

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

8.03 In the event that this Trust Deed is foreclosed as a mortgage or in any other manner permitted by law and the property sold at a foreclosure sale, the purchaser may, during any redemption period allowed, make such repairs or alterations on said property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the highest lawful rate shall be added to and become a part of the amount required to be paid for redemption from such sale.

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

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

ARTICLE IX INSPECTION

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

ARTICLE X CONTESTING LIENS AND IMPOSITIONS

10.01 Grantor, at its expense, may contest, after prior written notice to Beneficiary, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application in whole or in part, of any impositions described in Section 3.02, any license fees or similar charges, or any construction lien filed against the Property provided that (a) Grantor shall first make all contested payments, under protest if it desires, unless such proceedings shall suspend the collection thereof, (b) neither the Property nor any part thereof or interest therein are at any time in any danger of being sold, forfeited, lost or interfered with, and (c) Grantor shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Beneficiary. Provided, however, Beneficiary may, at its sole discretion, require Grantor to bond against the construction lien under ORS §§87.076-.088.

ARTICLE XI ASSIGNMENT BY BENEFICIARY

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

ARTICLE XII INSURANCE

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

therefore, and any amounts so paid by Beneficiary shall become immediately due and payable by Grantor with interest thereon at the rate then in effect under the Note from the dates paid, and the amounts shall be secured by this Trust Deed. The delivery to Beneficiary of any policy or policies of insurance hereunder, or renewals thereof, shall constitute an assignment to Beneficiary of all unearned premiums thereon as further security for the payment of the indebtedness secured hereby. In the event any foreclosure action or other proceeding hereunder is instituted by Beneficiary, all right, title and interest of Grantor in any or to any policy or policies of insurance then in force shall vest in Beneficiary.

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

12.02 In the event of an insured loss, Beneficiary shall have the option to declare the unpaid balance owing under the Note to be immediately due and payable and to settle all claims with insurers, collect all insurance proceeds, and apply the proceeds, after deducting the costs of collection, to payment of the Note. If Beneficiary elects to make the insurance proceeds available to Grantor to repair and restore the damaged Property rather than applying the proceeds to payment of the Note, such proceeds will be deposited with Beneficiary, together with any additional funds of Grantor which Beneficiary determines are necessary to complete the repairs and restoration, and such funds will be disbursed by Beneficiary as Beneficiary may deem prudent. In such event, Grantor agrees to promptly and diligently repair and restore the Property.

ARTICLE XIII MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

13.12 Trustee accepts this Trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law.

Trustee is not obligated to notify and party hereto of any pending sale under any other Trust Deed or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless such action or proceeding is brought by Trustee.

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

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

Corporate or Partnership Grantors:

Waggoner Plaza Limited Partnership, an Oregon Limited Partnership
By: Viking Financial Services, Inc., an Oregon Corporation
General Partner
By: X Bjørn J. Rathe President Title

Individual Grantors:

STATE OF OREGON)
County of _____) ss.

by _____ The foregoing instrument was acknowledged before me this _____ day of _____, 19____

(NOTARIAL SEAL)

STATE OF OREGON)
County of Multnomah) ss.

Notary Public for Oregon
My Commission Expires: _____

The foregoing instrument was acknowledged before me this 20 day of NOVEMBER December, 19 88
by Bjorn J. Rathe for Viking Financial Services, Inc., General Partner of Waggoner Plaza Limited Partnership, a
limited partnership

(NOTARIAL SEAL)

Dickinson J. W. B. S. A. L.
Notary Public for Oregon
My Commission Expires: 2/2/91

TO: _____ REQUEST FOR FULL RECONVEYANCE

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: _____, 19____

Do not lose or destroy this Trust Deed OR THE NOTE which it secures.
Both must be delivered to the trustee for cancellation before reconveyance will be made.

AFTER RECORDING RETURN TO:

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

UNTIL FURTHER NOTICE
SEND TAX STATEMENTS TO:

Waggoner Plaza Limited Partnership, an Oregon Limited Partnership - c/o Viking Financial Services, Inc., an Oregon Corporation - 1985 SW 6th Ave., Portland 97204

Reserved for Recorder's Use

STATE OF _____
County of _____
I certify that the within instrument was received for record on the _____ day of _____, 19____ at _____ o'clock _____ M., and recorded in book _____ on page _____ Mortgage Records of said County.

Witness my hand and seal of County affixed.

County Clerk-Recorder

By: _____, Deputy

ADDITIONAL PROVISIONS
FOR
TRUST DEED

13.13 Additional Provisions. Paragraphs 4 through 13 of the November 2, 1988 Agreement between the parties (which Agreement is part of the Loan Commitment of even date between the parties) and paragraphs 13.14 through 13.16 set forth hereafter, are incorporated as additional provisions of the Trust Deed and Assignment of Leases and Rents by this reference. These Additional Provisions shall supersede and control over the language of the Trust Deed and Assignment of Leases and Rents to the extent of any conflict between the terms of these Additional Provisions and the terms of the Trust Deed and Assignment of Leases and Rents.

13.14 Town and Country Loan. Any default or event of default under the Note, the Loan Commitment, this Trust Deed and other loan and security instruments executed by Grantor in connection therewith (the "Washburn Plaza Loan Documents") or under the \$1,500,000 Note dated August 1, 1988 pertaining to the Town and Country Shopping Center property or the Trust Deed and other loan and security instruments executed in connection therewith (collectively, the "Town and Country Loan Documents"), will be a default under each of the Washburn Plaza Loan Documents and Town and Country Loan Documents. Any transfer or agreement to transfer any of the property described in the Washburn Plaza Loan Documents or Town and Country Loan Documents, or any portion thereof or interest therein, or any mortgage or other lien placed thereon, without the prior written consent of Beneficiary in each instance, to the extent required under and pursuant to and subject to the restrictions and terms stated therein, which are incorporated herein by this reference, shall be a default under all such documents. Any action taken in violation of such restrictions will be a default by Grantor and entitle Beneficiary to accelerate the balance under such documents and to take other actions on account of default. Notwithstanding any other provision of the Washburn Plaza Loan Documents or the Town and Country Loan Documents, each of such documents shall secure the payment and performance of all obligations under both the Washburn Plaza Loan Documents and the Town and Country Loan Documents (and this paragraph will control over any more limited statement as to the obligations secured contained in any of such documents or contained in any other provision of this Trust Deed).

13.15 Incorporation of Agreement. Incorporated within the Loan Commitment between the parties dated November 2, 1988 is the Agreement between the parties of even date, which is incorporated in this Trust Deed by this reference. Paragraphs 4 through 11 of such Agreement and Exhibits relevant thereto are also attached hereto for purposes of noticing third parties as to certain terms of the loan evidenced by the Note, the cross-collateralization of the Note, and terms for partial release.

13.16 Tenant Improvement Advances. This Trust Deed shall also secure all advances of additional tenant improvement funds by Beneficiary to Grantor, pursuant to the terms and conditions of paragraph 9 of the Agreement between the parties dated November 2, 1988.

AGREEMENT

THIS AGREEMENT is made this 2nd day of November, 1988, between OREGON PUBLIC EMPLOYEES RETIREMENT FUND ("OPERF") and WAGGONER PLAZA LIMITED PARTNERSHIP, an Oregon limited partnership ("Waggoner").

R E C I T A L S:

A. OPERF is involved in the investment of its trust funds in real property. Pursuant to a default involving one of its investment properties, OPERF acquired title to a certain retail shopping center located in Klamath Falls, Oregon, called Washburn Plaza.

B. Waggoner desires to purchase Washburn Plaza from OPERF. In connection with that proposed purchase, Waggoner has requested OPERF to provide financing for the purchase.

C. Waggoner and OPERF desire to proceed with the purchase and financing of Washburn Plaza, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants of the parties set forth herein, Waggoner and OPERF agree as follows:

1. Sale of Washburn Plaza. Waggoner agrees to buy and OPERF agrees to sell that parcel of real property known as Washburn Plaza, which real property is more particularly described on the attached Exhibit A, together with all

fixtures, furniture, equipment and personal property presently located on or used in connection with the operation of Washburn Plaza (all of which real and personal property is hereinafter referred to as the "Property"). The total purchase price for the Property shall be NINE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$950,000.00).

2. Payment of Purchase Price. The entire purchase price shall be paid in cash at closing.

3. Extension of Loan. In connection with this transaction, OPERF agrees to lend to Buyer the total amount of ONE MILLION TWO HUNDRED THOUSAND AND NO/100 DOLLARS (\$1,200,000.00), to be used in connection with the purchase, improvement and operation of the Property and as otherwise set forth herein (the "Loan").

4. Advances of Funds. The Loan shall be advanced to Waggoner as follows:

a. NINE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$950,000.00) to be advanced at closing to pay the purchase price for the Property.

b. FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00) to be advanced at closing to cover closing costs and other related expenses incurred by Waggoner in connection with the purchase of the Property, including necessary repairs.

c. TWO HUNDRED THOUSAND AND NO/100 DOLLARS (\$200,000.00) to be advanced at Waggoner's request for

necessary improvements, tenant improvements, operational expenses and other costs and expenses incurred in connection with the leasing, clean-up and general rehabilitation of the Property and as otherwise set forth herein.

5. Interest Accrual and Payment. Interest shall accrue on the Loan as follows:

a. Initial Accrual Period. During the first six months, interest on all amounts advanced by OPERF to Waggoner shall accrue at the rate of nine percent (9%) per annum. No interest payments shall be made by Waggoner during this period. All interest accrued shall be added to principal at the end of the Initial Accrual Period.

b. Option Accrual Period. Waggoner shall have the option, at the expiration of the Initial Accrual Period, to extend the period for accrual only of interest for an additional six months. If Waggoner makes the election to exercise this option, interest shall continue to accrue for an additional six months with no interest payments required. At the end of this additional six-month period, all accrued interest shall be added to the principal. Waggoner's right to exercise its option for an additional six-month interest accrual period shall be subject to the following conditions:

(i) The interest rate for the additional, six-month period shall be at nine percent (9%).

(ii) The option shall be exercised by written notice to OPERF not less than 15 days before the expiration of the Initial Accrual Period.

c. Initial Term Year. Upon expiration of the Initial Accrual Period or upon expiration of the Option Accrual Period if that extension is elected by Waggoner, whichever is applicable, all interest accrued to date shall be added to principal, and the balance thereof shall accrue interest at the rate of nine percent (9%) per year. Payments on the amount outstanding shall be based upon the application of a 25 year amortization schedule to the outstanding principal and shall be paid monthly on or before the 15th day of each month.

d. Second Term Year. Upon expiration of the Initial Term Year, interest on the outstanding balance shall be increased to ten percent (10%) per annum. Payments on the outstanding balance owed at the beginning of the Second Term Year shall be based upon the application of a 25-year amortization schedule to the outstanding principal and shall be paid monthly on or before the 15th day of each month.

e. Third Term Year. Upon the expiration of the Second Term Year, interest on the outstanding balance shall be increased to eleven percent (11%) per annum. Payments on the outstanding balance owed at the beginning of the Third Term

Year shall be based upon the application of a 25-year amortization schedule to the outstanding principal and shall be paid monthly on or before the 15th day of each month.

6. Payment of Principal. All principal and interest borrowed by Waggoner from OPERF hereunder shall be due and payable at the end of the Third Term Year, unless Buyer shall exercise its option (set forth in Section 7 below), in which case, all principal and interest will be payable at the end of the last Option Period.

7. Additional Option. Buyer shall have the option at the end of the Third Term Year and at the end of the first Option Period to extend the due date on the unpaid principal owed on the Loan for two additional three-year periods (the "Option Period"). The interest rate during each Option Period shall be agreed upon by the parties prior to the commencement of each Option Period. If no interest rate can be mutually agreed upon, the interest rate shall be established at two percent (2%) over the yield paid on three year Treasury Bills, with a maximum interest rate of twelve percent (12%) per annum.

8. Cross Collateralization. All amounts borrowed by Waggoner from OPERF pursuant to this Agreement shall be secured by a mortgage on the Property and a separate mortgage on the Town and Country Shopping Center property, the legal description of which is attached hereto as Exhibit B.

9. Additional Tenant Improvement Funds. The amounts agreed to be loaned to Waggoner by OPERF herein are based upon minimal tenant improvements packages for the projects. OPERF agrees to provide additional funds, in excess of the amounts agreed to herein, for necessary specific tenant improvements for either Washburn Plaza or Town and County Shopping Center, provided such additional amounts are economically justified by the income to be generated by the proposed lease agreement. All such additional amounts shall be advanced and repaid in accordance with the Loan terms. OPERF shall have ten (10) business days in which to approve or disapprove any additional tenant improvement funds requested by Waggoner. OPERF's approval shall not be unreasonably withheld.

10. Transfer of Interest. If Waggoner shall agree to sell one or both of the properties to a third party, OPERF shall allow that third party to assume the remaining obligations of Waggoner to OPERF with respect to the loan for that particular property or if both properties are sold, the loans for both properties, provided the financial capacity and credit of the third party is satisfactory to OPERF, approval of which financial capacity and credit shall not be unreasonably withheld by OPERF. Upon execution of such written assumption, OPERF shall release Waggoner from its obligations under the loan being assumed.

11. Release of Property. OPERF agrees to release either the Washburn Plaza property (Exhibit A) or the Town & Country Plaza property (Exhibit B) from the lien of the mortgages provided herein upon the request of Waggoner, subject to the following conditions:

a. There shall have been no default under the Loan or any of the documents related thereto at any time during the preceding six months prior to the request for the release of one of the properties.

b. The ratio of the net operating income from the remaining property to the debt service on the Loan shall be equal to or greater than 1.15. The net operating income, for purposes of determining the ratio of that net operating income to debt service on the Loan, shall include payments due only from the following:

(i) Leases in good standing, with no lease payments in arrears.

(ii) Leases having a term remaining of at least one year or the remaining term of the Loan, after application of any available extension periods.

12. Nonmerger. The provisions of this Agreement shall not merge into the sale or loan documents, except as specifically set forth therein.

13. Prepayment Privilege. Waggoner shall have the privilege, without penalty of increasing any payments due under the loan, in multiples of ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00) or prepaying the whole outstanding balance at any time.

14. Taxes. All real and personal property taxes, and other assessments levied against the property for the current year, shall be prorated between OPERF and Waggoner as of the closing date.

15. Closing. The sale shall be closed on or before November 15, 1988.

16. Covenant of Title. OPERF covenants that it is the owner of the Property, property, free and clear of liens and encumbrances, except those title exceptions numbered 2-9, set forth in Exhibit C.

17. Acceptance of Property. Waggoner shall accept the land, buildings, improvements and all other aspects of the Property, in their present condition, AS IS, including latent defects, without any representations or warranties expressed or implied, except as specifically set forth in this Agreement. Waggoner agrees that it has ascertained, from sources other than Seller, the applicable zoning, building, housing and other regulatory ordinances and laws, and that it accepts the Property with full awareness of these ordinances and laws as they may

affect the use or any intended future use of the Property, and OPERF has made no representations with respect thereto.

18. Brokers' Fees. Waggoner shall be responsible for all brokers' fees or other costs or expenses incurred in this transaction.

19. Notices. Any notice permitted or required under this Agreement shall be deemed given upon the date of personal delivery, or 48 hours after deposited in United States mail, postage fully paid, certified or registered mail, addressed to the parties at the addresses set forth above or at any other address as any party may, from time to time, designate by notice given in compliance with this paragraph.

Executed in duplicate as of the day and year first above written.

OREGON PUBLIC EMPLOYEES
RETIREMENT FUND

By

Title:

W. J. [Signature]
Investment
Officer

WAGGONER PLAZA
LIMITED PARTNERSHIP

By

Title:

W. J. [Signature] President
V. King Financial Secretary, I.C.B.P.

EXHIBIT "C" DELETED

EXHIBIT "A"

PARCEL 1:

A tract of land being Lot 1 and a portion of Lot 2 in Block 3 of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the Southwest corner of said Lot 1; thence North 00 degrees 04' 50" East 195.00 feet to the Northwest corner of said Lot 1; thence continuing North 00 degrees 04' 50" East 57.80 feet; thence South 89 degrees 25' 10" East 300.00 feet; thence South 00 degrees 04' 50" West 57.80 feet to the Northeast corner of said Lot 1; thence continuing South 00 degrees 04' 50" West 195.00 feet to the Southeast corner of said Lot 1; thence North 89 degrees 25' 10" West 300.00 feet to the point of beginning.

EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division, recorded August 16, 1976 in Deed Volume M-76 at page 12646, Microfilm Records of Klamath County, Oregon.

PARCEL 2:

A Tract of land situated in Lot 2, Block 3, Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the Easterly right of way line of Washburn Way, said point being North 00 degrees 04' 50" East 57.80 feet from the Northwest corner of Lot 1, Block 3; thence South 89 degrees 25' 10" East 300.00 feet to the true point of beginning; thence South 89 degrees 25' 10" East a distance of 100.08 feet to a point; thence South 89 degrees 56' 30" East a distance of 51.67 feet to the Northwest corner of parcel conveyed to Ronald T. Williams, et ux., by Deed Volume M-77 at page 17511; thence South 0 degrees 04' 50" West along the West line of last mentioned parcel a distance of 253.26 feet to the North line of Crosby Avenue; thence North 89 degrees 25' 10" West along said North line a distance of 151.76 feet to the Southeast corner of Lot 1, Block 3; thence North 0 degrees 04' 50" East a distance of 252.8 feet, more or less, to the point of beginning.

EXHIBIT "A" CONTINUED

PARCEL 3:

A tract of land being a portion of Lot 2, Block 3, of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at the Southwest corner of said Lot 2; thence North 00 degrees 04' 50" East 57.80 feet to the true point of beginning; thence North 00 degrees 04' 50" East 96.35 feet; thence South 89 degrees 56' 30" East 400.03 feet to the East line of said Lot 2; thence South 00 degrees 03' 30" West 100.00 feet; thence North 89 degrees 25' 10" West 400.08 feet to the true point of beginning.

PARCEL 1:

A portion of the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at an iron pin on the South right of way line of South Sixth Street as presently located and constructed, which bears South 0 degrees 22' 15" East a distance of 48.5 feet from the Northwest corner of said NE 1/4 SE 1/4; thence Easterly, along said right of way line a distance of 142.5 feet to a point; thence South at right angles to said right of way line a distance of 460.0 feet to a point; thence West, parallel to said right of way line, a distance of 142.5 feet, more or less, to the West line of said NE 1/4 SE 1/4; thence North along said West line a distance of 460.0 feet to the point of beginning.

PARCEL 2:

A tract of land situated in the SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the East one-fourth corner of said Section 3; thence South 89 degrees 52' West 1,275.74 feet; thence South 00 degrees 21' 47" East 54.10 feet to a one-half inch pipe on the Southerly right of way line of the Dallas-California Highway marking the Northeast corner of that parcel of land described in Deed Volume 251 at page 162, as recorded in the Klamath County Deed Records; thence continuing South 00 degrees 21' 47" East along the Eastline of said parcel described in said Deed Volume 251 at page 162, 233.00 feet to the true point of beginning of this description; thence continuing South 00 degrees 21' 47" East along said line 395.64 feet to the Northerly right of way line of the Oregon-California and Eastern Railway Company; thence North 67 degrees 41' West along said right of way line 156.57 feet (162 feet by record); thence North 00 degrees 55' 30" West along the West line of said parcel described in said Deed Volume 251 at page 162, 334.24 feet; thence North 89 degrees 14' East 147.71 feet to the true point of beginning of this description with bearings based on the East line of the SE 1/4 of said Section 3 as being South 01 degrees 14' East.

PARCEL 3:

A portion of the NW 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a one-half inch iron pin on the South right of way line of South Sixth Street, as the same is presently located and constructed, said point being on the West line of tract of land deeded to Miller by Deed Volume 251 at page 162 and the East line of a tract of land deeded to Wheeler by Deed Volume 142 at page 349, Klamath County Deed Records; thence South 0 degrees 55' 30" East along the line between the two above described tracts a distance of 341.6 feet to a 5/8 inch iron pin marking the Southeast corner of a tract of land deeded to United States National Bank of Oregon by Deed recorded in Volume M-72 at page 13690, Deed Records of Klamath County, Oregon, and the true point of beginning of this description; thence continuing South 0 degrees 55' 30" East a distance of 225.64 feet, more or less, to the Northeasterly right of way line of the O.C. & E. Railroad; thence North 67 degrees 41' West along said right of way line a distance of 148.11 feet to the Southwest corner of said Wheeler Tract; thence North 0 degrees 55' 30" West along the West line of said Wheeler Tract, a distance of 167.58 feet to the Southwest corner of said United States National Bank Tract; thence North 89 degrees 14' East along the South line of said tract, a distance of 136.09 feet to the point of beginning.

PARCEL 4:

A tract of land situated in the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a 1/2 inch iron pin which bears South 89 degrees 52' West a distance of 745.73 feet and South 0 degrees 20' 55" East a distance of 220.16 feet from the brass cap monument marking the East quarter corner of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, said beginning point also being on the South line of Tract described as Parcel #1 in Deed from Klamath County School District to Klamath County, recorded in Volume 295 at page 135, Deed Records of Klamath County, Oregon; thence continuing from said beginning point South 0 degrees 20' 55" East along a line parallel to and 4.0 feet distant Easterly, when measured at right angles to, from the existing Easterly wall of the Payless Drug Store Building as the same is presently located and constructed, a distance of

402.04 feet to a 1/2 inch iron pipe; thence South 53 degrees 42' 15" West a distance of 304.44 feet, more or less, to a 1/2 inch iron pipe on the Northeasterly boundary of the O. C. & E. Railroad right of way as the same is presently located and constructed, and from which point the aforesaid monument marking the East quarter corner of said Section 3 bears North 50 degrees 50' 20" East a distance of 1273.34 feet; thence Northwesterly along said Northeasterly boundary of the O. C. & E. Railroad right of way a distance of 299.5 feet, more or less, to the West line of said NE 1/4 SE 1/4; thence North along said West line a distance of 186.5 feet, more or less, to a point on said West line which bears South 0 degrees 22' 15" East a distance of 460.0 feet from the Southerly boundary line of the relocated right of way of the Klamath Falls-Lakeview Highway; thence Easterly, parallel with said highway right of way line a distance of 142.5 feet to a point; thence North, parallel with the West line of said NE 1/4 SE 1/4, a distance of 460.0 feet, more or less, to the Southerly boundary of said relocated highway right of way; thence Easterly along said relocated right of way line a distance of 387.7 feet, more or less, to a point which bears North 0 degrees 20' 55" West from the point of beginning; thence South 0 degrees 20' 55" East a distance of 174.66 feet, more or less, to the point of beginning.

PARCEL 5:

A parcel of land lying in the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a point which bears South 01 degrees 14' East a distance of 55.03 feet and South 89 degrees 14' West a distance of 580.0 feet from the quarter section corner common to Sections 2 and 3, said Township and Range, said point being on the South right of way line of South Sixth Street as presently located and constructed; thence continuing South 89 degrees 14' West along said South right of way line a distance of 129.4 feet to the Northwest corner of this description; thence South 0 degrees 18' East a distance of 137.0 feet to an iron pin; thence North 89 degrees 14' East a distance of 131.9 feet to an iron pin; thence North 01 degrees 14' West a distance of 137.0 feet, more or less, to the point of beginning.

EXCEPTING a strip of land 8 feet wide running North and South on the West side of said parcel reserved for sidewalk purposes.

PARCEL 1:

A tract of land being Lot 1 and a portion of Lot 2 in Block 3 of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the Southwest corner of said Lot 1; thence North 00 degrees 04' 50" East 195.00 feet to the Northwest corner of said Lot 1; thence continuing North 00 degrees 04' 50" East 57.80 feet; thence South 89 degrees 25' 10" East 300.00 feet; thence South 00 degrees 04' 50" West 57.80 feet to the Northeast corner of said Lot 1; thence continuing South 00 degrees 04' 50" West 195.00 feet to the Southeast corner of said Lot 1; thence North 89 degrees 25' 10" West 300.00 feet to the point of beginning.

EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division, recorded August 16, 1976 in Deed Volume M-76 at page 1264, Microfilm Records of Klamath County, Oregon.

PARCEL 2:

A Tract of land situated in Lot 2, Block 3, Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the Easterly right of way line of Washburn Way, said point being North 00 degrees 04' 50" East 57.80 feet from the Northwest corner of Lot 1, Block 3; thence South 89 degrees 25' 10" East 300.00 feet to the true point of beginning; thence South 89 degrees 25' 10" East a distance of 100.08 feet to a point; thence South 89 degrees 56' 30" East a distance of 51.67 feet to the Northwest corner of parcel conveyed to Ronald T. Williams, et ux., by Deed Volume M-77 at page 17511; thence South 0 degrees 04' 50" West along the West line of last mentioned parcel a distance of 253.26 feet to the North line of Crosby Avenue; thence North 89 degrees 25' 10" West along said North line a distance of 151.76 feet to the Southeast corner of Lot 1, Block 3; thence North 0 degrees 04' 50" East a distance of 252.8 feet, more or less, to the point of beginning.

PARCEL 3:

A tract of land being a portion of Lot 2, Block 3, of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at the Southwest corner of said Lot 2; thence North 00 degrees 04' 50" East 57.80 feet to the true point of beginning; thence North 00 degrees 04' 50" East 96.35 feet; thence South 89 degrees 56' 30" East 400.03 feet to the East line of said Lot 2; thence South 00 degrees 03' 30" West 100.00 feet; thence North 89 degrees 25' 10" West 400.08 feet to the true point of beginning.

ADDENDUM TO
TRUST DEED AND ASSIGNMENT OF LEASES AND RENTS

DATE: _____, 1988

PARTIES: Waggoner Plaza Limited Partnership,
an Oregon Limited Partnership
c/o Viking Financial Services, Inc.,
an Oregon corporation
1985 SW 6th Ave.
Portland, Oregon 97204

GRANTOR

Stewart Title Guaranty Co.
200 SW Market, Suite 104
Portland, Oregon 97201

TRUSTEE

Oregon Public Employees' Retirement Fund
158 State Capitol Building
Salem, Oregon 97310

BENEFICIARY

PROPERTY ADDRESS: Town and Country Shopping Center
S. 6th Ave. and Crest St.
Klamath Falls, Oregon

Pursuant to a Loan Commitment between Grantor and Beneficiary dated July 12, 1988 (the "Loan Commitment"), Grantor executed and delivered a Trust Deed dated _____, 1988 ("Trust Deed") in favor of Beneficiary as beneficiary, constituting a first lien on certain real property in Klamath County, Oregon, described on the attached Exhibit B (the "Real Property"), and granted Beneficiary a security interest in certain personal property used on or in connection with the real property ("Personal Property") and assigned to Beneficiary for security purposes Grantor's interest in all rents, revenues, income, issues and profits ("Income") from the Real Property and the Personal Property, as described therein.

The parties desire to amend the Trust Deed to provide for the cross-collateralization of such Trust Deed with an additional loan secured by a trust deed on certain other property in Klamath County, Oregon described in the attached Exhibit A, pursuant to a Promissory Note in the amount of \$1,200,000 (\$1,200,000 Note), Trust Deed securing such note and other loan and security instruments delivered in connection therewith (the "Washburn Plaza Loan Documents"), all on the terms and conditions set forth in this Addendum to Trust Deed (the "Addendum").

NOW, THEREFORE, for and in consideration of the mutual promises contained in this Addendum, and other good and valuable consideration, the parties hereby agree as follows:

1. Amendment to Trust Deed. Grantor and Beneficiary hereby amend that certain Trust Deed, dated _____, 198__, executed by Grantor as grantor to Trustee as trustee in favor of Beneficiary as beneficiary, recorded on _____, 198__ in book _____ at page _____, Mortgage Records of Klamath County, Oregon, so that the Trust Deed shall also secure the payment and performance of all obligations under the \$1,200,000 Note and each of the other Washburn Plaza Loan Documents, which by this reference are made a part hereof, and any and all modifications, extensions and renewals thereof, or in substitution for/or in addition to such Note.
2. Performance Secured on Both Loans. Any default or event of default under the Note, the Loan Commitment, this Trust Deed and other loan and security instruments executed by Grantor in connection therewith (the "Town and Country Shopping Center Loan Documents") or under the \$1,200,000 Note and other Washburn Plaza Loan Documents will be a default under each of the Washburn Plaza Loan Documents and Town and Country Loan Documents. Any transfer or agreement to transfer any of the property described in the Washburn Plaza Loan Documents or Town and Country Loan Documents, or any portion thereof or interest therein, or any mortgage or other lien placed thereon, without the prior written consent of Beneficiary in each instance, to the extent required under and pursuant to and subject to the restrictions and terms stated therein, which are incorporated herein by this reference, shall be a default under all such documents. Any action taken in violation of such restrictions will be a default by Grantor and entitle Beneficiary to accelerate the balance under such documents and to take other actions on account of default.
3. Transfers, Partial Releases. In connection with the loan commitment which is a part of the Washburn Plaza Loan Documents, Grantor and Beneficiary have agreed (pursuant to paragraphs 10 and 11 of the Agreement dated November 2, 1988 and attached as Exhibit D to such loan commitment) to certain terms with respect to transfers by Grantor and partial releases, which are incorporated herein by reference as though fully set forth herein.
4. Tenant Improvement Funds. This Trust Deed shall also secure all advances of additional tenant improvement funds by Beneficiary to Grantor, pursuant to the terms and conditions of

paragraph 9 of the Agreement between the parties dated November 2, 1988.

5. Full Force and Effect. Except as specifically amended by this Addendum, the Trust Deed, the indebtedness it secures, and other loan and security instruments delivered in connection therewith shall remain in full force and effect according to their respective terms and conditions.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the day and year first written above.

GRANTOR:

WAGGONER PLAZA LIMITED PARTNERSHIP

By: VIKING FINANCIAL SERVICES, INC.
General Partner

By: _____

Hjalmer J. Rathe
President

BENEFICIARY:

OREGON PUBLIC EMPLOYEES'
RETIREMENT FUND

By: _____

STEWART TITLE GUARANTY CO.

By: _____

TRUSTEE:

STATE OF OREGON)
County of _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by HJALMER J. RATHE, the President of VIKING FINANCIAL SERVICES, INC., an Oregon corporation, on behalf of corporation, as General Partner of

WAGGONER PLAZA LIMITED PARTNERSHIP, an Oregon limited partnership, on behalf of the partnership.

Notary Public for Oregon
My Commission Expires: _____

STATE OF OREGON)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by TERRY L. CANBY, Investment Officer, State Treasury of THE STATE OF OREGON, for and on behalf of OREGON PUBLIC EMPLOYEES' RETIREMENT FUND, a public entity.

Notary Public for Oregon
My Commission Expires: _____

STATE OF OREGON)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____ of STEWART TITLE GUARANTY CO., a corporation.

Notary Public for Oregon
My Commission Expires: _____

PARCEL 1:

A tract of land being Lot 1 and a portion of Lot 2 in Block 3 of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the Southwest corner of said Lot 1; thence North 00 degrees 04' 50" East 195.00 feet to the Northwest corner of said Lot 1; thence continuing North 00 degrees 04' 50" East 57.80 feet; thence South 89 degrees 25' 10" East 300.00 feet; thence South 00 degrees 04' 50" West 57.80 feet to the Northeast corner of said Lot 1; thence continuing South 00 degrees 04' 50" West 195.00 feet to the Southeast corner of said Lot 1; thence North 89 degrees 25' 10" West 300.00 feet to the point of beginning.

EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division, recorded August 16, 1976 in Deed Volume M-76 at page 12646, Microfilm Records of Klamath County, Oregon.

PARCEL 2:

A Tract of land situated in Lot 2, Block 3, Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a point on the Easterly right of way line of Washburn Way, said point being North 00 degrees 04' 50" East 57.80 feet from the Northwest corner of Lot 1, Block 3; thence South 89 degrees 25' 10" East 300.00 feet to the true point of beginning; thence South 89 degrees 25' 10" East a distance of 100.08 feet to a point; thence South 89 degrees 56' 30" East a distance of 51.67 feet to the Northwest corner of parcel conveyed to Ronald T. Williams, et ux., by Deed Volume M-77 at page 17511; thence South 0 degrees 04' 50" West along the West line of last mentioned parcel a distance of 253.26 feet to the North line of Crosby Avenue; thence North 89 degrees 25' 10" West along said North line a distance of 151.76 feet to the Southeast corner of Lot 1, Block 3; thence North 0 degrees 04' 50" East a distance of 252.8 feet, more or less, to the point of beginning.

EXHIBIT "A" CONTINUED

PARCEL 3:

A tract of land being a portion of Lot 2, Block 3, of Tract 1080, WASHBURN PARK, in the County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at the Southwest corner of said Lot 2; thence North 00 degrees 04' 50" East 57.80 feet to the true point of beginning; thence North 00 degrees 04' 50" East 96.35 feet; thence South 89 degrees 56' 30" East 400.03 feet to the East line of said Lot 2; thence South 00 degrees 03' 30" West 100.00 feet; thence North 89 degrees 25' 10" West 400.08 feet to the true point of beginning.

EXHIBIT B

PARCEL 1:

A portion of the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at an iron pin on the South right of way line of South Sixth Street as presently located and constructed, which bears South 0 degrees 22' 15" East a distance of 48.5 feet from the Northwest corner of said NE 1/4 SE 1/4; thence Easterly, along said right of way line a distance of 142.5 feet to a point; thence South at right angles to said right of way line a distance of 460.0 feet to a point; thence West, parallel to said right of way line, a distance of 142.5 feet, more or less, to the West line of said NE 1/4 SE 1/4; thence North along said West line a distance of 460.0 feet to the point of beginning.

PARCEL 2:

A tract of land situated in the SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the East one-fourth corner of said Section 3; thence South 89 degrees 52' West 1,275.74 feet; thence South 00 degrees 21' 47" East 54.10 feet to a one-half inch pipe on the Southerly right of way line of the Dalles-California Highway marking the Northeast corner of that parcel of land described in Deed Volume 251 at page 162, as recorded in the Klamath County Deed Records; thence continuing South 00 degrees 21' 47" East along the Eastline of said parcel described in said Deed Volume 251 at page 162, 233.00 feet to the true point of beginning of this description; thence continuing South 00 degrees 21' 47" East along said line 395.64 feet to the Northerly right of way line of the Oregon-California and Eastern Railway Company; thence North 67 degrees 41' West along said right of way line 156.57 feet (162 feet by record); thence North 00 degrees 55' 30" West along the West line of said parcel described in said Deed Volume 251 at page 162, 334.24 feet; thence North 89 degrees 14' East 147.71 feet to the true point of beginning of this description with bearings based on the East line of the SE 1/4 of said Section 3 as being South 01 degrees 14' East.

PARCEL 3:

A portion of the NW 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at a one-half inch iron pin on the South right of way line of South Sixth Street, as the same is presently located and constructed, said point being on the West line of tract of land deeded to Miller by Deed Volume 251 at page 162 and the East line of a tract of land deeded to Wheeler by Deed Volume 142 at page 349, Klamath County Deed Records; thence South 0 degrees 55' 30" East along the line between the two above described tracts a distance of 341.6 feet to a 5/8 inch iron pin marking the Southeast corner of a tract of land deeded to United States National Bank of Oregon by Deed recorded in Volume M-72 at page 13690, Deed Records of Klamath County, Oregon, and the true point of beginning of this description; thence continuing South 0 degrees 55' 30" East a distance of 225.64 feet, more or less, to the Northeasterly right of way line of the O.C. & E. Railroad; thence North 67 degrees 41' West along said right of way line a distance of 148.11 feet to the Southwest corner of said Wheeler Tract; thence North 0 degrees 55' 30" West along the West line of said Wheeler Tract, a distance of 167.58 feet to the Southwest corner of said United States National Bank Tract; thence North 89 degrees 14' East along the South line of said tract, a distance of 136.09 feet to the point of beginning.

PARCEL 4:

A tract of land situated in the NE 1/4 SE 1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a 1/2 inch iron pin which bears South 89 degrees 52' West a distance of 745.73 feet and South 0 degrees 20' 55" East a distance of 220.16 feet from the brass cap monument marking the East quarter corner of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, said beginning point also being on the South line of Tract described as Parcel #1 in Deed from Klamath County School District to Klamath County, recorded in Volume 295 at page 135, Deed Records of Klamath County, Oregon; thence continuing from said beginning point South 0 degrees 20' 55" East along a line parallel to and 4.0 feet distant Easterly, when measured at right angles to, from the existing Easterly wall of the Payless Drug Store Building as the same is presently located and constructed, a distance of

PAGE 2 - EXHIBIT B

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Continued on next page

Filed for record at request of Aspen Title Co.

of Dec. A.D. 19 88 at 3:40 o'clock P.M., and duly recorded in Vol. M88 the 22nd day of Mortgages on Page 21816

FEE \$168.00

Evelyn Biehn County Clerk

By Caroline Mullendare