

THIS TRUST DEED, made this 15th day of March, 1984, between PERLA DEVELOPMENT CO., INC., as GRANTOR, WILLIAM M. GANONG, Attorney at Law, as TRUSTEE, and EASTPORT EQUITIES CORPORATION, an Oregon Corporation, as BENEFICIARY,

RECITALS:

A. EASTPORT EQUITIES CORPORATION was the owner of real property situated in Klamath County, Oregon, being more particularly described as follows; to-wit:

Lot 6 in Block 6, TRACT 1163, CAMPUS VIEW, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon

B. PERLA DEVELOPMENT CO., INC, has acquired the Subject Property from EASTPORT EQUITIES CORPORATION in consideration of a cash down payment in the amount of \$5,963.10 and the delivery to Eastport Equities Corporation of a Promissory Note which is more particularly detailed hereinafter and with a face value of \$33,790.90, the payment of which said Note is secured by this Trust Deed under the terms and conditions hereinafter set forth.

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to Trustee, in Trust, with power of sale, the property in Klamath County, Oregon, which is more particularly described in Paragraph A of the Recitals, above, together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said real estate.

This conveyance is made for the purpose of securing performance of each agreement of Grantor herein contained and payments of the sum of THIRTY THREE THOUSAND SEVEN HUNDRED NINETY AND 90/100 DOLLARS, with interest thereon according to the terms of the Promissory Note of even date herewith, payable to the Beneficiary or order and made by Grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable on March 15, 1991.

1. RESALE.

Grantor, while the lot is still subject to this Trust Deed, may sell, convey, assign or otherwise transfer its interest in the above described property on the following terms and conditions only:

a. Grantor may sell, convey, assign or otherwise transfer its interest in the subject property to Robert Perla, or an entity wholly owned and controlled by Robert Perla and/or his wife, or to a joint venture of which Grantor is an equal partner.

b. Grantor may sell, convey, assign or otherwise transfer its interest in the subject property to any other person(s) or entity upon the following terms and conditions:

1. Any such sale or transfer must first be approved in writing by the Beneficiary, provided however, that the Beneficiary's approval shall not be unreasonably withheld;
2. Grantor shall make an additional principal payment in an amount equal to 20% of the unpaid principal balance of the Note secured hereby. Said additional principal payment shall be computed as of the date Beneficiary approves of the said sale or transfer.
3. The interest rate charged against the unpaid principal balance of the said Note shall be adjusted to the "prime interest" rate then being charged by South Valley State Bank plus 1.75 percent. (Example: If the prime rate is then 10.00%, the interest rate on the Note will be adjusted to 11.75% per annum) Said interest rate shall be adjusted annually, and

5104

4. The monthly installment payments of the remaining principal balance of the Note and accruing interest shall be re-amortized so that the Note will be paid in full on or before March 15, 1991. The entire remaining principal balance and accrued interest shall then be due and payable on or before March 15, 1991.

c. Any sale, assignment, conveyance or transfer of the Subject Property by Grantor other than as provided hereinabove shall require the immediate payment of the unpaid principal balance and accrued interest of the said Note.

2. PAYMENT OF THE NOTE. Grantor will make all payments of the interest and principal for which provision is made in the Note and in any note or notes given in renewal or replacement thereof, promptly as such payments become due and payable and will pay the unpaid balance of the Note upon maturity.

3. TITLE. Grantor warrants that it holds good and merchantable title to the Subject Property subject to no liens or encumbrances.

4. USE OF SUBJECT PROPERTY. Grantor covenants and warrants that the Subject Property is not currently used for agricultural, timber or grazing purposes. Grantor further covenants and warrants that it will use the Subject Property in compliance with all laws, ordinances and regulations of all governmental authorities.

5. TAXES AND ASSESSMENTS. Grantor shall pay when due all taxes and all assessments imposed against the Subject Property and all claims and demands arising from the Grantor's use or occupancy of the Subject Property. Upon payment of real property taxes and assessments. Grantor hereby authorizes the appropriate city or county official to deliver to Trustee and Beneficiary at any time a written statement of the taxes and assessments against the Subject Property.

6. LIENS. Grantor shall not permit any lien prior or equal to the Trustee's title to be imposed upon the Trust Property, except liens for taxes or assessments assessed but not yet due.

7. PROPERTY INSURANCE. At the time of the execution of this Instrument the Subject Property is bare land. In the event that Grantor constructs an insurable improvement on the Subject Property then Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all buildings and improvements, including additions thereto and replacements thereof, in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Beneficiary. The amount of insurance shall in no event be less than the full insurable value of the property. In such event Grantor shall deliver to Beneficiary a certificate of coverage from the insurer issuing the policy which contains a stipulation that coverage will not be cancelled or diminished without a minimum of 10 days advance written notice to Beneficiary.

8. USE AND MAINTENANCE. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Subject Property. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Beneficiary's and Trustee's interests in the Subject Property are not jeopardized. Grantor shall not conduct or permit any nuisance on the Subject Property nor commit or suffer any strip or waste thereof. Grantor shall maintain the Subject Property in good condition and repair and promptly perform all repairs and maintenance necessary to preserve its value. Grantor will permit Beneficiary and its agents to enter upon the Subject Property at all reasonable times to inspect the Subject Property.

9. SECURITY AGREEMENT. This instrument shall constitute a security agreement with respect to any fixtures attached to the Subject Property to secure all indebtedness and obligations secured by this Trust Deed and all future advances

and all future indebtedness and obligations of Grantor to Beneficiary. This instrument shall also constitute a financing statement and may be filed for recording in the real estate records of the county where the Subject Property is located.

10. EVENTS OF DEFAULT. The following shall constitute events of default:

- a. Failure of Grantor to make any payment required by the Notes or to make any payment for taxes or insurance premiums, or any other payment necessary to prevent filing of or discharge of any lien.
- b. Failure of Grantor to perform any obligation contained in this Trust Deed within 30 days after notice from Beneficiary (or Beneficiary's representative) specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue with reasonable diligence curative action.
- c. Failure of Grantor to perform any obligation required by any other instrument evidencing or securing any indebtedness of Grantor to Beneficiary.
- d. The sale or transfer of possession of the Subject Property or any part thereof in any manner by Grantor, whether by deed, contract of sale, lease or similar agreement, except as specifically provided in paragraph (1), above. The execution and delivery by the Grantor of any joint venture agreement, partnership agreement, declaration of trust, option agreement or other instrument whereunder any other person may become entitled, directly or indirectly, to the possession or enjoyment of the Subject Property, or the income or other benefits derived or to be derived therefrom, shall in each case be deemed to be a sale or transfer of Grantor's interest in the Subject Property for the purposes of this section. Grantor acknowledges that the Note secured by this Trust Deed is personal to Grantor and that in making the Beneficiary has relied on Grantor's credit, Grantor's interest in the Subject Property and financial market conditions at the time this sale from Beneficiary to Grantor took place.

11. REMEDIES IN CASE OF DEFAULT. If an event of default shall occur, Beneficiary or Trustee, as the case may be, may exercise any of the following rights and remedies, in addition to any other remedies which may be available at law, in equity, or otherwise:

- a. Beneficiary may declare all sums secured by this Trust Deed, including all interest and prepayment penalties, to be immediately due and payable.
- b. Beneficiary may examine all books, records and contracts of Grantor pertaining to the Subject Property and make such memoranda thereof as may be desired.
- c. Beneficiary may have a receiver of the Subject Property appointed. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Subject Property exceeds the amount of the indebtedness secured by this Trust Deed. Employment by Trustee or Beneficiary shall not disqualify a person from serving as receiver. Grantor waives all defenses and consents to the appointment of a receiver at Beneficiary's option.
- d. Beneficiary may, either through a receiver or as a secured party-in-possession, take possession of all or any part of the Subject Property, and Grantor shall peaceably surrender the same.
- e. Beneficiary may revoke Grantor's right to collect the rents and revenues from the Subject Property, and may, either itself or through a receiver, collect the same. To facilitate collection, Beneficiary may notify Grantor's tenants to pay rents directly to

it. Beneficiary shall not be deemed to be in possession of the Subject Property solely by reason of exercise of the rights contained in this paragraph. If rents are collected by Beneficiary under this paragraph, Grantor hereby irrevocably designates Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment of rent, in respect of any part of the Subject Property, in the name of Grantor and to negotiate such instruments and collect the proceeds thereof.

- f. Beneficiary may obtain a decree foreclosing Grantor's interest in all or any part of the Trust Property.
- g. With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.
- h. Beneficiary may abandon any security afforded by this Trust Deed or any other security instrument by notifying Grantor of Beneficiary's election to do so.
- i. Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Subject Property by advertisement and exercise of the power of sale under applicable law.
- j. Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Trust Deed are cumulative and not exclusive. No delay or omission in exercising any right or remedy shall impair that or any other right to remedy or shall be construed to be a waiver of the default.

12. RECEIVERSHIP. Upon taking possession of all or any part of the Subject Property, a receiver or Trustee or Beneficiary or Beneficiary's representative may:

- a. Use, operate, manage, control and conduct business on the Subject Property and make expenditures for such purposes and for maintenance and improvements as in its judgment are necessary.
- b. Collect all rents, revenues, income, issues and profits from the Subject Property and apply such sums to the expenses of use, operation, management, maintenance and improvements.
- c. At its option, complete any construction in progress on the Subject Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans and specifications as it deems appropriate.
- d. If the revenues produced by the Subject Property are insufficient to pay expenses, including, without limitation, any disbursements made by Beneficiary or Trustee pursuant to this Section, a receiver may borrow, or Beneficiary or Trustee may advance, such sums upon such terms as it deems necessary for the purposes stated in this section, and repayment of such sums shall be secured by this Trust Deed. Amounts borrowed or advanced shall bear interest at a rate equal to the lesser of 10.75 percent per annum or the highest rate permitted by applicable law. Amounts borrowed or advanced and interest thereon shall be payable by Grantor to Beneficiary or Trustee on demand.

All proceeds realized from the exercise of the rights and remedies under this Section shall be applied as follows:

- a. To pay the costs of exercising such rights and remedies, including the costs of any sale, the costs and expenses of any receiver or lender-in-possession, and the costs and expenses provided for in this Section.

b. To pay all other amounts owed by Grantor, payment of which is secured by this Trust Deed.

c. The surplus, if any, shall be paid to the clerk of the court in the case of a foreclosure by judicial proceeding, otherwise to the person or persons legally entitled thereto.

13. EXPENSES AND ATTORNEY FEES. In the event that Beneficiary or Trustee shall take any action, judicial or otherwise, to enforce the Note or any provision of this Trust Deed or if Beneficiary or Trustee shall be required to appear in any proceeding to protect and maintain the priority of Trustee's title to the Subject Property, Trustee or Beneficiary (or both) shall be entitled to recover from Grantor all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and its attorney fees, whether incurred in a suit or action or any appeals from a judgment or decree therein or in connection with nonjudicial action. Grantor shall reimburse Beneficiary or Trustee (or both) for expenses so incurred on demand with interest from the date of expenditure until repaid at a rate equal to the lesser of 10.75 percent per annum or the highest rate permitted by applicable law.

14. BENEFICIARY'S RIGHT TO CURE. If Grantor fails to perform any obligation required of it under this Trust Deed, Beneficiary may, without notice, take any steps necessary to remedy such failure. Grantor shall reimburse Beneficiary for all amounts expended in so doing on demand with interest at a rate equal to the warranty, the Trust Property then held hereunder. The recitals in any reconveyance executed under this Trust Deed of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

15. SUBSTITUTE TRUSTEE. In the event of resignation of the Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all of the powers and duties of prior trustees.

16. TRUST DEED BINDING ON SUCCESSORS AND ASSIGNS. This Trust Deed shall be binding on and inure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

17. INDEMNITY. Grantor shall hold Beneficiary and Trustee harmless from any and all loss and expense, including but not limited to attorney fees and court costs, in any suit, action or proceeding or any appeal therefrom brought against Trustee or Beneficiary by a third party resulting from or attributable to Beneficiary's ownership of the Note or Trustee's interest under this Trust Deed, except suits, actions and proceedings based upon a claim that Beneficiary or Trustee improperly entered into this Trust Deed or Note or loaned money thereunder, or other claims not arising from Grantor's ownership or use of the Subject Property.

18. NOTICE. Any notice under this Trust Deed shall be in writing. Any notice to be given or document to be delivered under this Trust Deed shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address first stated in this Trust Deed; provided that any notice pursuant to exercise of the Trustee's power of sale in the event of default shall be sufficient if such notice complies with all provisions of Oregon law applicable to exercise of such powers of sale. Any party may by notice to the others designate a different address.

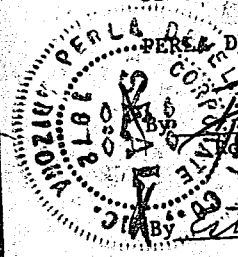
19. SEVERABILITY. If any provision of this Trust Deed shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Trust Deed, but this Trust Deed shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

20. ENTIRE AGREEMENT. This Trust Deed and the Note secured hereby contain the entire agreement of the parties with respect to the matters covered, and no other previous agreement, statement or promise made by any party to this Trust Deed which is not contained in its terms or in the terms of the Note shall be binding or valid.

TRUST DEED - Page 6

IN WITNESS WHEREOF, Grantor has caused this Trust Deed to be executed as of the day and year first above written.

PERLA DEVELOPMENT CO., INC.

 Robert Perla, President
By Esther Perla, Secretary

STATE OF CALIFORNIA)
County of LOS ANGELES) SS.

The foregoing Instrument was acknowledged before me this 12 day of MARCH, 1984, by Robert Perla and ESTHER PERLA, Secretary of Perla Development Co., Inc. a Corporation, on behalf of the Corporation.

(SEAL)



Byron Katz
Notary Public for

My Commission expires: 12/16/87

Return: M.T.C.

STATE OF OREGON,)
County of Klamath)
Filed for record at request of

on this 30th day of March A.D. 19 84
at 3:54 o'clock PM M, and duly
recorded in Vol. 184 of Mortgages
Page 5103

EVELYN BIEHN, County Clerk

By Don Smith, Deputy

Fee \$24.00