

2024-003663

Klamath County, Oregon

05/10/2024 02:18:02 PM

Fee: \$297.00

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

Davis Wright Tremaine LLP
865 S. Figueroa Street
Suite 2400
Los Angeles, California 90017
Attention: Nancy B. Clapp, Esq.

**LINE OF CREDIT INSTRUMENT
LEASEHOLD TRUST DEED, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(Security for Construction Loan)**

GRANTOR **MOUNTAINVIEW TOWNHOMES LIMITED PARTNERSHIP**, an
(Grantor): Oregon limited partnership, with an address of
c/o Stewardship Development LLC, 1247 Villard Street, Eugene, Oregon
97403

GRANTEE **STATE OF OREGON** acting by and through its **STATE TREASURER**
(Beneficiary): and its **HOUSING AND COMMUNITY SERVICES DEPARTMENT**,
with an address of 725 Summer Street NE, Suite B, Salem, Oregon,
97301-1266, Attention: Manager, Multifamily Finance and Section Resource

GRANTEE **FIDELITY NATIONAL TITLE INSURANCE COMPANY**, with an
(Trustee): address at c/o Lawyers Title of Oregon, LLC, 1455 SW Broadway, Suite
1400, Portland, Oregon 97201, Attention: Bob Brandon

The maximum principal amount to be advanced pursuant to the financing agreement secured by this line-of-credit instrument is \$15,000,000.

The maximum principal amount to be advanced pursuant to the financing agreement secured by this line-of-credit instrument may be exceeded by advances to complete construction pursuant to ORS 86.155(2)(c).

This trust deed secures an obligation incurred for the construction of improvements on land and constitutes a construction mortgage as defined in ORS 79.0334.

The maturity date of the loan which is secured by this instrument is May 10, 2026, as it may be extended.

Tax Account Number(s) of Trust Property: 875562.

**THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH
ORS 79.0502(3). THE COLLATERAL IS OR INCLUDES FIXTURES.**

Lawyers Title 322300090

BE ADVISED THAT THE LOAN AGREEMENT AND THE PROMISSORY NOTE SECURED BY THIS SECURITY INSTRUMENT MAY PROVIDE FOR ONE OR MORE OF THE FOLLOWING: (1) A VARIABLE RATE OF INTEREST; (2) A BALLOON PAYMENT AT MATURITY; AND (3) DEFERRAL OF A PORTION OF ACCRUED INTEREST UNDER CERTAIN CIRCUMSTANCES WITH INTEREST SO DEFERRED ADDED TO THE UNPAID PRINCIPAL BALANCE OF THE LOAN AGREEMENT AND THE PROMISSORY NOTE AND SECURED HEREBY.

**LINE OF CREDIT INSTRUMENT, LEASEHOLD TRUST DEED, ASSIGNMENT OF
LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING**

(Security for Construction Loan)

THIS LINE OF CREDIT INSTRUMENT, LEASEHOLD TRUST DEED, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Security Instrument**") is made as of this 1st day of May, 2024, by **MOUNTAINVIEW TOWNHOMES LIMITED PARTNERSHIP**, an Oregon limited partnership, having its principal place of business at c/o Stewardship Development LLC, 1247 Villard Street, Eugene, Oregon 97403, as grantor ("**Grantor**"), to **FIDELITY NATIONAL TITLE INSURANCE COMPANY**, as trustee ("**Trustee**"), having an address at c/o Lawyers Title of Oregon, LLC, 1455 SW Broadway, Suite 1400, Portland, Oregon 97201, Attention: Bob Brandon, for the benefit of **STATE OF OREGON** acting by and through its **STATE TREASURER** and its **HOUSING AND COMMUNITY SERVICES DEPARTMENT**, having an address at 725 Summer Street NE, Suite B, Salem, Oregon, 97301-1266, Attention: Manager, Multifamily Finance and Section Resource, as beneficiary ("**Beneficiary**").

WITNESSETH:

WHEREAS, this Security Instrument is given to secure a construction loan in the maximum principal amount of \$15,000,000 (the "**Loan**") or so much thereof as may be advanced pursuant to that certain Borrower Loan Agreement dated as of the date hereof, by and among Grantor, Zions Bancorporation, National Association, a national banking association, in its capacity as Fiscal Agent ("**Fiscal Agent**"), and Beneficiary (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**") and that certain Construction Funding Agreement dated as of even date herewith, by and among U.S. Bank National Association, in its capacity as Funding Lender under the Funding Loan Agreement described below ("**Funding Lender**"), and Grantor (the "**Construction Funding Agreement**"), and evidenced by that certain Promissory Note dated the date hereof, made by Grantor to the order of Beneficiary in the principal amount of \$15,000,000 (as the same may be amended, restated, replaced, extended, renewed, supplemented or otherwise modified from time to time, the "**Note**");

WHEREAS, Grantor desires to secure the payment of the Loan, including the payment of fees and other costs, expenses, fees and interest relating to the Loan, and the other obligations of Grantor under the Loan Documents (as hereinafter defined) and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents (all hereinafter collectively referred to as the "**Debt**"); and

WHEREAS, this Security Instrument is given pursuant to the Loan Agreement and secures the payment, fulfillment, and performance by Grantor of its obligations thereunder and under the other Loan Documents (as defined below), and each and every term and provision of the Loan Agreement and the Note, including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties of the parties therein, are hereby incorporated by reference herein as though set forth in full and will be considered a part of this Security Instrument. The Loan Agreement, the Construction Funding Agreement, the Note, this Security Instrument, and all other documents evidencing or securing the Debt or delivered in connection with the making of the Loan, but specifically excluding the Indemnity (as defined in the Construction Funding Agreement) and the Guaranty (as defined in the Construction Funding Agreement), together with all amendments, restatements, replacements, extensions, renewals, supplements or other modifications of any of the foregoing, are hereinafter referred to collectively as the "**Loan Documents**;"

WHEREAS, Beneficiary's interests under this Security Instrument and the other Loan Documents are being concurrently assigned to Funding Lender as security for Beneficiary's obligations under that certain Funding Loan Agreement dated as of May 1, 2024 (the "**Funding Loan Agreement**"), by and among Beneficiary, Funding Lender and Fiscal Agent.

NOW THEREFORE, in consideration of the making of the Loan by Beneficiary and the covenants, agreements, representations and warranties set forth in this Security Instrument:

Article 1 - GRANTS OF SECURITY

Section 1.1 **Property**. Grantor does hereby irrevocably grant, pledge, assign, warrant, transfer, and convey to Trustee, IN TRUST, WITH RIGHT OF ENTRY AND POWER OF SALE, and grant a security interest to Beneficiary in, the following property, rights, interests and estates now owned, or hereafter acquired by Grantor (collectively, the "**Property**");

(a) **Land**. The real property described in Exhibit A attached hereto and made a part hereof (the "**Land**");

(b) **Additional Land**. All additional lands, estates and development rights hereafter acquired by Grantor for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental trust deed or mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(c) **Ground Lease**. All right, title and interest (including, without limitation, all option, first refusal or similar rights, if any) of Grantor under and in connection with that certain Ground Lease Agreement (Mountainview Townhomes) dated as of May 3, 2024, by and between Klamath Housing Authority, an Oregon public body corporate and politic ("**Ground Lessor**"), as landlord, Grantor, as tenant (as modified from time to time, the "**Existing Ground Lease**"), a memorandum of which shall record in the Official Records of the County of Klamath, State of Oregon ("**Official Records**"), substantially concurrently herewith, pursuant to which Ground Lessor ground leases the Land to Grantor, and all amendments, modifications, extensions and renewals of the Existing Ground Lease;

(d) **Improvements**. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (collectively, the "**Improvements**");

(e) **Easements**. All easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Grantor of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(f) **Equipment**. All "equipment," as such term is defined in Article 9 of the Uniform Commercial Code (as hereinafter defined), now owned or hereafter acquired by Grantor, which is used

at or in connection with the Improvements or the Land is or will be is located thereon or therein (including any Stored Materials wherever located, all machinery, equipment, furnishings, and electronic data-processing and other office equipment now owned or hereafter acquired by Grantor and any and all additions, substitutions and replacements of any of the foregoing), together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto (collectively, the "**Equipment**");

(g) **Fixtures**. All Equipment now owned, or the ownership of which is hereafter acquired, by Grantor which is so related to the Land and Improvements forming part of the Property that it is deemed fixtures or real property under the law of the particular state in which the Equipment is located, including all building or construction materials intended for construction, reconstruction, alteration or repair of or installation on the Property, construction equipment, appliances, machinery, plant equipment, fittings, apparatuses, fixtures and other items now or hereafter attached to, installed in or used in connection with (temporarily or permanently) any of the Improvements or the Land, including engines, devices for the operation of pumps, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatuses and equipment, heating, ventilating, plumbing, laundry, incinerating, electrical, air conditioning and air cooling equipment and systems, gas and electric machinery, appurtenances and equipment, pollution control equipment, security systems, disposals, dishwashers, refrigerators and ranges, recreational equipment and facilities of all kinds, and water, gas, electrical, storm and sanitary sewer facilities, utility lines and equipment (whether owned individually or jointly with others, and, if owned jointly, to the extent of Grantor's interest therein) and all other utilities whether or not situated in easements, all water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, and all other structures, together with all accessions, appurtenances, additions, replacements, betterments and substitutions for any of the foregoing and the proceeds thereof (collectively, the "**Fixtures**");

(h) **Personal Property**. All personal property of Grantor which Grantor now or hereafter owns or in which Grantor now or hereafter acquires an interest or right, including without limitation, all furniture, furnishings, objects of art, machinery, goods, tools, supplies, appliances, general intangibles, contract rights, accounts, accounts receivable, franchises, licenses, certificates and permits, and all other personal property of any kind or character whatsoever (as defined in and subject to the provisions of the Uniform Commercial Code as hereinafter defined), other than Fixtures, wherever located (including Stored Materials located off-site), including without limitation all such personal property which is used at or in connection with, or located within or about, the Land and the Improvements, or used or which it is contemplated will be used at or in connection with the development or construction of the Improvements together with all accessories, replacements and substitutions thereto or therefor and the proceeds thereof (collectively, the "**Personal Property**"), and the right, title and interest of Grantor in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state, states, commonwealth or commonwealths where any of the Property is located (as amended from time to time, the "**Uniform Commercial Code**"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above. Grantor represents, warrants and covenants that the Personal Property is not used or bought for personal, family or household purposes;

(i) **Leases and Rents**. All leases, subleases, subsubleases, lettings, licenses, concessions or other agreements (whether written or oral) pursuant to which any Person is granted a possessory interest in, or right to use or occupy all or any portion of the Land and the Improvements, and every modification, amendment or other agreement relating to such leases, subleases, subsubleases, or other agreements entered into in connection with such leases, subleases, subsubleases, or other agreements and every guarantee of the performance and observance of the covenants, conditions and agreements

to be performed and observed by the other party thereto, heretofore or hereafter entered into, whether before or after the filing by or against Grantor of any petition for relief under 11 U.S.C. §101 et seq., as the same may be amended from time to time (the "**Bankruptcy Code**") (collectively, the "**Leases**") and all right, title and interest of Grantor, its successors and assigns therein and thereunder, including all cash, letters of credit or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of Grantor or its agents or employees from any and all sources arising from or attributable to the Property, including all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of property or rendering of services by Grantor or Property Manager and proceeds, if any, from business interruption or other loss of income insurance whether paid or accruing before or after the filing by or against Grantor of any petition for relief under the Bankruptcy Code (collectively, the "**Rents**") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Obligations (as hereinafter defined);

(j) **Condemnation Awards**. All awards or payments (including any administrative fees or attorneys' fees), including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(k) **Insurance Proceeds**. All proceeds (including any administrative fees or attorneys' fees) in respect of the Property under any insurance policies covering the Property, including the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(l) **Tax Certiorari**. All refunds, rebates or credits in connection with reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(m) **Rights**. The right, in the name and on behalf of Grantor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Beneficiary in the Property;

(n) **Agreements**. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Grantor therein and thereunder, including the right, upon the happening of any default hereunder, to receive and collect any sums payable to Grantor thereunder;

(o) **Trademarks**. All tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property;

(p) Accounts. All reserves, escrows and deposit accounts maintained by Grantor with respect to the Property, including, without limitation, the "Loan Fund" (and all subaccounts thereunder), the "Bank-Controlled Account", the "Tax Escrow Account" (if any), the "Insurance Escrow Account" (if any), the "Security Deposit Account", the "Loan Holdback Account", the "Operating Reserve Account" (if any), the "Replacement Reserve Account" (if any), and any other accounts established or maintained pursuant to the Loan Documents; together with all deposits or wire transfers made to such accounts and all cash, checks, drafts, certificates, securities, investment property, financial assets, instruments and other property held therein from time to time and all proceeds, products, distributions or dividends or substitutions thereon and thereof;

(q) HAP Contract or Subsidy Agreement. All of Grantor's rights of every kind under or pursuant to any HUD project-based Section 8 Contract or any agreement for project based subsidies received for the Property, including, but not limited to the AHAP Contract and any HAP Contract (as defined in the Construction Funding Agreement);

(r) Proceeds. All proceeds of any of the foregoing, including, without limitation, proceeds of insurance and condemnation awards, whether cash, liquidation or other claims or otherwise;

(s) Tax Credits. To the extent assignable in accordance with applicable laws, subject to applicable laws, and further subject to obtaining any requisite consents of the tax credit allocating body, all tax credits granted or available to be granted under the Internal Revenue Code, as amended from time to time, and allocated to Grantor with respect to the Property, including, but not limited to the federal and state low-income housing tax credits reserved and allocated, or to be reserved and allocated, by the Credit Agency (as defined in the Construction Funding Agreement) acting under Section 42 of the Internal Revenue Code, as amended from time to time, and any carryover, continuation or finalization of any such reservation or allocation, and all documents, instruments and agreements related thereto submitted to and/or received by Credit Agency, including, without limitation, any preliminary reservation letter, any carryover allocation and the IRS Form 8609 to be executed by Credit Agency;

(t) Subordinate Loan Documents. All rights of Grantor under any Subordinate Loan Documents (as defined in the Loan Agreement) (and any contract or other document, instrument or agreement hereafter made, issued or entered into by Grantor in connection with such loan documents; and

(u) Other Rights. Any and all other rights of Grantor in and to the items set forth in Subsections (a) through (t) above.

AND without limiting any of the other provisions of this Security Instrument, to the extent permitted by applicable law, Grantor expressly grants to Beneficiary, as secured party, a security interest in the portion of the Property which is or may be subject to the provisions of the Uniform Commercial Code which are applicable to secured transactions; it being understood and agreed that the Improvements and Fixtures are part and parcel of the Land (the Land, the Improvements and the Fixtures are collectively referred to as the "Real Property") appropriated to the use thereof and, whether affixed or annexed to the Real Property or not, will for the purposes of this Security Instrument be deemed conclusively to be real estate and encumbered hereby.

Section 1.2 Assignment of Rents. Grantor hereby assigns to Beneficiary all of Grantor's right, title and interest in and to all current and future Leases and Rents; it being intended by Grantor

that this assignment be an assignment for additional security only. This assignment of Leases and Rents is intended to create a lien on the Leases and Rents to secure the Debt pursuant to ORS 93.806 and, upon recording this Security Instrument, shall immediately perfect the lien on such Leases and Rents in Beneficiary and shall not require further action by Beneficiary to be perfected as to any subsequent purchaser, mortgagee or assignee of any interest in the Property. Nevertheless, subject to the terms of Section 7.1(h) of this Security Instrument, Beneficiary grants to Grantor a revocable license to collect, receive, use and enjoy the Rents. Grantor will hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Obligations (as hereinafter defined), for use in the payment of such sums.

Section 1.3 Security Agreement. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Grantor in the Property. By executing and delivering this Security Instrument, Grantor hereby grants to Beneficiary, as security for the Obligations (as hereinafter defined), a security interest in the Fixtures, the Equipment, the Personal Property and other property constituting the Property to the full extent that the Fixtures, the Equipment, the Personal Property and such other property may be subject to the Uniform Commercial Code (said portion of the Property so subject to the Uniform Commercial Code being called the "Collateral"). If an Event of Default occurs, Trustee and Beneficiary, in addition to any other rights and remedies which it may have, will have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Beneficiary (or Trustee at the direction of Beneficiary) may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Trustee or Beneficiary after the occurrence of an Event of Default, Grantor will, at its expense, assemble the Collateral and make it available to Trustee or Beneficiary at a convenient place (at the Land if tangible property) acceptable to Trustee or Beneficiary. Grantor will pay to Trustee and/or Beneficiary on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by Trustee and/or Beneficiary in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral after the occurrence of an Event of Default. Any notice of sale, disposition or other intended action by Trustee or Beneficiary with respect to the Collateral sent to Grantor in accordance with the provisions hereof at least ten (10) Business Days prior to such action, will, except as otherwise provided by applicable law, constitute reasonable notice to Grantor. The proceeds of any disposition of the Collateral, or any part thereof, may, except as otherwise required by applicable law, be applied by Beneficiary to the payment of the Obligations (as hereinafter defined) in such priority and proportions as Beneficiary in its discretion deems proper. The principal place of business of Grantor (Debtor) is as set forth on page one hereof and the address of Beneficiary (Secured Party) is as set forth on page one hereof.

Section 1.4 Fixture Filing. Certain of the Property is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Land, described or referred to in this Security Instrument, and this Security Instrument, upon being filed for record in the real estate records of the city or county wherein such fixtures are situated, will operate also as a financing statement naming Grantor as Debtor and Beneficiary as Secured Party filed as a fixture filing in accordance with the applicable provisions of said Uniform Commercial Code upon such of the Property that is or may become fixtures.

Section 1.5 Pledges of Monies Held. Grantor hereby pledges to Beneficiary any and all monies now or hereafter held by Beneficiary or on behalf of Beneficiary in connection with the Loan,

including the Net Proceeds, and any sums deposited in the Required Accounts, as additional security for the Obligations (as hereinafter defined) until expended or applied as provided in this Security Instrument or the Loan Agreement.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Beneficiary and its successors and assigns, forever;

PROVIDED, HOWEVER, this grant is made upon the express condition that, if Grantor pays to Beneficiary the Obligations (as hereinafter defined) at the time and in the manner provided in the Loan Documents, and performs the Obligations (as hereinafter defined) in the time and manner set forth in the Loan Documents and complies with each and every covenant and condition set forth herein and in the other Loan Documents, the estate hereby granted will cease, terminate and be void, Beneficiary will request Trustee to reconvey the Property, and Trustee will reconvey the Property without warranty to the person or persons legally entitled thereto; provided, however, that Grantor's obligation to indemnify and hold harmless Beneficiary pursuant to the provisions hereof will survive any such payment or release or reconveyance. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts will be conclusive proof of the truthfulness thereof. As a condition to any such satisfaction or reconveyance, Grantor covenants and agrees to pay Beneficiary's and Trustee's reasonable fees and expenses (including reasonable attorneys' fees and expenses) in connection with reconveying the Property.

Article 2 - DEBT AND OBLIGATIONS SECURED

Section 2.1 Debt. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the Debt which includes, but is not limited to, the obligations of Grantor to pay to Beneficiary the principal and interest owing pursuant to the terms and conditions of the Note and the Loan Agreement. All advances made by Beneficiary pursuant to the Loan Agreement and the Construction Funding Agreement will constitute the Debt, and such advances will be deemed to be obligatory.

Section 2.2 Other Obligations. This Security Instrument and the grants, assignments and transfers made in Article 1 are also given for the purpose of securing the following (the "**Other Obligations**"):

(a) the payment and performance of all other obligations of Grantor contained herein, including all fees and charges payable by Grantor;

(b) the payment and performance of each obligation of Grantor contained in the Loan Agreement and any other Loan Document, including all fees and charges payable by Grantor; and

(c) the performance of each obligation of Grantor contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of the Note, the Loan Agreement, the Construction Funding Agreement or any other Loan Document.

Section 2.3 Debt and Other Obligations. Grantor's obligations for the payment of the Debt and the payment and performance of the Other Obligations will be referred to collectively herein as the "**Obligations**." All persons who may have or acquire an interest in the Property are hereby deemed to have notice of the terms of the Obligations and that this Security Instrument secures future

advances, and to have notice, if provided therein, that: (a) the Note, the Loan and the other Obligations may permit borrowing, repayment and reborrowing and (b) the rate of interest on one or more of the Obligations may vary from time to time. Funds may be advanced by Beneficiary, repaid by Grantor and subsequently readvanced by Beneficiary. Absent default under the terms of the Obligations, all advances thereunder by Beneficiary are obligatory and are secured by this Security Instrument. All such obligatory advances will have the same priority as the funds initially advanced under any such Obligation.

Section 2.4 Unsecured Obligations. Notwithstanding anything to the contrary set forth herein or any of the Loan Documents, this Security Instrument will not secure the following obligations (the "Unsecured Obligations"): (a) any obligations evidenced by or arising under the Indemnity, (b) any other obligations in this Security Instrument or in any of the other Loan Documents to the extent that such other obligations relate specifically to the presence on the Property of Hazardous Substances and are the same or have the same effect as any of the obligations evidenced by or arising under the Indemnity, and (c) any obligations evidenced by or arising under any of the Guaranty.

Article 3 - GRANTOR COVENANTS

Grantor covenants and agrees that:

Section 3.1 Payment of Obligations. Grantor will pay and perform the Obligations at the time and in the manner provided in the Loan Agreement, the Note and this Security Instrument.

Section 3.2 Incorporation by Reference. All the covenants, conditions and agreements contained in (a) the Loan Agreement, (b) the Note and (c) all and any of the other Loan Documents (other than the Indemnity and any Guaranty), are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Section 3.3 Insurance. Grantor will obtain and maintain, or cause to be maintained, in full force and effect at all times insurance with respect to Grantor and the Property as required pursuant to the Loan Agreement. In the event Grantor fails to obtain, maintain, keep in force or deliver to Beneficiary the policies of insurance required by the Loan Agreement in accordance with the terms thereof, Beneficiary may (but has no obligation to) procure such insurance or single-interest insurance for such risks covering Beneficiary's interests, and Grantor will pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Grantor, the amount advanced by Beneficiary with respect to all such premiums will, at Beneficiary's option, bear interest at the Default Rate.

Section 3.4 Maintenance of Property. Grantor will cause the Property to be maintained in a good and safe condition and repair and otherwise in accordance with the Loan Agreement. The Improvements, the Fixtures, the Equipment and the Personal Property will not be removed, demolished or altered without the consent of Beneficiary other than in accordance with the terms and conditions of the Loan Agreement. Grantor will promptly repair, replace or rebuild any part of the Property which may be destroyed by any casualty or become damaged, worn or dilapidated or which may be affected by any condemnation, and will complete and pay for any structure at any time in the process of construction or repair on the Land.

Section 3.5 Waste. Grantor will not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other

hazard arising out of the operation of the Property, or take any action that might invalidate or allow the cancellation of any insurance policy which Grantor is obligated to maintain pursuant to the Loan Agreement, or do or permit to be done thereon anything that may in any way materially impair the value of the Property or the security of this Security Instrument. Grantor will not, without the prior written consent of Beneficiary, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Land, regardless of the depth thereof or the method of mining or extraction thereof.

Section 3.6 Payment for Labor and Materials.

(a) Grantor will promptly pay when due all bills and costs for labor and materials ("**Labor and Material Costs**") incurred in connection with the Property and not permit to exist beyond the due date thereof in respect of the Property or any part thereof any lien or security interest, even though inferior to the liens and the security interests hereof, and in any event not permit to be created or exist in respect of the Property or any part thereof any other or additional Lien or Security Interest other than the liens or security interests hereof except for the Permitted Encumbrances.

(b) After prior written notice to Beneficiary, Grantor, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Labor and Material Costs, provided that (i) no Default or Event of Default has occurred (which, by definition, shall not occur until the expiration of all applicable notice and cure periods expressly provided for in the Loan Documents), (ii) either (A) such proceeding will suspend the collection of the Labor and Material Costs from Grantor and from the Property, or (B) Grantor has paid all of the Labor and Material Costs under protest, (iii) such proceeding is permitted and conducted in accordance with the provisions of any other instrument to which Grantor or the Property is subject and will not constitute a default thereunder, (iv) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost, (v) Grantor has furnished such security as may be required in the proceeding, or as may be requested by Beneficiary to insure the payment of any contested Labor and Material Costs, together with all interest and penalties thereon, and (vi) Grantor will cause the Title Company to issue an endorsement in a form reasonably acceptable to Beneficiary reflecting that the lien of this Security Instrument has priority over any liens securing the contested Labor and Material Costs. Beneficiary may pay over any such security or part thereof held by Beneficiary to the claimant entitled thereto at any time when, in the judgment of Beneficiary, the entitlement of such claimant is established or the Property (or part thereof or interest therein) is in danger of being sold, forfeited, terminated, cancelled or lost or there is any danger of any lien related to the contested Labor and Material Costs becoming senior in priority, in whole or in part, to the lien of the Security Instrument.

Section 3.7 Payment of Taxes and Impositions.

(a) Grantor will pay, or cause to be paid prior to delinquency, all real property taxes and assessments, general and special, and all other taxes, assessments, duties, levies, imposts, deductions, charges or withholdings, of any kind or nature whatsoever, including nongovernmental levies or assessments such as maintenance charges, levies or charges resulting from covenants, conditions and restrictions affecting the Property, which are assessed or imposed upon the Property, or become due and payable, and which create or may create a lien upon the Property (all the foregoing, collectively, "**Impositions**").

(b) After prior notice to Beneficiary, Grantor, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any Impositions, provided that (i) no Default or Event of Default has occurred (which, by definition, shall not occur until the expiration of all applicable notice and cure periods expressly provided for in the Loan Documents), (ii) either (A) such proceeding will suspend the collection of the Impositions from Grantor and from the Property, or (B) Grantor has paid all of the Impositions under protest, (iii) such proceeding is permitted and conducted in accordance with the provisions of any other instrument to which Grantor or the Property is subject and will not constitute a default thereunder, (iv) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost, (v) Grantor will promptly upon final determination thereof pay the amount of any such Impositions, together with all costs, interest and penalties which may be payable in connection therewith, and (vi) Grantor has furnished such security as may be required in the proceeding, or as may be reasonably requested by Beneficiary to insure the payment of any contested Impositions, together with all interest and penalties thereon and (vii) Grantor has furnished Beneficiary with an endorsement to the title policy insuring Beneficiary's lien created by this Security Instrument that confirms the priority of Beneficiary's lien on the Property. Beneficiary may pay over any such security or part thereof held by Beneficiary to the claimant entitled thereto at any time when, in the judgment of Beneficiary, the entitlement of such claimant is established or the Property (or part thereof or interest therein) is in danger of being sold, forfeited, terminated, cancelled or lost or there is any danger of any lien related to the contested Impositions becoming senior in priority, in whole or in part, to the lien of the Security Instrument.

Section 3.8 Change of Name, Jurisdiction. In addition to the restrictions contained in the Loan Agreement, Grantor will not change Grantor's name, identity (including its trade name or names) or jurisdiction of formation or organization unless Grantor has first obtained the prior written consent of Beneficiary to such change, and has taken all actions necessary or required by Beneficiary to file or amend any financing statements or continuation statements to assure perfection and continuation of perfection of security interests under the Loan Documents. Grantor will notify Beneficiary in writing of any change in its organizational identification number at least 30 days in advance of such change becoming effective. If Grantor does not now have an organizational identification number and later obtains one, Grantor will promptly notify Beneficiary in writing of such organizational identification number. At the request of Beneficiary, Grantor will execute a certificate in form satisfactory to Beneficiary listing the trade names under which Grantor intends to operate the Property, and representing and warranting that Grantor does, and previously has never done, business under no other trade name with respect to the Property.

Section 3.9 Utilities. Grantor will pay or cause to be paid when due all utility charges that are incurred by Grantor for the benefit of the Property or that may become a charge or lien against the Property for gas, electricity, water or sewer services furnished to the Property and all other assessments or charges of a similar nature, whether public or private, affecting or related to the Property or any portion thereof, whether or not such assessments or charges are or may become liens thereon.

Section 3.10 Casualty. After obtaining knowledge of the occurrence of any damage, destruction or other casualty to the Property or any part thereof, whether or not covered by insurance, Grantor must immediately notify Beneficiary in writing. In the event of such casualty, all proceeds of insurance (collectively, the "Insurance Proceeds") must be payable to Beneficiary and no other party, and Grantor hereby authorizes and directs any affected insurance company to make payment of such Insurance Proceeds directly to Beneficiary and no other party. If Grantor receives any Insurance

Proceeds, Grantor must pay over such Insurance Proceeds to Beneficiary within 2 Business Days. Beneficiary is hereby authorized and empowered by Grantor to settle, adjust or compromise any and all claims for loss, damage or destruction under any policy or policies of insurance. In the event of a foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Obligations, all right, title and interest of Grantor in and to the insurance policies required by the Loan Agreement that are then in force, and all Insurance Proceeds payable thereunder, will vest in the purchaser at such foreclosure or in Beneficiary or other transferee in the event of such other transfer of title. Nothing herein will be deemed to excuse Grantor from repairing or maintaining the Property as provided in this Security Instrument or restoring all damage or destruction to the Property, regardless of the availability or sufficiency of Insurance Proceeds, and the application or release by Beneficiary of any Insurance Proceeds will not cure or waive any Default, Event of Default or notice of Default or Event of Default or invalidate any action taken by or on behalf of Beneficiary pursuant to any such notice.

Section 3.11 Condemnation. If any proceeding or action is commenced for the taking of the Property, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, condemnation or otherwise, or if the same is taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner, or should Grantor receive any notice or other information regarding such proceeding, action, taking or damage, Grantor must immediately notify Beneficiary in writing. Beneficiary may commence, appear in and prosecute in its own name any such action or proceeding. Beneficiary may also make any compromise or settlement in connection with such taking or damage. Beneficiary will not be liable to Grantor for any failure by Beneficiary to collect or to exercise diligence in collecting any such compensation for a taking. All compensation, awards, damages, rights of action and proceeds awarded to Grantor by reason of any such taking or damage to the Property or any part thereof or any interest therein for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation proceeding, or in any other manner (the "Condemnation Proceeds") are hereby assigned to Beneficiary and Grantor agrees to execute such further assignments of the Condemnation Proceeds as Beneficiary may require. Grantor may not compromise or settle any claim resulting from the condemnation proceeding which results in the Condemnation Proceeds being greater than or equal to \$10,000 less than Beneficiary's reasonable estimate of the damages resulting from the taking. Nothing herein will be deemed to excuse Grantor from repairing, maintaining or restoring the Property as provided in this Security Instrument, regardless of the availability or sufficiency of any Condemnation Proceeds, and the application or release by Beneficiary of any Condemnation Proceeds will not cure or waive any Default, Event of Default or notice of Default or Event of Default or invalidate any action taken by or on behalf of Beneficiary pursuant to any such notice. Upon receipt, Grantor shall promptly deliver all such Condemnation Proceeds to Beneficiary. All such proceeds shall first be applied to reimburse Beneficiary and Trustee for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such Condemnation Proceeds. In the event of a foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Obligations, all right, title and interest of Grantor in and to the Condemnation Proceeds will vest in the purchaser at such foreclosure or in Beneficiary or other transferee in the event of such other transfer of title.

Section 3.12 Repair. Nothing herein will be deemed to excuse Grantor from repairing or maintaining the Property as provided in this Security Instrument or restoring all damage or destruction to the Property, regardless of the availability or sufficiency of Insurance Proceeds, and the application or release by Beneficiary of any Insurance Proceeds will not cure or waive any Default, Event of Default or notice of Default or Event of Default or invalidate any action taken by or on behalf of Beneficiary pursuant to any such notice.

Section 3.13 Assignment of Policies. In the event of foreclosure of this Security Instrument or other transfer of title or assignment of the Property in extinguishment, in whole or in part, of the Obligations, all right, title and interest of Grantor in and to all policies of insurance held by Grantor, and all unearned premiums paid thereon, shall, without further act, pass to the purchaser or grantee of the Property.

Section 3.14 Waiver of Subrogation. Grantor hereby waives all right to recover against Beneficiary (or any officer, employee, agent or representative of Beneficiary) for any loss incurred by Grantor from any cause insured against or required by any Loan Document to be insured against; provided, however, that this waiver of subrogation shall not be effective with respect to any insurance policy if the coverage thereunder would be materially reduced or impaired as a result. Grantor shall use its best efforts to obtain only policies which permit the foregoing waiver of subrogation.

Section 3.15 [Intentionally Deleted].

Section 3.16 Availability of Net Proceeds.

(a) In the event of damage, destruction or other casualty to the Property or any part thereof, Beneficiary will make the Net Proceeds received by Beneficiary available to Grantor to pay the cost of reconstruction of the Property, subject to the satisfaction of the following conditions as determined by Beneficiary (collectively, "**Restoration Conditions**"): (i) no Default or Event of Default has occurred; (ii) the cost of reconstruction is equal to or less than the amount of Net Proceeds received by Beneficiary, or Grantor has deposited with Beneficiary such additional funds ("**Shortfall Funds**") such that the sum of the Net Proceeds and such Shortfall Funds equals the cost of reconstruction; (iii) Beneficiary (and, at Beneficiary's option, its consultant) has received and approved in its discretion the plans and specifications, construction contracts, construction budget and construction schedule for such reconstruction, and the same have all been approved by all applicable Governmental Authorities; (iv) Beneficiary has determined in its discretion that such reconstruction can be completed on or before the earliest to occur of: (A) four (4) months prior to the Maturity Date (and the casualty has occurred prior to such period), (B) the earliest date required for such completion under the terms of any Leases or material agreements affecting the Property, (C) such time as may be required under applicable Governmental Requirements, (D) the expiration of the loss of rents or business interruption insurance coverage required under the Loan Agreement, or (E) the placed-in-service deadline; (v) the Property and the use thereof after the reconstruction will be in compliance with and permitted under all Governmental Requirements; (vi) all Net Proceeds and any deposits required by subsection (ii) above will be held by Beneficiary and will be disbursed in accordance with disbursement procedures established by Beneficiary in its discretion; (vii) to the extent a Loan to Value Requirement is expressly set forth in the Construction Funding Agreement, Grantor satisfies the Loan To Value Requirement, as determined by Beneficiary, and, in connection therewith, Beneficiary will have obtained a new Appraisal, provided, however, that if the Appraisal shows that the Property exceeds the Loan To Value Requirement, Grantor has prepaid such amount of principal necessary to bring the Loan in compliance with the Loan To Value Requirement along with any and all other costs and expenses which Grantor is required to pay in connection with a prepayment of the Loan; (viii) Beneficiary is satisfied that any operating deficits, including scheduled payments of principal and interest under the Note and the Loan Agreement, which will be incurred with respect to the Property as a result of the occurrence of any such casualty will be covered out of the loss of rents or business interruption insurance coverage required under the Loan Agreement; and (ix) Grantor will commence reconstruction as soon as reasonably practicable but in no event later than ninety (90) days after such casualty; and (x) the reconstruction can be completed by the Completion Date. If any of these

conditions will not be satisfied as determined by Beneficiary, then Beneficiary will have the right to use the Net Proceeds to prepay the Obligations in accordance with the Note and the Loan Agreement.

(b) In the event that Grantor fails to fulfill the Restoration Conditions within ninety (90) days following the date on which the damage occurs, the Net Proceeds shall be applied by Beneficiary against any obligations to Beneficiary that are secured by this Security Instrument, and the selection of which obligations to apply the Net Proceeds against shall be made by Beneficiary in its absolute discretion. If any Net Proceeds remain available after completion of the reconstruction of the Property, then such Net Proceeds will be used to prepay the Obligations in accordance with the Loan Agreement and the Note.

(c) In the event of any taking or condemnation of the Property or any part thereof or interest therein, all Net Proceeds will be paid to Beneficiary, and Beneficiary will use such Net Proceeds to prepay the Obligations in accordance with the terms of the Loan Agreement and the Note; provided, however, Beneficiary, may in its sole and absolute discretion, elect to (i) disburse all or a portion of the Net Proceeds to Grantor for repairs and reconstruction in accordance with the rights, procedures, and other provisions set forth in this Security Instrument for the application of Net Proceeds (including, without limitation, requirements with respect to Grantor's deposit of Shortfall Funds), and/or (ii) apply all or any portion of the Net Proceeds against the Obligations to Beneficiary, in such order as Beneficiary shall determine in its absolute discretion.

(d) The term "**Net Proceeds**" means (i) the net amount of the Insurance Proceeds received by Beneficiary after deduction of Beneficiary's costs and expenses (including reasonable attorneys' fees), if any, in collecting the same; or (ii) the net amount of the Condemnation Proceeds received by Beneficiary after deduction of Beneficiary's costs and expenses (including reasonable attorneys' fees), if any, in collecting the same, whichever the case may be; and (iii) any additional deposit the Beneficiary requires the Grantor to make to the Beneficiary in connection with such casualty or condemnation proceeding. Any Net Proceeds or Shortfall Funds to be disbursed to Grantor shall be held by Beneficiary in the Bank-Controlled Account and disbursed in accordance with the disbursement procedures and related provisions set forth in this Security Instrument (if any) and the Loan Agreement and all other disbursement provisions then customarily required by Beneficiary. Any amounts remaining undisbursed following Completion (as defined in the Loan Agreement) shall be returned to Grantor up to the amount of any Shortfall Funds deposited by Grantor, and any other amounts remaining shall either be paid to Grantor or applied by Beneficiary against any Obligations to Beneficiary that are secured by a lien on the Property, as Beneficiary elects in its absolute discretion.

Article 4 - OBLIGATIONS AND RELIANCES

Section 4.1 Relationship of Grantor and Beneficiary. The relationship between Grantor and Beneficiary is solely that of debtor and creditor, and Beneficiary has no fiduciary or other special relationship with Grantor, and no term or condition of any of the Loan Agreement, the Note, this Security Instrument or any of the other Loan Documents will be construed so as to deem the relationship between Grantor and Beneficiary to be other than that of debtor and creditor.

Section 4.2 No Reliance on Beneficiary. The general partners, members, principals and (if Grantor is a trust) beneficial owners of Grantor are experienced in the ownership and operation of properties similar to the Property, and Grantor and Beneficiary are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Grantor is not relying on Beneficiary's expertise, business acumen or advice in connection with the Property.

Section 4.3 No Beneficiary Obligations.

(a) Notwithstanding anything to the contrary contained in this Security Instrument, Beneficiary is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to any other agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Beneficiary pursuant to this Security Instrument, the Loan Agreement, the Note or the other Loan Documents, including any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Beneficiary will not be deemed to have warranted, consented to, or affirmed the sufficiency, legality or effectiveness of same, and such acceptance or approval thereof will not constitute any warranty or affirmation with respect thereto by Beneficiary.

Section 4.4 Reliance. Grantor recognizes and acknowledges that in accepting the Loan Agreement, the Note, this Security Instrument and the other Loan Documents, Beneficiary is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Article V of the Loan Agreement without any obligation to investigate the Property and notwithstanding any investigation of the Property by Beneficiary; that such reliance existed on the part of Beneficiary prior to the date hereof; that the warranties and representations are a material inducement to Beneficiary in making the Loan; and that Beneficiary would not be willing to make the Loan and accept this Security Instrument in the absence of the warranties and representations as set forth in Article V of the Loan Agreement.

Article 5 - FURTHER ASSURANCES

Section 5.1 Recording of Security Instrument, Etc. Grantor forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Beneficiary in, the Property. Grantor will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, this Security Instrument, the other Loan Documents, any note, trust deed or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, any trust deed or mortgage supplemental hereto, any security instrument with respect to the Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 5.2 Further Acts, Etc. Grantor will, at Grantor's sole cost and expense, and without expense to Beneficiary or Trustee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, deeds of trust, mortgages, assignments, notices of assignments, transfers and assurances as Beneficiary may, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Beneficiary and Trustee the property and rights hereby mortgaged, deeded, granted, bargained, sold, conveyed, confirmed, pledged,

assigned, warranted and transferred or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to Beneficiary or Trustee, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying with all applicable Laws and Governmental Requirements. Grantor, on demand, will execute and deliver, and in the event it fails to so execute and deliver, hereby authorizes Beneficiary to execute in the name of Grantor or file or record without the signature of Grantor to the extent Beneficiary may lawfully do so, one or more financing statements (including initial financing statements and amendments thereto and continuation statements), to evidence more effectively the security interest of Beneficiary in the Property. Grantor also ratifies its authorization for Beneficiary to have filed or recorded any like initial financing statements, amendments thereto and continuation statements, if filed or recorded prior to the date of this Security Instrument. Such financing statements may contain a description of collateral broader than as set forth in this Security Instrument. Grantor grants to Beneficiary and Trustee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Beneficiary and Trustee at law and in equity, including such rights and remedies available to Beneficiary and Trustee pursuant to this Section. To the extent not prohibited by applicable law, Grantor hereby ratifies all acts Beneficiary and/or Trustee has lawfully done in the past or will lawfully do or cause to be done in the future by virtue of such power of attorney.

Section 5.3 Changes in Tax, Debt, Credit and Documentary Stamp Laws.

(a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Beneficiary's interest in the Property, Grantor will pay the tax, with interest and penalties thereon, if any, in accordance with the applicable provisions of the Loan Agreement. If Beneficiary is advised by counsel chosen by it that the payment of any such tax by Grantor would be unlawful or taxable to Beneficiary or unenforceable or provide the basis for a defense of usury then Beneficiary will have the option by written notice of not less than 120 days to declare the Debt immediately due and payable.

(b) Grantor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes assessed against the Property, or any part thereof, and no deduction will otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction is required by law, Beneficiary will have the option, by written notice of not less than 120 days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State will require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Grantor will pay for the same, with interest and penalties thereon, if any.

Article 6 - DUE ON SALE/ENCUMBRANCE

Section 6.1 Beneficiary Reliance. Grantor acknowledges that Beneficiary has examined and relied on the experience of Grantor and its general partners, members, principals and (if Grantor is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Grantor's ownership of the Property as a means of maintaining the value of the Property as security for repayment and performance of the Obligations. Grantor

acknowledges that Beneficiary has a valid interest in maintaining the value of the Property so as to ensure that, should Grantor default in the repayment of the Obligations or the performance of the Obligations, Beneficiary can recover the Obligations by a sale of the Property.

Section 6.2 No Transfer. Grantor will comply in all respects with the provisions of the Loan Agreement regarding (a) selling, transferring, leasing, conveying or encumbering the Land, the Equipment or the Improvements or the direct or indirect interests in Grantor, and (b) changing control of Grantor.

Section 6.3 Accelerating Transfer.

(a) Except as otherwise expressly permitted below or in Section 6.10(c) of the Construction Funding Agreement, Grantor shall not sell, assign, lease or otherwise transfer all or any part of the Property or any interest therein without the prior written consent of Beneficiary, which consent may be granted or withheld in Beneficiary's sole and absolute discretion. Transfers requiring Beneficiary's prior written consent shall include, without limitation, the following:

- (i) Voluntary transfers, involuntary transfers and transfers by operation of law;
- (ii) Liens, encumbrances and assignments as security for obligations, whether voluntary or involuntary; and

(iii) The sale, encumbrance, pledge, assignment, issuance or other transfer of any stock, partnership interests, membership interests, beneficial interests, or other direct or indirect ownership interests in Grantor, or in any corporation, partnership, limited liability company or trust owning any ownership interests in Grantor, or in any shareholder, partner, member or manager of Grantor or any such other party, whether voluntary, involuntary or by operation of law other than Permitted Transfers pursuant to the Construction Funding Agreement. No sale, lease or other transfer shall relieve Grantor from primary liability for its obligations under the Construction Funding Agreement and the other Loan Documents or relieve any guarantor from any liability under any guarantee. If any sale, assignment, lease or other transfer requiring Beneficiary's consent under this Section 6.3 is made or occurs without Beneficiary's prior written consent, such sale, assignment, lease or other transfer shall constitute an "Accelerating Transfer". If any Accelerating Transfer occurs, Beneficiary may, in its sole and absolute discretion declare all Obligations to be immediately due and payable and may invoke any and/or all rights and remedies provided Beneficiary under Article 6 of this Security Instrument, the other Loan Documents or available at law or in equity.

(iv) Notwithstanding anything to the contrary set forth above and elsewhere herein, (i) any transfer permitted under and made in accordance with Section 6.10 of the Construction Funding Agreement, or (ii) the granting of (but not the exercise of) the option, right of first refusal and put rights set forth in Grantor's partnership agreement, provided such option, right of first refusal and put rights are at all times subject and subordinate to this Security Instrument, shall in each case not require further consent of the Beneficiary.

Article 7 - RIGHTS AND REMEDIES UPON DEFAULT

Section 7.1 Remedies. Upon the occurrence of any Event of Default, unless such Event of Default is subsequently waived in writing by Beneficiary (provided that Beneficiary has no obligation whatsoever to grant any such waiver and any such waiver, if granted, will be considered a

one-time waiver), Beneficiary (at the direction of Funding Lender) may exercise any or all of the following rights and remedies, consecutively or simultaneously, and in any order:

(a) exercise any and all rights and remedies specified in the Loan Agreement, including declaring that the obligation to make Advances is terminated and/or declaring that the entire unpaid principal balance of the Obligations is immediately due and payable, together with accrued and unpaid interest thereon;

(b) cause any or all of the Property to be sold under the power of sale granted by this Security Instrument in any manner permitted by applicable law and/or institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law; in either case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Obligations then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Obligations not then due, unimpaired and without loss of priority;

(d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Grantor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

(e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note, the Loan Agreement or in the other Loan Documents;

(f) recover judgment on the Obligations either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents;

(g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Obligations and without regard for the solvency of Grantor, any guarantor or any indemnitor with respect to the Loan or of any Person liable for the payment of the Obligations. Grantor waives any right to any hearing or notice of hearing prior to the appointment of a receiver. Such receiver and his agents will be empowered to (i) take possession of the Property and perform all necessary or desirable acts with respect to management and operation of the Property, (ii) exclude Grantor and Grantor's agents, servants, and employees from the Property, (iii) collect the rents, issues, profits, and income therefrom, (iv) complete any construction which may be in progress, (v) do such maintenance and make such repairs and alterations as the receiver deems necessary, (vi) use all stores of materials, supplies, and maintenance equipment on the Property and replace such items at the expense of the receivership estate, (vii) to pay all taxes and assessments against the Property, all premiums for insurance thereon, all utility and other operating expenses, and all sums due under any prior or subsequent encumbrance, (viii) generally do anything which Grantor could legally do if Grantor were in possession of the Property, and (ix) take any other action permitted by law. All expenses incurred by the receiver or his agents will constitute a part of the Obligations. Any revenues collected by the receiver will be applied first to the expenses of the receivership, including attorneys' fees incurred by the receiver and by Beneficiary, together with interest thereon at the Default Rate from the date

incurred until repaid, and the balance will be applied toward the Obligations or in such other manner as the court may direct. Unless sooner terminated with the express consent of Beneficiary, any such receivership will continue until the Obligations have been discharged in full, or until title to the Property has passed after a receivership sale or a foreclosure sale and all applicable periods of redemption have expired;

(h) the license granted to Grantor under Section 1.2 hereof will automatically be revoked and Beneficiary may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Grantor and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Grantor and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Grantor agrees to surrender possession of the Property and of such books, records and accounts to Beneficiary upon demand, and thereupon Beneficiary may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (ii) complete any construction on the Property in such manner and form as Beneficiary deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Property; (iv) exercise all rights and powers of Grantor with respect to the Property, whether in the name of Grantor or otherwise, including the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (v) require Grantor to pay monthly in advance to Beneficiary, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Grantor; (vi) require Grantor to vacate and surrender possession of the Property to Beneficiary or to such receiver and, in default thereof, Grantor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment of the Obligations, in such order, priority and proportions as Beneficiary deems appropriate in its sole discretion after deducting therefrom all expenses (including attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, Insurance Premiums and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Beneficiary, its in-house and outside counsel, agents and employees;

(i) cause all or any portion of the Fixtures, the Equipment, and the Personal Property to be sold by Trustee under the power of sale granted by this Security Instrument; and exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Fixtures, the Equipment and the Personal Property, or any part thereof, and to take such other measures as Beneficiary or Trustee may deem necessary for the care, protection and preservation of the Fixtures, the Equipment and the Personal Property, and (ii) require Grantor at its expense to assemble the Fixtures, the Equipment and the Personal Property and make it available to Beneficiary or Trustee at a convenient place acceptable to Beneficiary or Trustee. Any notice of sale, disposition or other intended action by Beneficiary or Trustee with respect to the Fixtures, the Equipment and/or the Personal Property sent to Grantor in accordance with the provisions hereof at least 10 Business Days prior to such action, will constitute commercially reasonable notice to Grantor;

(j) apply any sums then deposited or held in escrow or otherwise by or on behalf of Beneficiary in accordance with the terms of the Loan Agreement, this Security Instrument or any other Loan Document to the payment of the following items in any order in its sole and absolute discretion:

- (i) Taxes;
- (ii) Insurance Premiums;

- (iii) Interest on the unpaid principal balance of the Note;
- (iv) The unpaid principal balance of the Note;
- (v) All other sums payable pursuant to the Note, the Loan Agreement, this Security Instrument and the other Loan Documents, including advances made by Beneficiary or Trustee pursuant to the terms of this Security Instrument;
- (k) obtain a deficiency judgment if the net sales proceeds of any sale of the Property under the power of sale granted by this Security Instrument are insufficient to pay in full all of the Obligations;
- (l) pursue such other remedies as Beneficiary may have under the other Loan Documents and/or applicable law; or
- (m) apply the undisbursed amount of any Net Proceeds, together with interest thereon, if any, to the payment of the Obligations in such order, priority and proportions as Beneficiary will deem to be appropriate in its discretion.

In the event of a sale, by foreclosure, power of sale or otherwise, of less than all of Property, this Security Instrument will continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority.

Section 7.2 Application of Proceeds. The purchase money, proceeds and avails of any disposition of the Property, and or any part thereof, or any other sums collected by Beneficiary pursuant to the Note, this Security Instrument or the other Loan Documents, may be applied by Beneficiary to the payment of the Obligations in such priority and proportions as Beneficiary in its discretion will deem proper, to the extent consistent with applicable Laws.

Section 7.3 Actions and Proceedings. Grantor will give Beneficiary prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Property, the security hereof or the rights or powers of Beneficiary. Beneficiary has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Grantor, which Beneficiary, in its discretion, decides should be brought to protect its interest in the Property.

Section 7.4 Recovery of Sums Required to be Paid. Beneficiary will have the right from time to time to take action to recover any sum or sums which constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations is due, and without prejudice to the right of Beneficiary thereafter to commence a non-judicial foreclosure or 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. In the event Grantor is curing a default or is paying off the Loan and Beneficiary has incurred fees which Grantor is obligated to pay to Beneficiary under any of the Loan Documents, and such amount has not been reduced to a final amount at the time Grantor is curing the default or is paying off the Loan, Beneficiary may require Grantor to pay a reasonable estimate of such fees with the payment curing the default or with the payoff of the Loan, and any amount paid in excess of the estimate by Grantor will be refunded to Grantor after the final amount of such fee is determined.

Section 7.5 Other Rights, Etc.

(a) The failure of Beneficiary to insist upon strict performance of any term hereof will not be deemed to be a waiver of any term of this Security Instrument. Grantor will not be relieved of Grantor's obligations hereunder by reason of (i) the failure of Beneficiary to comply with any request of Grantor or any guarantor or indemnitor with respect to the Loan to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any Person liable for the Obligations or any portion thereof, or (iii) any agreement or stipulation by Beneficiary extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Grantor, and Beneficiary will have no liability whatsoever for decline in value of the Property, for failure to maintain any insurance policies, or for failure to determine whether insurance in force is adequate as to the amount or nature of risks insured. Possession by Beneficiary will not be deemed an election of judicial relief if any such possession is requested or obtained with respect to all or any portion of the Property or collateral not in Beneficiary's possession.

(c) Beneficiary may resort for the payment of the Obligations to any other security held by Beneficiary in such order and manner as Beneficiary, in its discretion, may elect. Beneficiary may take action to recover the Obligations, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Beneficiary or Trustee thereafter to foreclose this Security Instrument. The rights of Beneficiary under this Security Instrument will be separate, distinct and cumulative and none will be given effect to the exclusion of the others. No act of Beneficiary or Trustee will be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Beneficiary and Trustee will not be limited exclusively to the rights and remedies herein stated but will be entitled to every right and remedy now or hereafter afforded at law or in equity.

Section 7.6 Right to Release any Portion of the Property. Beneficiary may release any portion of the Property for such consideration as Beneficiary may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder are reduced by the actual monetary consideration, if any, received by Beneficiary for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Beneficiary may require without being accountable for so doing to any other lienholder. This Security Instrument will continue as a lien on, and security interest in, the remaining portion of the Property.

Section 7.7 Violation of Laws. If the Property is not in compliance in all material respects with Governmental Requirements, Beneficiary may impose additional requirements upon Grantor in connection herewith including monetary reserves or financial equivalents.

Section 7.8 Right of Entry. Upon reasonable notice to Grantor, Beneficiary and its agents will have the right to enter and inspect the Property at all reasonable times.

Section 7.9 Bankruptcy.

(a) After the occurrence of an Event of Default, Beneficiary will have the right to proceed in its own name or in the name of Grantor in respect of any claim, suit, action or proceeding relating to the rejection of any Lease, including the right to file and prosecute, to the exclusion of Grantor, any

proofs of claim, complaints, motions, applications, notices and other documents, in any case in respect of the lessee under such Lease under the Bankruptcy Code.

(b) If there is filed by or against Grantor a petition under the Bankruptcy Code and Grantor, as lessor under any Lease, determines to reject such Lease pursuant to Section 365(a) of the Bankruptcy Code, then Grantor will give Beneficiary not less than 10 days' prior notice of the date on which Grantor will apply to the bankruptcy court for authority to reject the Lease. Beneficiary will have the right, but not the obligation, to serve upon Grantor within such 10 day period a notice stating that (i) Beneficiary demands that Grantor assume and assign the Lease to Beneficiary pursuant to Section 365 of the Bankruptcy Code and (ii) Beneficiary covenants to cure or provide adequate assurance of future performance under the Lease. If Beneficiary serves upon Grantor the notice described in the preceding sentence, Grantor will not seek to reject the Lease and will comply with the demand provided for in clause (i) of the preceding sentence within 30 days after the notice is given, subject to the performance by Beneficiary of the covenant provided for in clause (ii) of the preceding sentence.

Section 7.10 Acceptance of Cure. Beneficiary may accept a cure of an Event of Default from time to time in its discretion but without any obligation whatsoever to do so; provided that Beneficiary shall accept or reject cure by Investor on the same terms under which Beneficiary would accept or reject such tender of cure by Grantor. Grantor will only be entitled to rely on such an acceptance if Beneficiary expressly states, in writing, that it has accepted such a cure. If Beneficiary accepts a cure of an Event of Default, and no other uncured Event of Default is then continuing, then Beneficiary may agree in its discretion, but without any obligation to do so, to treat any provision in this Security Instrument or in any other Loan Document as if no Event of Default had ever occurred.

Section 7.11 Acceptance of Payments. Grantor agrees that if Grantor makes a tender of a payment but does not simultaneously tender payment of any late charge, Default Rate interest, Swap Obligations or other amount then due and owing by Grantor under this Security Instrument or the other Loan Documents, and such payment is accepted by Beneficiary, with or without protest, such acceptance will not constitute any waiver of Beneficiary's rights to receive such amounts. Furthermore, if Beneficiary accepts any payment from Grantor or any Guarantor after a Default or Event of Default, such acceptance will not constitute a waiver or satisfaction of any such Default or Event of Default. Any waiver or satisfaction of a Default or Event of Default must be evidenced by an express writing of Beneficiary.

Section 7.12 Exercise of Power of Sale. For any sale under the power of sale granted by this Security Instrument, Beneficiary or Trustee will record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Beneficiary and permitted by applicable law. Trustee may postpone any sale in accordance with applicable law. If the Property includes several lots or parcels, Beneficiary in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee will be acting as the agent of Beneficiary in selling such Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law will be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

Article 8 - ENVIRONMENTAL HAZARDS

Section 8.1 Environmental Covenants. Grantor has provided representations, warranties and covenants regarding environmental matters set forth in the Indemnity. Any breach or default with respect to such matters, beyond all applicable notice and cure periods expressly provided for therein, will constitute an Event of Default hereunder, notwithstanding the fact that the Indemnity, and the representations, warranties and covenants contained therein, are unsecured obligations and are not secured by this Security Instrument.

Article 9 - INDEMNIFICATION

The provisions of Section 9.1 (General Indemnities) of the Construction Funding Agreement are hereby incorporated by reference into this Security Instrument to the same extent and with the same force as if fully set forth herein.

Article 10 - CERTAIN WAIVERS

Section 10.1 Waiver of Offsets; Defenses; Counterclaim. Grantor hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Beneficiary to offset any obligations to make the payments required by the Loan Documents. No failure by Beneficiary to perform any of its obligations hereunder will be a valid defense to, or result in any offset against, any payments which Grantor is obligated to make under any of the Loan Documents.

Section 10.2 Marshalling and Other Matters. To the extent permitted by applicable law, Grantor hereby waives the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption Laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Grantor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Grantor, and on behalf of each and every Person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all other Persons to the extent permitted by applicable law.

Section 10.3 Waiver of Notice. To the extent permitted by applicable law, Grantor will not be entitled to any notices of any nature whatsoever from Beneficiary except with respect to matters for which this Security Instrument or any of the other Loan Documents specifically and expressly provides for the giving of notice by Beneficiary to Grantor and except with respect to matters for which Beneficiary is required by applicable law to give notice, and Grantor hereby expressly waives the right to receive any notice from Beneficiary with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Beneficiary to Grantor. All sums payable by Grantor pursuant to this Security Instrument must be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Grantor hereunder will in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of: (a) any damage to or destruction of or any condemnation or similar taking of the Property or any part thereof; (b) any restriction or prevention of or interference by any third party with any use of the Property or any part thereof; (c) any title defect or encumbrance or any eviction from the Property or any part thereof by title paramount or otherwise; (d) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Beneficiary, or any action taken with respect to this Security Instrument by any trustee or receiver of Beneficiary, or

by any court, in any such proceeding; (e) any claim which Grantor has or might have against Beneficiary; (f) any default or failure on the part of Beneficiary to perform or comply with any of the terms hereof or of any other agreement with Grantor; or (g) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not Grantor has notice or knowledge of any of the foregoing.

Section 10.4 Waiver of Statute of Limitations. To the extent permitted by applicable law, Grantor hereby expressly waives and releases to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment or performance of the Obligations.

Article 11 - NOTICES

Grantor hereby requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Security Instrument in the manner required by applicable law. All notices or other written communications hereunder will be delivered in accordance with the notice provisions of the Loan Agreement. At Beneficiary's option, any written notice of default given to Grantor may be given in the form of a statutory notice of default under ORS 86.705-86.815 or any other form as Beneficiary may elect.

Article 12 - APPLICABLE LAW

Section 12.1 GOVERNING LAW; WAIVER OF JURY TRIAL, JURISDICTION. IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS SECURITY INSTRUMENT AND THE OBLIGATIONS ARISING HEREUNDER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OREGON, APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICT LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, GRANTOR HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS SECURITY INSTRUMENT AND THE NOTE, AND THIS SECURITY INSTRUMENT AND THE NOTE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OREGON, AND ANY LAWS OF THE UNITED STATES OF AMERICA APPLICABLE TO NATIONAL BANKS.

TO THE FULLEST EXTENT PERMITTED BY LAW, GRANTOR AND BENEFICIARY HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION RELATING TO THE LOAN AND/OR THE LOAN DOCUMENTS. GRANTOR, TO THE FULLEST EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (A) SUBMITS TO PERSONAL JURISDICTION IN THE STATE OF OREGON OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS SECURITY INSTRUMENT, (B) AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF OREGON, (C) SUBMITS TO THE JURISDICTION AND VENUE OF SUCH COURTS AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT, AND (D) AGREES THAT IT WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM (BUT NOTHING HEREIN WILL AFFECT THE RIGHT OF BENEFICIARY TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM). GRANTOR

FURTHER CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO GRANTOR AT THE ADDRESSES FOR NOTICES DESCRIBED IN THIS SECURITY INSTRUMENT, AND CONSENTS AND AGREES THAT SUCH SERVICE WILL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN WILL AFFECT THE VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERMITTED BY LAW).

Section 12.2 Provisions Subject to Applicable Law. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof will be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term will not be affected thereby.

Article 13 - DEFINITIONS

All capitalized terms not defined herein will have the respective meanings set forth in the Loan Agreement. If a capitalized term is defined herein and the same capitalized term is defined in the Loan Agreement, then the capitalized term that is defined herein will be utilized for the purposes of this Security Instrument, *provided* that the foregoing does not impact provisions that are incorporated herein by reference. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "**Grantor**" will mean "each Grantor and any subsequent owner or owners of the Property or any part thereof or any interest therein, without limitation or waiver of any restrictions on transfers of any interests therein as set forth in any Loan Document," the word "**Beneficiary**" will mean "Beneficiary and any subsequent holder of the Note," the word "**Trustee**" means "the Trustee herein named and any successor Trustee," the word "**Note**" will mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "**Property**" will include any portion of the Property and any interest therein, and the phrases "**attorneys' fees**", "**legal fees**" and "**counsel fees**" will include any and all reasonable in-house and outside attorneys', paralegals' and law clerks' fees and disbursements, including fees and disbursements at the pre-trial, trial and appellate levels, in an arbitration proceeding, in bankruptcy (including, without limitation, any adversary proceeding, contested matter or motion), or otherwise, incurred or paid by Beneficiary and/or Trustee in protecting its respective interest in the Property, the Leases and the Rents and enforcing its respective rights hereunder.

Article 14 - LEASEHOLD MORTGAGE PROVISIONS

Section 14.1 General. The provisions of this Article 14 shall apply in the event that, and so long as, any portion of the Property consists of Grantor's interests as tenant under any lease or leases (including, without limitation, the Existing Ground Lease) (collectively, the "**Ground Leases**"; and individually, each a "**Ground Lease**"). The lien of this Security Instrument shall encumber all of Grantor's leasehold estate and other rights and interests under and in connection with any Ground Lease, including without limitation, renewal and extension rights, options to expand, and purchase options (all of which rights shall be collectively referred to herein as the "**Leasehold**").

Section 14.2 Performance of Obligations. Grantor shall timely perform its obligations in connection with each Ground Lease. Without limiting the generality of Article 6, above, Grantor

specifically acknowledges Beneficiary's right, while any default by Grantor under any Ground Lease remains uncured, to perform the defaulted obligations and take all other actions which Beneficiary reasonably deems necessary to protect its interests with respect thereto, and Grantor hereby irrevocably appoints Beneficiary its true and lawful attorney-in-fact in its name or otherwise to execute all documents, and perform all other acts, which Beneficiary reasonably deems necessary to preserve its or Grantor's rights with respect to any Leasehold.

Section 14.3 Modification of Ground Lease. Grantor shall not, without Beneficiary's prior written consent, modify, or cause or permit the termination of, any Ground Lease, or waive or in any way release the landlord under any Ground Lease of any obligation or condition.

Section 14.4 Notice under Ground Lease. Grantor shall notify Beneficiary promptly in writing of (i) the occurrence of any default by any party under any Ground Lease and (ii) the receipt by Grantor of any notice claiming the occurrence of any default by Grantor under any Ground Lease or the occurrence of any event which, with the passage of time or the giving of notice or both, would constitute a default by Grantor under any Ground Lease (and Grantor shall also promptly deliver a copy of any such notice to Beneficiary).

Section 14.5 Merger. Unless Beneficiary otherwise consents in writing, so long as any Secured Obligation remains outstanding, neither the fee title to, nor any other estate or interest in, the real property subject to any Ground Lease shall merge with any Leasehold, notwithstanding the union of such estates in the landlord or the tenant or in a third party. Any acquisition of the landlord's interest in any Ground Lease by Grantor or any affiliate of Grantor shall be accomplished in such a manner as to avoid a merger of the interests of landlord and tenant unless Beneficiary consents to such merger in writing.

Section 14.6 Acquisition of Fee Estate. Without limiting the generality of Article 1, if Grantor acquires fee title to any portion of the real property subject to any Ground Lease, this Security Instrument shall continue to be a lien on such fee title.

Section 14.7 Subordination of Leasehold Interest. Grantor shall not subordinate any Ground Lease or Leasehold to any deed of trust or other encumbrance of, or lien on, any interest in the real property subject to such Leasehold without the prior written consent of Beneficiary. Any such subordination without such consent shall, at Beneficiary's option, be void.

Section 14.8 Exercise of Options. Grantor shall exercise any option or right to renew or extend the term of any Ground Lease at least six months prior to the date of termination of any such option or right (to the extent permitted under the Ground Lease), shall give immediate written notice thereof to Beneficiary, and shall execute, deliver and record any documents requested by Beneficiary to evidence the lien of this Security Instrument on such extended or renewed lease term. If Grantor fails to exercise any such option or right as required herein, Beneficiary may exercise the option or right as Grantor's agent and attorney-in-fact pursuant to this Security Instrument, or in Beneficiary's own name or in the name of and on behalf of a nominee of Beneficiary, as Beneficiary chooses in its absolute discretion.

Section 14.9 Delivery of Ground Leases. Grantor shall deposit with Beneficiary Grantor's executed copy of each Ground Lease, as further security to Beneficiary, until all of the Obligations have been fully performed.

Section 14.10 Estoppel Certificate. Promptly upon demand by Beneficiary, Grantor shall use reasonable efforts to obtain from the landlord under any Ground Lease and furnish to Beneficiary an estoppel certificate of such landlord stating the date through which rent has been paid, whether or not there are any defaults, and the specific nature of any claimed defaults.

Section 14.11 Proceedings Regarding Ground Lease. Grantor shall notify Beneficiary promptly in writing of any request by either party to any Ground Lease for arbitration, appraisal or other proceedings relating to any Ground Lease and of the institution of any such proceeding, and shall promptly deliver to Beneficiary a copy of all determinations in any such proceeding. Beneficiary shall have the right, following written notice to Grantor, to participate in any such proceeding in association with Grantor or on its own behalf as an interested party. Grantor shall notify Beneficiary promptly in writing of the institution of any legal proceeding involving obligations under any Ground Lease, and Beneficiary may intervene in any such legal proceeding and be made a party. Grantor shall promptly provide Beneficiary with a copy of any decision rendered in connection with any such proceeding.

Section 14.12 Valuation of Leasehold. To the extent permitted by law, the price payable by Grantor or any other party in the exercise of the right of redemption, if any, from any sale under, or decree of foreclosure of, this Security Instrument shall include all rents and other amounts paid and other sums advanced by Beneficiary on behalf of Grantor as the tenant under the Ground Leases.

Section 14.13 Additional Events of Default. In addition to all other Events of Default described in this Security Instrument, the occurrence of any of the following shall be an Event of Default hereunder:

(a) A material breach or default by Grantor under any Ground Lease, subject to any applicable cure period; or

(b) The occurrence of any event or circumstance which gives either party under any Ground Lease a right to terminate such Ground Lease.

Section 14.14 Application of Bankruptcy Code. As used in this Security Instrument, the "Bankruptcy Code" shall mean 11 U.S.C. §§ 101 et seq., as modified and/or recodified from time to time. Notwithstanding anything to the contrary contained herein with respect to any Ground Lease:

The lien of this Security Instrument attaches to all of Grantor's rights under Subsection 365(h) of the Bankruptcy Code, including without limitation any and all elections to be made thereunder, any and all rights under any Ground Lease which Grantor is entitled to retain pursuant to 11 U.S.C. § 365(h)(1)(A)(ii) in the event of a rejection under the Bankruptcy Code of such Ground Lease by the landlord thereunder (or any trustee thereof), and any and all rights of offset under or as described in 11 U.S.C. § 365(h)(1)(B).

Grantor acknowledges and agrees that, as the beneficiary under this Security Instrument and by operation of 11 U.S.C. §365(h)(1)(D), Beneficiary has, and until this Security Instrument has been fully reconveyed continuously shall have, whether before or after any default under any of the Obligations or the taking of any action to enforce any of Beneficiary's rights and remedies under this Security Instrument or any foreclosure sale hereunder, the complete, unfettered and exclusive right, in its sole and absolute discretion, to elect (the "**365(h) Election**") whether (i) any Ground Lease that has been rejected under the Bankruptcy Code by the landlord thereunder (or any trustee therefor) shall be treated as terminated under 11 U.S.C. §365(h)(1)(A)(i), or (ii) the rights under such Ground Lease that

are in or appurtenant to the real property, as described in 11 U.S.C. §365(h)(1)(A)(ii), should be retained pursuant to that subsection. To the extent that, notwithstanding the preceding sentence and 11 U.S.C. §365(h)(1)(D), Grantor now or at any time in the future has any right to make, or to participate in or otherwise in any manner affect the making of, the 365(h) Election with respect to any Ground Lease, Grantor hereby absolutely assigns and conveys to Beneficiary any and all such rights, and all of Grantor's right, title, and interest therein, which may be used and exercised by Beneficiary completely, exclusively, and without any restriction whatsoever, in Beneficiary's sole and absolute discretion, whether before or after any default upon any of the Obligations, the taking of any action to enforce any of Beneficiary's rights and remedies under this Security Instrument, or any foreclosure sale hereunder. Grantor hereby unconditionally and irrevocably appoints Beneficiary as its attorney-in-fact to exercise Grantor's right, if any, to make, or participate in or otherwise in any matter affect the making of, the 365(h) Election with respect to any Ground Lease. Grantor shall not in any manner impede or interfere with any action taken by Beneficiary and, at the request of Beneficiary, Grantor shall take or join in the taking of any action to make, or participate in or otherwise in any manner affect the making of, the 365(h) Election with respect to any Ground Lease, in such manner as Beneficiary determines in its sole and absolute discretion. Unless and until instructed to do so by Beneficiary (as determined by Beneficiary in its sole and absolute discretion), Grantor shall not take any action to make, or participate in or otherwise in any manner affect the making of, the 365(h) Election with respect to any Ground Lease, including in particular, but without limitation, any election to treat any Ground Lease as terminated. Beneficiary shall have no obligation whatsoever to Grantor or any other person or entity in connection with the making of the 365(h) Election with respect to any Ground Lease or any instruction by Beneficiary to Grantor given, withheld or delayed in respect thereof, nor shall Beneficiary have any liability to Grantor or any other person or entity arising from any of the same.

As security for the Obligations, Grantor hereby irrevocably assigns to Beneficiary all of Grantor's rights to damages arising from any rejection by any landlord (or any trustee thereof) of any Ground Lease under the Bankruptcy Code. Beneficiary and Grantor shall proceed jointly or in the name of Grantor in respect of any claim or proceeding relating to the rejection of any Ground Lease, including without limitation the right to file and prosecute any proofs of claim, complaints, motions and other documents in any case in respect of such landlord under the Bankruptcy Code. This assignment shall continue in effect until all of the Obligations have been satisfied in full. Any amounts received by Beneficiary or Grantor as damages arising from the rejection of any Ground Lease as aforesaid shall be applied first to all costs reasonably incurred by Beneficiary (including reasonable attorneys' fees) in connection with this subsection (c) and then in accordance with other applicable provisions of this Security Instrument.

If, pursuant to the Bankruptcy Code, Grantor seeks to offset against the rent reserved in any Ground Lease the amount of any damages caused by the nonperformance of the landlord's obligations after the rejection by the landlord (or any trustee thereof) of such Ground Lease, Grantor shall, prior to effecting such offset, notify Beneficiary in writing of its intent to do so, setting forth the amounts proposed to be offset and, in the event that Beneficiary objects, Grantor shall not affect any offset of the amounts to which Beneficiary objects. If Beneficiary fails to object within 10 days following receipt of such notice, Grantor may offset the amounts set forth in Grantor's notice.

If any legal proceeding is commenced with respect to any Ground Lease in connection with any case under the Bankruptcy Code, Beneficiary and Grantor shall cooperatively conduct any such proceeding with counsel reasonably agreed upon between Grantor and Beneficiary. Grantor shall, upon demand, pay to Beneficiary all costs (including reasonable attorneys' fees) reasonably incurred by Beneficiary in connection with any such proceeding.

Grantor shall immediately notify Beneficiary orally upon learning of any filing by or against any landlord under any Ground Lease of a petition under the Bankruptcy Code. Grantor shall thereafter promptly give written notice of such filing to Beneficiary, setting forth any information available to Grantor with respect to the date of such filing, the court in which such petition was filed, and the relief sought therein. Grantor shall promptly deliver to Beneficiary all notices, pleadings and other documents received by Grantor in connection with any such proceeding.

Section 14.15 Maintenance Obligations Under Ground Lease. No maintenance, repair or other obligation of Grantor hereunder which relates to the "Property" shall apply to any Leasehold with respect to which the applicable Ground Lease imposes such obligation on the landlord so long as (a) Grantor does not own the landlord's interest; (b) such landlord is performing such obligation in accordance with the terms of such Ground Lease; and (c) the Ground Lease has not been rejected by the landlord (or any trustee thereof) under the Bankruptcy Code.

Section 14.16 Hazardous Materials. Grantor shall promptly notify the applicable landlord in writing in the event that Grantor knows or has cause to believe that any Hazardous Material has come to be located on or beneath the property leased under any Ground Lease.

Section 14.17 Conflict with Other Provisions of Security Instrument. The generality of the provisions of this Security Instrument shall not be limited by any provision of this Article 14 that sets forth particular obligations of Grantor as the tenant under the Ground Leases.

Section 14.18 Additional Representations and Warranties. Grantor hereby represents and warrants to Beneficiary, with respect to the Existing Ground Lease, as follows:

- (a) The Existing Ground Lease is in full force and effect;
- (b) Grantor owns the entire tenant's interest and Ground Lessor owns the entire lessor's interest under the Existing Ground Lease and each have the right under the Existing Ground Lease to execute this Security Instrument; and
- (c) No default under the Existing Ground Lease remains uncured, nor has any event occurred which, with the passage of time or service of notice or both, would constitute such a default.

Article 15 - MISCELLANEOUS PROVISIONS

Section 15.1 Time Is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Security Instrument.

Section 15.2 No Oral Change. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Grantor, Beneficiary, or Trustee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 15.3 Successors and Assigns. This Security Instrument will be binding upon and inure to the benefit of Grantor and Beneficiary and their respective successors and assigns forever.

Section 15.4 Inapplicable Provisions. If any term, covenant or condition of the Loan Agreement, the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any

respect, the Loan Agreement, the Note and this Security Instrument will be construed without such provision.

Section 15.5 Headings, Etc. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 15.6 Subrogation. If any or all of the proceeds of the Loan have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Beneficiary will be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Beneficiary and are merged with the lien and security interest created herein as cumulative security for the repayment of the Obligations, the performance and discharge of Grantor's obligations hereunder, under the Loan Agreement, the Note and the other Loan Documents and the performance and discharge of the Other Obligations.

Section 15.7 Entire Agreement. The Note, the Loan Agreement, this Security Instrument and the other Loan Documents constitute the entire understanding and agreement between Grantor and Beneficiary with respect to the transactions arising in connection with the Obligations and supersede all prior written or oral understandings and agreements between Grantor and Beneficiary with respect thereto. Grantor hereby acknowledges that, except as incorporated in writing in the Note, the Loan Agreement, this Security Instrument and the other Loan Documents, there are not, and were not, and no Persons are or were authorized by Beneficiary to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, the Loan Agreement, this Security Instrument and the other Loan Documents.

Section 15.8 Limitation on Beneficiary's Responsibility. No provision of this Security Instrument will operate to place any obligation or liability for the control, care, management or repair of the Property upon Beneficiary, nor will it operate to make Beneficiary responsible or liable for any waste committed on the Property by the tenants or any other Person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger. Nothing herein contained will be construed as constituting Beneficiary a "mortgagee in possession."

Section 15.9 Joint and Several. If more than one Person has executed this Security Instrument as "Grantor," the representations, covenants, warranties and obligations of all such Persons hereunder will be joint and several.

Section 15.10 Beneficiary's Discretion. Whenever, pursuant to this Security Instrument or any of the other Loan Documents, Beneficiary exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory or acceptable to Beneficiary, or Beneficiary exercises any right to grant or withhold consent, or Beneficiary exercises its discretion in making any decision, the decision of Beneficiary will, except as is otherwise specifically herein provided, be in the sole and absolute discretion of Beneficiary and will be final and conclusive.

Section 15.11 No Merger. So long as the Obligations owed to Beneficiary secured hereby remain unpaid and undischarged and unless Beneficiary otherwise consents in writing, the fee, leasehold, subleasehold and sub-subleasehold estates in and to the Property will not merge but will always remain separate and distinct, notwithstanding the union of estates (without implying Grantor's

consent to such union) either in Grantor, Beneficiary, any tenant or any third party by purchase or otherwise. In the event this Security Instrument is originally placed on a leasehold estate and Grantor later obtains fee title to the Property, such fee title will be subject and subordinate to this Security Instrument.

Article 16 - STATE-SPECIFIC PROVISIONS

Section 16.1 Principles of Construction. In the event of any inconsistencies between the terms and conditions of this Article 16 and the other terms and conditions of this Security Instrument, the terms and conditions of this Article 16 will control and be binding.

Section 16.2 Nonresidential Use. Grantor warrants that this Security Instrument is not and will at all times continue not to be a residential trust deed (as that term is defined in ORS 86.705(6)).

Section 16.3 Expenses During Redemption Period. If this Security Instrument is foreclosed as a mortgage and the Property sold at a foreclosure sale, the purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the lesser of the Default Rate or the maximum rate permitted by law, will be added to and become a part of the amount required to be paid for redemption from such sale.

Section 16.4 Foreclosure Subject to Tenancies. Beneficiary will have the right at its option to foreclose, or cause the nonjudicial foreclosure of, this Security Instrument subject to the rights of any tenant or tenants of the Property.

Section 16.5 Beneficiary's, Funding Lender's, Fiscal Agent's and Trustee's Expenses. Grantor will pay all of Beneficiary's, Funding Lender's, Fiscal Agent's, and Trustee's expenses incurred in any efforts to enforce any terms of this Security Instrument, whether or not any suit is filed, including, without limitation, reasonable legal fees and disbursements, foreclosure costs, title charges, and expenses incurred in any bankruptcy, reorganization, liquidation, receivership or similar proceeding. All such sums, with interest thereon, will be additional indebtedness of Grantor secured by this Security Instrument. Such sums will be immediately due and payable and will bear interest from the date of disbursement at the lesser of the Default Rate or the maximum rate permitted by law.

Section 16.6 Successor Trustee. In accordance with applicable law, Beneficiary may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

Section 16.7 Beneficiary's Powers. Without affecting the liability of any person for payment or performance of the Obligations or any of Beneficiary's rights or remedies, Beneficiary, at its option, may extend the time for payment of the Obligations or any part thereof, reduce payment thereon, release anyone liable thereon, accept a renewal note or notes therefor, modify the terms and time of payment thereof, release the lien of this Security Instrument on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Security Instrument or the lien or charge hereof. Grantor will pay Beneficiary a

reasonable service charge, together with such title insurance premiums and reasonable attorneys' fees as may be incurred at Beneficiary's option, for any such action if taken at Grantor's request.

Section 16.8 Subdivision. Grantor hereby consents to a subdivision of the Property, if Beneficiary, in its sole discretion, determines that a subdivision of the Property is necessary or desirable to preserve the lien of this Security Instrument, or to permit Beneficiary to foreclose on only a portion of the Property.

Section 16.9 Agents. In exercising any rights hereunder or taking actions provided for herein, Beneficiary and Trustee may act through their respective employees, agents or independent contractors as authorized by Beneficiary and Trustee.

Section 16.10 Protection of Beneficiary's Security. Grantor will give notice to Beneficiary of and will appear in and defend any action or proceeding that may affect the Property, the interests of Beneficiary or Trustee therein, or the rights or remedies of Beneficiary or Trustee under the Loan Documents. If any such action or proceeding is commenced and there is an uncured Event of Default, or Grantor fails to perform any of the Obligations, Beneficiary or Trustee may, at their option, make any appearances, disburse any sums, pay or settle any claims that have resulted in or may result in a lien of any portion of the property, make any entries upon the Property and take any actions as may be necessary or desirable to (i) protect or enforce the security of this Security Instrument, (ii) remedy Grantor's failure to perform the Obligations (without waiving such default by Grantor), or (iii) otherwise protect Beneficiary's or Trustee's interests. Grantor will pay all losses, damages, fees, costs and expenses incurred by Beneficiary and Trustee in taking such actions; including, without limitation, reasonable legal fees.

Section 16.11 Reimbursement of Beneficiary's, Fiscal Agent's, Funding Lender's and Trustee's Expenses. All amounts disbursed by Beneficiary, Fiscal Agent, Funding Lender and Trustee pursuant to Sections 16.5 and 16.10 or any other provision of this Security Instrument or the other Loan Documents, with interest thereon at the Default Rate from the date of disbursement until repaid, will constitute Obligations secured by this Security Instrument. All such amounts will be immediately due and payable and bear interest from the date of disbursement at the lesser of the Default Rate or the maximum rate permitted by law.

Section 16.12 Notice Pursuant to ORS 746.201.

WARNING

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

Section 16.13 Statutory Notice. **UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BENEFICIARY CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY GRANTOR'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BENEFICIARY TO BE ENFORCEABLE.**

Section 16.14 Assessments Against Property. Grantor will not, without the prior written approval of Beneficiary, which may be withheld for any reason, consent to or allow the creation of any so-called special districts, special improvement districts, benefit assessment districts or similar districts, or any other body or entity of any type, or allow to occur any other event, that would or might result in the imposition of any additional taxes, assessments or other monetary obligations or burdens on the Property, and this provision serves as RECORD NOTICE to any such district or districts or any governmental entity under whose authority such district or districts exist or are being formed that, should Grantor or any other person or entity include all or any portion of the Property in such district or districts, whether formed or in the process of formation, without first obtaining Beneficiary's express written consent, the rights of Beneficiary in the Property pursuant to this Security Instrument or following any foreclosure of this Security Instrument, and the rights of any person or entity to whom Beneficiary might transfer the Property following a foreclosure of this Security Instrument, will be senior and superior to any taxes, charges, fees, assessments or other impositions of any kind or nature whatsoever, or liens (whether statutory, contractual or otherwise) levied or imposed, or to be levied or imposed, upon the Property or any portion thereof as a result of inclusion of the Property in such district or districts.

[Remainder of Page Intentionally Left Blank]


IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by Grantor
as of the day and year first above written.

GRANTOR:

MOUNTAINVIEW TOWNHOMES LIMITED PARTNERSHIP,
an Oregon limited partnership

By: KHA Mountainview GP LLC,
an Oregon limited liability company,
its Managing General Partner

By: Klamath Housing Authority,
an Oregon public body corporate and politic,
its Manager

By: 
Ann Malfavon
Executive Director

By: Stewardship Mountainview LLC,
an Oregon limited liability company,
its Administrative General Partner

By: Stewardship Development LLC,
an Oregon limited liability company,
its Manager

By: JCP Real Estate LLC,
an Oregon limited liability company,
its Member

By: _____
Amanda Perkins
Member

IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by Grantor as of the day and year first above written.

GRANTOR:

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an Oregon limited liability company,
its Manager

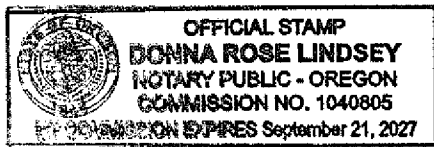
By: JCP Real Estate LLC,
an Oregon limited liability company,
its Member

By: Amanda Perkins
Amanda Perkins
Member

ACKNOWLEDGMENT

STATE OF OREGON)
) ss.
COUNTY OF KLAMATH)

This instrument was acknowledged before me this 6th day of May, 2024 by Ann Malfavon, the Executive Director of the Klamath Housing Authority, the Manager of KHA Mountainview GP LLC, an Oregon limited liability company, the Managing General Partner of Mountainview Townhomes Limited Partnership, an Oregon limited partnership.



Donna Lindsey
Notary Public; State of OREGON

Print Name: Donna Lindsey

My Commission Expires: 9/21/27

Mountainview Townhomes
Trust Deed

EXHIBIT A

LEGAL DESCRIPTION

All that certain Real Property situated in the City of Willamette, County of Klamath, State of Oregon, described as follows:

Parcel 1, Land Partition 15-23, a replat of Parcel 3 Land Partition 8-20, a replat of Parcel 3 of Land Partition 2-17 situate in the NE1/4 Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon and recorded December 26, 2023 as Instrument No. 2023-010962, Klamath County Records.