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Vol. 1886

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17405

DEED OF TRUST, ASSIGNMENT OF RENTS
AND LEASES, AND SECURITY AGREEMENT

DATED:

September 23, 1986

BETWEEN:

TERRY L. HOWARD and JOHN W. WILLIAMS,
as tenants in common
c/o Magna Corp.
107 Lakeshore Drive
Estacada, Oregon 97023

AND:

PRUDENTIAL BANK, F.S.B.
401 Parkplace, Suite 410
Kirkland, Washington 98033

GRANTOR

AND:

STEWART TITLE OF OREGON, INC.
200 SW Market Street, Suite 104
Portland, Oregon 97201

BENEFICIARY

TRUSTEE

Under a loan commitment dated October 21, 1985 between Grantor and Beneficiary, as amended by letters dated July 21, 1986 and August 25, 1986 (the "Commitment"), Beneficiary has loaned or agreed to loan to Grantor \$1,605,000 on certain terms and conditions. Such amount will be repayable with interest according to the terms of a promissory note given to evidence such indebtedness, dated the same as this deed, under which the final payment of principal and interest will be due on SEPT 23RD, 1996, or on SEPT 23RD, 1991, if Beneficiary elects to call the loan as of such date. The promissory note, and any note or notes given in renewal, modification, substitution or addition to the promissory note originally issued, is referred to as "the Note." The Note provides for adjustment of the interest rate and payments thereunder.

The term "Indebtedness" as used in this deed shall mean (a) the principal and interest payable under the Note, (b) any future amounts that Beneficiary may in its discretion loan to Grantor, with interest thereon, and (c) any amounts expended or advanced by Beneficiary to discharge obligations of Grantor or expenses incurred by Beneficiary or Trustee to enforce obligations of Grantor, as permitted under this deed, with interest thereon as provided below.

FOR VALUE RECEIVED, Grantor conveys to Trustee in trust the real property in Klamath County, Oregon described on the attached Exhibit A, together with all existing and subsequently erected or affixed improvements and fixtures. The Property is not used for agricultural, timber or grazing purposes.

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Grantor presently assigns to Beneficiary all of Grantor's right, title and interest in and to all rents, revenues, income, issues and profits (the "Income") from the real property described above, whether now or hereafter due.

Grantor grants Beneficiary a security interest in the Income and in all equipment, furnishings and other articles of personal property owned or leased by Grantor, now or subsequently located on or used in connection with the real property described above, including (without limitation) the property described on the attached Exhibit B, together with all accessions, parts or additions to, all replacements of and all substitutions for any of such property, and together with all proceeds (including insurance proceeds) therefrom.

The real and personal property described above is referred to as the "Property."

This trust deed, the assignment of the Income, and security interest are given to secure payment of the indebtedness and performance of all obligations of Grantor under this deed and are given and accepted on the following terms and conditions which Grantor will promptly and faithfully observe and perform:

1. PAYMENT AND PERFORMANCE

Grantor shall pay to Beneficiary promptly when due all amounts the payment of which is secured by this deed and shall strictly perform all obligations imposed upon Grantor by this deed.

2. POSSESSION AND MAINTENANCE OF THE PROPERTY

2.1 Possession. Until in default, Grantor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.

2.2 Duty to Maintain. Grantor shall maintain the Property in first class condition and promptly perform all repairs and maintenance necessary to preserve its value.

2.3 Nuisance, Waste. Grantor shall not conduct or permit any nuisance and shall not commit or suffer any strip or waste on the Property.

2.4 Removal of Improvements. Grantor shall not demolish or remove any improvements from the Property without the prior written consent of Beneficiary. Beneficiary shall consent if Grantor makes arrangements satisfactory to Beneficiary to replace any improvement which Grantor proposes to

remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures and parking facilities.

2.5 Beneficiary's Right to Enter. Beneficiary and its agents and representatives may enter upon the Property at all reasonable times to attend to Beneficiary's interest and to inspect the Property.

2.6 Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the 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 interest in the Property is not jeopardized.

2.7 Duty to Protect. Grantor shall do all other acts, in addition to those set forth in this deed, that from the character and use of the Property are reasonably necessary to protect and preserve the security.

2.8 Construction Loan. If some or all of the proceeds of the loan creating the Indebtedness is to be used to construct or complete construction of any improvement on the Property, Grantor shall pay in full all costs and expenses in connection with the work.

2.9 Sinking Fund. Grantor shall establish and maintain with Beneficiary a sinking fund account as required by the Commitment.

3. TAXES AND LIENS

3.1 Payment. Grantor shall pay when due all taxes and assessments levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens whether or not superior to this deed, except for the lien of taxes and assessments not due, and except as otherwise provided in Section 3.2.

3.2 Right to Contest. Grantor may withhold payment of any tax, assessment or claim in connection with a good faith dispute over the obligation to pay, so long as Beneficiary's interest in the Property is not jeopardized. If the Property is subjected to a lien which is not discharged within 15 days, Grantor shall deposit with Beneficiary cash, a sufficient corporate surety bond or other security satisfactory to Beneficiary, in an amount sufficient to discharge the lien plus any interest,

costs, attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest proceedings, Grantor will defend itself and Beneficiary and will name Beneficiary as an additional obligee under any surety bond, and Grantor shall satisfy any final adverse judgment before enforcement against the Property.

3.3 Evidence of Payment. Grantor shall promptly furnish evidence of payment of taxes and assessments to Beneficiary on its demand and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

3.4 Reserves. Beneficiary may require Grantor to maintain with Beneficiary reserves for payment of taxes and assessments. The reserves shall be created by monthly payments of a sum estimated by Beneficiary to be sufficient to produce, at least 30 days before the taxes and assessments are due, amounts at least equal to the taxes and assessments to be paid. If Beneficiary determines that the reserve funds are insufficient at any time, Grantor shall promptly pay any deficiency to Beneficiary on its demand. The reserve funds shall be held by Beneficiary as a general deposit from Grantor and shall constitute a non-interest-bearing debt from Beneficiary to Grantor which Beneficiary may satisfy by payment of the taxes and assessments required to be paid by Grantor as they become due. Beneficiary does not hold the reserve funds in trust for Grantor, and Beneficiary is not the agent of Grantor for payment of the taxes and assessments required to be paid by Grantor.

3.5 Notice of Construction. Grantor shall notify Beneficiary at least 15 days before any work is commenced, any services are furnished or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services or materials and the cost exceeds \$25,000. On Beneficiary's request, Grantor will promptly furnish advance assurances reasonably satisfactory to Beneficiary that Grantor can and will pay the cost of such improvements.

4. PROPERTY DAMAGE INSURANCE

4.1 Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all improvements on the Property, in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Beneficiary. Policies shall be written in amounts, in form, on terms and with companies reasonably acceptable to Beneficiary and in compliance with the Commitment. Grantor shall deliver to Beneficiary certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or

diminished without a minimum of 10 days' written notice to Beneficiary.

4.2 Grantor's Report on Insurance. Within 60 days after the close of its fiscal year, Grantor shall furnish to Beneficiary a report on each existing policy of insurance showing:

- (a) the name of the insurer;
- (b) the risks insured;
- (c) the amount of the policy;
- (d) the Property insured, the then current replacement cost of the Property, and the manner of determining that amount; and
- (e) the expiration date of the policy.

On Beneficiary's reasonable request, Grantor shall have an independent appraiser satisfactory to Beneficiary determine the current replacement cost of the Property.

4.3 Application of Proceeds. Grantor shall promptly notify Beneficiary of any loss or damage of the Property. Beneficiary may make proof of loss if Grantor fails to do so within 15 days of the casualty. Beneficiary may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration and repair of the Property. If Beneficiary elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Beneficiary. Upon satisfactory proof of such expenditure, Beneficiary shall pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. Any proceeds which have not been paid out within 180 days after their receipt and which Beneficiary has not committed to the repair or restoration of the Property shall be used to prepay first accrued interest and then principal of Grantor's Indebtedness. If Beneficiary holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor. If Beneficiary elects to require application of the proceeds to the reduction of the Indebtedness, no prepayment penalty shall be applicable to such prepayment. Beneficiary agrees, however, that it will not require application of the proceeds to the Indebtedness if each of the following conditions are satisfied:

- (a) At the time the proceeds are received:

- (i) Grantor is not in default under this Deed of Trust;
- (ii) The proceeds available for application are less than the Indebtedness then secured by this Deed of Trust;
- (b) The proceeds are received more than one (1) year prior to the maturity date of the Note;
- (c) Grantor gives Beneficiary written notice within thirty (30) days after the proceeds are received that it intends to restore or repair the Property and requests that the proceeds be made available therefor, and Grantor thereafter promptly commences the restoration or repair and completes the same with reasonable diligence;
- (d) The fair market value of the improvements after completion of the repair work will be equal to or greater than the fair market value of the improvements on the date hereof; and
- (e) Grantor furnishes Beneficiary evidence reasonably satisfactory to Beneficiary that the proceeds are sufficient to complete the restoration or repair as described above or, if they are not, that there are other financial resources readily available to Grantor in an amount equal to such deficiency. In the event of such a deficiency, Beneficiary may, at its option, require that such other financial resources be expended prior to use of the insurance proceeds.

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

4.5 Reserves. Beneficiary may require Grantor to maintain with Beneficiary reserves for payment of insurance premiums. The reserves shall be created and held in the same manner as provided in Section 3.4 for reserves for payment of taxes and assessments.

5. WARRANTIES OF GRANTOR

5.1 Title. Grantor warrants that it holds merchantable title to the Property in fee simple free of all encumbrances other than those set forth in the attached Exhibit A.

5.2 Defense of Title. Subject to the exceptions in the paragraph above, Grantor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this deed, Grantor shall defend the action at its expense.

5.3 Commercial Trust Deed. Grantor warrants that this deed is and will at all times constitute a commercial trust deed (as that term is defined in ORS 86.770).

6. CONDEMNATION

6.1 Application of Net Proceeds. If all or any part of the Property is condemned, Beneficiary may elect to require that all or any portion of the net proceeds of the condemnation be applied on the indebtedness, without prepayment penalty. The "net proceeds" shall mean the total amount available after payment of all reasonable costs, expenses, and attorneys' fees necessarily paid or incurred by Grantor, Beneficiary, and Trustee in connection with the taking by condemnation. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this Section shall apply. In the event of a partial condemnation, Beneficiary will disburse a portion of the net proceeds to Grantor for restoration of the remainder of the Property on the same basis and upon the same conditions as insurance proceeds would be made available under Section 4.3 in the event of damage or destruction, provided that Beneficiary, in the exercise of reasonable business judgment, concludes that the value of the remainder of the Property will be increased by at least the amount of the net proceeds so disbursed.

6.2 Proceedings. If any proceedings in condemnation are filed, Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

7. IMPOSITION OF TAX BY STATE

7.1 State Taxes Covered. The following shall constitute state taxes to which this Section applies:

(a) A specific tax upon trust deeds or upon all or any part of the indebtedness secured by a trust deed.

(b) A specific tax on a grantor which the taxpayer is authorized or required to deduct from payments on the indebtedness secured by a deed of trust.

(c) A tax on a trust deed chargeable against the beneficiary or the holder of the note secured.

(d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by a grantor; provided, however, that this provision shall not apply to income or excise taxes on Beneficiary unless imposed in substitution for ad valorem real property taxes.

7.2 Remedies. If any state tax to which this Section applies is enacted subsequent to the date of this deed, this shall have the same effect as a default, and Beneficiary may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

(a) Grantor may lawfully pay the tax or charge imposed by the state tax, and

(b) Grantor pays or offers to pay the tax or charge within 30 days after notice from Beneficiary that the tax law has been enacted.

8. POWERS AND OBLIGATIONS OF TRUSTEE

8.1 Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the request of Beneficiary and Grantor:

(a) Join in preparing and filing a map or plat of the Property, including the dedication of streets or other rights in the public.

(b) Join in granting any easement or creating any restriction on the Property.

(c) Join in any subordination or other agreement affecting this deed or the interest of Beneficiary under this deed.

(d) Reconvey, without warranty, all or any part of the Property.

8.2 Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

9. TRANSFER OR ENCUMBRANCE BY GRANTOR

9.1 Prohibition of Transfer or Encumbrance Without Consent. Grantor shall not sell, agree to sell, assign, convey, subcontract, vacate, encumber, lease with an option to purchase, or otherwise transfer any part or all of the Property or any interest in the Property, without the prior written consent of Beneficiary, nor may any general partnership interest in Grantor be sold, assigned, encumbered, or otherwise transferred without Beneficiary's prior written consent. Beneficiary agrees that it will not unreasonably withhold its consent to secondary financing which is inferior to this trust deed, and that no consent shall be required for a transfer to the spouse or children of a Grantor, or to a family trust for the benefit of such spouse or children. If Grantor or a prospective transferee applies to Beneficiary for consent to a transfer, Beneficiary may require such information as may be reasonably necessary for Beneficiary to assess the prospective transferee's prior business experience, reputation and financial ability to perform Grantor's obligations under this deed.

9.2 Failure to Obtain Consent. Any transfer or encumbrance as described in Section 9.1 without Beneficiary's prior written consent shall be deemed to increase Beneficiary's risk, and Beneficiary may, at its option, declare the Indebtedness immediately due and payable, or as a condition of its consent, Beneficiary may in its discretion impose a service charge and may increase the interest rate of the Indebtedness.

9.3 Effect of Consent. Consent by Beneficiary to one transfer shall not constitute a consent to other transfers or a waiver of this section. No transfer by Grantor shall relieve Grantor of liability for payment of the Indebtedness. Following a transfer, Beneficiary may agree to any extension of time for payment or modification of the terms of this deed or the Note or waive any right or remedy under this deed or the Note without relieving Grantor from liability. Grantor waives notice, presentment, and protest with respect to the Indebtedness.

9.4 One Time Waiver. Notwithstanding the provisions of Section 9.1 above, Beneficiary will consent to one sale of the Property and an assumption by the Purchaser of the Indebtedness, provided, that:

(a) Grantor is not then in default under this deed;

(b) The purchaser of the Property, the financial statements, the financial strength, tax returns, and credit history of the purchaser, the sale agreement

and related documents, and all aspects of the sale are completely satisfactory to Beneficiary;

(c) Beneficiary is paid, in cash, an assumption fee equal in amount to 1 percent of the then outstanding principal balance due on the Note, plus Beneficiary's legal and other reasonable out-of-pocket expenses, if any, incurred in connection with the transfer; and

(d) Unless Beneficiary in its sole discretion otherwise agrees in writing at that time, no such sale or assumption shall release Grantor or any guarantor, or any other person, from liability or otherwise affect the liability of Grantor or any guarantor, or any other person, for payment of the Indebtedness.

9.5 Leases. Beneficiary shall have the right to review and approve any leases entered into with respect to the Property. After receipt of any proposed lease, Beneficiary shall have ten (10) business days in which to review, approve or require changes to any proposed lease. In determining whether or not to approve a proposed tenant, Beneficiary will consider the creditworthiness and reputation of the proposed tenant and whether or not it is an entity which has been duly organized with full power and authority to enter into the lease. Each tenant under such leases shall be required to enter into a subordination, nondisturbance and attornment agreement with Beneficiary and to furnish an estoppel certificate in form acceptable to Beneficiary, subordinating any such lease to this deed. Grantor shall notify Beneficiary in writing within five (5) days of any extension or renewal of the existing lease by the United States of America, or within five (5) days after notice by such tenant of termination or election not to extend or renew, or expiration of the period within which notice of election to renew or extend must be given.

10. SECURITY AGREEMENT; SECURITY INTEREST

10.1 Security Agreement. This instrument shall constitute a security agreement with respect to the Income and any personal property included in the description of the Property.

10.2 Security Interest. Upon request by Beneficiary, Grantor shall execute financing statements and take whatever other action is requested by Beneficiary to perfect and continue Beneficiary's security interest in the Income and personal property. Grantor hereby appoints Beneficiary Grantor's attorney in fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein. Beneficiary may file copies or reproductions of this deed as a

financing statement at any time and without further authorization from Grantor. Grantor will reimburse Beneficiary for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assemble the personal property at the site of the real property and make it available to Beneficiary within three days after receipt of written demand from Beneficiary.

11. RECONVEYANCE ON FULL PERFORMANCE

If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this deed, Beneficiary shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file. The reconveyance and filing fees shall be paid by Grantor.

12. DEFAULT

The following shall constitute events of default:

- (a) Failure of Grantor to pay any portion of the Indebtedness when it is due.
- (b) Failure of Grantor within the time required by this deed to make any payment for taxes, insurance or for reserves for such payment, or any other payment necessary to prevent filing of or discharge of any lien.
- (c) Transfer or encumbrance of any part or interest in the Property without the prior written consent of Beneficiary, as required under Section 9 above.
- (d) Dissolution, termination of existence, insolvency on a balance sheet basis or business failure of Grantor; the commencement by Grantor of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Grantor in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Grantor to the appointment of a receiver, trustee, or custodian of Grantor or of any of Grantor's property; an assignment for the benefit of creditors by Grantor; the making or suffering by Grantor of a fraudulent transfer under applicable federal or state law; con-

cealment by Grantor of any of its property in fraud of creditors; the making or suffering by Grantor of a preference within the meaning of the federal bankruptcy law; the imposition of a lien through legal proceedings or distraint upon any of the property of Grantor which is not discharged or bonded in the manner permitted by Section 3.2 above; or Grantor's failure generally to pay its debts as such debts become due. The events of default in this paragraph shall apply and refer to Grantor, to each guarantor of the Indebtedness, and to each of the individuals or entities that are collectively referred to as "Grantor."

(e) Breach of any warranty or failure of Grantor to perform any other obligation under this deed or the Commitment within 30 days after receipt of written notice from Beneficiary specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue curative action with reasonable diligence.

13. RIGHTS AND REMEDIES ON DEFAULT

13.1 Remedies. Upon the occurrence of any event of default and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies:

(a) Beneficiary may declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

(b) The Trustee shall have the right to foreclose by notice and sale, and Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.

(c) If this deed is foreclosed by judicial procedure, Beneficiary will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this deed exceeds the net sale proceeds payable to Beneficiary.

(d) With respect to all or any part of the Property that constitutes personalty, Beneficiary shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

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

(f) Beneficiary shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, to collect the Income from the Property and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Beneficiary shall not, in itself, disqualify a person from serving as a receiver.

(g) In the event Grantor remains in possession of the Property after the Property is sold as provided above (or the tenth day after a trustee's sale) or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay a reasonable rental for use of the Property while in Grantor's possession.

(h) Trustee and Beneficiary shall have any other right or remedy provided in this deed, the Note or the Commitment or any other instrument delivered by Grantor in connection therewith, or available at law, in equity or otherwise.

13.2 Rights of Receiver or Mortgagee-in-Possession. Upon taking possession of all or any part of the Property, the receiver or Beneficiary may:

(a) Use, operate, manage, control and conduct business on the Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect the Income from the Property and apply such sums to the expenses of use, operation, and management;

(c) At Beneficiary's option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Beneficiary reasonably deems appropriate.

If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Beneficiary (if Beneficiary, in its sole discretion, agrees to lend) or otherwise, or Beneficiary may borrow or advance, such sums as the receiver or Beneficiary may deem necessary for the purposes stated in this paragraph. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 14.4 below. Such sums shall become a part of the Indebtedness secured by this deed and shall be payable by Grantor on demand.

13.3 Sale of the Property. In exercising its rights and remedies, the Trustee or Beneficiary may cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Beneficiary may bid at any public sale on all or any portion of the Property.

13.4 Notice of Sale. Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the personal property is to be made. Reasonable notice shall mean notice given at least 10 days before the time of the sale or disposition.

13.5 Waiver; Election of Remedies. A waiver by either party of a breach of a provision of this deed shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Beneficiary under this deed are cumulative and not exclusive.

An election to make expenditures or take action to perform an obligation of Grantor shall not affect Beneficiary's right to declare a default and exercise its remedies under this deed.

13.6 Attorneys' Fees; Expenses. In the event suit or action is instituted to enforce any of the terms of this deed, the prevailing party shall be entitled to recover its reasonable attorneys' fees at trial, on any appeal, and on any petition for review, in addition to all other sums provided by law. Whether or not any court action is involved, all reasonable expenses incurred by Beneficiary that are necessary at any time in Beneficiary's opinion for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 14.4 below. Expenses covered by this paragraph include (without limitation) the cost of searching records, obtaining title reports, surveyors' reports, attorneys' fees and opinions, title insurance, and fees for the Trustee.

14. MISCELLANEOUS

14.1 Time of Essence. Time is of the essence of this deed.

14.2 Binding Upon Successors and Assigns. Subject to the limitations stated in this deed on transfer of Grantor's interest and subject to the provisions of applicable law with respect to successor trustees, this deed shall be binding upon and inure to the benefit of the parties, their successors and assigns.

14.3 Security Agreement. In construing this deed, the term "deed" shall encompass the term "security agreement" when the instrument is being construed with respect to any personal property.

14.4 Expenditure by Beneficiary. If Grantor fails to comply with any provision of this deed, Beneficiary may elect to take the required action on Grantor's behalf, and any amount that Beneficiary expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest from the date of expenditure at the Default Rate specified in the Note, but not in any event at a rate higher than the maximum rate permitted by law. Such action by Beneficiary shall not constitute a cure or waiver of the default or any other right or remedy which Beneficiary may have on account of Grantor's default.

14.5 Notices. Any notice under this deed shall be in writing and shall be effective when either delivered in person

or, if mailed, shall be deemed effective on the second day after deposited as registered or certified mail, postage prepaid, addressed to the party at the address stated in this deed. Any party may change its address for notices by written notice to the other.

14.6 Invalid Provisions to Affect No Others. If any of the provisions contained in the Note or this deed shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions in this deed and the Note shall not be affected.

14.7 Changes in Writing. This deed and any of its terms may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Grantor or Beneficiary relating to this deed shall be superior to the rights of the holder of any intervening lien or encumbrance.


14.8 Reports. From time to time upon Beneficiary's request, and annually within one hundred twenty (120) days after the close of Grantor's fiscal year, Grantor shall supply Beneficiary financial statements from Grantor and each guarantor, and certified by each as correct. From time to time upon Beneficiary's request, and within ninety (90) days after the end of each calendar year, Grantor shall furnish to Beneficiary operating statements with respect to the Property in such detail as Beneficiary may reasonably require, certified as correct by Grantor.

14.9 Applicable Law. This deed shall be governed by the laws of the State of Oregon.

14.10 Joint and Several Liability. If Grantor consists of more than one person or entity, the obligations imposed upon Grantor under this deed shall be joint and several.

GRANTOR:

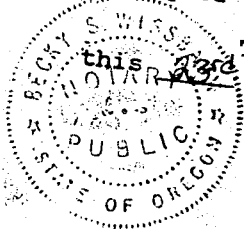

Terry L. Howard


John W. Williams

STATE OF OREGON

County of Multnomah) ss.

17421

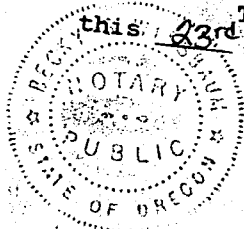


This foregoing instrument was acknowledged before me
this 23rd day of September, 1986, by TERRY L. HOWARD.

Becky S. Wissman
Notary Public for Oregon
My commission expires: 2/2/87

STATE OF OREGON

County of Multnomah) ss.



This foregoing instrument was acknowledged before me
this 23rd day of September, 1986, by JOHN W. WILLIAMS.

Becky S. Wissman
Notary Public for Oregon
My commission expires: 2/2/87

EXHIBIT A

17422

Legal Description

Beginning at the intersection of the centerlines of Dahlia Street and Clover Street in the City of Klamath Falls in the State of Oregon, thence along the centerline of Clover Street North $54^{\circ}54'38''$ East 30.00 feet to the northerly right-of-way line of Dahlia Street, thence continuing along the northerly right-of-way line of Dahlia Street North $37^{\circ}10'59''$ West 50.49 feet to the true point of beginning. Thence continuing along the northerly right-of-way line of Dahlia Street along a curve to the left having a radius of 427.57 feet, a central angle of $52^{\circ}02'34''$, an arc length of 388.37 feet, a long chord of 375.16 feet and a long chord bearing of North $63^{\circ}12'16''$ West, thence North $00^{\circ}46'26''$ East 359.39 feet, thence South $89^{\circ}13'34''$ East 272.76 feet, thence South $00^{\circ}46'26''$ West 54.00 feet, thence South $87^{\circ}22'21''$ East 198.26 feet to the westerly right-of-way line of Clover Street, thence along the westerly right-of-way line of Clover Street South $02^{\circ}37'39''$ West 266.86 feet, thence continuing along the westerly right-of-way line of Clover Street along a curve to the right having a radius of 273.64 feet, a central angle of $47^{\circ}49'42''$, an arc length of 228.42 feet, a long chord of 221.85 feet and a long chord bearing of South $26^{\circ}32'30''$ West, thence along a curve to the right having a radius of 20.00 feet, a central angle of $92^{\circ}21'39''$, an arc length of 32.28 feet, a long chord of 28.86 feet and a long chord bearing of North $83^{\circ}21'49''$ West to the northerly right-of-way line of Dahlia Street and the point of beginning.

SUBJECT TO:

1. Reservations and restrictions as contained in plat dedication, to wit: "said plat being subject to: (1) Public utility easement as shown on the annexed map; (2) Slope easements as shown on the annexed map; (3) 1 ft. reserve strips as shown on the annexed map to be dedicated to the City of Klamath Falls and later released by resolution of the common council when adjoining property is properly developed; (4) Jogging trail easement as shown on the annexed map. Restrictions to deed for lots within Campus View are filed in Klamath County Records, Volume M-79 at page 19843 and Volume M-79, page 22295, Microfilm Records of Klamath County, Oregon.
2. Declaration of Restrictions of Campus View Subdivision, including the terms and provisions thereof, but omitting restrictions, if any, based on race, color, religion or national origin, recorded August 21, 1979 in Volume M-79 at page 19843, Microfilm Records of Klamath County, Oregon, an Addendum thereto recorded September 19, 1979 in Volume M-79 at page 22295, Microfilm Records of Klamath County, Oregon.

3. Subject to a 10 foot jogging easement over and across Lot 1 and 6 as shown on dedicated plat.
4. Subject to a 16 foot easement over and across Lots 1 and 6 as shown on dedicated plat.
5. Subject to a slope easement over and across Lot 5 as shown on dedicated plat.
6. Declaration of Restrictive Covenant, dated December 22, 1980, and recorded April 27, 1981 in Volume M-81 at page 7566, Microfilm Records of Klamath County, Oregon, wherein Eastport Equities agrees that property will not be used as a fast food hamburger style restaurant purpose for a period of twenty years. (Affects: Legal Description of property owned by Eastport Equities within a 2 mile radius of the property contracted by sale to McDonald's Corp. The following lots within "Campus View" Subdivision are owned by Eastport Equities in Klamath County. Block 2 "Campus View" Subdivision Lots 1, 2, 3, 4, 5, & 6 Block 3 "Campus View" Subdivision Lots 2, 3, 4 & 5 Block 4 "Campus View" Subdivision Lots 1, 2, 3, 4 & 5 Lots 1 and 2 of Block 4 are subject property; Block 5 "Campus View" Subdivision Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, & 12 Block 6 "Campus View" Subdivision Lots 1, 2, 3, 4, 5, & 6. Additional property adjacent to "Campus View" to be used for future development located SE of A Northerly extension of the West boundary of Campus View and a Westerly extension of the North boundary of Campus View.
7. Easement, including the terms and provisions thereof:

For	:	easement or right of way 10 feet in width,
	:	for an electric underground distribution line
Granted to	:	Pacific Power & Light Company, a corporation
Dated	:	January 22, 1986
Recorded	:	January 28, 1986
Book	:	M-86
Page	:	1469
8. Taxes for the year 1986-87.

Personal Property Description

To the extent, if any, that Grantor has an interest in: all furnishings, fixtures (including trade fixtures), appliances, furniture, supplies, equipment, inventory, and all other tangible and intangible personal property of Grantor, including (without limitation) accounts (including accounts receivable and contract rights, whether or not earned by performance), chattel paper, instruments, documents, and general intangibles from and relating to any leases, tenancies, occupancy, construction or uses of the property described below and any lease or other use agreement (if any should ever be considered personal property), located on or used in connection with the operation or construction of the USDA Forest Service Building in Klamath Falls, Klamath County, Oregon, situated on the real property described in the attached Exhibit A, whether now owned or hereafter acquired, and whether now existing or hereafter arising, and all accessions, parts, additions, replacements and substitutions for any of such property, and all proceeds (including insurance proceeds) from the sale or other disposition of any of such property.

17425

REQUEST FOR FULL RECONVEYANCE

To be used only when obligations have been paid.

TO: Stewart Title of Oregon, Inc., Trustee

The undersigned is the legal owner and holder of the Indebtedness secured by this deed. The entire Indebtedness has been paid and you are requested on payment to you of any sums to which you are entitled by the deed or applicable law to cancel evidences of Indebtedness (which are delivered together with the deed) and to reconvey the Property as required by law. The reconveyance and other documents should be mailed to _____

DATED: _____, 19__

BENEFICIARY: _____

Rev. ATC

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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____
of September _____ A.D., 19 86 at 11:41 o'clock A M., and duly recorded in Vol. _____ M86,
of _____ Mortgages on Page 17405

FEE \$85.00

Evelyn Biehn, County Clerk
By *PAM Smith*