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OREGON/Subsidiary/Leasehold

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RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Shearman & Sterling  
725 South Figueroa Street, 21st Floor  
Los Angeles, California 90017  
Attention: Ronald M. Bayer, Esq.

SPACE ABOVE LINE FOR RECORDER'S USE

LINE OF CREDIT LEASEHOLD TRUST DEED WITH ASSIGNMENT OF  
RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS LINE OF CREDIT LEASEHOLD TRUST DEED WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Trust Deed"), dated as of April 20, 1994, is made by PAY LESS DRUG STORES NORTHWEST, INC., a Maryland corporation ("Trustor"), whose address is 9275 S.W. Peyton Lane, Wilsonville, Oregon 97070, Attention: Chief Financial Officer, in favor of FIRST AMERICAN TITLE INSURANCE COMPANY OF OREGON, an Oregon corporation (the "Trustee"), and UNION BANK OF SWITZERLAND ("UBS"), whose address is 229 Park Avenue, New York, New York 10171, Attention: Justin S. Maccarone, individually and as agent for Bankers Trust Company, Citicorp USA, Inc. and the other "Lenders," "Hedge Banks" and "Issuing Banks" (as defined in the Credit Agreement described below and collectively referred to herein as the "Lenders") pursuant to that certain Credit Agreement dated as of April 20, 1994 (such Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being referred to herein as the "Credit Agreement") among (i) Thrifty PayLess, Inc., a California corporation (formerly known as Thrifty Holdings, Inc. and referred to herein as the "Borrower"), (ii) Bankers Trust Company, Citicorp USA, Inc. and UBS, as Managing Agents (in such capacity, the "Managing Agents"), (iii) UBS, as Facilities Manager (in such capacity, the "Facilities Manager"), and (iv) certain other Persons party thereto from time to time as Lenders (UBS, individually and in its capacity as such agent hereunder, being hereinafter referred to as "Beneficiary"). Capitalized terms used herein and not otherwise defined are used within the meanings set forth in the Credit Agreement, the provisions of which are incorporated herein by this reference.

MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED  
UNDER THE CREDIT AGREEMENT: \$600,000,000.

TERM OR MATURITY DATE OF CREDIT AGREEMENT: 7-1/2 YEARS.

PAYLESS STORE NO. 1301



PRELIMINARY STATEMENTS. (1) Pursuant to the Credit Agreement and subject to the terms and conditions therein set forth, the Lenders have agreed to provide up to \$600,000,000 in credit facilities to the Borrower, consisting of (a) a 6 year \$150,000,000 term loan, (b) a 7-1/2 year \$100,000,000 term loan, (c) a 6 year \$250,000,000 revolving credit facility (with a sublimit of \$50,000,000 for letters of credit), and (d) a separate 6 year \$100,000,000 letter of credit facility. The interest rate and payments may be adjusted as provided in the Credit Agreement.

(2) In order to induce the Lenders to make Advances and to issue Letters of Credit pursuant to the terms and conditions of the Credit Agreement and to enter into Hedge Agreements with the Borrower from time to time, Trustor and certain other Loan Parties have executed a Subsidiary Guaranty in favor of the Lenders, the Managing Agents and the Facilities Manager, under the terms of which Trustor and such other Loan Parties have guaranteed the payment and performance by the Borrower of all present and future obligations of the Borrower under the Credit Agreement and the other Loan Documents. All present and future obligations of Trustor under the Subsidiary Guaranty and the other Loan Documents are referred to herein as "Trustor's Obligations".

(3) In order to secure Trustor's Obligations under the Guaranty and the other Loan Documents, Trustor has agreed to execute and deliver to Beneficiary this Trust Deed.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Trustor hereby agrees as follows:

1.00 Grant in Trust and Security Agreement. For valuable consideration, Trustor irrevocably grants, transfers and assigns to Trustee, in trust, with power of sale, for the benefit of Beneficiary, the following property (the "Trust Estate"):

(a) the lease described in Exhibit "A" attached hereto and made a part hereof, which covers the land described in Exhibit "B" attached hereto and made a part hereof (the "Land") and all buildings, structures and other improvements now or in the future located on the Land and included as a part of the premises demised under such lease (such buildings, structures and other improvements, together with any other buildings, structures and other improvements now or in the future located on the Land in which Trustor now or in the future has or acquires any right, title or interest, being collectively referred to herein as the "Improvements"), and any other lease now or hereafter in effect under which Trustor is the lessee or tenant of all or any portion of the Land and the Improvements, in each case as the same may from time to time be supplemented, modified, amended, renewed or extended (any and all such leases being referred to herein as the "Lease", and the leasehold interest and all rights of Trustor in, to or under the Lease, including any Option as defined in § 1.00(b) below, being referred to herein as the "Leasehold Estate");

(b) any existing or future option or other right of Trustor to acquire all or any portion of the Land and the Improvements, whether contained in the Lease or otherwise (the "Option");



(c) all other present and future right, title and interest of Trustor in and to the Land and the Improvements;

(d) all tenements, hereditaments, appurtenances, privileges and other rights and interests now or in the future arising in respect of, benefiting or otherwise relating to the Land, the Improvements, the Leasehold Estate or any other present or future right, title or interest of Trustor in and to the Land and the Improvements, including easements, rights-of-way, development rights, mineral rights, water rights and water stock (the "Appurtenances" and, together with the Land and the Improvements, the "Real Property");

(e) subject to the assignment to Beneficiary set forth in § 3.10 below, all rents, issues, income, revenues, royalties and profits now or in the future payable with respect to or otherwise derived from any present or future right, title or interest of Trustor in and to (i) the Real Property, (ii) the Leasehold Estate or (iii) the ownership, use, management, operation, leasing or occupancy of the Real Property, in each case including those past due and unpaid (the "Rents");

(f) all present and future right, title and interest of Trustor in and to all inventory (other than inventory held for sale), equipment, fixtures and other goods (as such terms are defined in Article 9 of the New York Uniform Commercial Code (the "UCC"), and whether existing now or in the future) now or in the future located at, upon or about, or affixed or attached to or installed in, the Real Property, or used or to be used in connection with or otherwise relating to the Real Property or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing or occupancy of the Real Property, including furniture, furnishings, machinery, appliances, building materials and supplies, generators, boilers, furnaces, water tanks, heating, ventilating, refrigeration and air conditioning equipment and all other types of tangible personal property of any kind or nature, and all accessories, additions, attachments, parts, proceeds, products, repairs, replacements and substitutions of or to any of such property (the "Equipment" and, together with the Real Property, the "Property"); and

(g) all present and future right, title and interest of Trustor in and to all general intangibles (as defined in the UCC) and all other agreements, rights (other than accounts as defined in the UCC) and written materials (in each case whether existing now or in the future) now or in the future arising in connection with, derived from or otherwise relating to the Real Property or any other part of the Trust Estate or the ownership, use, development, construction, maintenance, management, operation, leasing, occupancy, sale or financing of the Real Property or any other part of the Trust Estate, including (i) to the extent that the encumbrance thereof is permitted by applicable law, development agreements and governmental permits, approvals, licenses, franchises, certificates and other authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, architects, engineers, sales agents, leasing agents, consultants



and property managers, (iv) warranties, guaranties, indemnities and insurance policies (including insurance policies obtained in accordance with the Credit Agreement), together with insurance payments and unearned insurance premiums, (v) claims, demands, awards, settlements and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property (including the Leasehold Estate of Trustor therein), (vi) leases, rental agreements, license agreements, service and maintenance agreements, purchase and sale agreements (other than purchase and sale agreements relating to the sale of inventory by Trustor) and purchase options, together with advance payments, security deposits and other amounts paid to or deposited with Trustor under any such agreements, (vii) reserves, deposits, prepayments, bonds, deferred payments, refunds (including property tax refunds), rebates, reimbursements, discounts, cost savings, escrow proceeds, sale proceeds and other rights to the payment of money (other than accounts as defined in the UCC), copyrights, trade names, trademarks, goodwill and all other types of intangible personal property of any kind or nature, and (viii) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property (the "Intangibles" and, together with the Appurtenances, the Leasehold Estate, the Option and the Rents, the "Rights").

Trustor further grants to Beneficiary, pursuant to the UCC, a security interest in all present and future right, title and interest of Trustor in and to all Equipment and Intangibles in which a security interest may be created under the UCC (the "Personal Property").

**2.00 Obligations Secured.** This Trust Deed is given for the purpose of securing payment and performance of all of Trustor's Obligations now or hereafter existing under the Subsidiary Guaranty, this Trust Deed and the other Loan Documents, whether direct or indirect, absolute or contingent, including (a) Trustor's guarantee, under the terms of the Subsidiary Guaranty, of the Borrower's obligation to pay, or to reimburse the Lenders for the payment of, the principal of all Advances made by the Lenders pursuant to the time under the Credit Agreement and the amount of all payments made to the Lenders from time to time under Letters of Credit issued pursuant to the Credit Agreement, together with interest thereon and all premiums, penalties, fees, indemnifications, costs, expenses (including attorneys' fees and disbursements) and other amounts payable by the Borrower from time to time under the Credit Agreement, the Notes, the Bank Hedge Agreements or any of the other Loan Documents, and (b) all other amounts payable by Trustor from time to time under the Subsidiary Guaranty, this Trust Deed or any of the other Loan Documents, including all costs, fees and expenses of Beneficiary as provided in § 3.13 below, in each case as such obligations of Trustor (or such obligations of the Borrower) may be amended, supplemented, renewed, extended, restated or otherwise modified from time to time, whether evidenced by new or additional instruments or agreements or resulting in a change in the interest rate on any indebtedness or otherwise (the "Secured Obligations").

**3.00 Trustor's Covenants.** To protect the security of this Trust Deed, Trustor hereby agrees as follows:



3.01 Payment and Performance of Secured Obligations. Trustor shall pay and perform all Secured Obligations in accordance with the respective terms of such Secured Obligations, whether evidenced by or arising under this Trust Deed, the Subsidiary Guaranty, any of the other Loan Documents or otherwise.

3.02 Covenants Concerning the Lease. Trustor hereby represents, warrants and agrees that:

(a) Except to the extent required by the terms of the Lease, Trustor will not subordinate or consent to the subordination of the Lease to any underlying lease, mortgage or deed of trust on the lessor's interest in the Real Property, and if any such subordination is so required, Trustor will use reasonable efforts to obtain an agreement that prevents any disturbance of Tenant's interests upon the exercise of any rights and remedies thereunder.

(b) If the Lease is rejected or disaffirmed by the lessor thereunder (or by any receiver, trustee, custodian or other party who succeeds to the rights of the lessor) pursuant to any bankruptcy, insolvency, reorganization, moratorium or similar law (any such law being referred to herein as a "Bankruptcy Law"), Trustor agrees that, unless Trustor would then otherwise be permitted to terminate the Lease under the Credit Agreement, (i) Trustor will not elect to treat such Lease as terminated under 11 U.S.C. § 365(h) or any similar or successor law or right, and (ii) Trustor shall remain in possession of the leased premises to the extent it is then legally entitled to do so and shall perform all acts necessary for Trustor to retain its right to remain in such possession for the unexpired term of the Lease (including all renewals thereof), whether such acts are required under the then existing terms and provisions of the Lease or otherwise. All of the terms and provisions of this Trust Deed and the Lien created hereby shall remain in full force and effect and shall be automatically extended to Trustor's right of possession of the leased premises following any such rejection or disaffirmance.

(c) Trustor hereby assigns to Beneficiary the proceeds of any claim that Trustor may have against the lessor under the Lease (or any receiver, trustee, custodian or other party who succeeds to the rights of the lessor) by reason of any breach or any inability of such lessor (or any such receiver, trustee, custodian or other party) to perform the terms and provisions of the Lease, or by reason of a rejection or disaffirmance of the Lease pursuant to any Bankruptcy Law. If any Event of Default shall have occurred and be continuing, Beneficiary shall have the sole right to elect either (i) to proceed against such lessor (or such receiver, trustee, custodian or other party) for recovery of any such claim either in Trustor's name or in Beneficiary's name as agent for Trustor (and in such event Trustor agrees to cooperate with Beneficiary in such action and shall execute any and all documents required in furtherance thereof), or (ii) to have Trustor proceed in Trustor's and Beneficiary's behalf (in which event Beneficiary may participate in any such proceedings, and Trustor from time to time will deliver to Beneficiary any instruments requested by Beneficiary or as may be required to permit such participation). So long



as no Event of Default shall have occurred and be continuing, Trustor shall have the right to prosecute any such proceedings in its own behalf.

**3.03 Covenants Concerning the Option and Acquisition of Fee Title.** Trustor agrees to execute such additional documents as Beneficiary may deem necessary or appropriate from time to time to perfect the assignment and transfer to Beneficiary of the Option or any interest therein. If Trustor shall now or at any time in the future hold or acquire the fee interest in all or any portion of the Real Property (or any other interest which is prior to the Leasehold Estate), this Trust Deed shall automatically cover and encumber such interest as of the date of acquisition thereof by Trustor (whether by exercise of the Option or otherwise), without the necessity of executing or recording any additional documents; provided, however, that Trustor shall forthwith execute, deliver and record, in form and substance satisfactory to Beneficiary, such amendments to this Trust Deed or such new or additional documents as Beneficiary shall deem necessary or appropriate to perfect the Lien of this Trust Deed on any such other interest of Trustor in the Real Property. Unless Beneficiary otherwise consents, any acquisition of fee title or other interest in the Real Property by Trustor, whether pursuant to the Option or otherwise, shall not result in a merger of the Leasehold Estate with such fee title or other interest. In the event that Trustor shall acquire any such fee title or other interest, such fee title or other interest shall be subject to the terms hereof and, upon the occurrence of an Event of Default, Beneficiary may, at its option, cause the Leasehold Estate and such fee title or other interest to be sold separately or together in connection with the enforcement or foreclosure of this Trust Deed.

**3.04 Maintenance of Trust Estate.** Unless Beneficiary otherwise consents in writing, Trustor shall (a) keep the Improvements and Equipment in good condition and repair (ordinary wear and tear excepted), and promptly and in a good and workmanlike manner complete any Improvements to be constructed by Trustor on the Land, repair or restore any part of the Improvements that may be injured, damaged or destroyed, and repair, restore or replace any Equipment that may be injured, damaged, destroyed or lost or that may be or become obsolete, defective or worn out (except that Trustor shall not be required to repair, restore or replace any such Equipment of insignificant value which is not reasonably necessary or appropriate to the efficient operation of the Real Property by Trustor), and in each case pay when due all valid claims for labor, service, equipment and material and any other costs incurred in connection with any such action (any such repair, restoration or replacement of all or any part of the Property being referred to herein as a "Restoration"), (b) not remove, demolish or materially alter any Improvements (except in connection with the renovation of such Improvements in the ordinary course of business), (c) not commit or permit any waste of any part of the Property, (d) not permit or consent to any restriction that would prevent or otherwise impair the use of the Real Property in the conduct of Trustor's business, (e) comply in all material respects with all Laws and other requirements, and not commit or permit any material violation of any Laws or other requirements, which affect any part of the Trust Estate or require any alterations or improvements to be made to any part of the Property, (f) take such action from time to time as may be reasonably necessary or appropriate to



protect the physical security of the Improvements and Equipment, (g) except as otherwise permitted by the Credit Agreement, not part with possession of or abandon any part of the Trust Estate or cause or permit any interest in any part of the Trust Estate to be sold, transferred, leased, encumbered, released, relinquished, terminated or otherwise disposed of (whether voluntarily, or by operation of law or otherwise), (h) not permit this Trust Deed to become a residential trust deed (as that term is defined in ORS 86.705(3)), and (i) take all other action which may be reasonably necessary or appropriate to preserve, maintain and protect the Trust Estate, including, unless otherwise permitted under Section 5.01(j) of the Credit Agreement, the enforcement or performance of any rights or obligations of Trustor or any conditions with respect to any Rights.

Without limitation on the obligations of Trustor under the preceding paragraph, in the event that (i) any portion of the Real Property is damaged or destroyed, or (ii) any part of the Real Property is condemned, seized or appropriated by any governmental or quasi-governmental agency or authority (or conveyed, with Beneficiary's consent, in lieu of any such action) and the Restoration of the Real Property is not thereby rendered impossible, impractical or uneconomical, and in either case under clause (i) or (ii) above the cost of the Restoration of Trustor's interest in the Real Property or the value of Trustor's interest in the Real Property taken (as the case may be), in the good faith opinion of Trustor, is estimated to exceed \$3,000,000, then the following additional provisions shall apply:

(A) within 30 days (or such longer period as is reasonably necessary) after the date of such injury, damage, destruction, loss or other event, Trustor shall deliver to Beneficiary, in form and substance reasonably satisfactory to Beneficiary: (1) a written plan for the Restoration of Trustor's interest in the Real Property, including the estimated cost of such Restoration and time of completion, (2) if requested by Beneficiary, a copy of the plans and specifications for such Restoration, and (3) such other documents, materials and information relating to such Restoration as Beneficiary may reasonably request; and

(B) the Restoration of Trustor's interest in the Real Property shall be conducted in accordance with such procedures and requirements as Beneficiary may reasonably specify, and shall be in substantial conformity with the plan referred to in paragraph (A) above and in compliance in all material respects with all applicable Laws and other requirements.

3.05 Insurance, Condemnation and Damage Claims. Trustor shall maintain fire and other insurance on the Property to the extent required by the Loan Documents and the Lease. All of Trustor's right, title and interest in and to the proceeds of any claim, demand, award, settlement or other payment arising or resulting from or otherwise relating to any such insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property (a "Damage Claim") are assigned and, subject to the rights of the lessor under the Lease and any lienholder whose lien is superior to the Lease, shall be payable and delivered to Beneficiary (any such proceeds of any Damage Claim



being referred to in this Trust Deed as "Damage Proceeds"), except that if the aggregate amount of any Damage Claim is less than \$3,000,000, such Damage Proceeds in respect thereof need not be delivered to Beneficiary unless an Event of Default has occurred and is continuing. Trustor shall take all action reasonably necessary or required by Beneficiary in order to protect Trustor's and Beneficiary's rights and interests with respect to any Damage Claim, including the commencement of, appearance in and prosecution of any appropriate action or other proceeding, and Beneficiary may in its discretion participate in any such action or proceeding at the expense of Trustor.

So long as no Event of Default has occurred and is continuing, and subject to the rights of the lessor under the Lease and any lienholder whose lien is superior to the Lease, Trustor may settle, compromise or adjust any Damage Claim with the prior written consent of Beneficiary (which shall not be unreasonably withheld), except that such consent shall not be required in connection with any such Damage Claim where the estimated amount of the Damage Proceeds payable in connection therewith (as determined by the Trustor in good faith) is less than \$3,000,000. Upon the occurrence and during the continuance of any Event of Default, Beneficiary shall have the sole right, as between Trustor and Beneficiary (and subject to the rights of the lessor under the Lease and any lienholder whose lien is superior to the Lease), to settle, compromise or adjust any Damage Claim in such manner as Beneficiary may determine, and for this purpose Beneficiary may, in its own name or in the name of Trustor, take such action as Beneficiary deems appropriate to realize on any such Damage Claim. In either case, all Damage Proceeds payable in connection with any such Damage Claim shall be delivered directly to Beneficiary if and to the extent required by this § 3.05.

So long as no Event of Default has occurred and is continuing, any Damage Proceeds received by Beneficiary shall be held by Beneficiary in a cash collateral account (over which Beneficiary shall have sole and exclusive control and right of withdrawal) as additional security for the Secured Obligations (any such cash collateral account being referred to herein as a "Cash Collateral Account"), and shall be released by Beneficiary to Trustor (subject to such procedures and conditions as Beneficiary may reasonably require) to pay for the cost of any Restoration of the Real Property by Trustor required hereunder (to the extent that such Restoration was necessitated by the event or events giving rise to the Damage Claim for which such Damage Proceeds were paid). To the extent that (a) the amount of such Damage Proceeds exceeds the cost of any such Restoration, (b) any such Damage Proceeds relate to any condemnation, seizure or other appropriation by any governmental or quasi-governmental authority of all or any portion of the Real Property (including Damage Proceeds payable in lieu of any such action), and the Restoration of the Real Property is thereby rendered impossible, impractical or uneconomical, or (c) any such Damage Proceeds are not otherwise required by Trustor to complete any such Restoration, Beneficiary shall not be required to release the amount thereof to Trustor and may continue such amount in a Cash Collateral Account as additional security for the Secured Obligations (except that any such amount shall be released by Beneficiary to Trustor if (i) to the extent that any prepayment of Advances or other payment



is required under the Credit Agreement in connection with the receipt of such amount, such prepayment or other payment has been made, and (ii) no Event of Default has occurred and is then continuing).

If any Event of Default has occurred and is continuing, Beneficiary shall have no obligation to release any Damage Proceeds to Trustor, and any Damage Proceeds received by Beneficiary may, at Beneficiary's option, be applied to any Secured Obligations in such order and manner as Beneficiary may determine, or held by Beneficiary in a Cash Collateral Account as additional security for the Secured Obligations (and at any time thereafter applied by Beneficiary to the Secured Obligations as provided above).

Any application or release of Damage Proceeds shall not cure or waive any Event of Default or notice of default or invalidate any act done pursuant to such notice.

3.06 Liens and Taxes. Unless and except to the extent that the payment thereof is not required by the terms of the Security Agreement or the Credit Agreement, (a) Trustor shall pay, prior to the date due, all taxes, assessments, charges, fees and levies (including interest and penalties) imposed, assessed or collected by any governmental authority ("Taxes") which are or may become a Lien affecting any part of the Trust Estate (including assessments on appurtenant water stock), and (b) Trustor shall pay and perform when due all other obligations secured by or constituting a Lien affecting any part of the Trust Estate.

3.07 Actions. Trustor shall appear in and defend any claim or any action or other proceeding purporting to affect title or other interests relating to any part of the Trust Estate, the security of this Trust Deed or the rights or powers of Beneficiary or Trustee, and give Beneficiary prompt written notice of any such claim, action or proceeding. Beneficiary and Trustee may, at the expense of Trustor, appear in and defend any such claim, action or proceeding and any claim, action or other proceeding asserted or brought against Beneficiary or Trustee in connection with or relating to any part of the Trust Estate or this Trust Deed.

3.08 Action By Beneficiary or Trustee. If Trustor fails to perform any of its obligations under this Trust Deed and either (a) such failure shall continue for more than 10 days after written notice thereof is given by Beneficiary to Trustor, or (b) Beneficiary shall reasonably determine that immediate corrective action is required to protect the rights and interests of Beneficiary hereunder, Beneficiary may, but without any obligation to do so and without further notice to or demand upon Trustor and without releasing Trustor from any obligations under this Trust Deed, and at the expense of Trustor: (i) perform such obligations in such manner and to such extent and make such payments and take such other action as either may deem necessary in order to protect the security of this Trust Deed, Beneficiary being authorized to enter upon the Real Property for such purposes, (ii) appear in and defend any claim or any action or other proceeding purporting to affect title or other interests relating to any part of the Trust Estate, the security of this Trust Deed or the rights or powers of Beneficiary or Trustee, and (iii) if an



Event of Default shall have occurred and shall be continuing or if the Borrower or Trustor shall have defaulted in its obligation to pay or cause to be paid any of the following under the terms of the Loan Documents, pay, purchase, contest or compromise any Lien or right of others which in the reasonable judgment of Beneficiary is or appears to be or may for any reason become prior or superior to this Trust Deed. If Beneficiary shall elect to pay any such Lien or right of others or any Taxes which are or may become a Lien affecting any part of the Trust Estate or make any other payments to protect the security of this Trust Deed, Beneficiary may do so without inquiring into the validity or enforceability of any apparent or threatened Lien, right of others or Taxes, and may pay any such Taxes in reliance on information from the appropriate taxing authority or public office without further inquiry.

3.09 Obligations With Respect to Trust Estate. Neither Beneficiary nor Trustee shall be under any obligation to preserve, maintain or protect the Trust Estate or any of Trustor's rights or interests in the Trust Estate, or make or give any presentments, demands for performance, protests, notices of nonperformance, protest or dishonor or other notices of any kind in connection with any Rights, or take any other action with respect to any other matters relating to the Trust Estate. Neither Beneficiary nor Trustee shall assume, or have any liability for, nor shall be obligated to perform, any of Trustor's obligations with respect to any Rights or any other matters relating to the Trust Estate, and nothing contained in this Trust Deed shall release Trustor from any such obligations.

3.10 Assignment of Rents. Trustor absolutely and irrevocably grants, transfers and assigns to Beneficiary, during the continuance of this Trust Deed, all of Trustor's right, title and interest in and to the Rents. Notwithstanding such assignment, so long as no Event of Default has occurred and is continuing, Trustor shall have the right to collect, receive, hold and dispose of the Rents as the same become due and payable, provided that unless Beneficiary otherwise consents in writing: (a) any such Rents paid more than 90 days in advance of the date when due shall be delivered to Beneficiary and held by Beneficiary in a Cash Collateral Account, to be released and applied on the date when due (or, if an Event of Default has occurred and is continuing, at such other time or times and in such manner as Beneficiary may determine), and (b) if an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents shall cease and Beneficiary shall have the sole right, with or without taking possession of the Real Property, to collect all Rents, including those past due and unpaid. Any such collection of Rents by Beneficiary shall not cure or waive any Event of Default or notice of default or invalidate any act done pursuant to such notice. Failure or discontinuance of Beneficiary at any time, or from time to time, to collect the Rents shall not in any manner affect the subsequent enforcement by Beneficiary of the right to collect the same. Nothing contained in this Trust Deed, nor the exercise of the right by Beneficiary to collect the Rents, shall be deemed to make Beneficiary a "mortgagee in possession" or shall be, or be construed to be, an affirmation by Beneficiary of, or an assumption of liability by Beneficiary under, or a subordination of the Lien of this Trust Deed to, any tenancy, lease or option.



**3.11 Leases.** (a) Trustor agrees that if Trustor shall hereafter enter into any lease or sublease (a "Sublease") of any portion of the Real Property (with Trustor as landlord, lessor or sublessor), such Sublease shall provide that if Beneficiary or its designee or any other Person shall become the owner of the Trust Estate or any part thereof (Beneficiary or any such other Person that becomes the owner of the Trust Estate or any part thereof being referred to herein as a "Successor") upon foreclosure of this Trust Deed or by deed in lieu of foreclosure, the tenant thereunder will, at the election of the Successor, attorn to the Successor as its landlord under such Sublease. Unless and except to the extent provided in § 3.11(b) below, the Successor shall not be obligated to accept the tenant under any such Sublease following such acquisition of any part of the Trust Estate by the Successor.

(b) Notwithstanding the provisions of § 3.11(a), if (i) Trustor shall hereafter enter into a Sublease of all or any portion of the Trust Estate with a bona fide third party on terms that are not less favorable to Trustor than market terms and conditions as in the existence at the time such Sublease is entered into, and (ii) such Sublease is not otherwise prohibited under the terms of the Credit Agreement (any such Sublease complying with clauses (i) and (ii) being referred to herein as a "Qualifying Sublease"), then Beneficiary will, upon delivery to Beneficiary of a copy of such Qualifying Sublease, together with a written request for a Nondisturbance Agreement (a "Nondisturbance Agreement") providing that so long as there shall not exist any default on the part of the tenant under the Sublease, or any other event that would permit the tenant's leasehold interest under the Sublease to be terminated, (A) the Sublease shall not be terminated as a result of any foreclosure of this Trust Deed or any deed in lieu of foreclosure, (B) the tenant's right to possession of the leased premises under the Sublease shall not be disturbed as a result of the acquisition of any part of the Trust Estate by any Successor pursuant to any such foreclosure or deed in lieu of foreclosure, and (C) the Successor at any such foreclosure or deed in lieu of foreclosure shall recognize and accept the tenant as a direct tenant under the terms of the Sublease, in each case subject to the terms, requirements and provisions of the Sublease and those set forth herein. Anything contained herein to the contrary notwithstanding, Beneficiary shall not be required to deliver a Nondisturbance Agreement to any tenant unless the tenant shall execute and deliver to Beneficiary, in form and substance satisfactory to Beneficiary, a separate agreement that provides (1) that the tenant shall, at the election of any Successor following acquisition of any part of the Trust Estate by such Successor pursuant to any foreclosure of this Trust Deed or by deed in lieu of foreclosure, attorn to such Successor as its landlord under the Sublease, (2) that such attornment shall be effective and self-operative without notice and without execution of further agreements, (3) that upon request by the Successor, the tenant shall promptly confirm such attornment in writing and, if so requested by the Successor, the tenant shall enter into a new lease with the Successor for the balance of the term of the Sublease and on the same terms and conditions, and (4) that upon any such attornment, the Sublease shall continue in full force and effect as a direct lease between the Successor and such tenant upon all of the then executory terms of such Sublease, except that such Successor shall not be (a) liable for any previous



act, omission or negligence of Trustor under such Sublease, (b) subject to any counterclaim, defense or offset which theretofore shall have accrued to such tenant against Trustor, (c) bound by any previous modification or amendment of such Sublease or by any previous prepayment of more than one month's rent, except any such modification or amendment which either has been approved in writing by Beneficiary or does not cause such Sublease, as so modified or amended, to cease to be a Qualifying Sublease, (d) liable for any security deposited pursuant to such Sublease unless such security has actually been delivered to the Successor, (e) obligated to repair the Improvements or any part thereof in the event of total or substantial damage or partial condemnation, beyond such repair as can reasonably be accomplished from the net proceeds of insurance or condemnation awards actually made available to the Successor, or (f) obligated to perform any landlord's work or other alterations.

**3.12 Default.** Upon the occurrence and during the continuance of any Event of Default: (a) Trustor shall be in default under this Trust Deed, and upon acceleration of the maturity of any Obligations of any Loan Party in accordance with the terms of the Credit Agreement, all Secured Obligations shall immediately become due and payable without further notice to Trustor; and (b) Beneficiary may, without notice to or demand upon Trustor, which are expressly waived by Trustor (except for notices or demands otherwise required by applicable Laws to the extent not effectively waived by Trustor and any notices or demands specified below), and without releasing Trustor from any of its obligations under the Loan Documents, exercise any one or more of the following remedies as Beneficiary may determine:

(i) Beneficiary may, either directly or through an agent or court-appointed receiver, and without regard to the adequacy of any security for the Secured Obligations:

(A) enter, take possession of, manage, operate, protect, preserve and maintain, and exercise any other rights of an owner of, the Trust Estate, and use any other properties or facilities of Trustor relating to the Trust Estate, all without payment of rent or other compensation to Trustor;

(B) enter into such contracts and take such other action as Beneficiary deems appropriate to complete all or any part of any construction that may have been commenced by Trustor on the Land, subject to such modifications and other changes in the plan of development as Beneficiary may deem appropriate;

(C) make, cancel, enforce or modify leases, obtain and evict tenants, fix or modify rents and, in its own name or in the name of Trustor, otherwise conduct any business of Trustor in relation to the Trust Estate and deal with Trustor's creditors, debtors, tenants, agents and employees and any other Person having any relationship with Trustor in relation to the Trust Estate, and amend any contracts between them, in any manner Beneficiary may determine;



(D) exercise any Option of Trustor with respect to any part of the Trust Estate, either in the name of Trustor or the name of Beneficiary and on such terms as Beneficiary may determine;

(E) either with or without taking possession of the Trust Estate, notify obligors on any Rights that all payments and other performance are to be made and rendered directly and exclusively to Beneficiary, and in its own name supplement, modify, amend, renew, extend, accelerate, accept partial payments or performance on, make allowances and adjustments and issue credits with respect to, give approvals, waivers and consents under, release, settle, compromise, compound, sue for, collect or otherwise liquidate, enforce or deal with any Rights, including collection of amounts past due and unpaid (Trustor agreeing not to take any such action after the occurrence of an Event of Default without prior written authorization from Beneficiary);

(F) endorse, in the name of Trustor, all checks, drafts and other evidences of payment relating to the Trust Estate, and receive, open and dispose of all mail addressed to Trustor and notify the postal authorities to change the address for delivery of such mail to such address as Beneficiary may designate; and

(G) take such other action as Beneficiary deems appropriate to protect the security of this Trust Deed.

(ii) Beneficiary may execute and deliver to Trustee written declaration of default and demand for sale and written notice of default and of election to cause all or any part of the Trust Estate to be sold, which notice Trustee shall cause to be filed for record; and after the lapse of such time as may then be required by law following the recordation of such notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell such property at the time and place fixed by it in such notice of sale, either as a whole or in separate parcels and in such order as Beneficiary may direct (Trustor waiving any right to direct the order of sale), at public auction to the highest bidder for cash in lawful money of the United States (or cash equivalents acceptable to Beneficiary and Trustee to the extent permitted by applicable law), payable at the time of sale. Trustee may postpone the sale of all or any part of the Trust Estate by public announcement at such time and place of sale, and from time to time after any such postponement may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser at such sale its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed thereof. Any person, including Trustee, Beneficiary or any other Lender Party, may purchase at such sale, and any bid by Beneficiary may be, in whole or in part, in the form of cancellation of all or any part of the Secured Obligations. Any such sale shall be free and clear of (A) to the extent permitted by applicable law, any interest of Trustor, and (B) any



lease, encumbrance or other matter affecting the property so sold which is subject or subordinate to this Trust Deed, except that any such sale shall not result in the termination of any such lease (1) if and to the extent otherwise provided in any estoppel or other agreement executed by the tenant and Beneficiary (or executed by the tenant in favor of, and accepted by, Beneficiary), or (2) if the purchaser at such sale gives written notice to the tenant, within 30 days after date of sale, that the lease will continue in effect.

(iii) With respect to any part of the Trust Estate consisting of Personal Property, Beneficiary shall have in any jurisdiction where enforcement of this Trust Deed is sought all rights and remedies of a secured party under the UCC and may require Trustor, on demand, to assemble all Equipment and make the same available to Beneficiary at a place and time that Beneficiary may select that are reasonably convenient for both parties, whether at the premises of Trustor or elsewhere.

(iv) Beneficiary may proceed to protect, exercise and enforce any and all other rights, powers and remedies provided under the Subsidiary Guaranty or the other Loan Documents or by applicable Laws.

All proceeds of collection, sale or other liquidation of the Trust Estate shall be applied first to all costs, fees, expenses and other amounts (including interest) payable by Trustor under § 3.13 of this Trust Deed and to all other Secured Obligations not otherwise repaid in such order and manner as Beneficiary may determine, and the remainder, if any, to the person or persons legally entitled thereto.

Each of the rights, powers and remedies provided in this Trust Deed is cumulative and not exclusive of, and shall not prejudice, any other right, power or remedy provided in this Trust Deed or by applicable Laws or under any other Loan Document. Each right, power and remedy may be exercised from time to time as often as deemed necessary by Trustee and Beneficiary, and in such order and manner as Beneficiary may determine. This Trust Deed is independent of any other security for the Secured Obligations, and upon the occurrence of an Event of Default, Trustee or Beneficiary may proceed in the enforcement of this Trust Deed independently of any other right, power or remedy that Trustee or Beneficiary may at any time hold with respect to the Trust Estate or the Secured Obligations or any other security. Trustor, for itself and for any other Person claiming by or through Trustor, waives, to the fullest extent permitted by applicable Laws, all rights to require a marshalling of assets by Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to any particular portion of the Trust Estate or any other security (whether such portion shall have been retained or conveyed by Trustor or any other Loan Party) before resorting to any other portion, and all rights of redemption, stay and appraisal.

3.13 Costs, Fees and Expenses. Trustor shall pay, on demand, all reasonable and documented costs, fees, expenses, advances, charges, losses and liabilities of Trustee and Beneficiary under or in connection with this Trust Deed or the enforcement of, or the exercise of any right, power or remedy or



any other action taken by Trustee or Beneficiary under, this Trust Deed or the collection of the Secured Obligations, in each case including (a) reasonable and documented reconveyance and foreclosure fees of Trustee, (b) reasonable and documented costs and expenses of Beneficiary or Trustee or any receiver appointed under this Trust Deed in connection with the operation, maintenance, management, protection, preservation, collection, sale or other liquidation of the Trust Estate or foreclosure of this Trust Deed, (c) reasonable and documented advances made by Beneficiary to complete or partially construct all or any part of any construction that may have commenced on the Land or otherwise to protect the security of this Trust Deed, (d) cost of evidence of title, and (e) the reasonable and documented fees and disbursements of Trustee's and Beneficiary's legal counsel and including, without limitation, whether or not such suit is instituted and in proceedings for relief in bankruptcy, appeal, on petition for review and in proceedings for relief in bankruptcy; together with interest on all such amounts until paid (i) in the case of any such interest payable to Beneficiary, at a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time, (B) the Applicable Margin in effect from time to time for Working Capital Advances, and (C) if an Event of Default under Section 6.01(a) of the Credit Agreement has occurred and is continuing, 2.00% per annum, and (ii) at the rate provided by law in the case of any such interest payable to Trustee.

**3.14 Late Payments.** By accepting payment of any part of the Secured Obligations after its due date, neither Beneficiary nor any other Lender Party waives its right either to require prompt payment when due of all other Secured Obligations or to declare a default for failure to so pay.

**3.15 Action by Trustee.** At any time and from time to time upon written request of Beneficiary and presentation of this Trust Deed for endorsement, and without affecting the personal liability of any Person for payment of the Secured Obligations or the security of this Trust Deed for the full amount of the Secured Obligations on all property remaining subject to this Trust Deed, Trustee may, without notice and without liability for such action, and notwithstanding the absence of any payment on the Secured Obligations or any other consideration: (a) reconvey all or any part of the Trust Estate, (b) consent to the making and recording, or either, of any map or plat of the Land, (c) join in granting any easement affecting the Land, or (d) join in or consent to any extension agreement or any agreement subordinating the Lien of this Trust Deed. Trustee is not obligated to notify Trustor or Beneficiary of any pending sale under any other deed of trust or of any action or other proceeding in which Trustor, Beneficiary or Trustee is a party unless brought by Trustee.

**3.16 Reconveyance.** (a) Upon written request of Beneficiary and surrender of this Trust Deed to Trustee for cancellation or endorsement, and upon payment of its reasonable and documented fees and charges, Trustee shall reconvey, without warranty, all or any part of the property then subject to this Trust Deed. Any reconveyance, whether full or partial, may be made in terms to "the person or persons legally entitled thereto," and the recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof.



(b) Upon any sale of any part of the Trust Estate in accordance with (and to the extent not prohibited by) the terms of the Loan Documents, Beneficiary will, at Trustor's expense, execute and deliver to Trustor such documents as Trustor shall reasonably request to evidence the release of such part of the Trust Estate from the Lien granted hereby; provided, however, that (i) at the time of such request and such release no Default under Section 6.01(a) or (f) of the Credit Agreement or Event of Default shall have occurred and be continuing, (ii) Trustor shall have delivered to Beneficiary, at least seven Business Days prior to the date of the proposed release, a written request for release describing the part of the Trust Estate to be released and the terms of the sale in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by Beneficiary and a certificate by Trustor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as Beneficiary may reasonably request, and (iii) the Net Cash Proceeds of any such sale required to be applied (or any payment required to be made in connection with such sale) in accordance with Section 2.05 of the Credit Agreement shall be paid (or made) to, or in accordance with the instructions of, Beneficiary when and as required by Section 2.05 of the Credit Agreement.

(c) Upon the latest of the payment in full in cash of the Secured Obligations and all obligations guaranteed pursuant to the terms thereof, the Termination Date and the termination or expiration of all Bank Hedge Agreements, the Lien granted hereby shall terminate and, upon any such termination, Beneficiary will, at Trustor's expense, execute and deliver to Trustor such documents as Trustor shall reasonably request to evidence such termination.

3.17 Substitution of Trustee. Beneficiary may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named in or acting under this Trust Deed, which instrument, when executed by Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Land is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees who shall, without conveyance from the predecessor Trustee, succeed to all of its title, estate, rights, powers and duties. Such instrument must contain the name of the original Trustor, Trustee and Beneficiary, the book and page where this Trust Deed is recorded (or the date of recording and instrument number) and the name and address of the new Trustee.

3.18 Attorney-in-Fact. Trustor appoints Beneficiary as Trustor's attorney-in-fact, with full authority in the place of Trustor and in the name of Trustor or Beneficiary after the occurrence and during the continuance of any Event of Default, to take such action and execute such documents, agreements, approvals or other instruments as Beneficiary may reasonably deem necessary or advisable in connection with the exercise of any remedies or any other action taken by Beneficiary or Trustee under this Trust Deed.

3.19 Successors and Assigns. This Trust Deed applies to and shall be binding on and inure to the benefit of all parties to this Trust Deed and their respective successors and assigns.



3.20 Acceptance. Notice of acceptance of this Trust Deed by Beneficiary or Trustee is waived by Trustor. Trustee accepts this Trust Deed when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law.

3.21 Beneficiaries' Statements. For any statement regarding the Secured Obligations, Beneficiary may charge the maximum amount permitted by law at the time of the request for such statement.

3.22 Fixture Filing. This Trust Deed covers certain Equipment which is or is to become fixtures related to the Land and constitutes a "fixture filing" with respect to such Equipment executed by Trustor (as "debtor") in favor of Beneficiary (as "secured party"). The name of a record owner of the Real Property is shown in Exhibit "A" attached hereto and made a part hereof.

3.23 Governing Law. EXCEPT TO THE EXTENT, IF ANY, THAT THE LAWS OF ANOTHER STATE ARE EXPRESSLY DEEMED TO BE APPLICABLE UNDER THE TERMS OF ANY OF THE LOAN DOCUMENTS, THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS TRUST DEED AND UNDER THE SUBSIDIARY GUARANTY AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS-OF-LAW RULES AND PRINCIPLES OF SUCH STATE. TRUSTOR AND BENEFICIARY FURTHER ACKNOWLEDGE, AGREE AND STIPULATE THAT THE STATE OF NEW YORK HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES INVOLVED IN THIS TRANSACTION AND TO THE UNDERLYING TRANSACTIONS SECURED BY THIS TRUST DEED. NOTWITHSTANDING THE FOREGOING, THE PARTIES AGREE THAT:

(A) THE PROCEDURES GOVERNING THE ENFORCEMENT BY BENEFICIARY OF PROVISIONAL REMEDIES AGAINST TRUSTOR DIRECTLY RELATING TO THE REAL PROPERTY ENCUMBERED HEREBY, INCLUDING ANY SUCH ACTIONS FOR POSSESSION OF SUCH REAL PROPERTY, OR FOR THE APPOINTMENT OF A RECEIVER, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OREGON.


(B) TRUSTEE AND BENEFICIARY SHALL COMPLY WITH APPLICABLE OREGON LAW TO THE EXTENT, BUT ONLY TO THE EXTENT, NECESSARY IN ORDER TO FORECLOSE THE SECURITY INTERESTS AND LIENS CREATED HEREBY; PROVIDED, HOWEVER, THAT NOTHING IN THIS SECTION SHALL IN ANY EVENT BE CONSTRUED TO PROVIDE THAT THE SUBSTANTIVE LAW OF THE STATE OF OREGON SHALL APPLY TO THE OBLIGATIONS AND INDEBTEDNESS SECURED BY THIS TRUST DEED OR EVIDENCED BY THE CREDIT AGREEMENT OR THE OTHER LOAN DOCUMENTS, WHICH ARE AND SHALL CONTINUE TO BE GOVERNED BY THE SUBSTANTIVE LAW OF THE STATE OF NEW YORK. IN SUCH CONNECTION, THE PARTIES FURTHER AGREE THAT ANY LENDER PARTY MAY ENFORCE ITS RIGHTS UNDER THE LOAN DOCUMENTS, INCLUDING BUT NOT LIMITED TO ITS RIGHT TO SUE TRUSTOR OR ANY OTHER LOAN PARTY, TO COLLECT ANY OUTSTANDING INDEBTEDNESS, OR TO OBTAIN A JUDGMENT AGAINST TRUSTOR OR ANY OTHER LOAN PARTY IN OREGON, NEW YORK, OR OTHER STATES FOR ANY SUCH INDEBTEDNESS (INCLUDING A DEFICIENCY JUDGMENT) PRIOR TO OR FOLLOWING FORECLOSURE OF THIS TRUST DEED OR ANY OTHER MORTGAGE, IN ACCORDANCE WITH NEW YORK LAW, AND IF ANY LENDER PARTY OBTAINS A DEFICIENCY JUDGMENT IN A STATE OTHER THAN IN OREGON, THEN SUCH LENDER PARTY SHALL HAVE THE RIGHT TO ENFORCE SUCH JUDGMENT IN OREGON, AS WELL AS IN OTHER STATES.



3.24 Rules of Construction. For purposes of this Trust Deed: (i) the word "including" shall mean "including without limitation", (ii) defined terms shall be equally applicable to the singular and plural forms, and (iii) all existing and future exhibits to this Trust Deed are incorporated in this Trust Deed by this reference.

3.25 Request for Notice. Trustor requests that a copy of any notice of default and a copy of any notice of sale be mailed to Trustor at Trustor's address set forth above.

"TRUSTOR":  
PAY LESS DRUG STORES NORTHWEST, INC.

By:   
David R. Jessick,  
Senior Vice President and  
Chief Financial Officer



12799

ACKNOWLEDGEMENTS

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) SS.:

On April 19, 1994, before me, Suzanne M. Bueno, Notary Public (here insert name and title of the officer), personally appeared David R. Jessick, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature Suzanne M. Bueno (Seal)





## DESCRIPTION OF LEASE

A leasehold estate created by that certain lease dated April 24, 1968, originally between WALTER B. WAGGONER, HARRY R. WAGGONER and NORMA E. WAGGONER, as landlord, and PAYLESS DRUG STORE, INC. (Klamath Falls), an Oregon corporation, as tenant, as such lease may have been amended, supplemented or otherwise modified from time to time (the "Subject Lease"). The Subject Lease is hereby incorporated herein by this reference. The landlord's interest in the Subject Lease was assigned by mesne assignments to CLYDE A. COLLINS and LINDA J. COLLINS. The tenant's interest under the Subject Lease is presently held by Trustor, successor by merger to PAYLESS DRUG STORE, INC. (Klamath Falls), an Oregon corporation.

A memorandum of the Subject Lease was recorded on January 16, 1969, in Volume M-69, Page 430, in the official records of Klamath County, Oregon.

The land referred to and covered by the Subject Lease is located in the City of Klamath Falls, County of Klamath, State of Oregon, the demised premises of which are cross-hatched on the plot plan attached hereto as Exhibit "B-1" and incorporated herein by this reference, and the entire legal description of which is set forth in Exhibit "B" attached hereto and made a part hereof.

The name of a record owner of the Real Property is CLYDE A. COLLINS and LINDA J. COLLINS.



## LEGAL DESCRIPTION OF LAND

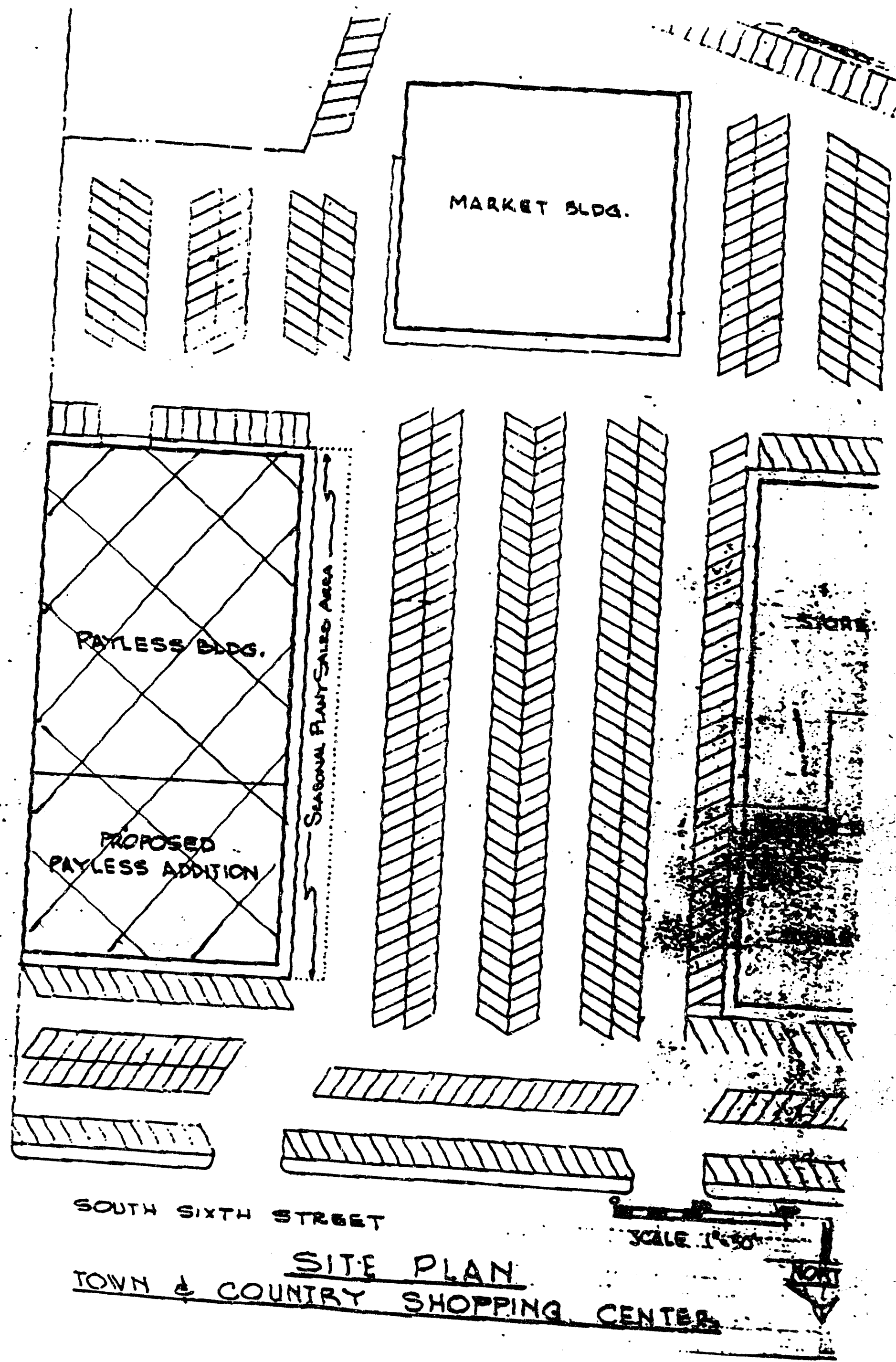
The land referred to herein is situated in the County of Klamath, State of Oregon and is described as follows:

Beginning at a point 48.5 feet South of the Northwest corner of the NE-1/4SE-1/4 of Section 3 Township 39 S. R. 9 E. W. M; thence East a distance of 426.2 feet to a point; thence South a distance of 613.8 feet, more or less, to the South line of Tract 13 Altamont Townsite (now vacated); and being the South line of the NW-1/4NE-1/4SE-1/4 of said Section; thence West along said line and parallel to the North line of said Section, 91.8 feet; thence South and at right angles to the North line of said NE-1/4SE-1/4 165 feet, more or less, to the Right of Way line of the O. C. & E. Railway; thence Northwest along said Right of Way 352 feet, more or less, to the West line of said NE-1/4SE-1/4; thence North along said line 646.5 feet, more or less, to the point of beginning.

Excepting portion contained in present Right of Way of the Dalles-California Highway.

Beginning at a point 526.2 feet Easterly and 45.5 feet South of the Northwest corner of the NE-1/4SE-1/4 of Section 3, Township 39 S. R. 9 E. W. M.; thence South on the West line of property conveyed to Klamath County School District, by deed Vol. 106, page 456, a distance of 614.5 feet, more or less, to the South line of Tract 13 of Altamont Townsite (now vacated); thence West along the said South line of said Tract 13, a distance of 100 feet; thence North a distance of 613.8 feet, more or less, to the North line of Altamont Townsite (now vacated); thence East along said North line a distance of 100 feet to the point of beginning, excepting portion thereof contained in the present right of way of the Dalles-California Highway.





STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of klamath County Title the 28th day  
of April A.D., 19 94 at 10:55 o'clock A M., and duly recorded in Vol. M94  
of Mortgages on Page 12781

FEE \$115.00

Evelyn Biehn County Clerk

By Annette Mueller