

After Recording Return To:

76033

THE MORTGAGE EXCHANGE, INC.
 5100 SW Macadam, Suite 300
 Portland, Oregon 97201

Until Further Notice, Send All
 Real Property Tax Statements To:

Roger and Cheryl Schooler
 1738 Summers Lane
 Klamath Falls, OR 97603

TRUST DEED AND ASSIGNMENT OF LEASES AND RENTS

DATE: June 11, 19 87

PARTIES: Roger W. Schooler and Cheryl Ann Schooler ("Grantor")
 1738 Summers Lane Grantor's Address
 Klamath Falls, OR 97603

MORTGAGE EXCHANGE FINANCIAL SERVICES ("Trustee")
 5100 SW Macadam, Suite 300 Trustee's Address
 Portland, Oregon 97201

THE MORTGAGE EXCHANGE, INC. ("Beneficiary")
 5100 SW Macadam, Suite 300 Beneficiary's Address
 Portland, Oregon 97201

PROPERTY ADDRESS: 1738 Summers Lane
 Klamath Falls, OR 97603

ARTICLE I

GRANT

1.01 For good and valuable consideration, including the indebtedness herein recited and the trust assignment and security agreement herein created, the receipt of which is hereby acknowledged, Grantor hereby irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, for the benefit and security of Beneficiary, under the subject to the terms and conditions hereinafter set forth, the real property (the "Property"), located in the City of Klamath Falls, County of Klamath, State of Oregon, described as follows: (If lengthy legal description, see Exhibit "A" attached hereto and by this reference incorporated herein.)

Lot 8 in Block 1 of BRYANT TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Together with, all rents, issues, profits, royalties, income, proceeds and other benefits derived from the Property (collectively the "rents"), subject to the right, power and authority hereinafter given to Grantor to collect and apply such rents;

Together with, all leasehold estates, the right, title and interest of Grantor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Grantor hereunder, including, without limitation, all cash or security deposits, advance rentals, cleaning deposits, key deposits, pet deposits and deposits or payment of similar nature which are required under any rental agreement;

Together with, all right, title and interest of Grantor in and to all option to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

Together with, all interests, estate or other claims, both in law and in equity, which Grantor now has or may hereafter acquire in the Property;

Together with, all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights and shares of stock evidencing the same;

Together with, all right, title and interest of Grantor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips of land adjacent to or used in connection with the Property;

Together with, any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery, and other articles attached to said buildings and improvements or used in connection therewith (the "Improvements");

Together with, all right, title and interest of Grantor in and to all tangible personal property (the "Personal Property") owned by Grantor and now or at any time hereafter located on or at the Property or used in connection therewith, including but not limited to: all goods, inventory and supplies, machinery, tools, insurance proceeds, equipment (including fire sprinklers and alarm systems, office air conditioning, heating, refrigerating, electronic monitoring, entertainment, recreational, window, or structural cleaning rigs, maintenance and all other equipment of every kind), lobby and all other indoor and outdoor furniture (including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets), wall beds, wall safes, furnishings, appliances (including ice boxes, refrigerators, fans, heaters, stoves, water heaters, and incinerators), inventory, rugs, carpets and other floor coverings, draperies and drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures and office maintenance and other supplies; and

Together with, all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Property, and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages.

The entire estate, property and interest hereby conveyed to Trustee may hereafter be referred to herein as the "Property."

FOR THE PURPOSE OF SECURING:

(a) Grantor's payment of indebtedness in the total principal amount of \$20,000.00 with interest thereon, evidenced by that certain promissory note of even date herewith (the "Note") with a maturity date of July 19, 2002 executed by Grantor, which has been delivered to and is payable to the order of Beneficiary, and which by this reference is hereby made a part hereof, and any and all modifications, extensions and renewals thereof.

(b) Grantor's repayment of any advances or expenses of any kind incurred by Beneficiary pursuant to the provisions of or on account of the Note, the Trust Deed or any other instrument evidencing, securing or relating to the indebtedness evidenced by the Note, with interest thereon at twenty percent (20%) per annum, or the rate then applicable to the loan as provided in the Note, whichever is higher.

(c) Performance of all of the terms, covenants, provisions and agreement of the Trust Deed, the Note and any other instrument evidencing, securing or relating to the indebtedness evidenced by the Note (hereafter collectively referred to as the "Indebtedness").

ARTICLE II

REPRESENTATIONS

2.01 Grantor represents and warrants that Grantor has good and marketable title to the Property and conveys the Property to the Trustee free and clear of all liens or encumbrances except as disclosed on Exhibit B attached hereto and incorporated herein. Grantor represents that it has full power to sell and convey the same and that Grantor will make any further assurances of title that the Beneficiary may require, and will defend the Property against all claims and demands whatsoever.

2.02 Grantor represents and warrants that this Trust Deed and the Note were executed in accordance with the requirements of the laws of the State of Oregon now in effect and, if Grantor is a corporation, in accordance with the requirements of Grantor's certificate of incorporation, bylaws, and any amendments thereto.

2.03 Grantor represents and warrants that the Property is not currently used for agricultural, timber or grazing purposes and is and shall be used for (indicate which):



or



Business purposes (commercial).

Primarily for personal, family or household purposes.

ARTICLE III

GRANTOR'S COVENANTS

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3.01 Grantor covenants and agrees to pay the Note and the Indebtedness secured hereby in the manner and at the times provided for in the Note, this Trust Deed or any other agreement or instrument evidencing, securing or relating to the Note.

3.02 Grantor covenants and agrees to pay, or cause to be paid, when due and payable by Grantor:

(a) all real estate taxes, personal property taxes, assessments, water and sewer rates and charges, and all other governmental and nongovernmental levies, fees and charges, of every kind and nature whatsoever, general and special, ordinary and extraordinary, unforeseen as well as foreseen, which shall be assessed, levied, confirmed, imposed or become a lien upon or against the Property, or any portion thereof, and all taxes, assessments, levies, fees and charges upon the rents, issues, income or profits of the Property, or which shall become payable with respect thereto or with respect to the occupancy, use or possession of the Property, whether such taxes, assessments, levies, fees or charges are levied directly or indirectly (hereinafter collectively called the "Impositions"); and

(b) all other payments or charges required to be paid to comply with the terms and provisions of this Trust Deed.

Unless Grantor is diligently pursuing the procedures provided for in paragraph 11.01 hereof, within ten (10) days after written demand therefore, Grantor shall deliver to Beneficiary the original, or a photostatic copy, of the official receipt evidencing payment of Impositions or other proof of payment satisfactory to Beneficiary. Failure of Grantor to deliver to Beneficiary the receipts or other satisfactory proof shall constitute a default hereunder. When requested by the Beneficiary, Grantor shall pay to the Beneficiary on each payment date under the Note, in addition to the monthly installments of principal and interest, an amount equal to one-twelfth (1/12th) of the real personal property taxes and assessments next due on account of the Property, as estimated by the Beneficiary, plus one-twelfth (1/12th) of the annual premiums for the fire and other casualty insurance policies required under the terms of this Trust Deed as estimated by the Beneficiary. The amount due under this paragraph shall be held by the Beneficiary and used to pay the property taxes and insurance premiums. Beneficiary may commingle the funds received under this paragraph with its general funds and may use and invest the funds received, and shall not be obligated to account to or pay Grantor any interest on the funds or any interest or profits generated from the use or investment of the funds. If, on October 15 of any year, or on or before thirty (30) days prior to any other property tax due date or the due date of any insurance premium, the funds on deposit with Beneficiary under this paragraph are insufficient to pay the property tax or insurance premium then due, Grantor shall, on demand, pay to Beneficiary the amount of the deficiency. In the event foreclosure of this Trust Deed is commenced while any funds are on deposit with Beneficiary under this paragraph, the funds shall be applied against the unpaid balance owing under the Note. Provided, however, the funds shall not be applied against any delinquent installments nor shall such payment cure any such defaults. Upon full payment of the Note, Beneficiary shall refund to Grantor the balance remaining on deposit with it.

Grantor agrees in no event to hold Beneficiary responsible for failure to have any insurance written or for any loss or damage growing out of a defect in any insurance policy, when Beneficiary collects insurance reserves and pays the insurance premiums with said reserves.

3.03 Grantor covenants and agrees promptly to comply, and cause all persons to comply with, all present and future laws, ordinances, rules, regulations and other requirements of all governmental authorities having or claiming jurisdiction of or with respect to the Property or any portion thereof or the use or occupation thereof.

3.04 Grantor shall keep and maintain or cause to be kept and maintained all buildings and improvements now or at any time hereafter erected on the Property and the sidewalks and curbs abutting them, in good order and condition and in a rentable and tenantable state of repair, and will make or cause to be made, as and when necessary, all repairs, renewals and replacements, structural and nonstructural, exterior and interior, ordinary and extraordinary, foreseen and unforeseen. All repairs and maintenance required of Grantor shall be (in the reasonable opinion of Beneficiary) of first class quality. Grantor shall abstain from and shall not permit the commission of waste in or about the Property; shall not remove, demolish, or alter any building or other improvement erected at any time on the Property without the prior written consent of the Beneficiary; and shall not permit the Property to become vacant, deserted or unguarded.

3.05 Grantor shall not make or cause to be made any improvements to the Property unless written approval is first obtained from Beneficiary.

3.06 Grantor covenants and agrees that this Trust Deed is and will be maintained as a valid lien on the Property, subject only to the liens and encumbrances set forth in Article II of this Trust Deed, and that Grantor will not, directly or indirectly, create or suffer or permit to be created, or to stand against the Property, or any portion thereof, or against the rents, issues and profits therefrom, any lien (including any liens arising with respect to the payment of Impositions), any security interest, encumbrance or charge whether prior to or subordinate to the lien of this Trust Deed unless written approval is first obtained from Beneficiary. Grantor will keep and maintain the Property free from all liens of persons supplying labor and materials for the construction, modification, repair or maintenance of any building or site improvement whether on the Property or not. If any such liens shall be filed against the Property, Grantor agrees to discharge the same of record within ten (10) days after the liens are filed or, if not filed, within ten (10) days after Grantor has notice thereof, by payment, by deposit or bonding under ORS §§87.076-87.088 or similar statutes, by order of a court of competent jurisdiction, or otherwise. In no event shall Grantor do, or permit to be done, or omit to do, or permit the omission of, any act or thing, the doing or omission of which would impair the security of this Trust Deed.

3.07 Grantor covenants and agrees, so long as any amount remains owing under the Note, to comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to the Grantor or applicable to the Property or any part thereof.

3.08 Grantor covenants and agrees that all awards heretofore or hereafter made by any public or quasi-public authority to the present and all subsequent owners of the Property by virtue of an exercise of the right of eminent domain by such authority, including any award for a taking of title, possession or right of access to a public way, or for any change of grade of streets affecting the Property, are hereby assigned to the Beneficiary. Beneficiary, at its option, is hereby authorized, directed and empowered to collect and receive the proceeds of any such award and awards from the authorities making the same and to give proper receipts and acquittances therefore, and may, at the Beneficiary's election, use such proceeds in any one or more of the following ways: (i) apply the same or any part thereof upon the Note, whether such Note then be matured or unmatured, (ii) use the same or part thereof to fulfill any of the covenants contained herein as the Beneficiary may determine, (iii) use the same or any part thereof to replace or restore the Property to a condition satisfactory to the Beneficiary or (iv) release the same to the Grantor.

3.09 Grantor covenants and agrees that it will promptly perform and observe, or cause to be performed or observed, all of the terms, covenants and conditions of all instruments of record affecting the Property, noncompliance with which might affect the security of this Trust Deed or impose any duty or obligation upon Grantor, and Grantor shall do or cause to be done, all things necessary to preserve intact and unimpaired any and all easements, appurtenances and other interest and rights to, in favor of, or constituting any portion of the Property.

3.10 Grantor covenants and agrees that neither the value of the Property nor the lien of this Trust Deed will be diminished or impaired in any way by any act or omission of the Grantor, and the Grantor agrees it will not do or permit to be done to, in, upon or about said Property, or any part thereof, anything that may in any wise impair the value thereof, or weaken, diminish, or impair the security of this Trust Deed.

3.11 Subject to the rights granted Grantor in Section 11.01 of this Trust Deed, Grantor covenants and agrees to promptly pay and discharge any and all license fees or similar charges, with penalties and interest thereon, which may be imposed by the municipality or county in which the Property is situated or any other governmental body having jurisdiction thereof and will promptly cure any violation of law and comply with any order of said municipality, county or other governmental body in respect of the repair, replacement or condition of the Property and any governmental regulations concerning environmental control and improvements, and that in default thereof, Beneficiary may, but shall not be required to, pay any and all such license fees or similar charges or comply with such regulations with penalties and interest thereon, or pay such charges of the municipality, county or other governmental body for such repair or replacement. All amounts so paid shall thereupon be liens upon the Property and secured by this Trust Deed, and Grantor will repay the same upon demand, with interest thereon at the rate then in effect under the Notes, from the date of such payment by Beneficiary.

now or hereafter enacted and specified in the Uniform Commercial Code, the choice of remedies to be at Beneficiary's sole selection. Grantor and Beneficiary agree that the filing of such a financing statement in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing the declaration and hereby stated intention of the parties hereto that everything used in connection with the production of income from the premises and/or adopted for use therein and/or which is described or reflected in this Trust Deed is, and at all times and for all purposes and in all proceedings, both legal or equitable, shall be regarded as part of the real estate mortgaged hereunder irrespective of whether such item is physically attached to the improvements, or serial numbers are used in any recital of this Trust Deed for the better identification of such items or any such item is referred to or reflected in a financing statement. Similarly, the mention in any such financing statement of the right in or to the proceeds of any fire or hazard insurance policy or any award in eminent domain proceeding for a taking of or loss of value, or the mention of Grantor's interest as lessor in any present or future lease to rights to income growing out of the use and/or occupancy of the premises, whether pursuant to lease or otherwise, shall never be construed as any wise altering any of the rights of the Beneficiary as determined by this instrument or impugning the priority of the Beneficiary's lien granted hereby or by any other recorded document, but such mention in a financing statement is declared to be for the protection of the Beneficiary in the event any court or judge shall at any time hold with respect to the above that notice of the Beneficiary's priority of interest against a particular class of persons, including but not limited to the federal government or any subdivisions thereof, must be filed in the Uniform Commercial Code records.

Grantor represents and agrees that (i) it is and will be the true and lawful owner of the collateral mentioned in any financing statement, subject to no liens, charges, security interest and encumbrances other than this lien hereof; (ii) such collateral is to be used by the Grantor solely for business purposes (if this is a commercial Trust Deed), being installed upon the premises for Grantor's own use or as the equipment and furnishings furnished by the Grantor, as landlord, to tenants of the premises; (iii) such collateral will be kept at the real estate comprised on the premises and will not be removed therefrom without the consent of the Beneficiary and may be affixed to such real estate but will not be affixed to any other real estate; (iv) the only persons having any interest in the premises are the Beneficiary and Grantor; (v) no financing statement covering any such collateral and any proceeds thereof is on file in any public office except pursuant hereto and the Grantor will at its own cost and expense upon demand furnish to Beneficiary such further information and will execute and deliver to the Beneficiary and will do all acts and things as the Beneficiary may from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in such collateral as security for the indebtedness secured hereby and the Grantor will pay the cost of filing or recording such financing statements or other documents and this instrument; and (vi) the remedies of the Beneficiary hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code shall not be construed as a waiver of any of the other rights of the Beneficiary including having such collateral deemed part of the realty upon any foreclosure thereof.

ARTICLE IV

TRANSFER OR MORTGAGE OF PROPERTY

4.01 Grantor understands that the loan secured hereby is personal to Grantor, and that Grantor's personal responsibility and occupancy and/or control of the Property is a material inducement to Beneficiary to make the loan secured hereby. Grantor will not, without the prior written consent of Beneficiary, sell, assign, transfer, mortgage, grant a further trust deed, or pledge or otherwise dispose of or further encumber, whether by operation of law or otherwise, any or all of its interest in the Property. Any sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance made in violation of this provision, whether voluntary or involuntary, shall be null and void and of no force and effect, and the making thereof shall constitute a default under this Trust Deed, the Note, and the other agreements and instruments securing the Note. If any Grantor is a corporation or a partnership, the sale, assignment, transfer, mortgage, trust deed, pledge or other disposition or encumbrance of more than twenty percent (20%) of the shares of the stock of the corporation or a partnership interest, shall constitute a sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance of the Property under this provision.

4.02 Beneficiary may consent to a sale or transfer of the Property if: (a) Grantor causes to be submitted to Beneficiary information required by Beneficiary to evaluate the transferee as if a new loan were being made to the transferee; (b) Beneficiary

3.12 Grantor covenants and agrees that if any action or proceeding is commenced in which Beneficiary in good faith deems it necessary to defend or uphold the validity, enforceability or priority of the lien and interest of this Trust Deed or to preserve the value of the security for this Trust Deed, all sums paid by Beneficiary for the expense of any such litigation to prosecute or defend the lien created by this Trust Deed (including reasonable attorneys' fees at trial and upon any appeal) shall be paid by Grantor, together with interest thereon at the rate then in effect under the Note and any such sums and the interest thereon shall be a lien on the Property prior to any right or title to, interest in or claim upon the Property attaching or accruing subsequent to the lien of this Trust Deed, and shall be secured by this Trust Deed.

3.13 Grantor covenants and agrees that it will deliver to Beneficiary:

(a) Such information from time to time regarding the business affairs and financial condition of Grantor as Beneficiary may reasonably request;

(b) Within ninety (90) days after the end of each fiscal year, a copy of Grantor's and each Guarantor's annual, unqualified, audited, consolidated balance sheet and statements of income, retained earnings, capital surplus and capital stock, as of the end of each fiscal year, prepared by an independent certified public accountant acceptable to Beneficiary in accordance with generally accepted accounting principles consistently applied.

(c) Within ninety (90) days after the end of each fiscal year of Grantor, Grantor shall deliver to Beneficiary complete financial statements setting forth all details of the operation of the Property, including an itemized list of rentals and expenses on the Property, a profit and loss statement, balance sheet and reconciliation of surplus, which statements shall be certified by Grantor and, if Beneficiary shall require, by an independent certified public accountant acceptable to Beneficiary. Grantor shall furnish, together with the foregoing financial statements and at any other time upon Beneficiary's request, a rent schedule for the Property, certified by Grantor, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable, and the rent paid.

3.14 Grantor covenants and agrees that, to the extent that Grantor may lawfully do so, Grantor shall not assert, and hereby expressly waives, any right under any statute or rule of law pertaining to the marshalling of assets.

3.15 Grantor, from time to time, within ten (10) days after request by Beneficiary, shall execute, acknowledge and deliver to Beneficiary such chattel mortgages, security agreements and other similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind whatsoever owned by Grantor or in which Grantor has any interest which, in the sole opinion of Beneficiary, is essential to the operation of the said property covered by this Trust Deed. Grantor shall further, from time to time, within ten (10) days after request of Beneficiary execute, acknowledge and deliver any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may request in order to perfect, preserve, continue, extend or maintain the security interest under, and the priority of this Trust Deed and the priority such chattel mortgage or other security instrument as a first lien. The Grantor irrevocably appoints the Beneficiary its attorney-in-fact to execute and deliver such financing statements and security documents during the term of this Trust Deed. Grantor further agrees to pay to Beneficiary on demand all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing and refiling of any such instrument or document including the charges for examining title and the attorney's fee for rendering an opinion as to the priority of this Trust Deed and of such chattel mortgage or other security instrument as a valid first and subsisting lien. However, neither a request so made by Beneficiary nor the failure of Beneficiary to make such request shall be construed as a release of such property, or any part thereof from the conveyance of title by this Trust Deed, it being understood and agreed that this covenant and any such chattel mortgage, security agreement or other similar security instrument, delivered to Beneficiary, is cumulative and given as additional security.

When and if the Beneficiary and Grantor shall respectively become the debtor and secured party in any Uniform Commercial Code financing statement affecting the premises or any way connected with the use and enjoyment of the premises, this Trust Deed shall be deemed a security agreement as defined in the Uniform Commercial Code of the State where the premises are situate and if a default or an event of default shall occur under the Trust Deed or the Note, the remedies of the Beneficiary shall be as described herein or by general law, or as to such part of the premises which is also reflected in said financing statement, by the specific statutory consequences.

reasonably determines that Beneficiary's security will not be impaired and that the risk of breach of any covenant or agreement in the Note, Trust Deed or any other instrument evidencing, securing or relating to the Indebtedness evidenced by the Note is acceptable; (c) interest will be payable on the Indebtedness at a rate acceptable to Beneficiary, provided that Beneficiary may not increase the interest rate more than two percent (2%); (d) changes in the terms of the Note, this Trust Deed and any other instrument evidencing, securing or relating to the Indebtedness evidenced by the Note required by Beneficiary are made, including, for example, periodic adjustment in the interest rate, a different final payment date and addition of unpaid interest to principal; and (e) transferee signs an assumption agreement that is acceptable to Beneficiary and that obligates the transferee to keep all of the promises and agreements made in the Note, this Trust Deed and any other instrument evidencing, securing or related to the Indebtedness evidenced by the Note. To the extent permitted by applicable law, Beneficiary also may charge an assumption fee equal to one percent (1%) of the unpaid principal balance of the note at the time of the transfer.

4.03 Grantor acknowledges and agrees that Beneficiary's consent to any transfer under this Article IV shall not relieve Grantor of any obligation, responsibility or liability to Beneficiary under the Note or this Trust Deed unless Beneficiary specifically agrees in writing. Consent by Beneficiary to a transfer shall not be deemed a waiver of the provisions of this Article IV with respect to any subsequent transfer.

ARTICLE V

PERFORMANCE OF GRANTOR'S OBLIGATIONS

5.01 If Grantor shall fail to pay any Impositions or to make any other payment required to be paid by Grantor under this Trust Deed at the time and in the manner provided in this Trust Deed, or if Grantor shall be in default in the performance or observance of any other term, covenant, or condition of any prior encumbrance or any other obligation required to be performed or observed by Grantor under this Trust Deed, the Note, any other agreement or instrument evidencing, securing or relating to the Indebtedness or any instrument of record, then, after the expiration of any applicable grace period as set forth in any such agreement or instrument, and without limiting the generality of any other provision of this Trust Deed and without waiving or releasing Grantor from any of its obligations hereunder, Beneficiary shall have the right, but shall be under no obligation, to pay any Impositions or other payments, or any sums due under this Trust Deed or any prior encumbrance or any other agreement or instrument evidencing, securing or relating to the Indebtedness, and may perform any other act or take such action as may be appropriate to cause such other term, covenant, condition or obligation to be promptly performed or observed on behalf of Grantor. In any such event, Beneficiary and any person designated by Beneficiary shall have, and is hereby granted, the right to enter upon the Property at any time and from time to time for the purposes of performing any such act or taking any such action, and all moneys expended by Beneficiary in connection with making such payment or performing such act (including, but not limited to, attorneys' fees and expenses), together with interest thereon at the rate then in effect under the Note from the date of each expenditure, shall be paid by Grantor to Beneficiary within ten (10) days after written notice to Grantor demanding such payment, and shall be secured by this Trust Deed, and Beneficiary shall have the same rights and remedies in the event of nonpayment of any such sums by Grantor as in the case of a default by Grantor in the payment of the Note. Nothing in this paragraph or in any other part of this Trust Deed shall be construed to require Beneficiary to make any payment or perform any obligation of Grantor. Any action taken by Beneficiary hereunder or in relation to the Property is for the sole benefit of Beneficiary and no other person shall rely upon any action, inaction, inspection or other act of Beneficiary in dealing with the Property or Grantor.

ARTICLE VI

ASSIGNMENT OF LEASES AND RENTS

6.01 Grantor hereby absolutely and irrevocably assigns to Beneficiary all of Grantor's interest in all rents, issues and profits of the Property, now due and to hereafter become due and payable under the lease and contracts pertaining to the Property. Grantor grants to Beneficiary the right to enter the Property and to let proceeds after payment of all charges and expenses, on account of the Note and other sums secured hereby. This assignment and grant shall continue in effect until the Note and other sums secured by this Trust Deed are paid in full. Beneficiary hereby agrees not to exercise the right to enter the Property for the purpose of collecting

said rents, issues or profits and Grantor shall be entitled to collect and receive said rents, issues, profits and proceeds until the occurrence of a default by Grantor under the terms and provisions hereof; provided that any rents, issues and profits collected and received by Grantor after the occurrence of a default hereunder which is not cured within the applicable grace period provided hereby, if any, shall be deemed collected and received by Grantor in trust for Beneficiary and Grantor shall account to Beneficiary for the full amount of such receipts. Grantor agrees to apply said rents, issues and profits, whenever received, to payment of the Note, all impositions on or against the Property and other sums secured by this Trust Deed. The right of Grantor to collect and receive the rents, issues and profits in trust for Beneficiary during the continuance of any default by Grantor under the terms and provisions of this Trust Deed may be revoked by Beneficiary giving written notice of such revocation to Grantor.

6.02 Grantor will, from time to time after notice and demand, execute and deliver to Beneficiary, in form satisfactory to Beneficiary, further agreements evidencing its willingness to comply and its compliance with the provisions of this Article VI. Grantor shall pay Beneficiary the expenses incurred by Beneficiary in connection with the recording of any such agreement.

6.03 The assignment contained in this Article VI shall not in any way impair or diminish the obligations of the Grantor, nor shall this assignment impose any obligation on Beneficiary to perform any provision of any lease or contract pertaining to the Property or any responsibility for the nonperformance thereof by Grantor or any other person. The assignment under this Article VI is given as an absolute assignment of the rights described herein and such assignment shall not be deemed secondary to this Trust Deed. Beneficiary shall have the right to exercise any rights under this Article VI before, together with, or after exercising any other rights under this Trust Deed.

ARTICLE VII

DEFAULT

7.01 The entire unpaid balance owing under the Note shall become due, at the option of Beneficiary, if any one or more of the following events of default shall occur:

(a) Failure of Grantor to observe or perform, on or before the date due, any of the covenants or conditions to be performed by Grantor under the terms hereof.

(b) Any warranty or representation of Grantor when made was inaccurate or misleading in any material respect.

(c) A breach of any of the conditions, terms, covenants or agreements contained in the Note or any other agreement or instrument evidencing, securing or relating to the Note or the Indebtedness, and the continuance of such default beyond any applicable grace period contained therein.

(d) If any of the Grantors shall file a voluntary petition in bankruptcy or shall have an order entered for relief under a bankruptcy petition, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Grantor, or of all or any substantial part of the properties of Grantor or of the Property; or if within thirty (30) days after the commencement of any proceeding against Grantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any present or future applicable federal, state, or other statute or law, such proceeding shall not be dismissed; or if, within thirty (30) days after the appointment of any trustee, receiver or liquidator of Grantor without the consent of acquiescence of Grantor or of all or any substantial part of the properties of Grantor or of the Property, such appointment shall not have been vacated or stayed on appeal or otherwise; or if, within thirty (30) days after the expiration of any such stay, such appointment shall not have been vacated.

(e) The sale, assignment, transfer, mortgage, trust deed, pledge, or other disposition or encumbrance of the Property in violation of the provisions of Section 4.01 hereof.

7.02 If an event of default shall occur which is not cured within the applicable grace period (if any) provided for, Beneficiary may, at its option, exercise any and all of the following remedies:

(a) Declare the unpaid portion of the Note to be immediately due and payable, without further notice or demand (each of which hereby is expressly waived by Grantor), whereupon the same shall become immediately due and payable.

(b) Commence a court action for breach of or to enforce the Note, this Trust Deed or any of the other agreements securing the Note.

(c) Exercise any one or more of the rights granted Beneficiary under Article VI of this Trust Deed.

(d) Enter upon the Property and take possession of all books, records and accounts relating thereto.

(e) Either in person, by agent or court appointed receiver, enter upon and take possession and control of the Property, or any part thereof, and collect the income, rents, issues and profits thereof, without regard to the sufficiency of the Property or any other security, and without the showing of insolvency on the part of Grantor, or fraud or mismanagement by Grantor, and without the necessity of filing any judicial or other proceeding for appointment of a receiver.

(f) Hold, lease, operate or otherwise use or permit the use of the Property, or any portion thereof, in such manner, for such time and upon such terms as Beneficiary may deem to be in its best interest (making such repairs, alterations, additions and improvements thereto, from time to time, as Beneficiary shall deem necessary or desirable) and collect and retain all earnings, rentals, profits or other amounts payable in connection therewith.

(g) Foreclose this Trust Deed by judicial action and have the Property, in whole or in part, sold under the judgement or decree of the court.

(h) Cause the Trustee to issue and deliver a written notice of default and election to sell the Property, and proceed with the foreclosure of this Trust Deed by the advertisement and sale procedure established or permitted by the Oregon statutes.

(i) Exercise any other remedy now or hereafter existing in equity, at law, by virtue of statute, the common law, or otherwise.

7.03 In case Beneficiary shall have proceeded to enforce any right under the Note, this Trust Deed or any other agreement or instrument evidencing, securing or relating to the Note or Indebtedness and such proceedings shall have been discontinued or abandoned for any reason, then in every such case Grantor and Beneficiary shall be restored to their former positions and the right, remedies and powers of Beneficiary shall continue as if no such proceedings had been taken.

7.04 In the event Beneficiary (a) grants an extension of time on any payments of the Note or in the Indebtedness, (b) takes other or additional security for the payment thereof, or (c) waives or fails to exercise any right granted herein, said act or omission shall not release Grantor, subsequent purchasers of the Property covered by this Trust Deed or any part thereof, or any Guarantors.

ARTICLE VIII

FORECLOSURE

8.01 In any judicial action or nonjudicial advertisement and sale proceedings to foreclose this Trust Deed, there shall be allowed and included as additional indebtedness in the decree of sale all expenditures and expenses which may be paid or incurred by or on behalf of Beneficiary, or holders of the Note, for reasonable trustee's fees and attorneys' fees at the trial and on any appeal (including an estimated amount for enforcement of the foreclosure decree), court costs, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs and costs of procuring title reports and title insurance policies and searches of the UCC financing statement records (which fees, charges and costs may be estimated as to items to be expended after entry of the foreclosure decree), and all other expenses as Beneficiary or holders of the Note may deem reasonably necessary to prosecute such suit or nonjudicial proceeding or to evidence to bidders at any sale which may be had pursuant thereto the true condition of the title to or the value of the Property. All expenditures and expenses of the nature in this section mentioned shall become so much additional indebtedness secured hereby and shall be immediately due and payable with interest thereon at the rate in effect under the Note when paid or incurred by Beneficiary or holders of the Note. In addition to foreclosure proceedings, the above provisions of this paragraph shall apply to (a) any proceeding to which Beneficiary or the holders of the Note shall be

a party, either as plaintiff, claimant or defendant, by reason of this Trust Deed or any indebtedness or obligation hereby secured; (b) preparations for the commencement of any nonjudicial proceedings or suit for foreclosure hereof after accrual of such right to foreclosure whether or not actually commenced; or (c) preparation for the defense of or investigation of any threatened suit, claim or proceeding which might affect the Property or the security hereof, whether or not actually commenced.

8.02 Upon or at any time after the filing of a judicial action to foreclose this Trust Deed or the filing of a notice of default and election to sell pursuant to a nonjudicial foreclosure of this Trust Deed by advertisement and sale, any court having jurisdiction over the Property may appoint a receiver of the Property. Such appointment may be made without notice, without regard to the solvency or insolvency at the time of application for such receiver of the person or persons, if any, liable for the payment of the Note and other sums secured hereby and without regard to the then value of the Property, and the Beneficiary hereunder may be placed in possession of the Property. The receiver shall have power to collect the rents, issues and profits of the Property during the pendency of such foreclosure suit, as well as during any further times when Beneficiary, its successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Property during the whole of said period. The court from time to time may authorize the receiver to apply the net income in his hands in payment in whole or in part of the Note and other sums secured hereby, or in payment of any tax, special assessment or other lien which may be or become superior to the lien hereof or superior to a decree foreclosing this Trust Deed, provided such application is made prior to foreclosure sale.

8.03 In the event that this Trust Deed is foreclosed as a mortgage or in any other manner permitted by law and the property sold at a foreclosure sale, the purchaser may, during any redemption period allowed, make such repairs or alterations on said 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 highest lawful rate shall be added to and become a part of the amount required to be paid for redemption from such sale.

8.04 The proceeds of any sale of all or any portion of the Property and the earnings of any holding, leasing, operating or other use of the Property shall be applied by Beneficiary in the following order:

- (a) first, to the payment of unpaid taxes and insurance premiums, and the costs and expenses of taking possession of the Property and of holding, operating, managing, using, leasing, repairing, improving and selling the same;
- (b) second, to the payment of Beneficiary's attorneys' fees and other foreclosure expenses allowed Beneficiary under this Trust Deed;
- (c) third, to the payment of accrued and unpaid interest on the Note;
- (d) fourth, to the payment of the balance of the Note and any other indebtedness;
- (e) any surplus shall be paid to the parties entitled to receive it.

ARTICLE IX

INSPECTION

9.01 Grantor covenants and agrees that Beneficiary, and its agents and representatives, and persons authorized by Beneficiary shall have the right at any time, upon reasonable notice to Grantor, to enter upon the Property and may make such inspections and take such photographs of the Property as Beneficiary may deem necessary or desirable, at a reasonable hour, and that any such inspections and photographing shall be solely for the benefit of Beneficiary and shall not be relied upon by Grantor for any purpose.

ARTICLE X

CONTESTING LIENS AND IMPOSITIONS

10.1 Grantor, at its expense, may contest, after prior written notice to Beneficiary, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application in whole or in part, of any Impositions described in Section 3.02, any license fees or similar charges, or any

construction lien filed against the Property provided that (a) Grantor shall first make all contested payments, under protest if it desires, unless such proceedings shall suspend the collection thereof, (b) neither the Property nor any part thereof or interest therein are at any time in any danger of being sold, forfeited, lost or interfered with, and (c) Grantor shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Beneficiary. Provided, however, Beneficiary may, at its sole discretion, require Grantor to bond against the construction lien under ORS §§87.076-.088.

ARTICLE XI

ASSIGNMENT BY BENEFICIARY

11.01 Beneficiary may assign all or any portion of its interest hereunder and its rights granted herein and in the Note and other security agreements to any person, trust, financial institution or corporation as Beneficiary may determine and upon such assignment, such assignee shall thereupon succeed to all the rights, interests, and options of Beneficiary herein and in the Note and other security agreements contained, and Beneficiary shall thereupon have no further obligations or liabilities hereunder.

ARTICLE XII

INSURANCE

12.01 (a) Grantor will procure, deliver to and maintain for the benefit of Beneficiary during the continuance of this Trust Deed and until the same is fully satisfied and released, a policy or policies of insurance insuring the buildings, structures and improvements now existing or hereafter created on the Property against loss or damage by fire, lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, and such other hazards, casualties, and contingencies as Beneficiary may designate, including but not limited to broad form boiler and machinery insurance on all equipment and objects customarily covered by such insurance and providing for full repair and replacement cost coverage, if applicable. All policies of insurance required hereunder shall be in an amount equal to one hundred percent (100%) of the replacement value of the improvements, and in such form and companies as may be acceptable to Beneficiary, and shall contain a clause or endorsement acceptable to Beneficiary, providing the payment of the proceeds of any loss first to Beneficiary. Such insurance shall provide that it may not be cancelled or materially modified except after thirty (30) days prior written notice to Beneficiary. Grantor will promptly pay when due, any premiums on any policy or policies of insurance required hereunder, and will deliver to Beneficiary renewals of such policy or policies at least fifteen (15) days prior to the expiration dates thereof; the said policies and renewals to be marked "paid" by the issuing company or agent. Upon Grantor's failure to comply with the requirements of this paragraph, Beneficiary may, in its discretion, effect any insurance required hereunder and pay the premiums due therefore, and any amounts so paid by Beneficiary shall become immediately due and payable by Grantor with interest thereon at the rate then in effect under the Note from the dates paid, and the amounts shall be secured by this Trust Deed. The delivery to Beneficiary of any policy or policies of insurance hereunder, or renewals thereof, shall constitute an assignment to Beneficiary of all unearned premiums thereon as further security for the payment of the indebtedness secured hereby. In the event any foreclosure action or other proceeding hereunder is instituted by Beneficiary, all right, title and interest of Grantor in any or to any policy or policies of insurance then in force shall vest in Beneficiary.

(b) Grantor shall obtain and keep in force during the term of this Trust Deed public liability insurance against claims for bodily injury, death or property damage occurring in, on or about the demised premise; such insurance to afford protection to the limit of not less than the following: \$100,000 in respect to the injury or death of a single person, and to the limit of not less than \$500,000 in respect to any one occurrence, and to the limit of not less than \$100,000 with respect to property damage per occurrence; flood insurance, if applicable; and such other types of insurance in such amounts and in such form as Beneficiary shall require. Such insurance shall name beneficiary as a co-insured and shall provide that it may not be cancelled or materially modified except after thirty (30) days prior written notice to Beneficiary. Grantor shall deliver evidence of such insurance to Beneficiary in such form and at such times as Beneficiary may reasonably require.

12.02 In the event of an insured loss, Beneficiary shall have the option to declare the unpaid balance owing under the Note to be immediately due and payable and to settle all claims with insurers, collect all insurance proceeds, and apply the proceeds, after deducting the costs of collection, to payment of the Note. If

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Beneficiary elects to make the insurance proceeds available to Grantor to repair and restore the damaged Property rather than applying the proceeds to payment of the Note, such proceeds will be deposited with Beneficiary, together with any additional funds of Grantor which Beneficiary determines are necessary to complete the repairs and restoration, and such funds will be disbursed by Beneficiary as Beneficiary may deem prudent. In such event, Grantor agrees to promptly and diligently repair and restore the Property.

ARTICLE XIII

MISCELLANEOUS

13.01 Each separate right and remedy granted to Beneficiary under the provisions and covenants in this Trust Deed, the Note and other agreements and instruments securing the Note, or any part thereof, shall be separate, distinct and cumulative and none of them shall be in exclusion of the others. No act of Beneficiary to exercise any one or more of the rights or remedies shall be construed as an election to proceed to the exclusion of the later exercise of any other right or remedy, anything herein or otherwise to the contrary notwithstanding.

13.02 Time is of the essence with respect to all the obligations of the Grantor under this Trust Deed, Note and any other Loan Instruments.

13.03 Any part of the Property may be released by the Beneficiary without affecting the lien, security interest and assignment hereof against the remainder. The lien, security interest and other rights granted hereby shall not affect or be affected by any other security taken for the same indebtedness or any part thereof. The taking of additional security, or the extension or renewal of the Note or other indebtedness secured hereby or any part thereof, shall not release or impair the lien, security interest and other rights granted hereby, or affect the liability of any endorser, guarantor or surety, or improve the right of any permitted junior lienholder.

13.04 A waiver in one or more instances of any of the terms, covenants, conditions or provisions hereof, of the Note or any other documents given by Grantor to secure the Note, or any part thereof, shall apply to the particular instance or instances and at the particular time or times only, and no such waiver shall be deemed a continuing waiver but all of the terms, covenants, conditions and other provisions of this Trust Deed and of such other documents shall survive and continue to remain in full force and effect. No waiver shall be asserted against Beneficiary unless in writing and signed by Beneficiary.

13.05 No change, amendment, modification, cancellation or discharge hereof, or any part hereof, shall be valid unless in writing and signed by the parties hereto or their respective successors and assigns.

13.06 All notices, demands and requests given or required to be given by either party hereto to the other party shall be in writing. All notices, demands and requests shall be deemed to have been properly given if sent by U.S. registered or certified mail, return receipt requested, postage prepaid, addressed to the party at the address set forth on page one (1) of this Trust Deed, or to such other address as the party shall have designated by written notice to the other parties given as herein required.

13.07 If any action or proceeding shall be instituted to evict Grantor or recover possession of the Property or any part thereof, or for any other purpose affecting the Property or this Trust Deed, or if any notice relating to a proceeding or a default is served on Grantor, Grantor will immediately, upon service thereof on or by Grantor, deliver to Beneficiary a true copy of each notice, petition, or other paper or pleading, however designated.

13.08 In the event a portion of the Property is released from the lien of this Trust Deed by Beneficiary, or added to this Trust Deed by Grantor, the "Property" as herein defined shall refer only to that portion from time to time subject to the lien of this Trust Deed.

13.09 Each and all of the covenants and obligations of this Trust Deed shall be binding upon and inure to the benefit of the parties hereto, and except as herein otherwise specifically provided, their respective successors and assigns, subject at all times nevertheless to all agreements and restrictions herein contained with respect to the transfer of Grantor's interest in the Property covered by this Trust Deed.

13.10 If one or more of the provisions of this Trust Deed shall be invalid, illegal or unenforceable in any respect, such provision shall be deemed to be severed from this Trust Deed and the validity, legality and enforceability of the remaining provisions contained herein, shall not in any way be affected or impaired thereby. Without limiting the generality of the foregoing, any provision herein, or in the Note or other agreement or instrument securing the Note to the contrary notwithstanding, Beneficiary shall in no event be entitled to receive or collect, nor shall or may amounts received hereunder be credited, so that Beneficiary shall be paid, as interest, a sum greater than the maximum amount permitted by law. If any construction of this Trust Deed or the Note or other agreement or instrument securing the Note indicates a different right given to Beneficiary to ask for, demand or receive any larger sum as interest this clause shall override and control, and proper adjustment shall automatically be made accordingly.

13.11 Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor Trustee appointed hereunder. Upon such appointment, and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Trust Deed and its place of record, and when recorded in the office of the County Clerk or Recorder of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the Successor Trustee.

13.12 Trustee accepts this trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify and party hereto of any pending sale under any other Trust Deed or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless such action or proceeding is brought by Trustee.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

IN WITNESS WHEREOF, Grantor has executed this Trust Deed on the day and year first above written.

Corporate or Partnership Grantors:

By: _____ Title

By: _____ Title

By: _____ Title

By: _____ Title

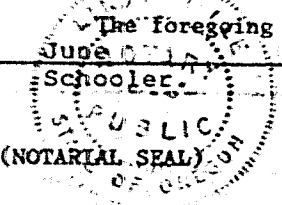
Individual Grantors:

X Roger W. Schooler
Roger W. Schooler

X Cheryl Ann Schooler
Cheryl Ann Schooler

STATE OF OREGON)
County of _____) ss.

The foregoing instrument was acknowledged before me this 11th day of June, 19 87 by Roger W. Schooler and Cheryl Ann Schooler.



Roger W. Schooler
Notary Public for Oregon
My Commission Expires: 7/13/89

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STATE OF OREGON

County of Klamath) ss.

The foregoing instrument was acknowledged before me this 13th day of June, 19 87 by Roger W. Schorler and Cheryl Ann Schorler, a(n) individual corporation, on behalf of the corporation.

[Signature]
Notary Public for Oregon
My Commission Expires: 7/13/89

(NOTARIAL SEAL)

STATE OF OREGON

County of _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____ by _____, partner (or agent), on behalf of the partnership.

Notary Public for Oregon
My Commission Expires: _____

(NOTARIAL SEAL)

STATE OF OREGON

County of _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____ by _____, as attorney-in-fact on behalf of _____.

Notary Public for Oregon
My Commission Expires: _____

(NOTARIAL SEAL)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company the 23rd day of June A.D., 19 87 at 2:43 o'clock P.M., and duly recorded in Vol. M87 of Mortgages on Page 10876.

FEE \$57.00

Evelyn Biehn, [Signature] County Clerk
By _____