

Exhibit B

Aspen 32084

AFTER RECORDING
RETURN TO:GULL INDUSTRIES, INC.
3404 Fourth Ave South
Seattle, Wa. 98124

Atten: Chuck Iremonger

STATUTORY NOTICE:

The name and address of the entity holding a lien or other interest created by this instrument is set forth to the left and the tax account number of the property subject to the lien or in which the interest is created is:

Tax Account No. # 413029
413038

Loan No. _____

TRUST DEED, SECURITY AGREEMENT AND FIXTURE FILING

THIS TRUST DEED, SECURITY AGREEMENT AND FIXTURE FILING ("Trust Deed") is made this 23 day of AUGUST, 1988, among CLAYCO PETROLEUM CORPORATION, as Grantor, whose address is 1418 Ivory Street Klamath Falls, Oregon, ASPEN TITLE, as Trustee, whose address is 600 MAIN ST. KLAMATH FALLS, OREGON, and GULL INDUSTRIES, INC., as Beneficiary, whose address is P.O. Box 24687, Seattle, Washington 98134, 3404 Fourth Ave. South.

FOR VALUE RECEIVED, Grantor conveys to Trustee in trust the real property in KLAMATH County, Oregon, described as follows:

The real property is described in Exhibit A, attached hereto.

which has an address of: 1100 Main Street Klamath Falls, Oregon

TOGETHER WITH, a security interest in and a lien upon all improvements and all property rights associated with the real property, including, but not limited to the following:

(a) Land. Grantor's fee simple interest in the above described land, whether now existing or hereafter acquired.

(b) Buildings, Improvements and Building Equipment. All right, title and interest of Grantor in and to the buildings, structures and improvements now or at any time hereafter erected, constructed and situated upon the real property or any part thereof and all apparatus, appliances, furnaces, boilers, machinery, engines, motors, compressors, dynamos, elevators, escalators, fittings, piping, connections, conduits, ducts, equipment and other like property and fixtures of every kind and description now or hereafter affixed or attached to any such buildings, structures or improvements and as shall be now or hereafter used or procured for use in connection with the heating, cooling, lighting, plumbing, ventilation, air conditioning, refrigerating, cleaning or general operation of the property, together with any and all alterations or replacements thereof and additions thereto, whether made by Grantor or any successor in interest (all of the foregoing being hereinafter sometimes collectively called the "Improvements".)

(c) Rents and Other Rights and Interests of Grantor in or Pertinent to the Property. All right, title and interest of Grantor now owned or hereafter acquired, in and to all and singular the tenements, hereditaments, privileges, easements, land sale contracts, options, franchises, leases and appurtenances belonging or in any way appertaining to the real property and the reversions, remainders, rents, revenues, income, royalties, issues, profits and proceeds thereof, including all interest of Grantor as landlord in and to all present and future leases, tenancies and occupancies of space in the improvements and in each and every sublease of the entire or any part of the improvements, and all the estate, rights, title and interest, claims and demands whatsoever in law or in equity, which Grantor now has or may hereafter acquire in and to the real property.

(d) Oil, Gas and Mineral Rights. All damages, royalties and revenues of every kind, nature and description whatsoever that Grantor may be entitled to receive from any person or entity owning or having or hereafter acquiring a right the oil, gas, or mineral rights and reservations of the real property.

(e) Condemnation and Insurance Claims. All proceeds and claims arising on account of any damage to or taking of the property or the improvements or any part thereof, and all causes of action and recoveries from any loss or diminution in the value of the land or improvements, and all insurance policies relating to the real property and improvements and all claims or demands related thereto.

(f) Personal Property. All personal property and equipment used by Grantor in connection with the use of the property described in Exhibit "A".

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The real property, improvements and any personal property described above are hereinafter collectively referred to as the "Property".

GRANTOR GRANTS BENEFICIARY a security interest in the Property, including all interest of Grantor in any of such items hereafter at any time acquired under conditional sales contracts, purchase money security agreements, chattel mortgages or other title retaining or security instruments. This grant shall constitute a grant of a security interest under the Trust Deed statutes of the State of Oregon and the Uniform Commercial Code of the state of Oregon.

GRANTOR IS INDEBTED to Beneficiary in the amount of \$27,000.00 according to the terms of a promissory note given to evidence such indebtedness, dated the same as this Trust Deed, under which the final payment of principal and interest will be due 10/1/1993. The promissory note, and any note or notes given in renewal, modification, substitution, or in addition to the promissory note originally issued, is referred to herein as the "Note." The Note may be paid in full at any time or times without penalty. All payments on the Note are to be in U.S. funds.

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

This Trust Deed and security interest are given to secure payment of the indebtedness and performance of all obligations of Grantor under this Trust Deed and are given and accepted on the following terms and conditions which Grantor shall promptly and faithfully observe and perform:

1. PAYMENT AND PERFORMANCE

Grantor shall pay to Beneficiary promptly when due all amounts due under the Note (including, without limitation, late payment charges), this Trust Deed, and any other document evidencing or securing the loan from Beneficiary to Grantor, payment of which is secured by this Trust Deed, and shall strictly perform all obligations imposed upon Grantor by this Trust Deed.

2. WARRANTIES OF TITLE

Grantor represents and warrants that (a) Grantor is lawfully possessed and is the lawful owner of the Property in fee simple title; (b) the Property is free and clear of any deed of trust, mortgage, lien, charge, encumbrance, easement or other matter affecting title thereto, other than those permitted by Beneficiary as set forth in Exhibit B, attached hereto (the "Permitted Exceptions"); (c) Grantor has not previously assigned rents, revenues, royalties or any other rights from the Property; (d) Grantor will maintain and preserve the lien of this Trust Deed until the indebtedness secured hereby has been paid in full; (e) Grantor has good right and lawful authority to mortgage and pledge the Property as provided in and by this Trust Deed; and (f) Grantor will forever warrant and defend the same against any and all claims and demands whatsoever, except as specifically set forth in this Trust Deed.

3. RESERVES

Subject to paragraph 5 below, Grantor agrees to pay to Beneficiary, together with and in addition to the payment of principal and interest provided under the terms of the Note, on the date set forth therein for the making of payments each month, until the Note is fully paid and all other obligations hereunder fulfilled, a sum, as estimated by Beneficiary, equal to one twelfth (1/12th) of the yearly taxes, special assessments and insurance premiums affecting the Property (collectively, the "Charges"). Grantor agrees to promptly deliver to Beneficiary all statements, bills and notices relating to the Charges, all such sums (the "Reserves") shall be held by Beneficiary to pay the Charges. These Reserves are solely for the added protection of Beneficiary, place no responsibility upon Beneficiary and Beneficiary shall not be required to pay interest to Grantor for the amounts held in Reserve. All funds received, but not immediately required for payment of Charges, may be invested or otherwise used by Beneficiary without payment to or on behalf of Grantor until such time as payment of the Charges is required. Upon assignment of this Trust Deed by Beneficiary, any Reserves shall be turned over to the assignee, and any responsibility of the assignor with respect to these Reserves shall terminate. Each transfer of the Property shall automatically transfer to the grantee all rights of the grantor with respect to the Reserves.

4. EXCESS OR INSUFFICIENT RESERVES

If the Reserves exceed the amount of payments actually made by Beneficiary for the Charges, plus such amounts reasonably accumulated in the Reserves for payment of future Charges, such excess may, provided Grantor is not in default hereunder, be credited by Beneficiary in payment of subsequent aggregate, but not partial, payments to be made under paragraph 3, or, at the option of Beneficiary, refunded to Grantor or its successor in interest as may appear upon the records of Beneficiary. If, at any time, in Beneficiary's judgment, the amount of the Reserves is not sufficient to pay all charges at least thirty (30) days before due, then Grantor shall pay to Beneficiary any amount necessary to make up such deficiency within twenty (20) days after written notice to Grantor stating the amount of the deficiency. In the event there is a default under any of the provisions of the Note or this Trust Deed, and thereafter a sale of the Property in accordance with the provisions hereof, or

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If Beneficiary acquires the Property otherwise after default, Beneficiary may, at its option, at any time after acceleration of the indebtedness, apply some or all of the balance then remaining in the Reserves as a credit to the amount secured hereby.

5. DIRECT PAYMENT OF CHARGES

As long as Grantor is not in default hereunder, Grantor may pay the Charges directly to the party entitled thereto. In the event Grantor elects to make direct payment for Charges, Grantor shall provide Beneficiary promptly after receipt by Grantor with all notices of all amounts due for Charges, and Grantor shall promptly (but in no event later than thirty (30) days prior to the date due) furnish to Beneficiary original receipts evidencing such payments.

6. LATE CHARGE

In the event that any payment on the indebtedness or a portion thereof is not paid within ten (10) days commencing with the date it is due (without taking into consideration any other grace periods) Beneficiary may collect, and Grantor agrees to pay with such payment, a "Late Charge" of five cents (\$.05) for each dollar so overdue as liquidated damages for the additional expense of handling such delinquent payment or payments.

7. POSSESSION AND MAINTENANCE OF THE PROPERTY

(a) Until in default, Grantor may remain in possession and control of the Property.

(b) Grantor agrees to maintain the Property in a rentable and tenable condition and state of repair, to neither commit or suffer any waste, to promptly comply with all requirements of federal, state and municipal authorities, and all other laws, ordinances, regulations, covenants, conditions and restrictions respecting the Property or the use thereof, and to pay all fees or charges of any kind in connection therewith. Beneficiary may recover as damages for any breach of this covenant and agreement the amount it would cost to put the Property in condition called for herein. Proof of impairment of security shall be unnecessary in any suit or proceeding under this paragraph or any other provision of this Trust Deed or under any other documents which this Trust Deed secures.

(c) Grantor shall not conduct or permit any nuisance to be maintained on the Property.

(d) Beneficiary and its agents and representatives may, upon forty-eight (48) hours' prior notice, except in the case of an emergency when no notice shall be required, enter upon the Property to attend to Beneficiary's interest and to inspect the Property.

(e) Grantor shall do all other acts, in addition to those set forth in this Trust Deed, that from the character and use of the Property are reasonably necessary to protect and preserve the security.

8. RESTORATION

Subject to the provisions dealing with condemnation and casualty, Grantor covenants and agrees to restore promptly and in a good, workmanlike manner any improvements which may be damaged or destroyed, and to pay when due all costs incurred in connection with such restoration.

9. ALTERATION AND REMOVAL OF PROPERTY

None of the improvements shall be structurally altered, removed or demolished without Beneficiary's prior written consent, nor shall any fixture or item of personal property constituting a part of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability owned by the Grantor free and clear of any lien or security interest except such as may be approved in writing by Beneficiary.

10. TAXES AND LIENS

(a) Grantor shall pay when due all taxes and assessments levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. With respect to such taxes and assessments, Grantor may pay the same in installments to the extent permitted by applicable law. Grantor shall maintain the Property free of any liens, except for any lien of taxes and assessments not due.

(b) Grantor shall promptly furnish written evidence of payment of taxes and assessments to Beneficiary and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

(c) Grantor shall notify Beneficiary at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services or materials. On Beneficiary's request, Grantor will promptly furnish advance assurances reasonably satisfactory to Beneficiary (including construction lien waivers) that Grantor can and will pay the cost of such improvements.

Grantor will at all times provide, maintain and keep in force:

(a) Policies of all risk replacement cost insurance with agreed amount endorsements in an amount not less than the greater of (i) one hundred percent (100%) of the then full replacement costs of the improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) without deduction for physical depreciation, or (ii) any amount sufficient to prevent Grantor and/or Beneficiary from becoming a co-insurer within the terms of the applicable policies. Beneficiary must be named as a mortgagee and loss payee on such policies.

(b) Insurance against the loss of "rental value" of the Property on a "rented or vacant basis" arising out of the perils insured against pursuant to subparagraph (a) above, in an amount equal to one year's "rental value" of the Property with co-insurance in such percentage as may be acceptable to Beneficiary. "Rental value" as used here is defined as the sum of (i) the total anticipated gross rental income from tenant income from tenant occupancy of the Property; (ii) the amount of all charges which are the legal obligations of tenants and which would otherwise be the obligation of Grantor; and (iii) the fair market rental value of any portion of the Property which is occupied by Grantor. The proceeds of such insurance shall be assigned to Beneficiary, to be applied in payment of the indebtedness and charges until such time as the improvement shall be restored and placed in full operation, at which time, provided Grantor is not then in default under this Trust Deed, the balance of such insurance proceeds, if any, held by Beneficiary shall be returned to Grantor.

(c) Flood insurance upon the Property in the event that such insurance is available pursuant to the provisions of the Flood Disaster Protection Act of 1973 or other applicable legislation and if the Property is in an area which is considered a flood risk area by the United States Department of Housing and Urban Development. Beneficiary reserves the right to require Grantor to secure flood insurance in excess of any required by the preceding sentence if Beneficiary determines that such insurance is available at reasonable cost as shown by the insurance practices of institutional lenders and property owners in the state of Oregon, up to the amount provided in subparagraph (a).

(d) Boiler and pressure vessel insurance, including air tanks, pressure piping and major air conditioning equipment, provided the improvements contain equipment of the nature ordinarily covered by such insurance in such amount as Beneficiary may reasonably require.

(e) Comprehensive general liability insurance on an "occurrence basis" against claims for bodily injury, death or property damage occurring on or about the Property, including elevators and escalators, if any, and on or in the streets adjoining the same, to afford protection in a "single limit" in the amount of ~~five~~ ^{1,000,000} million dollars (95,000,000) (subject to reasonable increases as may be required by Beneficiary), in the event of bodily injury to or death of any number of persons or of damage to property arising out of one occurrence.

(f) Such other insurance (including earthquake insurance if Beneficiary determines that such insurance is available at a reasonable cost as shown by the insurance practices of institutional lenders and property owners in the state of Oregon), required by Beneficiary against the insurable hazards which at the time are commonly insured against in the case of property similarly situated, due regard being given to the height and type of the improvements and their construction, use and occupancy.

All policies of such insurance shall be issued by companies approved by Beneficiary having a Best's rating satisfactory to Beneficiary of at least A+ (XII), shall be subject to the approval of Beneficiary as to the amount, content and form of policies and expiration dates, shall contain a Noncontributory Standard Mortgagee's Clause and the Lender's Loss Payable Endorsement (form 438 SFU NS) or their equivalents, in favor of Beneficiary, and shall provide that the proceeds thereof shall be payable to Beneficiary. All policies of such insurance shall contain a stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days notice to Beneficiary. Grantor shall deliver to Beneficiary originals of all such policies of insurance. All policies of liability insurance maintained by Grantor shall name Beneficiary as an additional insured. Grantor hereby assigns to Beneficiary all insurance proceeds which it may be entitled to receive and such proceeds shall be disposed of in accordance with the provisions of paragraph 14 below.

12. HAZARDOUS MATERIALS

(a) Grantor hereby represents and warrants that neither Grantor nor, to the best knowledge of Grantor, any other person has ever caused or permitted any Hazardous Material (as hereinafter defined) to be placed, held, located or disposed of, on, under or at the Property or any part thereof and that the Property has never been used (whether by Grantor or, to the best knowledge of Grantor, by any other person) as a dump site or storage (whether permanent or temporary) site for any Hazardous Material. Grantor further represents and warrants that neither Grantor, nor to the best knowledge of Grantor, any other person, has ever caused or permitted asbestos to be located on the Property.

(b) Grantor hereby indemnifies Beneficiary and agrees to hold Beneficiary harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Beneficiary for, with respect to, or as a direct or indirect result of (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release from, the Property of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under the Comprehensive

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Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Material, or (ii) the presence of any asbestos on the Property (including, without limitation, the cost of removal) regardless of whether caused by, or within the control of, Grantor. For purposes herein, the term "Hazardous Material" means and includes any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect.

13. CONDEMNATION OR CASUALTY

All compensation, awards, damages, rights of action, and proceeds, including the proceeds of any insurance affecting the Property, arising out of any taking or damage by reason of any public or private improvement (including change of grade), condemnation proceeding, zoning change or conveyance in lieu thereof, fire, earthquake or other casualty (collectively the "Proceeds"), are hereby assigned to Beneficiary. Such Proceeds shall be paid to Beneficiary, which may, after deducting therefrom all of its expenses, including attorney fees, release any money received by it, apply the same on any indebtedness and Charges secured hereby or apply the same to the repair or restoration of the Property as it may elect. Grantor agrees to execute such further assignments, awards, damages, rights of action and Proceeds as Beneficiary or Trustee may require. In the event any Proceeds are paid to Grantor, such Proceeds shall promptly (within five (5) days of receipt thereof) be paid over to Beneficiary for the purposes set forth in this paragraph. Notwithstanding the foregoing provisions, Beneficiary shall make Proceeds available to Grantor for repair and restoration of the Property provided:

(a) Not more than twenty percent (20%) of the Property is damaged or taken;

(b) There has been no default under this Trust Deed, or under any of the documents relating to the Indebtedness, in the twelve month period immediately preceding the date of such taking or damage and no such default exists at the time the Proceeds are to be made available to Grantor;

(c) Grantor can demonstrate to Beneficiary's satisfaction that Grantor has the financial ability to pay the Indebtedness and other obligations secured by this Trust Deed during reconstruction;

(d) Such taking or damage occurs prior to the last twenty-four months of the term of the Note; and

(e) The Proceeds are released under escrow/construction funding arrangements satisfactory to Beneficiary.

In the event any of the Proceeds are applied by Beneficiary as a principal reduction of the Note, it shall at Beneficiary's option constitute a pro rata reduction in debt service payments to maintain the then current interest rate on the Note.

14. DEFENSE OF ACTIONS

Grantor agrees to appear and defend any suit, action or proceeding that might affect the value of this Trust Deed or the security itself or the rights and powers of Beneficiary or Trustee. Beneficiary may appear in and defend any such action should Beneficiary elect to do so. Grantor will at all times indemnify and on demand reimburse Beneficiary for, any and all loss, damage, expense or costs, including the cost of evidence of title, expert witness fees and attorney fees, arising out of or incurred in connection with any such suit, action or proceeding, and the sum of such expenditures shall be secured by this Trust Deed with interest at a rate per annum equal to four percentage points above the interest rate stated in the Note, and shall be due and payable on demand.

15. BENEFICIARY'S RIGHT TO CURE DEFAULT

Should Grantor fail to make any payment to other than Beneficiary or to do any act as herein provided, then Beneficiary, without obligation to do so, without notice to or demand upon Grantor and without releasing Grantor from any obligation hereunder, may make or do the same in such a manner and to such extent as it may deem necessary to protect the security hereof, Beneficiary being authorized to enter upon the Property for such purposes, to pay, purchase, contest, or compromise any encumbrance, charge or lien, which in the judgment of Beneficiary appears to be prior or superior hereto, and, in exercising any such power, to incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, expert witness fees and attorneys fees.

16. REPAYMENT OF ADVANCES

Upon written notice, Grantor shall repay immediately all sums expended or advanced under any provision of this Trust Deed by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at a rate per annum equal to four percentage points above the interest rate stated in the Note until paid, and the repayment thereof shall be secured by this Trust Deed. Grantor agrees to pay, in addition to the amount of such expenses or advances, all costs and expenses incurred by Beneficiary in collecting any such amounts, together with a reasonable attorneys fee.

17. IMPOSITION OF TAX BY STATE

(a) The following shall constitute state taxes to which this paragraph applies:

- (i) A specific tax upon trust deeds or upon all of any part of the indebtedness secured by a trust deed;
- (ii) A specific tax on a Grantor which the taxpayer is authorized or required to deduct from payments on the indebtedness secured by a deed of trust;
- (iii) A tax on a trust deed chargeable against a beneficiary or a holder of the note secured thereby; and
- (iv) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by a Grantor.

Provided, however, and notwithstanding the foregoing description of state taxes, this paragraph shall not apply to any state tax measured by or assessed against the income of Beneficiary.

(b) If any state tax to which this paragraph applies is enacted subsequent to the date of this Trust Deed, this shall have the same effect as a default, and Beneficiary may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

- (i) Grantor may lawfully pay any tax or charge imposed by the state tax; and
- (ii) Grantor pays or offers to pay the tax or charge within thirty (30) days after notice from Beneficiary that the state tax has been enacted.

18. ACCOUNTING

Grantor shall keep and maintain or will cause to be kept and maintained in accordance with sound accounting practices accurate and proper books of record and account relating to the Property. Grantor shall permit Beneficiary to examine the books of account and other records of Grantor relating to the Property at such reasonable times and intervals as Beneficiary may desire. Grantor shall furnish to Beneficiary, within ninety (90) days after the end of each of Grantor's fiscal years, (i) a rent roll of the Property for each year in form and substance satisfactory to Beneficiary, certified as true and correct by the chief financial officer or authorized general partner of Grantor and (ii) copies of Grantor's balance sheet and statement of earnings relating to the Property for such year in reasonable detail, together with the unqualified opinion of independent certified public accountants of recognized standing, selected by Grantor and acceptable to Beneficiary, that such balance and operating statements have been prepared in accordance with generally accepted accounting principles. Provided, however, so long as Grantor is not in default under this Trust Deed or any of the documents connected therewith (or no state of facts exist which, with the passage of time or the giving of notice from both, would constitute a default under this Trust Deed or such documents), then in lieu of an opinion from certified public accountants, Beneficiary will accept the annual financial statements in form and substance satisfactory to Beneficiary signed and certified by Grantor's chief financial officer or authorized general partner. Grantor shall furnish to Beneficiary, within forty-five (45) days after the end of each fiscal quarter, unaudited statements setting forth the gross income of the Property for such quarter, certified as being correct by Grantor. As used herein, the gross income of the Property shall mean the total of all rental income paid to Grantor paid by tenants under qualified leases. "Qualified Leases" shall mean leases where (i) the tenant is satisfactory to Beneficiary, (ii) the form of the lease has been approved by Beneficiary, (iii) the tenant is in occupancy, has paid at least one month's rent and all free rent periods have expired, and (iv) the tenant has executed and delivered to Beneficiary an estoppel letter in form and substance satisfactory to Beneficiary.

19. SECONDARY FINANCING

Without limiting the other provisions of this Trust Deed restricting encumbrances on the Property, it is agreed that there shall be no secondary financing of the Property and that while any of the indebtedness secured hereby is outstanding and the Property shall not be encumbered by any lien other than the lien of this Trust Deed (except as otherwise expressly provided in this Trust Deed).

20. ASSIGNMENT OF RENTS AND PROFITS UNDER ALL LEASES AND RENTAL AGREEMENTS

Grantor absolutely and irrevocably assigns to Beneficiary the rents, issues and profits of the Property, and all of the right, title and interest of Grantor in and under all leases and rental agreements now or hereinafter affecting said Property.

21. SUBSTITUTION OF TRUSTEE

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

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Beneficiary, which, when recorded in the mortgage records of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor Trustee.

22. TRANSFER OR FURTHER ENCUMBRANCE BY GRANTOR

(a) If, while any indebtedness secured hereby is outstanding, Grantor, without the prior written approval of Beneficiary (which approval may be granted or withheld in Beneficiary's sole discretion), (i) sells, assigns, transfers or otherwise ceases to own or manage the Property or any interest therein, including without limitation transfers of general or limited partnership interests (where Grantor is a partnership), transfers of stock (where Grantor is a corporation) or transfers of beneficial interests (where Grantor is a trust), or (ii) further encumbers the Property or any part thereof or any interest therein, then Beneficiary may, at its option, accelerate the indebtedness secured hereby and declare a default hereunder. For the purpose of this subparagraph (a), a sale by way of a land sale contract, a lease containing an option to purchase or any lease in which, when taking into consideration its options to renew, exceeds fifteen years, shall constitute a prohibited transfer under this subparagraph (a).

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

(c) Beneficiary may charge a processing fee for review of any proposed transfer and an assumption fee of such transfers approved. Any proposed transferee will be approved or disapproved in Beneficiary's sole discretion. Consent to one transfer shall not be deemed a consent to any other transfer of the Property.

23. SECURITY AGREEMENT; SECURITY INTEREST AND FIXTURE FILING

(a) This instrument shall constitute a security agreement and fixture filing with respect to the personal property and fixtures included in the description of the Property.

(b) Upon request by Beneficiary, Grantor shall execute financing statements and take whatever other action is requested by Beneficiary to perfect and continue Beneficiary's security interest in such personal property and fixtures. Beneficiary may file copies or reproductions of this Trust Deed as a financing statement at any time and without further authorization from Grantor. Grantor will reimburse Beneficiary for all filing or recording fees incurred in perfecting or continuing this security interest.

24. RECONVEYANCE ON FULL PERFORMANCE

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

25. DEFAULT

The following shall constitute events of default:

(a) If Grantor shall fail to pay any sum due under the Note within ten (10) days commencing with the date it is due;

(b) If Grantor shall fail to pay any other amount required to be paid by Grantor pursuant to this Trust Deed or pursuant to any of the other documents connected therewith within ten (10) days commencing with the date it is due, including without limitation, taxes, assessments, Reserves for such payments, insurance and any other payment necessary to prevent filing or imposition of any liens;

(c) If Grantor encumbers the Property or if Grantor transfers the Property without the written approval of Beneficiary as set forth above;

(d) If Grantor shall become insolvent or shall admit in writing its inability to meet its debts as they become due, or if Grantor shall file a voluntary petition in bankruptcy, or make an assignment (or grant a security interest in all or a substantial part of its assets) for the benefit of creditors or consent to the appointment of a receiver or trustee for any portion of the Property or all or a substantial part of its assets, or file a petition, answer or other instrument seeking or acquiescing in the arrangements of its debts, or if a petition is filed against Grantor under any of the chapters of the federal bankruptcy code and is not discharged within thirty (30) days of such filing, or if Grantor seeks any other relief under the federal bankruptcy code or any other applicable law for the relief of debtors of the United States of America or any state or territory thereof;

(e) If a decree or order of court having jurisdiction shall have been entered (i) adjudging Grantor to be bankrupt or insolvent, or (ii) approving a petition by one other than Grantor seeking any relief whatsoever involving Grantor or any portion of the Property under the federal bankruptcy code or any other

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applicable law for the relief of debtors of the United States of America or any state or territory thereof, or (iii) appointing a receiver or trustee or assignee in bankruptcy or insolvency of Grantor or of any of its Property, or (iv) directing the winding up or liquidation of the affairs of Grantor, and such decree or order shall have continued undischarged or unstayed for a period of thirty (30) days;

(f) If any representation or warranty of Grantor contained in any of the loan documents connected with this transaction, shall be untrue in any material respect;

(g) If Grantor shall default in the due observance or performance of any other covenant, term, condition or agreement contained in this Trust Deed or any of the other documents connected therewith and not mentioned above, and Grantor shall fail to cure the same within thirty (30) days after written notice shall have been given to Grantor by Beneficiary specifying such default and requiring that the same be cured or, if the default cannot be cured within such thirty (30) day period, if Grantor shall fail within such time to commence and pursue curative action with reasonable diligence.

26. RIGHTS AND REMEDIES ON DEFAULT

(a) Upon the occurrence of any event of default and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies which remedies shall be cumulative and in addition to any other remedies provided by law:

(i) Beneficiary may declare the entire indebtedness immediately due and payable.

(ii) Trustee, at Beneficiary's direction, shall have the right to foreclose by notice and sale, or Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law. In any such action, Beneficiary shall be entitled to obtain a deficiency judgment for any amount by which the indebtedness secured hereby exceeds the sale proceeds.

(iii) Beneficiary shall have the right, at its sole option, to waive its rights under this Trust Deed and pursue an independent action upon the Note. The Note and Trust Deed are separate and distinct instruments separately or collectively enforceable in accordance with their terms.

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

(v) Beneficiary may at any time, without notice, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of the security for the indebtedness hereby secured, enter upon and take possession of the Property or any part thereof, in its own name sue or otherwise collect the rents, revenues and profits, if any, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine.

(vi) Beneficiary shall have all rights and remedies under the Uniform Commercial Code as now enacted in the state of Oregon and as hereafter amended. Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or any other intended disposition of the personal property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition.

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

(c) 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 Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Beneficiary under this Trust Deed are cumulative and not exclusive. An election to make expenditures or take action to perform an obligation of Grantor shall not affect Beneficiary's right to declare a default and exercise its remedies under this Trust Deed.

(d) In the event suit or action is instituted to enforce or interpret any of the terms of this Trust Deed, the prevailing party shall be entitled to recover its reasonable attorney fees at trial, on any appeal, and on any petition for review, in addition to all other sums provided by law. Whether or not any court action is involved, all reasonable expenses incurred by Beneficiary that are necessary at any time in Beneficiary's opinion for the protection of its interest or the enforcement of its rights shall become a part of the indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the same interest rate as provided in paragraph 16 above. Expenses covered by this paragraph include (without limitation) the cost of searching records, discovery deposition costs, obtaining title reports, surveyors' reports, attorney opinions, title insurance and fees for the Trustee.

(e) If Grantor meets certain conditions, Grantor shall have the right to have enforcement of this Trust Deed discontinued at any time prior to five (5) days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Trust Deed.

Those conditions are that Grantor (i) pay Beneficiary all sums which then would be due under the Trust Deed and the Note had no acceleration occurred; (ii) cure any default of any other covenant or agreement; (iii) pay all expenses incurred in enforcing this Trust Deed, including, but not limited to, reasonable attorneys' fees and Trustee's fees; and (iv) take such action as Beneficiary may reasonably require to assure that the lien of this Trust Deed, Beneficiary's rights in the Property and Grantor's obligation to pay the sums secured by this Trust Deed shall continue unchanged. Upon reinstatement by Grantor, this Trust Deed and the obligations secured hereby shall remain fully effective as if no acceleration had occurred.

(f) If the Trustee forecloses by advertisement and sale, as provided above, Trustee shall apply the proceeds of sale to the payment of (i) expenses of sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney, (ii) to the indebtedness secured by this Trust Deed, (iii) to all persons having recorded liens subsequent to the interest of the Trustee and the Trust Deed, as their interest may appear in the order of their priority and (iv) the surplus, if any, to the Grantor or to the Grantor's successor in interest entitled to such surplus.

27. MISCELLANEOUS

(a) Time is of the essence of this Trust Deed.

(b) Subject to the limitations stated in this Trust Deed on transfer of Grantor's interest and subject to the provisions of applicable law with respect to successor trustees, this Trust Deed shall be binding upon and inure to the benefit of the parties, including, but not limited to, their successors, assigns, heirs, devisees, legatees, administrators and personal representatives.

(c) In construing this Trust Deed, the terms "Trust Deed" or "conveyance" shall encompass the term "security agreement" when the instrument is being construed with respect to any personal property.

(d) Any notice under this Trust Deed shall be in writing and shall be effective when either delivered in person or, if mailed, shall be deemed effective on the third day after deposited as registered or certified mail, postage prepaid, addressed to the party at the address stated in this Trust Deed. Any party may change its address for notices by written notice to the other.

(e) If any of the provisions contained in the Note or this Trust Deed shall be invalid, illegal, or unenforceable in any respect, the validity of the remaining provisions in this Trust Deed and the Note shall not be affected.

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

(g) The Grantor within ten (10) days after written request from Beneficiary shall furnish a duly acknowledged written statement setting forth the amount of the indebtedness secured by this Trust Deed, and stating either that no setoffs or defenses exist against the Trust Deed debt, or, if such setoffs or defenses are alleged to exist, the nature thereof.

(h) This Trust Deed shall be governed by the laws of the state of Oregon and all parties consent to the jurisdiction of the courts of the state of Oregon and service of process therein.

(i) Grantor on its own behalf and on behalf of its successors and assigns hereby expressly waives all rights to require a marshalling of assets by Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to the sale of any portion of the Property which might have been retained by Grantor before foreclosing upon and selling any other portion as may be conveyed by Grantor subject to this Trust Deed.

(j) Except as otherwise expressly stated in this Trust Deed, in any instance hereunder where Beneficiary's approval or consent is required or the exercise of Beneficiary's judgment is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Beneficiary, and Beneficiary shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner regardless of the reasonableness of either the request or Beneficiary's judgment.

(k) It is mutually agreed by Grantor and Beneficiary that the respective parties waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this Trust Deed.

(l) The Beneficiary shall be subrogated for further security to the lien, although released of record, of any and all encumbrances paid out of the proceeds of the loan secured by this Trust Deed.

(m) If Grantor is more than one person, then each Grantor shall be deemed jointly and severally liable under this Trust Deed and under the Note.

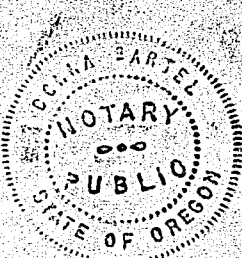
(n) Grantor represents, acknowledges and agrees that this Trust Deed is and will at all times remain a Commercial Trust Deed within the meaning of ORS 86.770.

(o) The term "Beneficiary" shall mean the holder and owner, including pledgees, of the Note secured hereby whether or not named as Beneficiary herein. Without affecting the liability of any other person for payment of any obligation mentioned herein and without affecting the lien hereof upon any portion of the Property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or part of the Property, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or thereafter, and sell the same or otherwise realize thereon, either before, concurrently with, or after sale hereunder.

(p) This Trust Deed shall be so construed that wherever applicable, the use of the singular number shall include the plural number, the use of the plural number shall include the singular number, the use of any gender shall be applicable to all genders and shall likewise be so construed as applicable to and including a partnership or corporation.

(q) Nothing contained in this conveyance or in any other document is intended to create any partnership, joint venture or association between Grantor and Beneficiary, or in any way make Beneficiary a co-principal with Grantor with reference to the Property, and any inferences to the contrary are hereby expressly negated.

By signing below, Grantor accepts and agrees to the terms and covenants contained in this Trust Deed and in any rider(s) executed by Grantor and recorded with it.



STATE OF OREGON)

County of Klamath) ss.

By: CLAYCO PETROLEUM CORPORATION
Title: President

The foregoing instrument was acknowledged before me this 30 day of August, 1988, by Donna Bartel the President of Clayco Petroleum Corporation.

Donna Bartel
Notary Public for Oregon
My Commission Expires: 3/23/92

REQUEST FOR FULL RECONVEYANCE

To be used only when obligations have been paid.

TO: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing Trust Deed. All sums secured by said Trust Deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of said Trust Deed or pursuant to statute, to cancel all evidences of indebtedness secured by said Trust Deed (which are delivered to you herewith together with said Trust Deed) and to reconvey, without warranty, to the parties designated by the terms of said Trust Deed the estate now held by you under the same. Mail reconveyance and documents to: _____

DATED: _____

Beneficiary

EXHIBIT A

EXHIBIT "A"

PARCEL 1; LOT 7 BLOCK 2, CANAL ADDITION TO THE CITY OF KLAMATH FALLS,
IN THE COUNTY OF KLAMATH, STATE OF OREGON

PARCEL 2: LOT 8, BLOCK 2, CANAL ADDITION TO THE CITY OF KLAMATH FALLS,
IN THE COUNTY OF KLAMATH, STATE OF OREGON

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co. the 2nd day
of Sept. A.D., 19 88 at 3:23 o'clock p. M., and duly recorded in Vol. M88,
of Mortgages on Page 14409.

FEE \$53.00

Evelyn Biehn County Clerk

By Pauline Mickelson