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MTC 18743-C
COMMERCIAL DEED OF TRUST

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THIS DEED OF TRUST (the "Trust Deed") is made this 18 day of March, 1988, among the Grantor, Dean E. Rudesill whose address is 1750 Washburn Way, Klamath Falls, Oregon (the "Borrower"); Mountain Title Company whose address is 407 Main, Klamath Falls, Oregon (the "Trustee"); and the Beneficiary, FIRST INTERSTATE BANK OF OREGON, N.A. whose address is P.O. Box 608, Klamath Falls, Oregon (the "Bank").

BORROWER, in consideration of the indebtedness recited in this Trust Deed and the trust created by this Trust Deed, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the following described property located in the County of Klamath, State of Oregon:

Lots 4, 5, 6, 7, 8, 16, 17 and 18, Block 3 of SIXTH STREET ADDITION, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, TOGETHER WITH that portion of vacated alley which inured thereto.

Lot 15 in Block 3 of SIXTH STREET ADDITION, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, TOGETHER WITH that portion of vacated alley which inured thereto.

TOGETHER with all buildings, improvements and tenements now or in the future erected on the property, and all previously or in the future vacated alleys and streets abutting the property, and all easements, rights, appurtenances, leases, including without limitation the leases or agreements now or hereafter existing, however evidenced, covering all or any portion of the real property together with all rents or monies due or to become due thereunder; and together with all now existing or in the future arising or acquired: (a) revenues, royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property; (b) all fixtures, machinery, equipment; (c) personal property required for the maintenance and operation of the property including but not limited to, engines, boilers, incinerators, building materials, and all appliances (including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light); and (d) escalators and elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, communications apparatus, plumbing, plumbing fixtures, water heaters, panelling, attached floor and wall coverings; all of which, including replacements, substitutions and additions thereto, shall be deemed to be and remain a part of the property covered by this Trust Deed and all the estate, interest or other claim or demand, including insurance which Borrower now has or may in the future acquire in and to the property described above; the specific enumerations herein not excluding the general; and all of the foregoing, together with said property and together with the proceeds of the foregoing are referred to in this Trust Deed as the "Property".

This Trust Deed is given as security for the following (collectively the "Indebtedness"): (a) the payment of the indebtedness evidenced by Borrower's promissory note in favor of Bank dated March 14, 1988 (the "Note") in the principal sum of Four Hundred Forty Thousand and no/100 DOLLARS (\$440,000.00), with interest thereon, the balance of which, if not sooner paid, is due and payable on April 1, 1993, and all renewals, extensions and modifications of the Note; (b) the payment of any future advances, with interest thereon, made by Bank to Borrower pursuant to this Trust Deed ("Future Advances"); (c) the performance of the covenants and agreements of Borrower contained in the Loan Agreement, if any, between Bank and Borrower dated March 14, 1988, and any amendments, (collectively the "Loan Agreement"); (d) the payment of all other sums, with interest thereon, advanced in accordance with this Trust Deed to protect the security of this Trust Deed; and (e) the performance of the covenants and agreements of Borrower contained in this Trust Deed. The terms of the Note and Loan Agreement secured by this Trust Deed may provide that the interest rate or payment terms or balance due may be indexed, adjusted, renewed, or renegotiated from time to time.

Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Trust Deed and has the right to grant, convey and assign the

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Property, that the Property is unencumbered, except as disclosed in writing to and approved by Bank prior to the date of this Trust Deed, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions acceptable to Bank and listed in a schedule of exceptions to coverage in any title insurance policy insuring Bank's interest in the Property.

Borrower and Bank covenant and agree as follows:

1. PROMISE TO PAY. Borrower shall pay promptly when due the principal of and interest on the Indebtedness and any other charges provided in the Note, this Trust Deed, the Loan Agreement and other documents (collectively the "Loan Documents") executed in connection with the Indebtedness.

2. LATE PAYMENT CHARGES. Bank may charge a late charge on any scheduled payment which Bank fails to receive within 15 days after the due date, or by the next business day, if the 15-day period ends on a Saturday, Sunday, or legal holiday. The amount of the late charge shall be as specified in the Note or Loan Agreement or, if the Note or Loan Agreement specifies no late charge, then two percent of the amount of the payment of principal and interest not paid when due. Such late charge shall in no event exceed the maximum charge, if any, specified under applicable law. Collection of a late charge shall not constitute a waiver of or prejudice the Bank's right to pursue any other right or remedy available on account of the delinquency.

3. APPLICATION OF PAYMENTS. Unless applicable law provides otherwise, or unless specified to the contrary in the other Loan Documents, each complete installment payment received by Bank under the Note or this Trust Deed or other Loan Documents shall be applied by Bank first to payment of reserves, if any, due under Sections 4 and 5 of this Trust Deed, next to interest due and payable on the Indebtedness, then to principal due and payable on the Indebtedness and then to any other charges due and payable pursuant to the terms of the Note, this Trust Deed, and any other Loan Documents. Upon a breach of any covenant or agreement of Borrower in the Note, this Trust Deed or other Loan Document, Bank may apply, in any amount and in any order as Bank shall determine in Bank's sole discretion, any payments received by Bank under the Note, this Trust Deed or under the other Loan Documents. Bank, at Bank's option, may reject any partial payment. Any partial payment which Bank accepts may be held in a non-interest bearing account until Bank receives funds sufficient to equal a complete installment payment, or, may be applied to the Indebtedness in any amount and in any order as Bank may determine in Bank's sole discretion.

4. TAXES AND LIENS: RESERVES.

4.1 Payment. Borrower 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. Borrower shall maintain the Property free of any liens having priority over or equal to the interest of Bank under this Trust Deed, except for the lien of taxes and assessments not due. Without Bank's prior written consent, Borrower shall not allow any lien inferior to this Trust Deed to be perfected against the Property.

4.2 Evidence of Payment. On Bank's demand, Borrower promptly shall furnish evidence acceptable to Bank of payment of taxes and assessments and shall authorize the appropriate county official to deliver to Bank at any time a written statement of the taxes and assessments against the Property.

4.3 Reserves. At Bank's option, Bank may require Borrower to maintain with Bank reserves for payment of taxes and assessments. The reserves shall be created by monthly payments of a sum estimated by Bank 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 Bank determines that the reserve funds are insufficient at any time, Borrower shall promptly pay any deficiency to Bank on its demand. The reserve funds shall be held by Bank in a deposit account and the funds may be commingled with other funds held by Bank. Unless Bank and Borrower agree in writing otherwise or Oregon law requires that Bank pay Borrower interest on the funds, Bank shall not be required to pay Borrower any interest on the funds. Bank shall apply the reserve funds to pay the taxes and assessments so long as Borrower is not in breach of any covenant or agreement of Borrower in this Trust Deed. Bank does not hold the funds in trust for Borrower and is not the agent of Borrower for payment of taxes and assessments required to be paid by Borrower. Upon Borrower's breach of any covenant or agreement of Borrower in

this Trust Deed, Bank may apply, in any amount and in any order as Bank shall determine in Bank's sole discretion, any reserve funds held by Bank (i) to pay taxes and assessments which are due or (ii) as a credit against the Indebtedness.

5. HAZARD INSURANCE. Borrower shall keep any improvements now existing or in the future erected on the Property insured by carriers who are at all times satisfactory to Bank against loss by fire, hazards included within the term "extended coverage", flood insurance if and when from time to time required by Bank, rent loss and such other hazards, casualties, liabilities and contingencies as Bank shall require from time to time or at any time during the term of this Trust Deed and in such amounts, on a 100% replacement cost basis without coinsurance clause, and for such periods as Bank shall require. On Bank's request, Borrower shall have an independent appraiser satisfactory to Bank determine the current replacement cost of the Property. All premiums on insurance policies shall be paid by Borrower making payment, when due, directly to the carrier, or in such other manner as Bank may designate in writing. At Bank's option, Bank may require Borrower to maintain with Bank reserves for payment of insurance premiums. The reserves shall be created and held in the same manner as provided in Section 4 for reserves for payment of taxes and assessments.

All insurance policies and renewals thereof shall be in a form and substance acceptable to Bank and shall include a standard loss payable endorsement in favor of and in form and substance acceptable to Bank and a provision that coverage will not be cancelled, altered or diminished without a minimum of 30 days prior written notice to Bank. Bank shall have the right to hold the policies, and Borrower promptly shall furnish to Bank all renewal notices. Upon Bank's demand, Borrower shall promptly furnish to Bank all receipts of paid premiums. Prior to the expiration date of any policy, Borrower shall deliver to Bank a renewal policy in form and substance satisfactory to Bank.

In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to the Bank. Bank may give written notice to the insurance carrier if Borrower fails to do so within 20 days of the casualty. Borrower hereby authorizes and empowers Bank as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Bank's expenses incurred in the collection of such proceeds, provided, however, that nothing contained in this Section 5 shall require Bank to incur any expense or take any action hereunder. Borrower further authorizes Bank, at Bank's option, (a) to apply the balance of such proceeds to the payment of the Indebtedness, whether or not then due, or (b) after deducting Bank's costs and expenses described above, to hold the balance of such proceeds to be used to reimburse Borrower for the cost of reconstruction or repair of the Property.

If the insurance proceeds are held by Bank to reimburse Borrower for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Bank may approve in writing. Bank may require that Borrower deposit with Bank any amount in excess of the insurance proceeds necessary to complete restoration prior to disbursement of any insurance proceeds. Unless Bank and Borrower agree in writing otherwise or applicable law requires that Bank pay Borrower interest on the proceeds, Bank shall not be required to pay Borrower any interest on the proceeds or any other sum which Bank may require Borrower to deposit with Bank pursuant to this Section. Bank may, at Bank's option, condition disbursement of those proceeds on Bank's approval of such plans and specifications of an architect satisfactory to Bank, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as Bank may reasonably require. If Bank chooses to hold any insurance proceeds for the restoration or repair of the Property, Bank will be entitled to an administration fee of one (1) percent of the costs of such restoration or repair. If the insurance proceeds are applied to the payment of the sums secured by this Trust Deed, any such application of proceeds to principal shall be applied to the most remote unpaid installment of principal and shall

not extend or postpone the due dates of any payments required under Section 1 or change the amounts of any such payments. If the Property is sold pursuant to Section 21 of this Trust Deed or if Bank acquires title to the Property, then in addition to the lien and security interests otherwise granted to Bank under this Trust Deed, Bank shall have all of the right, title and interest in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

6. PRESERVATION AND MAINTENANCE OF PROPERTY. Borrower (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) unless Bank directs Borrower in writing to the contrary, shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Bank may approve in writing, in the event of any damage, injury or loss to the Property, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall keep the Property, including improvements, fixtures, equipment, machinery and appliances on the Property in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair and all of such replacements shall be and are subject to the lien of this Trust Deed, (e) represents that the Property is and shall remain in compliance with all laws, rules, orders, regulations, or restrictions applicable to its operations, except insofar as any past noncompliance has been cured, and has received no notice of violation or notice of noncompliance with respect to any law, regulation, or governmental restriction applicable to its operations, including but not limited to any law, rule, order, regulation, or restriction relating to environmental protection and pollution control (including but not limited to control, handling, treatment and disposal of hazardous substances, toxic chemicals, herbicides and pesticides pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 as amended by the Superfund Amendment and Reauthorization Act of 1986, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, the Toxic Substances Control Act, and the Federal Insecticide, Fungicide and Rodenticide Act and any similar federal or state statutes and regulations, and the Oregon Leaking Underground Storage Tank Act), land use and zoning, energy and industrial facilities siting, or occupational health and safety, (f) shall generally operate and maintain the Property in a manner to ensure maximum rentals, and (g) shall give notice in writing to Bank of and, unless otherwise directed in writing by Bank, appear in and defend any action or proceeding purporting to affect the Property, the security of this Trust Deed or the rights or powers of Bank. Neither Borrower nor any tenant nor other person, without the written approval of Bank, shall remove, demolish or alter any improvement now existing or in the future erected on the Property or any fixtures, equipment, machinery or appliance in or on the Property and in which Bank has any interest by virtue of this Trust Deed, any security agreement, or any other Loan Document, except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind, which shall thereupon become subject to the lien of this Trust Deed. At any time Bank requests, Borrower shall provide to Bank further assurances of Borrower's compliance with this Section 6. The assurances shall be in form and substance satisfactory to Bank in Bank's sole discretion, and may include but not be limited to Borrower providing to Bank an environmental audit from a source acceptable to Bank.

7. USE OF PROPERTY. Unless required by applicable law or unless Bank has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Trust Deed was executed. Borrower shall not initiate or acquiesce in a change in the zoning classification of the Property without Bank's prior written consent. The Property is not currently used for agricultural, timber or grazing purposes. Borrower warrants that this Trust Deed is and will at all times constitute a commercial deed of trust, as defined under Oregon law. The proceeds of the loan will be used solely for business purposes.

8. PROTECTION OF BANK'S SECURITY. If Borrower fails to perform the covenants and agreements contained in this Trust Deed, or if any action or proceeding is commenced which affects the Property or title to the Property or the interest of Bank in the Property, including, but not limited to,

eminent domain, insolvency, code enforcement, violation of any law concerning environmental protection and pollution control referred to in Section 6(e) above, or arrangements or proceedings involving a bankrupt or decedent, then Bank at Bank's option may make such appearances, disburse such sums and take such action as Bank deems necessary or advisable, in its sole discretion, to protect Bank's interest, including, but not limited to, (i) disbursement of attorneys fees, (ii) entry upon the Property to investigate and make repairs, (iii) procurement of satisfactory insurance as provided in Section 5 of this Trust Deed, and (iv) payment of any tax or liens.

Any amounts disbursed by Bank pursuant to this Section 8, with interest thereon, shall become additional indebtedness of Borrower secured by this Trust Deed. Unless Borrower and Bank agree in writing to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement until paid at the default rate stated in the Note or the Loan Documents, or if no default rate is stated in the Note. Borrower hereby covenants and agrees that Bank shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the Indebtedness secured by this Trust Deed. Nothing contained in this Section 8 shall require Bank to incur any expense or take any action.

9. INSPECTION. Bank may make or cause to be made reasonable entries upon the Property to inspect the Property, including, but not limited to inspecting any buildings on the Property and inspection and/or environmental evaluation of the Property.

10. BOOKS AND RECORDS. Borrower shall keep and maintain at all times at Borrower's address stated above, or such other place as Bank may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Bank. Borrower shall comply with all provisions in the Loan Agreement and other Loan Documents with regard to furnishing to Bank financial information. If there are no such provisions in the Loan Agreement or other Loan Documents, then, upon Bank's request, but at least annually, Borrower shall furnish to Bank a balance sheet of Borrower and a statement of changes in financial position, as well as a statement of income and expenses of the Property, each in reasonable detail and certified by Borrower to be complete and correct, and, if Bank shall require, certified by an independent certified public accountant. Borrower shall furnish, together with the foregoing financial statements at any other time upon Bank's request, a rent schedule for the Property, certified by Borrower, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable and the rent paid.

11. CONDEMNATION. Borrower shall promptly notify Bank of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part of the Property, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Bank in writing. Borrower authorizes Bank, at Bank's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Bank's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with any such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part of the Property, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Bank.

Borrower authorizes Bank to apply such awards, payments, proceeds or damages, after the deduction of Bank's expenses incurred in the collection of such amounts, at Bank's option, to restoration or repair of the Property or to payment of the Indebtedness, whether or not then due, with the balance, if any, to Borrower. Unless Borrower and Bank otherwise agree in writing, any application of proceeds to principal shall be applied to the most remote unpaid installment of principal and shall not extend or postpone the due date

of any payments required under this Trust Deed or change the amount of any such payments. Borrower agrees to execute such further evidence or assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Bank may require.

12. BORROWER AND LIEN NOT RELEASED. From time to time, at Bank's option, without giving notice to or obtaining the consent of Borrower, Borrower's successors or assigns or of any junior lienholder or guarantor and without any liability on Bank's part and notwithstanding Borrower's breach of any covenant or agreement in the Loan Documents (including but not limited to this Trust Deed), Bank may do any or all of the following:

- (a) Extend the time for payment of the Indebtedness or any part of it;
- (b) Reduce the payments on the Indebtedness;
- (c) Release anyone liable on any part of the Indebtedness;
- (d) Accept renewal note or notes for the Indebtedness;
- (e) Release from the lien of this Trust Deed any part of the Property;
- (f) Release other or additional security;
- (g) Reconvey any part of the Property;
- (h) Consent to any map or plat of the Property;
- (i) Consent to any easement;
- (j) Execute any subordination agreement.

Any action taken by Bank pursuant to the terms of this Section or any modification of the rate of interest upward or downward, or modification of the period of amortization of the Note or change in the amount of the monthly installments payable under the Note or other Loan Documents, or any combination thereof, which may extend the term of the Note or this Trust Deed or both, shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Trust Deed and to observe the covenants of Borrower obtained in this Trust Deed, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the Indebtedness secured by this Trust Deed, and shall not affect the lien or priority of lien of this Trust Deed on the Property. Unless otherwise provided by law, the priority of this Trust Deed shall not be affected by any change in terms whether or not it adversely affects subordinate or prior interest holders. Borrower shall pay Bank a service charge, together with such title insurance premiums and attorney fees as may be incurred at Bank's option for any such action if taken at Borrower's request.

13. FORBEARANCE BY BANK OR RECEIPT OF AWARDS NOT A WAIVER. Any forbearance by Bank in exercising any right or remedy under this Trust Deed, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or remedy. The acceptance by Bank of payment of any sum secured by this Trust Deed after the due date of such payment shall not be a waiver of Bank's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment, nor shall Bank's receipt of any awards, proceeds or damages under this Trust Deed operate to cure or waive any default in payment of sums secured by this Trust Deed.

14. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT. This Trust Deed is intended to be a security agreement pursuant to the Uniform Commercial Code of Oregon for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code of Oregon, and Borrower hereby grants Bank a security interest in said items. Borrower agrees that Bank may file this Trust Deed, or a reproduction of it, in the real estate records, office of the Oregon Secretary of State, or other appropriate filing index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Trust Deed or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Bank, upon Bank's request, any financing statements, as well as extensions, renewals and amendments of them, and reproductions of this Trust Deed in such form as Bank may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases of them, and shall pay all costs and expenses of any record searches for financing statements Bank may require. Without the prior written consent of Bank, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code of Oregon any other security interest in those items, including replacements,

substitutions and additions to them. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Trust Deed, including but not limited to the covenants to pay when due all sums secured by this Trust Deed, Bank shall have the remedies of a secured party under the Uniform Commercial Code of Oregon and, at Bank's option, may also invoke the remedies provided in this Trust Deed as to such items. In exercising any of said remedies, Bank may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, whether by nonjudicial sale or otherwise, without in any way affecting the availability of Bank's remedies under the Uniform Commercial Code of Oregon or of the other remedies provided in this Trust Deed.

15. LEASES OF THE PROPERTY. Borrower shall comply with and observe Borrower's obligations as landlord under all leases of the Property or any part thereof. Borrower shall furnish Bank with executed copies of all leases now existing or in the future made of all or any part of the Property, and all leases now or in the future entered into will be in form and substance subject to the approval of Bank. All leases of the Property shall specifically provide that such leases are subordinate to this Trust Deed; that the tenant attorns to Bank, such attornment to be effective upon Bank's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Bank may from time to time request; that the attornment of tenant shall not be terminated by foreclosure; and that Bank, at Bank's option, may accept or reject such attornments. Without Bank's written consent, Borrower shall not request or consent to the subordination of any lease of all or any part of the Property to any lien subordinate to this Trust Deed. If Borrower becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of set-off against rent, Borrower shall (i) take such steps as shall be reasonably calculated to prevent the accrual of any right to a set-off against rent, (ii) notify Bank thereof and of the amount of said set-offs, and (iii) within ten (10) days after such accrual, reimburse the tenant who shall have acquired such right to set-off or take such other steps as shall effectively discharge such set-off and as shall assure that rents thereafter due shall continue to be payable without set-off or deduction.

16. ASSIGNMENT OF RENTS. As additional security under this Trust Deed, Borrower hereby assigns to Bank the leases, rents or agreements concerning the Property now existing or in the future arising, provided that unless there is an event of default under the Loan Documents, Borrower shall have the right to collect and retain such rents as they become due and payable. Upon Bank's request, Borrower shall execute any additional documents requested by Bank to assign to Bank any leases and all security and other deposits concerning Property. This assignment is not a delegation or assignment to Bank of Borrower's duties or obligations under or in connection with the Property. Bank's acceptance of this assignment does not constitute a promise by it nor does it in any way obligate it to perform any of Borrower's duties or obligations under or in connection with the leases, rents or agreements. Borrower hereby agrees to indemnify Bank against and hold it harmless from any and all liability, loss or damage which it may or might incur under the leases, rents or agreements or under or by reason of this assignment and of and from any and all claims and demands whatsoever which may be asserted against it by any reason of any alleged obligation or undertaking on Bank's or Borrower's part to perform or discharge any of the terms of the leases, rents or agreements.

17. FUTURE ADVANCES. Upon request of Borrower, Bank, at Bank's option so long as this Trust Deed secures Indebtedness held by Bank, may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this Trust Deed.

18. PROHIBITION OF TRANSFER OF PROPERTY OR BENEFICIAL INTERESTS IN BORROWER: ASSUMPTION. Without prior written consent of Bank, Borrower shall not transfer or agree to transfer all or any part of Property or any interest in the Property. For the purpose of this section the occurrence of any of the following events, without limitation, or any agreement to do any of the following, without limitation, shall be deemed to be a transfer of the Property:

(a) Any sale, conveyance, assignment or other transfer of, or grant of a mortgage, deed of trust, other lien, or other security interest in, all or any part of the legal or equitable title to Property;

(b) If Borrower is a corporation, any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, twenty-five percent (25%) or more in the aggregate during the term of the Trust Deed, of Borrower's voting stock and securities which may be converted to voting stock.

(c) If Borrower is a general partnership, the sale, conveyance, assignment or other transfer of, or the grant of a security interest in, any general partnership interest of Borrower.

(d) If Borrower is a limited partnership, the sale, conveyance, assignment or other transfer of, or grant of a security interest in, any general partnership interest of Borrower, or twenty-five percent (25%) or more in the aggregate during the term of the Trust Deed, of the limited partnership interests of Borrower.

If any of (a), (b), (c) or (d), or any combination thereof occur, Bank, at Bank's option, may declare all of the sums secured by this Trust Deed to be immediately due and payable, and may invoke any of the remedies permitted by this Trust Deed. If Borrower or a prospective transferee applies to Bank for consent to transfer, Bank may require such information as may be reasonably necessary for Bank to assess the prospective transferee's prior business experience, reputation and financial ability to perform Borrower's obligations under this Trust Deed. As a condition of its consent to any transfer, Bank in its discretion may impose an assumption fee, and may increase the interest rate on the Note or under the other Loan Documents. However, notwithstanding any of the foregoing, Bank, in its sole discretion, may withhold its consent to any transfer for any reason whether or not withholding consent is reasonable under the circumstances. Any consent, if granted, shall not release Borrower or any successor in interest from personal liability for payment and performance of the Indebtedness, or for performance of this Trust Deed, the Note or other Loan Documents.

19. LOAN AGREEMENT PROVISIONS. Borrower agrees to comply with the covenants and conditions of the Loan Agreement, if any, and all other Loan Documents executed in connection with the Indebtedness secured by this Trust Deed. If the terms of this Trust Deed are inconsistent with the terms of the Loan Agreement, if any, the terms of the Loan Agreement will control.

20. DEFAULT. The following shall constitute events of default:

(a) Failure of Borrower to pay any portion of the Indebtedness when it is due.

(b) Failure of Borrower within the time required by this Trust Deed to make any payment for taxes, insurance or any other payment necessary to prevent filing of or discharge of any lien.

(c) Transfer or agreement to transfer any part or interest in the Property in any manner whatsoever, including, but not limited to, allowing any lien inferior to this Trust Deed on the Property, or transfer of any other interest of Borrower as described in Section 18, except for leases entered into by Borrower subject to Bank's approval as set forth in Section 15 of this Trust Deed.

(d) Dissolution, termination of existence, insolvency or business failure of Borrower; the commencement by Borrower 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 Borrower 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 Borrower to the appointment of a receiver, trustee, or custodian of Borrower or of any of Borrower's property; an assignment for the benefit of creditors by Borrower; the making or suffering by Borrower of a fraudulent transfer under applicable federal or state law; concealment by Borrower of any of its property in fraud of creditors; the making or suffering by Borrower 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 Borrower or Borrower's failure generally to pay its debts as such debts become due. The Events of Default in this paragraph shall apply and refer to Borrower, any guarantor of the Indebtedness, and to each of the individuals or entities which are collectively referred to as "Borrower".

(e) Failure of Borrower to make any payment or perform any obligation under any superior liens or encumbrances, within the time required under those liens or encumbrances, or commencement of any suit or other action to foreclose any superior or inferior liens or encumbrances.

(f) Breach or default under the Loan Agreement or any other Loan Documents, which is not cured within any applicable cure period.

(g) Termination or revocation of any guaranty delivered to Bank in connection with the Indebtedness.

(h) Failure of Borrower to perform any obligations under this Trust Deed other than those described in the preceding paragraphs (a) through (g) of this Section, within ten (10) days after receipt of written notice from Bank specifying the nature of the default.

No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months Bank already has sent a notice to Borrower concerning default in performance of the same obligation.

21. RIGHTS AND REMEDIES ON DEFAULT.

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

(a) Bank may declare all sums secured by this Trust Deed immediately due and payable, including any prepayment penalty which Borrower would be required to pay.

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

(c) If this Trust Deed is foreclosed by judicial procedure, Bank 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 Trust Deed exceeds the net sale proceeds payable to Bank.

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

(e) Bank shall have the right to take possession of the Property and collect all the rents and revenues of the Property in accordance with this Trust Deed and/or in any other assignment of rents.

(f) Bank 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 all the rents and revenues from the Property and apply the proceeds, over and above cost of the receivership, against the sums due under this Trust Deed. The receiver may serve without bond if permitted by law. Bank's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the sums due under this Trust Deed by a substantial amount. Employment by Bank shall not disqualify a person from serving as a receiver.

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

(h) Trustee and Bank shall have any other right or remedy provided in this Trust Deed, the Note, the Loan Agreement, or any other Loan Document, or available at law, in equity or otherwise.

21.2 Rights of Receiver or Bank-in-Possession. Upon taking possession of all or any part of the Property, the receiver or Bank 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 including any past due, and apply such sums to the expenses of use, operation and management including but not limited to receivers fees, premiums on receivers bonds, and reasonable attorneys fees and to the sums secured by this Trust Deed in any order as Bank shall determine in Bank's sole discretion;

(c) At Bank'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 Bank deems appropriate.

Bank or the receiver shall be liable to account only for those rents actually received. If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Bank (if Bank, in its sole discretion, agrees to lend) or otherwise, or Bank may borrow or advance, such sums as the receiver or Bank may deem necessary for 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 8. Such sums shall become a part of the Indebtedness secured by this Trust Deed and shall be payable by Borrower on demand.

21.3 Waiver of Marshalling: Sale of the Property. Notwithstanding the existence of any other mortgage, deed of trust, other lien or other security interests in the Property held by Bank or by any other party, Bank shall have the right to determine the order in which any or all of the Property, real or personal or mixed, shall be subjected to the remedies provided in this Trust Deed. Bank shall have the right to determine the order in which any or all portions of the Indebtedness secured by this Trust Deed are satisfied from the proceeds realized upon the exercise of the remedies provided in this Trust Deed. In exercising its rights and remedies, Bank, at Bank's sole discretion, 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. Bank may bid at any public sale on all or any portion of the Property. Borrower, any party who consents to this Trust Deed and any party who now or in the future acquires a security interest in the Property and who has actual or constructive notice of this Trust Deed hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided in this Trust Deed.

21.4 Notice of Sale. Bank shall give Borrower 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 in accordance with applicable law, and may include, without limitation, only notice required for the nonjudicial sale of the real property.

21.5 Waiver: Election of Remedies: Remedies Cumulative. A waiver by either party of a breach of a provision of this Trust 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 Bank to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Bank under this Trust Deed are distinct and cumulative and not exclusive to all other rights or remedies under this Trust Deed or Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively in any order whatsoever. An election to make expenditures or take action to perform an obligation of Borrower shall not affect Bank's right to declare a default and exercise its remedies under this Trust Deed.

22. SUCCESSORS AND ASSIGNS BOUND: JOINT AND SEVERAL LIABILITY: AGENTS: CAPTIONS. The covenants and agreements contained in this Trust Deed shall bind, and the rights under this Trust Deed shall inure to, the respective successors and assigns of Bank and Borrower, subject to the provisions of Section 18 of this Trust Deed. All covenants and agreements of Borrower shall be joint and several. In exercising any rights under this Trust Deed or taking any actions provided for in this Trust Deed, Bank may act through its employees, agents or independent contractors as authorized by Bank. The captions and headings of the sections of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions of this Trust Deed.

23. NOTICE. Except as specified to the contrary in the Loan Documents and except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Trust Deed or in the Loan Documents shall be given by mailing such notice by certified mail, return receipt requested, addressed to Borrower at Borrower's address stated above or at such other address as Borrower may designate by notice to Bank as provided in this Trust Deed, and (b) any notice to Bank shall be given by certified mail, return receipt requested, to Bank's address stated in this Trust Deed or to such other address as Bank may designate by notice to Borrower as provided in this Trust Deed. Any notice provided for in this Trust Deed or in the Note or other Loan Documents shall be deemed to have been given to Borrower or Bank on the date mailed when given in the manner designated in this Trust Deed.

24. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Trust Deed or to any action brought to enforce the Note, the other Loan Documents or any other obligation secured by this Trust Deed.
25. RECONVEYANCE. Upon payment when due of all sums secured by this Trust Deed, Bank shall request Trustee to reconvey the Property and shall surrender this Trust Deed and all notes evidencing indebtedness secured by this Trust Deed to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to the Property. Such person or persons shall pay Trustee's costs incurred in so reconveying the Property.
26. SUBSTITUTE TRUSTEE. In accordance with applicable law, Bank may from time to time appoint a successor trustee to any Trustee appointed under this Trust Deed. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee in this Trust Deed and by applicable law.
27. IMPOSITION OF TAX BY STATE. If any state tax to which this Section applies is enacted subsequent to the date of this Trust Deed, this shall have the same effect as a default, and Bank may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:
- (a) Borrower may lawfully pay the tax or charge imposed by the state tax without causing any resulting economic disadvantage or increase of tax to Bank, and
 - (b) Borrower pays or provides Bank immediately available funds to pay the tax or charge within thirty (30) days after notice from Bank that the tax law has been enacted.
- 27.1 State Taxes Covered. The following 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 trust deed.
 - (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.
28. ATTORNEY'S FEES. In the event suit or action is instituted to enforce or interpret any of the terms of this Trust Deed, including but not limited to any action or participation by Borrower or Bank in, or in connection with, a case or proceeding under the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to recover all expenses reasonably incurred at, before and after trial and on appeal whether or not taxable as costs, including, without limitation, attorney fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses. Whether or not any court action is involved, all reasonable expenses, including but not limited to the costs of searching records, obtaining title reports, surveyor reports, title insurance, trustee fees, and attorney fees, incurred by Bank that are necessary or advisable at any time in Bank's opinion for the protection of its interest or enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until paid at the default interest rate provided in the Note or other Loan Documents or if the Note or other Loan Documents contain no default rate, then at the interest rate provided for in the Note.
29. GOVERNING LAW; SEVERABILITY. This Trust Deed shall be governed by the law of the State of Oregon. In the event that any provision or clause of this Trust Deed, or the Note, or Loan Agreement or other Loan Documents conflicts with applicable law, such conflict shall not affect other provisions of this Trust Deed, the Note, the Loan Agreement or other Loan Documents which can be given effect without the conflicting provision, and to this end the provisions of this Trust Deed, the Note, the Loan Agreement and other Loan Documents are declared to be severable.
30. TIME OF ESSENCE. Time is of the essence in the payment and performance of the obligations under and secured by this Trust Deed and the other Loan Documents.

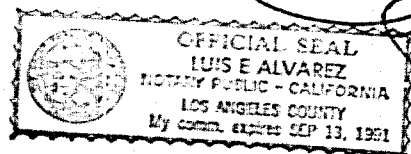
31. CHANGES IN WRITING. Any term of this Trust Deed and any addendum to the Trust Deed may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Borrower or Bank relating to this Trust Deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

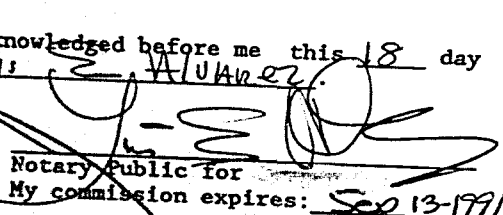
IN WITNESS WHEREOF, Borrower has executed this Trust Deed or has caused it to be executed by its duly authorized representatives .


Dean E. Rides

STATE OF CA)
COUNTY OF LA) ss.

The foregoing instrument was acknowledged before me this 18 day of March, 1988, by U.S. Alvarez.




Notary Public for
My commission expires: SEP 13 1991

REQUEST FOR RECONVEYANCE

To Trustee:

The undersigned is the holder of the note or note secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled to that estate.

Date: _____

----- (Space Below This Line Reserved For Bank and Recorder) -----

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company the 23rd day of March A.D. 19 88 at 10:27 o'clock A M., and duly recorded in Vol. M88 of Mortgages on Page 4008.

FEE \$60.00

Evelyn Biehn, County Clerk
By Pam Smith

WHEN RECORDED RETURN TO:

First Interstate Bank of Oregon, N.A.
Klamath Falls Branch
P.O. Box 608
Klamath Falls, Oregon 97601
Attn: Bill Castle

COMMERCIAL DEED OF TRUST - Page 12

CND-10/28/87