether or not such lease be subordinate to this First Leasehold Deed of Trust; and Beneficiary may resort for the payment of the indebtedness secured by this First Leasehold Deed of Trust to any other security therefor held by Beneficiary in such order and manner as Beneficiary may elect.

19. Revenue Stamps. If at any time the United States of America or the State of Oregon shall require internal revenue or other stamps to be affixed to the Note(s) or this First Leasehold Deed of Trust, Grantor will pay for the same, together with any interest or penalties imposed in connection therewith.

20. Provisions with Respect to the Lease, Etc.

(a) Grantor shall promptly perform and observe all of the terms, covenants, and conditions and obligations by it to be performed under the Lease or any other lien or security interest within the periods provided therein, and will do all things necessary to preserve and to keep unimpaired its rights under the Lease;

(b) Grantor shall not cancel, terminate, or surrender the Lease nor agree to any cancellation, termination or surrender of the Lease without the prior written consent of Beneficiary, which consent shall be in the sole discretion of Beneficiary; and

(c) Grantor shall not amend, modify supplement or waive compliance with any provision of the Lease nor agree to any amendment, modification, supplement or

waiver of compliance with any provision of the Lease without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed.

(d) Grantor shall proceed with all due diligence to obtain any required consents from Fred R. Barnes and Dawn Catherine Barnes (as Lessor under the Lease) to the grant to Beneficiary of this First Leasehold Deed of Trust with respect to such Lease.

The generality of the provisions of this Article shall not be limited by other provisions of this First Leasehold Deed of Trust setting forth particular obligations of Grantor which are also required of Grantor under any other permitted leasehold deed of trust.

21. Performance by Beneficiary. If Grantor shall at any time fail to make any payment or perform any act under, the Lease, any other lien superior to this First Leasehold Deed of Trust or under this First Leasehold Deed of Trust, required to be made or performed by it at the time such payment or performance is required (without regard to any grace periods or any required notice) then Beneficiary, without waiving or releasing Grantor from any obligation or default under the instrument requiring such payment or performance, may at any time (but shall be under no obligation to) make such payment or perform such act for the account and at the expense of Grantor. All sums so paid by Beneficiary, and all reasonable costs and expenses incurred by Beneficiary in connection with the performance of any such act, shall be paid by Grantor to Beneficiary upon demand with interest at the Default Rate from the date of the payment or incurrence thereof, and the same shall be deemed to be secured by this First Leasehold Deed of Trust and shall be a lien on the First Leasehold Deed of Trust Property prior to any right, title to interest in or claim upon the First Leasehold Deed of Trust Premises attaching subsequent to the lien of this First Leasehold Deed of Trust. For the purpose of curing any such default Beneficiary may (but shall be under no obligation to) do any act or execute any document in the name of Grantor or as its attorney-in-fact, as well as in the name of Beneficiary. Grantor hereby irrevocably appoints Beneficiary its true and lawful attorney-in-fact in its name or otherwise to do any and all acts and to execute any and all documents which in the reasonable opinion of Beneficiary may be necessary or desirable to preserve any rights of Grantor to or under this First Leasehold Deed of Trust, the Lease, or any occupancy lease, including, without limitation, the right to effectuate an extension or renewal of the Lease, or to rights of Grantor whatsoever in respect of any part of the First Leasehold Deed of Trust Property.

22. Intentionally Omitted.

23. Incorporation of the Note(s) by Reference. This First Leasehold Deed of Trust is made pursuant to the Note(s), and all of the terms, covenants, conditions, provisions and agreements of the Note(s) (except those which by their terms are inapplicable) are incorporated herein by reference.

24. Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be prior (unless otherwise expressly provided) and in writing and shall be deemed to have been duly given or made, unless otherwise expressly provided herein, three days after deposited in the mail, by registered or certified mail, return receipt requested,

postage prepaid, and addressed as follows or to such address or other address as may be hereafter designated by like notice by the respective parties hereto and any future holders of the Note(s):

Grantor:

Klamath Hills Geothermal, LLC
1533 SW Williams Rd
Powell Butte, OR 9775

Attention: Kevin Keck, President

With a copy to (which shall not constitute notice hereunder):

John Davis, Esq.
Lynch, Conger, McLane, LLP
5350 S.W. Sequoia Parkway, Suite 250
Portland, Oregon 97224

Beneficiary:

Kalina Power Limited
585 Burwood Road,
Hawthorn, VIC, 3122, Australia

with a copy to (which shall not constitute notice hereunder):

Robert J. Rauch, Esq.
Law Offices of Robert J. Rauch
1159 Chuckanut Ridge Drive
Bow, Washington 98232

Trustee:

AmeriTitle, Inc.
300 Klamath Ave, Klamath Falls, OR 97601

Any notice, request or demand may be sent by hand addressed as set forth above and shall be deemed properly given only when received by the person to whom it is sent.

25. No Oral Modification. This First Leasehold Deed of Trust may not be changed or terminated orally.

26. Partial Invalidity. In the event any one or more of the provisions contained in this First Leasehold Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or un-enforeability shall not affect any other provision

hereof, but each provision shall be construed as if such invalid, illegal or unenforceable provisions had never been included.

27. No Subordinate Financing. Grantor will not, without the prior written consent of Beneficiary being first obtained, which consent shall not be unreasonably withheld, conditioned or delayed, execute or deliver any pledge, security agreement, or other leasehold deed of trust covering all, or any portion of, the Premises ("**Subordinate First Leasehold Deed of Trust**").

28. Due on Sale. Grantor acknowledges that the continuous occupancy of the Premises by Grantor is of a material nature to the transaction and the making of the Loan evidenced by the Note(s) and secured by this First Leasehold Deed of Trust. Therefore, Grantor agrees that in the event of any non-permitted transfer of all of the Premises or any part thereof or interest therein, howsoever evidenced or occasioned, other than by lease to tenants in the ordinary course of business of Grantor then, at the option of Beneficiary, the entire unpaid principal balance under the Note(s) together with accrued interest shall immediately become due and payable. For purposes hereof, any transfer, sale, assignment, lease, pledge or other disposition, whether directly or indirectly, by operation of law or otherwise, of any partnership, membership or other ownership interest of shares of stock of Grantor shall be deemed a transfer of the Premises.

29. Intentionally Deleted.

30. Discharge of First Leasehold Deed of Trust. If and when the Note(s) shall have become due and payable in full (whether by lapse of time or by acceleration or by the exercise of the privilege of prepayment), Grantor shall pay, or cause to be paid, the full amount thereof and all other sums payable thereunder and hereunder, and if Grantor shall pay, or cause to be paid, such sums and shall perform or cause to be performed all other obligations to be performed by Grantor hereunder according to the intent and meaning hereof, then this First Leasehold Deed of Trust shall cease and terminate, Beneficiary shall satisfy and cancel the same as a lien on the First Leasehold Deed of Trust Premises and shall execute and deliver such deeds or other instruments as shall be reasonably requested by Grantor to satisfy and discharge the lien hereof.

31. Successors and Assigns. All covenants of Grantor contained in this First Leasehold Deed of Trust are imposed solely and exclusively for the benefit of Beneficiary and its successors and assigns and no other person shall have standing to require compliance with such covenants or shall, under any circumstances, be deemed to be a beneficiary of such covenants, any or all of which may be freely waived in whole or in part by Beneficiary at any time if in its sole discretion it deems it advisable to do so. All such covenants of Grantor shall run with the land and bind Grantor, and its successors and assigns and all subsequent owners, encumbrances and tenants of the First Leasehold Deed of Trust Premises, and shall inure to the benefit of Beneficiary, its successors and assigns. The word "Grantor" shall be construed as if it read "Grantors" whenever the sense of this First Leasehold Deed of Trust so requires and shall include all successors and assigns of Grantor. The word "Beneficiary" shall be construed to mean Beneficiary named herein or any subsequent holder or holders of the Note(s).

32. No Unlawful Interest. Nothing in this First Leasehold Deed of Trust, the Note(s) or in any other agreement between Grantor and Beneficiary shall require Grantor to pay, or Beneficiary to accept, interest in an amount which would violate applicable law. In the event that the payment of any interest due hereunder or under the Note(s) or any such other agreement would violate applicable law, then ipso facto the obligation of Grantor to make such payment shall be reduced to the highest rate authorized under applicable law.

33. Governing Law. The Note(s) and this First Leasehold Deed of Trust and all matters relating or pertaining to this First Leasehold Deed of Trust shall be governed, construed and enforced by and under the laws of the State of Oregon, applicable to contacts made and performed in Oregon and the applicable law of the United States of America.

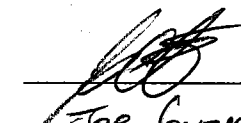
34. Grantor's Representations and Warranties. Grantor represents and warrants that, subject to receipt of any required consents to this First Leasehold Deed of Trust, it is lawfully seized in a leasehold interest in the Land, that it has good right, full power and lawful authority to make the conveyances made herein, and that it will warrant and forever defend the title thereto against the lawful claims of any and all persons whomsoever; and Grantor represents and warrants that the Land is free and clear of all taxes, liens, and encumbrances whatsoever except as appear in Schedule B hereto.

35. Security Agreement. It is the intention of the Parties hereto that this instrument shall constitute a Security Agreement within the meaning of the Uniform Commercial Code with respect to the Equipment, and that a security interest shall attach thereto for the benefit of Beneficiary to secure the sums secured by this First Leasehold Deed of Trust and all other sums and charges which may become due hereunder. Grantor hereby authorizes Beneficiary to file financing and continuation statements with respect to the Equipment in which Grantor has a mortgagable interest, without the signature of Grantor whenever lawful and, upon request, Grantor shall promptly execute financing and continuation statements in form satisfactory to Beneficiary to further evidence and secure Beneficiary's interest in the Equipment, and shall pay all filing fees in connection therewith. In the event of default under this First Leasehold Deed of Trust, Beneficiary, pursuant to Section 9-501(4) of the Uniform Commercial Code, as said Section is currently constituted or may be hereafter amended, shall have the option of proceeding as to both real and personal property in accordance with its rights and remedies in respect of the real property, in which event the default provisions of the Uniform Commercial Code shall not apply. The Parties agree that in the event Beneficiary elects to proceed with respect to the Equipment separately from the real property, thirty (30) days' notice of the sale of the Equipment shall be reasonable notice. Grantor agrees that, without the written consent of Grantor will not remove or permit to be removed from the Improvements any of the Equipment unless the same are promptly replaced with Equipment of a quality and value equal or superior to that which is replaced. All such replacements, renewals and additions shall become and be immediately subject to the security interest therein of Beneficiary and be covered by this instrument. Grantor represents and warrants that all Equipment now is, and that all replacements thereof, substitutions therefor or additions thereto will be, free and clear of all liens, encumbrances or security interests of others, except as may be permitted by Article 4 hereof.

IN WITNESS WHEREOF, Grantor has caused this First Leasehold Deed of Trust to be signed in its name.

Witness:

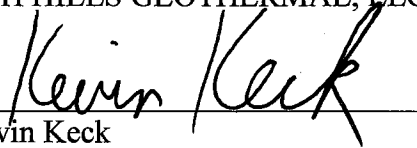
KLAMATH HILLS GEOTHERMAL, LLC


Joe Guzman

By:

Name: Kevin Keck

Title: President



STATE OF _____)

COUNTY OF _____)

On this ___ day of March, 2018, Kevin Keck, personally appeared before me and acknowledged to me that he executed the foregoing First Leasehold Deed of Trust in his capacity as President of Klamath Hills Geothermal, LLC., an Oregon limited liability company, and that such First Leasehold Deed of Trust had been approved by all required company action.

PLEASE SEE ATTACHED
California Acknowledgement

Notary Public

My Commission expires on:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of Sacramento)

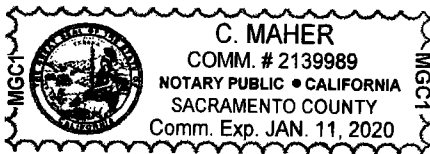
On March 8, 2018 before me, C. Maher, Notary Public,
Date Here Insert Name and Title of the Officer

personally appeared Kevin Keck
Name(s) of Signer(s)

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 C. Maher
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: first leasehold deed of trust Document Date: 3/8/18
Number of Pages: 24 Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

Signer's Name: _____
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

Exhibit A: Geothermal Lease Covered by this First Leasehold Deed of Trust

Geothermal Resources Lease between Grantor and Fred R. Barnes IV and Dawn Catherine Barnes dated December 29, 2017, which lease was recorded January 2, 2018 as document No. 2018-000001 in the Official Records of Klamath County, Oregon.

Exhibit B: Liens and other Encumbrances

None