

TRUST DEED

THIS TRUST DEED, made this 7th day of June, 1989, between
CLAYCO PETROLEUM CORPORATION, an Oregon corporation

as Grantor, WILLIAM P. BRANDSNESS
SOUTH VALLEY STATE BANK, an Oregon Banking Corporation, as Trustee, and
as Beneficiary,

WITNESSETH:
Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property
in Klamath County, Oregon, described as:

Description of said real property is on Exhibit "A"
attached hereto and by reference made a part hereof.

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise
now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connec-
tion with said real estate.
FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the
sum of Five hundred five thousand four hundred and seventy and 00/100
(\$505,470.00)

note of even date herewith, payable to beneficiary or order and made by grantor, the final payment of principal and interest hereof, if
not sooner paid, to be due and payable 19 Dollars, with interest thereon according to the terms of a promissory

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of said note
becomes due and payable. In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be
sold, conveyed, assigned or alienated by the grantor without first having obtained the written consent or approval of the beneficiary,
then, at the beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or
herein, shall become immediately due and payable.

The above described real property is not currently used for agricultural, timber or grazing purposes.

To protect the security of this trust deed, grantor agrees:
1. To protect, preserve and maintain said property in good condition
and repair; not to remove or demolish any building or improvement thereon
not to commit or permit any waste of said property.

2. To complete or restore promptly and in good and workmanlike
manner any building or improvement which may be constructed, damaged or
destroyed thereon, and pay when due all costs incurred therefor.

3. To comply with all laws, ordinances, regulations, covenants, condi-
tions and restrictions affecting said property; and if the beneficiary so requests, to
join in executing such financing statements pursuant to the Uniform Commer-
cial Code as the beneficiary may require and to pay for filing same in the
proper public office or offices, as well as the cost of all lien searches made
by filing officers or searching agencies as may be deemed desirable by the
beneficiary.

4. To provide and continuously maintain insurance on the buildings
and such other hazards on the said premises against loss or damage by fire
for an amount not less than Full Ins. Value written in
policies of insurance shall be delivered to the beneficiary as soon as insured;
if the grantor shall fail for any reason to procure any such insurance and
deliver said policy of insurance to the beneficiary at least fifteen days prior to the expira-
tion of any policy of insurance now or hereafter placed on said buildings,
the beneficiary may procure the same at grantor's expense. The amount
collected under any fire or other insurance policy may be applied by benefi-
ciary upon any indebtedness secured hereby and in such order as beneficiary
may determine, or may be released to grantor. Such application or release shall
not cure or waive any default or notice of default hereunder or invalidate any
act done pursuant to such notice.

5. To keep said premises free from construction liens and to pay all
taxes, assessments and other charges that may be levied or assessed upon or
against said property before any part of such taxes, assessments, and other
charges become past due and to become a part of the debt secured by this
trust deed, should the grantor fail to make payment of any taxes, assess-
ments, insurance premiums, liens or other charges payable by grantor, either
by direct payment or by providing beneficiary with funds with which to
make such payment, beneficiary may, at its option, make payment thereof,
hereby; together with the obligations described in paragraphs 6 and 7 of this
trust deed, shall be added to and become a part of the debt secured by this
trust deed, without waiver of any rights arising from breach of any of the
covenants hereof and for such payments, with interest as aforesaid, the prop-
erty hereinafter described, as well as the grantor, shall be bound to the
extent, extent that they are bound for the payment of the obligation herein
described, and all sums secured by this trust deed shall be immediately due and payable with-
out notice, and the nonpayment thereof shall, at the option of the beneficiary,
constitute a breach of this trust deed.

6. To pay all costs, fees and expenses of this trust including the cost
of title search as well as the other costs and expenses of the trustee incurred
in connection with or in enforcing this obligation and trustee's and attorney's
fees actually incurred.

7. To appear in and defend any action or proceeding purporting to
affect the security, rights or powers of beneficiary or trustee; and in any suit,
action or proceeding in which the beneficiary or trustee may appear, including
any suit for the foreclosure of this deed, to pay all costs and expenses, in-
cluding evidence of title and the beneficiary's or trustee's attorney's fees; the
amount of attorney's fees mentioned in this paragraph 7 in all cases shall be
fixed by the trial court and in the event of an appeal from any judgment or
decree of the trial court, grantor further agrees to pay such sum as the ap-
pellate court shall judge reasonable as the beneficiary's or trustee's attor-
ney's fees on such appeal.

It is mutually agreed that:

8. In the event that any portion or all of said property shall be taken
under the right of eminent domain or condemnation, beneficiary shall have the
right, if it so elects, to require that all or any portion of the monies payable
as compensation for such taking, which are in excess of the amount required
to pay all reasonable costs, expenses and attorney's fees necessarily paid or
incurred by grantor in such proceedings, shall be paid to beneficiary and
applied by it first upon any reasonable costs and expenses and attorney's fees,
both in the trial and appellate courts, necessarily paid or incurred by benefi-
ciary in such proceedings, and the balance applied upon the indebtedness
secured hereby; and grantor agrees, at its own expense, to take such actions
and execute such instruments as shall be necessary in obtaining such com-
pensation, promptly upon beneficiary's request.

9. At any time and from time to time upon written request of benefi-
ciary, payment of its fees and presentation of this deed and the note for ben-
eficiary endorsement (in case of full reconveyances, for cancellation), without affecting
the liability of any person for the payment of the indebtedness, trustee may

(a) consent to the making of any map or plat of said property; (b) join in any
granting any easement or creating any restriction thereon; (c) join in any
subordination or other agreement affecting this deed or the lien or charge
thereof; (d) reconvey, without warranty, all or any part of the property. The
grantee in any reconveyance may be described as the "person or persons
legally entitled thereto," and the recitals therein of any matters or facts shall
be conclusive proof of the truthfulness thereof. Trustee's fees for any of the
services mentioned in this paragraph shall be not less than \$5.

10. Upon any default by grantor hereunder, beneficiary may at any
time without notice, either in person, by agent or by a receiver to be ap-
pointed by a court, and without regard to the adequacy of any security for
erty or any part thereof, in its own name sue or otherwise collect the rents,
issues and profits, including those past due and unpaid, and apply the same
less costs and expenses of operation and collection, including reasonable attor-
ney's fees upon any indebtedness secured hereby, and in such order as benefi-
ciary may determine.

11. The entering upon and taking possession of said property, the
insurance policies or compensation or awards for any taking or damage of the
property, and the application or release thereof as aforesaid, shall not cure or
waive any default or notice of default hereunder or invalidate any act done
pursuant to such notice.

12. Upon default by grantor in payment of any indebtedness secured
hereby or in his performance of any agreement hereunder, the beneficiary may
declare all sums secured hereby immediately due and payable. In such an
event the beneficiary at his election may proceed to foreclose this trust deed
in equity as a mortgage or direct the trustee to foreclose this trust deed by
execution and sale. In the latter event the beneficiary or the trustee shall
execute and cause to be recorded his written notice of default and his election
hereby whereupon the trustee shall fix the time and place of sale, and proceed
thereof as then required by law and proceed to foreclose this trust deed in
the manner provided in ORS 86.735 to 86.793.

13. After the trustee has commenced foreclosure by advertisement and
sale, and at any time prior to 5 days before the date the trustee conducts the
sale, the grantor or any other person so privileged by ORS 86.753, may cure
the default or defaults. If the default consists of a failure to pay, when due,
the amount due at the time of the cure other than such portion as would
not then be due had no default occurred. Any other default that is capable of
being cured may be cured by tendering the performance required under the
default or trust deed. In any case, in addition to curing the default or
defaults, the person effecting the cure shall pay to the beneficiary all costs
and expenses actually incurred in enforcing the obligation of the trust deed
together with trustee's and attorney's fees not exceeding the amounts provided
by law.

14. Otherwise, the sale shall be held on the date and at the time and
place designated in the notice of sale or the time to which said sale may
be postponed as provided by law. The trustee may sell said property either
in one parcel or in separate parcels and shall sell the parcel or parcels at
auction to the highest bidder for cash, payable at the time of sale. Trustee
shall deliver to the purchaser its deed in form as required by law conveying
the property so sold, but without any covenant or warranty, express or im-
plied. The recitals in the deed of any matters of fact shall be conclusive proof
of the truthfulness thereof. Any person, excluding the trustee, but including
the grantor and beneficiary, may purchase at the sale.

15. When trustee sells pursuant to the powers provided herein, trustee
shall apply the proceeds of sale in payment of (1) the expenses of sale, in-
cluding the compensation of the trustee and a reasonable charge by trustee's
attorney; (2) to the obligation secured by the trust deed; (3) to all persons
having recorded liens subsequent to the interest of the trustee in the trust
deed as their interests may appear in the order of their priority; and (4) the
surplus, if any, to the grantor or to his successor in interest entitled to such
surplus.

16. Beneficiary may from time to time appoint a successor or succes-
sors to any trustee named herein or to any successor trustee appointed here-
under. 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,
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.

17. Trustee accepts this trust when this deed, duly executed and
acknowledged is made a public record as provided by law. Trustee is not
obligated to notify any party hereof of pending sale under any other deed of
trust 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.

NOTE: The Trust Deed Act provides that the trustee hereunder must be either an attorney, who is an active member of the Oregon State Bar, a bank, trust company
or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real
property of this state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 696.505 to 696.585.

The grantor covenants and agrees to and with the beneficiary and those claiming under him, that he is lawfully seized in fee simple of said described real property and has a valid, unencumbered title thereto

and that he will warrant and forever defend the same against all persons whomsoever.

Other Provisions:

18. Default Assignment of Rents and Leases. Exhibit "B" attached.

19. Supplemental agreement concerning payment of liens, taxes, assessments, and insurance Exhibit "C" attached.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are:

- (a) for the personal, family, household, or agricultural purposes (as defined in the Act), or
(b) for an organization, or (even if grantor is a natural person) are for business or commercial purposes other than agricultural purposes.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein. In construing this deed and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular number includes the plural.

IN WITNESS WHEREOF, said grantor has hereunto set his hand the day and year first above written.

*IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) is applicable and the beneficiary is a creditor as such word is defined in the Truth-in-Lending Act and Regulation Z, the beneficiary MUST comply with the Act and Regulation by making required disclosures; for this purpose, if this instrument is to be a FIRST lien to finance the purchase of a dwelling, use Stevens-Ness Form No. 1305 or equivalent; if this instrument is NOT to be a first lien, or is not to finance the purchase of a dwelling use Stevens-Ness Form No. 1306, or equivalent. If compliance with the Act is not required, disregard this notice.

(If the signer of the above is a corporation, use the form of acknowledgment opposite.)

STATE OF OREGON,)

) ss.

County of _____

, 19____

Personally appeared the above named _____

_____ and acknowledged the foregoing instrument to be _____ voluntary act and deed.

Before me:

(OFFICIAL SEAL)

Notary Public for Oregon

My commission expires: _____

STATE OF OREGON, County of Klamath) ss.

June 7, 1989

Personally appeared B.R.V.C. Clayman _____ and

who, each being first

duly sworn, did say that the former is the _____

president and that the latter is the _____

secretary of Clayco Petroleum Corporation

a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and each of them acknowledged said instrument to be its voluntary act and deed.

Before me:

W. Darlene P. Addington

Notary Public for Oregon

(OFFICIAL SEAL)

My commission expires: 3-22-93

REQUEST FOR FULL RECONVEYANCE

To be used only when obligations have been paid.

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: _____, 19____

Beneficiary

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.

TRUST DEED

FORM No. 881
STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

CLAYCO PETROLEUM
CORPORATION

Grantor

SOUTH VALEY STATE BANK

Beneficiary

AFTER RECORDING RETURN TO

South Valley State Bank
5215 South Sixth St.
Klamath Falls, OR 97603

SPACE RESERVED

FOR

RECORDER'S USE

STATE OF OREGON,

County of _____ ss.

I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and recorded in book/reel/volume No. _____ on page _____ or as fee/file/instrument/microfilm/reception No. _____ Record of Mortgages of said County.

Witness my hand and seal of County affixed.

By _____ Deputy

EXHIBIT "A"

PARCEL 1:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, and the SE 1/4 SE 1/4 Section 29, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the intersection of the Southerly line of Pine Street and the Easterly line of Eleventh Street in the City of Klamath Falls, Oregon; thence Northeasterly along said Southerly line of Pine Street 170 feet to a point thereon distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; thence Southeasterly and parallel with said Easterly line of Eleventh Street 112 feet; thence Southwesterly parallel to said Pine Street, 50 feet; thence Southeasterly parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street in the City of Klamath Falls, Oregon, 125 feet; thence Southeasterly and parallel with said Easterly line of Eleventh Street 120 feet to said Northerly line of Main Street at a point thereon distant 50 feet Southwesterly from the Southwest corner of Lot 6, Block 3, Hot Springs Addition to the City of Klamath Falls, Oregon; thence Southwesterly along said Northerly line of Main Street 245 feet to the Northeast corner of Main Street and Eleventh Street; thence Northwesterly along the Easterly line of Eleventh Street to the point of beginning.

LESS AND EXCEPT any portion of the alley in Block 3 HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON.

PARCEL 2:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Commencing at the point on the Southerly line of Pine Street which is distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, and thence running Southeasterly and parallel with the Easterly line of Eleventh Street a distance of 112 feet to the true point of beginning of this description; thence Southwesterly and parallel to said Pine Street 50 feet; thence Southeasterly and parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street a distance of 50 feet; thence Northwesterly and parallel with Eleventh Street a distance of 8 feet, more or less, to said true point of beginning.

DEFAULT ASSIGNMENT OF RENTS AND LEASES

NOW, THEREFORE, in consideration of and as an inducement to the making by Beneficiary to Grantor of the loan secured by the Deed of Trust, Grantor does hereby assign, transfer and set over to Beneficiary all the right, title and interest of the Grantor in and to any Leases on the property, whether written or oral, now in effect or hereafter entered into covering the Property or any portion thereof (hereinafter collectively referred to as the "Assigned Documents", which term shall be deemed to include amendments, modifications, extensions or renewals thereof) and all rents, issues, profits, fees, revenues, costs, expenses and other sums payable under the Assigned Documents (herein collectively called the "Assigned Payments") accruing from the Property and any and all other or further rights, powers and privileges of Grantor in and under the Assigned Documents, together with all Assigned Payments which may be or become due, or to which Grantor may now or hereafter become entitled, arising or issuing out of the Assigned Documents or from or out of the Property or any part thereof.

TO HAVE AND TO HOLD the same unto Beneficiary, its successors and assigns, until such time as the indebtedness secured by the Deed of Trust shall have been paid in full, for the purpose of further and collaterally securing (1) the payment of the indebtedness evidenced by the Note and Agreement, together with the interest on said indebtedness; (2) payment of all other sums, with interest thereon, to become due and payable to Beneficiary under the provisions of the Note and Agreement and the Deed of Trust, and (3) performance and discharge of each and every obligation, covenant and agreement of Grantor herein, and in the Note and Agreement and the Deed of Trust contained.

This instrument and assignment is delivered and accepted upon the following terms and conditions:

1. So long as no default shall exist under the Note and Agreement and the Deed of Trust or this Assignment, the Grantor shall have the right to manage and operate the Property and to collect, receive and apply for its own account all Assigned Payments accruing by virtue of the Assigned Documents and to execute and deliver proper receipts and acquittances therefor.

2. Immediately upon the occurrence of any event which would entitle the holder of the Note and Agreement to accelerate the maturity date thereof (including but not limited to a default under this Assignment) and until such default shall have been cured as hereinafter defined, Beneficiary is hereby expressly and irrevocably authorized to enter and take possession of the Property by actual physical possession, or by written notice served personally upon or sent by registered mail to Grantor, as Beneficiary may elect, and no further authorization shall be required. Following such entry and taking of possession, Beneficiary may:

(a) Manage and operate the Property or any part thereof;

(b) Lease any part or parts thereof for such periods of time and upon such terms and conditions as Beneficiary may, in its reasonable discretion, deem proper;

(c) Enforce, cancel or modify any Assigned Documents;

(d) Demand, collect, sue for, attach, levy, recover, receive, compromise and adjust, and make, execute and deliver receipts and releases for all Assigned Payments that may then be or may thereafter become due, owing or payable with respect to the Property or any part thereof from any present or future lessees, owners, purchasers, tenants or occupants thereof;

(e) Institute, prosecute to completion or compromise and settle all actions, suits or proceedings for Assigned Payments affecting the Assigned Documents, the Property, or any part or parts thereof;

(f) Enforce, enjoin or restrain the violation of any of the terms, provisions and conditions of any Assigned Documents, now or hereafter affecting the Property or any part thereof;

(g) Make such repairs and alterations to the Property or any part thereof as Beneficiary may, in its reasonable discretion, deem proper;

(h) Pay, from and out of the Assigned Payments collected in respect of the Property or any part thereof, or from or out of any other funds and any and all charges (i) required to be paid under any Assigned Document or (ii) which may, either then currently or may at any time thereafter, constitute a lien on any property conveyed by the Deed of Trust; together with any taxes, assessments, water rates, sewer rates or other government charges levied, assessed or imposed against the Property or any part thereof, and also any and all other charges, costs and expenses which it may be necessary or advisable for Beneficiary, or in Beneficiary's sole discretion, to pay in connection with the management or operation of the Property, including (without limiting the generality of any rights, powers, privileges and authority hereinbefore or hereinafter conferred) the costs of completing construction of the improvements, commissions for selling or renting the Property, or any portions thereof, and legal expenses in enforcing claims, preparing papers or for any other services which may be required, and any other items incident to the completion, control, care, management, repair and maintenance of the Property; and

(i) Generally do, execute and perform any other act, deed, matter or things whatsoever that ought to be done, executed and performed in and about or with respect to the Property or any part thereof, as fully as Grantor might do.

(j) Beneficiary shall apply the net amount of Assigned Payments received by it from the Property, after payment of all proper costs and charges (including any loss or damage hereinafter referred to) to the reduction and payment of the principal and interest on the Note and Agreement. Beneficiary shall be accountable to Grantor only for monies actually received by Beneficiary pursuant to this Assignment.

(k) A default shall be deemed to be cured hereunder only when Grantor shall have paid in full all sums owing and past due, and shall have performed all other terms, covenants and conditions required to be performed by Grantor hereunder and under the Note and Agreement and the Deed of Trust.

3. Grantor hereby irrevocably directs each lessee, licensee, concessionaire, owner, purchaser, tenant or occupant or other person required to make any payments to Grantor under each Assigned Document and under any other document which shall

hereafter become an Assigned Document, upon demand and notice from Beneficiary of Grantor's default under the Note and Agreement, or which would entitle the holder of the Note and Agreement to accelerate the maturity date thereof, to pay Beneficiary all Assigned Payments accruing or due under the Assigned Documents from and after the receipt of such demand and notice. Any such person making such payment to Beneficiary shall be under no obligation to inquire into or determine the actual existence of any such default claimed by Beneficiary.

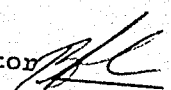
4. Grantor hereby agrees to indemnify and hold Beneficiary harmless against and from any and all liability, loss, damage and expense, including reasonable attorneys' fees, which it may or shall incur under any of the Assigned Documents, or by reason of this assignment, or by reason of any action taken by Beneficiary hereunder, and against and from any and all claims and demands whatsoever which may be asserted against Beneficiary by reason of any alleged obligation or undertaking on its part to perform or discharge any of the terms, covenants or conditions contained in any Assigned Documents or otherwise to impose any obligation upon Beneficiary with respect to any of the Assigned Documents. Prior to actual entry into and taking possession of the Property by Beneficiary, this Assignment shall not operate to place upon Beneficiary any responsibility for the operation, control, care, management or repair of the Property, and the execution of this Assignment by Grantor shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Property is and shall be that of Grantor, prior to such actual entry and taking of possession.

5. Grantor agrees that so long as no default shall exist under the Deed of Trust, the Note and Agreement or this Assignment, Grantor will enforce or secure the performance of each and every obligation, covenant, condition and agreement to be performed by each person under each Assigned Document, and any document which may hereafter become an Assigned Document.

6. Grantor agrees to execute and deliver to Beneficiary, at any time or times during which this assignment shall be in effect, such further instruments as Beneficiary may deem necessary to make effective this Assignment and the several covenants of Grantor herein contained.

7. Upon request of the Beneficiary, Grantor shall provide copies of all leases or subleases covering all or any part of the Property and all amendments, extensions or modifications to leases of space in the property shall be submitted to and approved by Beneficiary prior to their execution and delivery by Grantor. ~~Each and every amendment, extension, renewal of any Assigned Document shall also be submitted to and approved by Beneficiary prior to its execution and delivery by Grantor.~~

8. Failure of Beneficiary to avail itself of any of the terms, covenants and conditions of this assignment for any period of time, or at any time or times, shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Beneficiary under this instrument are cumulative and are not in lieu of but are in addition to any other rights and remedies which Beneficiary shall have under or by virtue of the Deed of Trust or the Note and Agreement. The rights and remedies of Beneficiary hereunder may be exercised from time to time and as often as such exercise is deemed expedient.

3. DEFAULT ASSIGNMENT / Exhibit "B" Initials of Grantor 

9. Beneficiary shall have the right to assign to any subsequent holder of the Deed of Trust, or to any person acquiring title to the Property, all right, title and interest in any Assigned Document; subject, however, to the provisions of this Assignment. No assignee of Grantor's interest in the Assigned Documents shall be liable to account to Grantor for any rents, income, revenue, issues or profits thereafter accruing.

10. Upon payment in full of all the indebtedness secured by the Deed of Trust, as evidenced by a recorded satisfaction or release of Deed of Trust, as well as any sums which may be payable hereunder or under the Note and Agreement and the Deed of Trust, this Assignment shall become and be void and of no effect and, in such event, upon the request of the Grantor, Beneficiary covenants to execute and deliver to Grantor instruments effective to evidence the termination of this Assignment, and/or the reassignment to Grantor of the rights, power and authority granted herein.

11. Grantor covenants and agrees that it has not and will not accept or receive any payment of rent in advance other than according to the terms and provisions of said Leases.

12. Grantor hereby covenants and warrants that no tenant of said Property holds any option or contract to purchase the same; that Grantor has not executed any superior assignment of the Leases, or rentals, nor has Grantor performed any acts or executed any other instrument which might prevent Beneficiary from operating under any of the terms and conditions of this assignment, or which would limit Beneficiary in such operation, and Grantor further covenants and warrants that it has not executed or granted any modification whatever of said Leases except as therein specified, either orally or in writing, that the said Leases are in full force and effect according to their terms, and that there are no defaults now existing under the said Leases. No security deposited by the Lessee under said Leases with the Lessor under the terms of the Leases hereby assigned has been transferred to Beneficiary and Beneficiary assumes no liability for any security so deposited.

13. No change, amendment, modification, cancellation or discharge hereof, or of any part hereof, shall be valid unless Beneficiary shall have consented thereto in writing. The terms, covenants and conditions contained herein shall inure to the benefit of, and bind Beneficiary and Grantor and their respective distributees, legal representatives, successors and assigns.

14. Grantor shall serve written notice to all existing lessees, and shall give written notice to all future lessees or include in all future leases a notice to the lessees containing the following, or similar, language:

"The property which you are leasing is subject to a Deed of Trust and a Default Assignment of Rents and Leases executed and delivered to South Valley State Bank. Under the provisions of the Default Assignment of Rents and Leases, in the event that you receive written notice from South Valley State Bank to pay rents to South Valley State Bank, you are to follow those written instructions."

15. The covenants and agreements herein contained and the rights and remedies herein conferred shall be binding upon Grantor's successors and assigns and shall run with the land.

16. This Assignment shall be construed under and governed by the laws of the State of Oregon.

SUPPLEMENTAL AGREEMENT CONCERNING
PAYMENT OF LIENS, TAXES, ASSESSMENTS AND INSURANCE

R E C I T A L S:

- A. Sections 4 and 5 of the Trust Deed deal with insurance, liens, taxes and assessments upon the real property.
 B. The parties hereto desire to provide a means for the orderly reserve of the sum necessary to pay the liens, taxes, assessments and insurance upon the real property.
 C. The parties agree as follows:

AGREEMENT

1. The provisions of this Agreement shall be in addition to and supplemental to the Note and the Trust Deed.
2. Grantors shall pay all delinquent taxes upon the execution of this Agreement.
3. Grantors shall provide to Beneficiary written proof of payment of taxes, upon request of the Beneficiary, which request shall not be made more often than twice a year.
4. In the event of default of any provision of this Supplemental Agreement, the Note, or the Trust Deed, Grantors shall deposit into an account at Beneficiary, under the name of Grantors but under the control of Beneficiary, a sum equal to one-twelfth of the annual taxes for the year 1988-89, and for each year thereafter in the same increments. Grantors shall, on or before the 10th day of each month thereafter, make a similar deposit for taxes. Failure of Grantors to make any such deposit shall constitute a default under the Note, Trust Deed, and this agreement. Any or all interest earned upon the controlled account shall accrue to the benefit of Grantors. Beneficiary shall pay taxes as they become due from the controlled account and may pay the taxes on a quarterly basis, at its election. In the event the funds in the controlled account are, for any reason, insufficient to pay the taxes due for any quarter, or any other lien or assessment that becomes due, Beneficiary shall send Grantors a ten (10) day demand letter setting forth the taxes, liens or assessments which are deficient and Grantors will deposit to the controlled account the funds necessary to pay the taxes, liens or assessments. Failure of Grantors to deposit such funds within the ten (10) day period shall constitute a default under the Note, Trust Deed, and this agreement.
5. Insurance proceeds shall be paid directly to Beneficiary which may deal directly with any insurance company. All proceeds from any insurance on the Trust Property shall be held by Beneficiary as collateral to secure performance of the obligations secured by the Trust Deed. Grantors may elect either to restore or not to restore the damaged improvements. If Grantors shall repair or replace the damaged improvements in a manner satisfactory to Beneficiary, Beneficiary shall, upon satisfactory proof of performance of work, pay or reimburse Grantors from the insurance proceeds for the reasonable cost of repair or restoration completed. If Grantors notify Beneficiary in writing that, pursuant to their rights hereunder, they elect not to repair or replace the damaged improvements, Beneficiary shall apply the proceeds not to be so used toward payment of all or part of the indebtedness secured by the Trust Deed in such order as Beneficiary may determine. Any insurance proceeds which have not been paid out within one year after their receipt for the repair, replacement or restoration of the Trust Property shall forthwith be applied by Beneficiary toward payment of all or part of the indebtedness secured by the Trust Deed in such order as Beneficiary may determine.

SUPPLEMENTAL AGREEMENT / Exhibit "C" Initials of Grantor
 STATE OF OREGON: COUNTY OF KLAMATH: ss

Filed for record at request of Aspen Title Co. the 7th day
 of June A.D., 19 89 at 3:46 o'clock P.M., and duly recorded in Vol. M89
 of Mortgages on Page 10138

FEE \$38.00

Evelyn Biehn, County Clerk

By Pauline Mullins