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LINE OF CREDIT

DEED OF TRUST AND SECURITY AGREEMENT,
ASSIGNMENT OF LEASES, RENTS AND PROFITS,
FINANCING STATEMENT AND FIXTURE FILING

made by

RED LION HOTELS, INC.

as Grantor,

to

FIRST AMERICAN TITLE INSURANCE COMPANY OF OREGON

as Trustee

for the benefit of

THE BANK OF NOVA SCOTIA,
as Collateral Agent,

as Beneficiary

LINE OF CREDIT DEED OF TRUST

Maximum Principal Amount: \$736,000,000

Maturity Date: May 15, 2004

THIS DEED OF TRUST SECURES FUTURE ADVANCES

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LINE OF CREDIT DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES, RENTS AND PROFITS,
FINANCING STATEMENT AND
FIXTURE FILING

THIS LINE OF CREDIT DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES, RENTS AND PROFITS, FINANCING STATEMENT AND FIXTURE FILING, dated as of November 8, 1996 (as amended, modified or supplemented from time to time, this "Deed of Trust") made by RED LION HOTELS, INC., a corporation organized and existing under the laws of the State of Delaware with an office for the transaction of business located at 410 N. 44th Street, Suite 700, Phoenix, Arizona 85008, as grantor (the "Grantor") to _____, a _____, with an office for the transaction of business located at FIRST AMERICAN TITLE INSURANCE COMPANY OF OREGON, as trustee ("Trustee"), for the benefit of THE BANK OF NOVA SCOTIA, a Georgia corporation with an office for the transaction of business located at 600 Peachtree Street, N.E., Suite 2700, Atlanta, Georgia 30308, as Collateral Agent, as beneficiary (the "Beneficiary") for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement shall be used herein as so defined.

W I T N E S S E T H :

WHEREAS, Doubletree Corporation (the "Borrower"), the lenders from time to time party thereto (the "Banks"), Morgan Stanley Senior Funding, Inc., as Syndication Agent and Arranger (the "Syndication Agent"), and The Bank of Nova Scotia, as Administrative Agent (together with any successor administrative agent, the "Administrative Agent"), have entered into a Credit Agreement, dated as of November 8, 1996, providing for the making of loans to the Borrower and the issuance of, and participation in, letters of credit for the account of the Borrower, as contemplated therein in the maximum principal amount of \$736,000,000 (as used herein, the term "Credit Agreement" means the Credit Agreement described above in this paragraph, as the same may be amended, modified, extended, renewed, replaced, restated, supplemented or

refinanced from time to time, and including any agreement extending the maturity of, refinancing or restructuring (including, but not limited to, the inclusion of additional borrowers or guarantors thereunder or any increase in the amount borrowed) all or any portion of the indebtedness under such agreement or any successor agreements, whether or not with the same agent, trustee, representative lenders or holders (the Banks, the Syndication Agent, the Administrative Agent and the Collateral Agent are herein called the "Bank Creditors");

WHEREAS, the Grantor, the Borrower and/or one or more other Subsidiaries of the Borrower may at any time and from time to time enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Banks or any affiliate thereof (each such Bank or affiliate, even if the respective Bank subsequently ceases to be a Bank under the Credit Agreement for any reason, together with such Bank's or affiliate's successors and assigns, if any, collectively, the "Other Creditors," and together with the Bank Creditors, are herein called the "Secured Creditors");

WHEREAS, pursuant to the Subsidiaries Guaranty each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all obligations and liabilities of the Borrower under or with respect to the Credit Documents and such Interest Rate Protection Agreements or Other Hedging Agreements;

WHEREAS, it is a condition precedent to the extensions of credit under the Credit Agreement that the Grantor shall have executed and delivered to the Trustee this Deed of Trust;

WHEREAS, the Grantor desires to enter into this Deed of Trust to satisfy the condition in the preceding paragraph (and this Deed of Trust shall secure) the following:

- (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities (including, without limitation, the principal of and interest on the notes issued, and loans made, under the Credit Agreement, all reimbursement obligations and unpaid drawings with respect to letters of credit issued under the Credit Agreement, and all indemnities, fees and interest thereon or owed thereunder) of the Grantor to the Bank

Creditors, whether now existing or hereafter incurred under, arising out of or in connection with the Credit Agreement and the other Credit Documents to which the Grantor is a party (including all such obligations and liabilities of the Grantor under the Subsidiaries Guaranty) and the due performance and compliance by the Grantor with all of the terms, conditions and agreements contained in the Credit Agreement and such other Credit Documents;

(ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities of the Grantor to the Other Creditors, whether now existing or hereafter incurred under, arising out of or in connection with any Interest Rate Protection Agreement or Other Hedging Agreement (including all such obligations and liabilities of the Grantor under the Subsidiaries Guaranty) and the due performance and compliance by the Grantor with all the terms, conditions and agreements contained in such Interest Rate Protection Agreements or Other Hedging Agreements;

(iii) any and all sums advanced by the Beneficiary in order to preserve or protect the Trust Estate (as hereinafter defined) or preserve or protect its security title and interest in the Trust Estate;

(iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of the Grantor referred to in clauses (i) and (ii) above after an Event of Default (as hereinafter defined) shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Trust Estate, or of any exercise by the Beneficiary of its rights hereunder, together with reasonable attorneys' fees (as set forth in Section 4.08 hereof) and court costs;

(v) all amounts paid by any Indemnatee (as hereinafter defined) as to which such Indemnatee has the right to reimbursement under Section 1.08 of this Deed of Trust; and

(vi) any and all renewals, extensions and modifications of any of the obligations and liabilities referred to in clauses (i) and (v) above;

all such obligations, liabilities, sums and expenses set forth in clauses (i) through (vi) above being herein collectively called the "Obligations."

NOW, THEREFORE, as security for the obligations and in consideration of the sum of ten dollars (\$10.00) and the benefits accruing to the Grantor, the receipt and sufficiency of which are hereby acknowledged, THE GRANTOR HEREBY CONVEYS MORTGAGES GIVES, GRANTS, BARGAINS, SELLS AND CONFIRMS TO THE TRUSTEE FOR THE BENEFIT OF THE BENEFICIARY AND ITS SUCCESSORS AND ASSIGNS WITH POWER OF SALE FOREVER, all of the Grantor's estate, right, title and interest, whether now owned or hereafter acquired, whether as lessor or lessee and whether vested or contingent, in and to all of the following described land and interests in land, estates, easements, tenements, rights, improvements, property, fixtures, machinery and equipment:

A. The land described in Exhibit A hereto (the "Land");

B. The buildings and improvements now or hereafter erected on the Land and any alterations thereto (collectively, the "Improvements");

C. All fixtures, attachments, appliances, equipment, machinery, building materials and supplies, and other tangible personal property (other than personal property owned by Grantor's lessees), now or hereafter attached to said Improvements or now or at any time hereafter located on the Land and/or Improvements including, but not limited to, furnaces, boilers, oil burners, piping, plumbing, refrigeration, air conditioning and sprinkler systems, elevators, motors, dynamos and all other equipment and machinery, appliances, fittings and fixtures of every kind located in or used in the operation of the Improvements, structures or buildings located on the Land, together with any and all replacements or substitutions thereof and additions thereto (hereinafter sometimes collectively referred to as the "Equipment");

TOGETHER with all appurtenant rights and easements, rights of way, and other rights appurtenant to the use and enjoyment of or used in connection with the Land and/or the Improvements;

TOGETHER with all of Grantor's right, title and interest in and to (1) all streets, roads and public places (whether open or proposed) now or hereafter adjoining or

otherwise providing access to the Land, (2) the land lying in the bed of such streets, roads and public places, and (3) all other sidewalks, alleys, ways, passages, vaults, water courses, strips and gores of land now or hereafter adjoining or used or intended to be used in connection with all or any part of the Land;

TOGETHER with all of the Grantor's right, title and interest in, to and under leasehold estates, including, without limitation, all of its right, title and interest as tenant in and to any ground lease referred to in Exhibit A hereto (the "Ground Lease") and in any or other agreements, relating to the use and occupancy of the Land and/or the Improvements or any portion thereof;

TOGETHER with all rents, receipts, issues and profits of the Trust Estate (collectively, "Rents");

TOGETHER with, to the extent assignable, all of the Grantor's right, title and interest now owned or hereafter acquired in and to the permits, licenses, liquor licenses and rights in and to the use, occupation and operation of the Land and the Improvements, any business conducted thereon or therein and any part thereof;

TOGETHER with all of the Grantor's right, title and interest in and to any and all of the real estate tax refunds payable to the Grantor with respect to the Land or the Improvements, and refunds, credits or reimbursements payable with respect to bonds, escrow accounts or other sums payable in connection with the use, development, or ownership of the Land or Improvements;

TOGETHER with all the right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which the Grantor now has or may hereafter acquire in the Trust Estate, and any and all awards made for the taking by eminent domain, or by any proceedings or purchase in lieu thereof, of the whole or any part of the Trust Estate;

TOGETHER with all of the Grantor's right, title and interest and estate in and to any zoning lot agreements and air rights and development rights which may be vested in the Grantor under or pursuant thereto, together with any additional air rights or development rights which have been or may hereafter be conveyed to or become vested in the Grantor;

TOGETHER with all of the Grantor's right, title and interest in and to all revenues, receipts, income, accounts, accounts receivable and other receivables derived or to be derived from the ownership and operation of the Trust Estate and related facilities located on the Land, including, without limitation of the generality of the foregoing, all room revenues and room charges and charges for hotel services (including advance deposits therefor) and other revenues and income derived or to be derived from the sale or rental of hotel rooms and meeting rooms, the provisions of hotel services, the sale of food, beverages and merchandise, the rental of shops, leasing of commercial or residential spaces, the granting of concessions (including taxi concessions and concessions for the installation of coin-operated machines to the extent of the Grantor's interest therein) within or about the Trust Estate and related facilities, the rental or operation of travel desks, the rental or operation of parking facilities and the provision of services to guests of the hotel and related facilities located on the Land and any other items of revenue, receipts or other income as identified in the Uniform System of Accounts for Hotels, 8th Edition, issues, profits, proceeds and products arising from any of the foregoing and all right, title and interest, if any, to all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims.

The entire estate, right, property and interest hereby conveyed to the Beneficiary may be referred to herein as the "Trust Estate" as well as "the Property."

AND without limiting any of the other provisions of this Deed of Trust, the Grantor expressly grants to the Beneficiary, as secured party, a security interest in the portion of the Trust Estate which is or may be subject to the Oregon Uniform Commercial Code (the "Uniform Commercial Code") provisions applicable to secured transactions, and the Beneficiary shall have, in addition to all rights and remedies provided herein, and in any other agreements made by the Grantor to the Beneficiary, all of the rights and remedies of a "secured party" under said Uniform Commercial Code; it being understood and agreed that the Improvements and Equipment are part and parcel of the Property appropriated to the use thereof and, whether affixed or annexed to the Land or the buildings and structures thereon or not, shall for the purposes of this Deed of Trust be deemed conclusively to be real estate and transferred and conveyed hereby; and the Grantor agrees to execute and deliver from time to time, such further instruments

(including security agreements) as may be reasonably requested by the Beneficiary to confirm the lien of this Deed of Trust on any Improvements.

TO HAVE AND TO HOLD the above granted and described Trust Estate unto the Trustee for the benefit of the Beneficiary and to its successors and assigns forever, and the Grantor hereby binds itself and its successors and assigns to warrant and defend the Trust Estate unto the Trustee for the benefit of the Beneficiary, its successors and assigns against the claim or claims of all persons claiming or to claim the same, or any part thereof.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, the Grantor covenants and agrees as follows:

ARTICLE I.

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF THE GRANTOR

1.01 Title to this Property. The Grantor represents and warrants (a) that it has good fee title to, and/or a valid leasehold interest in, the Property, free and clear of any liens and encumbrances (other than Permitted Liens and Permitted Encumbrances), and is lawfully seized and possessed of the Property; (b) that this Deed of Trust is a valid first priority lien upon the Property, subject only to the Permitted Liens and Permitted Encumbrances; (c) that the Grantor has full power and authority to encumber the Property in the manner set forth herein; and (d) that there are no defenses or offsets to this Deed of Trust or to the Obligations which it secures. The Grantor shall preserve such title and the validity and priority of this Deed of Trust and shall forever warrant and defend the same to the Beneficiary against the claims of all persons and parties whatsoever.

1.02 (a) Compliance with Law. The Grantor represents that it possesses all material certificates, licenses, authorizations, registrations, permits and/or approvals (including, without limitation, a certificate of occupancy) necessary for the ownership, operation, leasing and management of the Property and the other portions of the Trust Estate, including, without limitation, all required environmental permits, other than those certificates, licenses, authorizations, registrations, permits and/or

approvals, which if not obtained, would not have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of the Borrower and its Wholly-Owned Subsidiaries taken as a whole, all of which are in full force and effect and not the subject of any revocation proceeding, undisclosed amendment, release, suspension, forfeiture or the like. The present and contemplated use and occupancy of the Property does not conflict with or violate any such material certificate, license, authorization, registration, permit or approval, including, without limitation, the extant certificate of occupancy for this Property.

(b) Agreements. The Grantor has not entered into any contract or other agreement providing for the transfer, conveyance or encumbrance of the Property or any part thereof or interest therein in violation of the Credit Agreement.

1.03 Payment and Performance of Obligations. The Grantor shall pay all of the Obligations when due and without offset or counterclaim, and shall observe and comply in all respects with all of the terms, provisions, conditions, covenants and agreements to be observed and performed by it under this Deed of Trust, the other Credit Documents to which it is a party and the Interest Rate Protection Agreements or Other Hedging Agreements (collectively, the "Financing Documents").

1.04 Maintenance, Repair, Alterations, Etc. The Grantor will: keep and maintain the Property in reasonably good working order and condition (normal wear and tear excepted); make or cause to be made, as and when necessary, all repairs, renewals and replacements, structural and nonstructural, exterior and interior, ordinary and extraordinary, foreseen and unforeseen which are reasonably necessary to so maintain the Property; except as otherwise provided in Sections 1.07 or 1.13 hereof, restore any Improvement in accordance with the requirements of the Credit Agreement; comply with all applicable statutes, regulations and orders of and all applicable restrictions imposed by, all governmental bodies, domestic and foreign (collectively, a "Law") now or hereafter affecting this Property or any part thereof or the use thereof or requiring any alterations or improvements, except to the extent such non-compliances could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of the Borrower and its Wholly-Owned Subsidiaries taken as a whole; not commit or

permit any waste or deterioration (normal wear and tear excepted) of the Property; not permit the Improvements to be demolished or substantially altered; comply with the provisions of any lease, easement or other agreement affecting all or any part of the Property; and not permit the Improvements or any part thereof to become abandoned.

1.05 Required Insurance. The Grantor will, at its expense, at all times provide, maintain and keep in force policies of property, hazard and liability insurance in accordance with Section 8.03 of the Credit Agreement and with respect to the Property, together with statutory workers' compensation insurance with respect to any work to be performed on or about the Property.

1.06 Policy Provisions, Etc. (a) Each policy of insurance maintained by the Grantor pursuant to Section 1.05 hereof with respect to the Property shall comply with the provisions of Section 8.03(b) of the Credit Agreement.

(b) The Grantor shall pay as and when the same become due and payable the premiums for all insurance policies that the Grantor is required to maintain hereunder, and all such policies shall be nonassessable. The Grantor will deliver to the Beneficiary concurrently herewith original certificates or certified copies setting forth in reasonable detail the terms (including, without limitation, any applicable notice requirements) of all insurance policies that the Grantor is required to maintain hereunder.

(c) Prior to the expiration, termination or cancellation of any insurance policy which the Grantor is required to maintain hereunder, the Grantor shall obtain a replacement policy or policies (or a binding commitment for such replacement policy or policies), which shall be effective no later than the date of the expiration, termination or cancellation of the previous policy, and shall deliver to the Beneficiary an original certificate or certified copy which complies with the requirements of Section 1.06(a) hereof, or a copy of a binding commitment for such policy or policies. The Grantor shall also provide to the Beneficiary originals of such policies as soon as reasonably possible after the Beneficiary's request therefor.

(d) All insurers shall be authorized to issue insurance in the State in which this Property is located.

1.07 Insurance Proceeds. (a) The Grantor shall give prompt written notice to the Beneficiary of the

occurrence of any damage to or destruction of the Improvements (which term as used in this Section 1.07 shall include Equipment) in excess of \$1,000,000.

(b) In the event of any damage to or destruction of the Improvements or any part thereof, all proceeds of casualty insurance shall be applied in the manner provided in Section 4.02(h) of the Credit Agreement or in the Security Agreement (to the extent provided therein).

(c) If there shall have occurred and be continuing an Event of Default, the Beneficiary shall have the right to settle, adjust or compromise any claim under any policy of insurance. In all other cases, the Grantor may settle, adjust or compromise any claim.

1.08 Placement of Insurance by Beneficiary. (a) Unless the Grantor provides the Beneficiary with evidence of the insurance coverage required by this Deed of Trust or any other agreement between the Beneficiary and the Grantor, the Beneficiary may purchase insurance at the Grantor's expense to protect the Beneficiary's interest. This insurance may, but need not, also protect the Grantor's interest. If the Trust Estate or any part thereof becomes damaged, the coverage the Beneficiary purchases may not pay any claim the Grantor makes or any claim against the Grantor. The Grantor may later cancel this coverage by providing evidence that the Grantor has obtained the property coverage elsewhere. The Grantor is responsible for the cost of any insurance purchased by the Beneficiary. The cost of this insurance may be added to the obligations. If the cost is added to the obligations, the interest rate on the debt will to this added amount. The effective date of coverage may be the date the Grantor's prior coverage lapsed or the date the Grantor failed to provide proof of coverage. The coverage the Beneficiary purchases may be considerably more expensive than the insurance the Grantor can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

(b) "WARNING" "Unless you (the Grantor) provide us (the Beneficiary) with evidence of the insurance coverage as required by our contract or loan agreement, we (the Beneficiary) may purchase insurance at your (the Grantor) expense to protect our (the Beneficiary) interest. This insurance may, but need not, also protect your interest. If the Trust Estate becomes damaged, the coverage we (the Beneficiary) purchase may not pay any claim you (the Grantor)

make or any claim made against you (the Grantor). You (the Grantor) may later cancel this coverage by providing evidence that you (the Grantor) have obtained property coverage elsewhere.

"You (the Grantee) are responsible for the cost of any insurance purchased by us (the Beneficiary). The cost of this insurance may be added to your (the Grantee) contract or loan balance. If the cost is added to your (the Grantee) contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your (the Grantee) prior coverage lapsed or the date you (the Grantee) failed to provide proof of coverage.

"The coverage we (the Beneficiary) purchase may be considerably more expensive than insurance you (the Grantee) can own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law."

1.09 Indemnification; Subrogation; Waiver of Offset. (a) The Grantor agrees to indemnify, reimburse and hold the Beneficiary, each other Secured Creditor and their respective successors, assigns, employees, agents and servants (hereinafter in this Section 1.09 referred to individually as "Indemnatee," and collectively as "Indemnitees") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 1.09 the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Mortgage, or any other document executed in connection, herewith or in any other way connected with the enforcement of any of the terms of, or the preservation of any rights hereunder, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Property (including, without limitation, latent or other defects, whether or not discoverable), any contract claim or, to the maximum extent permitted under applicable law, the violation of the laws of any country, state or other governmental body or unit, or any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of

any Person (including any Indemnatee), or property damage); provided that no Indemnatee shall be indemnified pursuant to this Section 1.09(a) for expenses to the extent caused by the gross negligence or willful misconduct of such Indemnatee. The Grantor agrees that upon written notice by any Indemnatee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, the Grantor shall at the request of such Indemnatee assume full responsibility for the defense thereof. Each Indemnatee agrees to use its best efforts to promptly notify the Grantor of any such assertion of which such Indemnatee has knowledge.

(b) Without limiting the application of Section 1.09(a) hereof, the Grantor agrees to pay, or reimburse the Beneficiary for any and all fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Beneficiary's Liens on, and security interest in, the Property, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Property, premiums for insurance with respect to the Property and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Property and the Beneficiary's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Property.

(c) Without limiting the application of Section 1.09(a) or (b) hereof, the Grantor agrees to pay, indemnify and hold each Indemnatee harmless from and against any loss, costs, damages and expenses which such Indemnatee may suffer, expend or incur in consequence of or growing out of any misrepresentation by the Grantor in this Deed of Trust or in any writing contemplated by or made or delivered pursuant to or in connection with this Deed of Trust.

(d) If and to the extent that the obligations of the Grantor under this Section 1.09 are unenforceable for any reason, the Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

(e) All sums payable by the Grantor hereunder shall be paid without counterclaim, set-off, or deduction and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of the Grantor hereunder shall in no way be released, discharged or

otherwise affected (except as expressly provided herein) by reason of: (i) any damage or any condemnation of the Property or any part thereof; (ii) any restriction or prevention of or interference with any use of the Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Beneficiary, or the Grantor, or any action taken with respect to this Deed of Trust by any agent or receiver of the Beneficiary; (v) any claim which the Grantor has or might have against the Beneficiary; (vi) any default or failure on the part of the Beneficiary to perform or comply with any of the terms hereof or of any other Financing Documents; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not the Grantor shall have notice or knowledge of any of the foregoing. The Grantor waives, to the extent permitted by law, all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any of the Obligations.

(f) Any amounts paid by any Indemnatee as to which such Indemnatee has the right to reimbursement shall constitute Obligations secured by the Property. The indemnity obligations of the Grantor contained in this Section 1.09 shall continue in full force and effect notwithstanding the full payment of all the notes issued under the Credit Agreement, the termination of all Interest Rate Protection Agreements or Other Hedging Agreements and the payment of all other Obligations and notwithstanding the discharge thereof.

1.10 Impositions. (a) Subject to the provisions of Section 1.20 hereof, the Grantor will pay or cause to be paid prior to delinquency all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, which are assessed or imposed upon any of the Property, or arising in respect of the operation, occupancy, use or possession thereof (all of which taxes, assessments and other governmental or non-governmental charges of like or different nature are herein-after referred to as "Impositions"); provided, however, that if, by Law, any such Imposition is payable, or may at the option of the payer be paid, in installments, the Grantor may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same may become due.

(b) If under the provisions of any Law now or hereafter in effect there shall be assessed or imposed: (i) a tax or assessment on the Property in lieu of or in addition to the Impositions payable by the Grantor pursuant to subparagraph (a) of this Section 1.10, or (ii) a license fee, tax or assessment imposed on the Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Obligations, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph (a) of this Section 1.10, and the Grantor shall pay and discharge or cause to be paid and discharged the same as herein provided or shall reimburse or otherwise compensate the Beneficiary for the payment thereof.

(c) The Grantor covenants to furnish to the Beneficiary, promptly following the Beneficiary's request, official receipts of the appropriate taxing or other authority, or other proof reasonably satisfactory to the Beneficiary, evidencing the payment of Impositions.

(d) The Grantor will pay all taxes, charges, filing, recording taxes, registration and recording fees, excises and levies imposed in connection with the recording of this Deed of Trust or imposed upon the Beneficiary by reason of its ownership of this Deed of Trust, and shall pay any and all stamp taxes and other taxes required to be paid on any of the Obligations except as otherwise provided in Section 4.04 of the Credit Agreement. In the event the Grantor fails to make any such payment within thirty (30) days after written notice thereof from the Beneficiary, then the Beneficiary shall have the right, but shall not be obligated to, pay the amount due and the Grantor shall, on demand, reimburse the Beneficiary for said amount. If the Grantor shall fail to reimburse any amounts paid by the Beneficiary within two (2) Business Days of the payment thereof all such amounts shall thereafter bear interest at the rate of interest set forth in Section 1.09(c) of the Credit Agreement in respect of Revolving Loans that are maintained as Base Rate Loans and shall constitute Obligations hereunder and be secured hereby.

(e) The Grantor covenants to furnish to the Beneficiary, within twenty (20) days after the request by Deed of Trust, official receipts of the appropriate taxing or other authority, or other proof reasonably satisfactory to the Beneficiary, evidencing the payment of the applicable item described in subsection 1.10(d) hereinabove.

1.11 Utilities. The Grantor will pay when due all utility charges which are incurred by the Grantor for the benefit of the Property or which may become a charge or lien against the Property for gas, electricity, steam, water or sewer services furnished to the Property and all other assessments or charges of a similar nature, whether public or private, affecting the Property whether or not such taxes, assessments or charges are liens thereon.

1.12 Actions Affecting this Property. The Grantor will appear in and contest any action or proceeding brought by any third parties unrelated to the Beneficiary purporting to affect the security hereof or the rights or powers of the Beneficiary hereunder, except to the extent the defense thereof is undertaken by the insurer under any title insurance policy insuring the lien of this Deed of Trust; and the Grantor will pay (or cause to be paid by the title insurer) all costs and expenses incurred by the Grantor, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding. The Grantor shall give the Beneficiary prompt notice in writing of any such action or proceeding.

1.13 Condemnation. (a) Should the Property or any part thereof or interest therein be taken or damaged by reason of any public improvements or condemnation proceeding or in any other similar manner ("Condemnation"), or should the Grantor receive any notice thereof, the Grantor shall give prompt written notice thereof to the Beneficiary.

(b) In the event of a Condemnation of all of this Property or, any portion thereof, the proceeds of any condemnation award shall be applied in the manner provided in Section 4.02(h) of the Credit Agreement.

(c) If there shall have occurred, and be continuing, an Event of Default, the Beneficiary alone shall have the right to settle, adjust or compromise any claim in connection with a Condemnation of the Property. In all other cases, the Beneficiary and the Grantor shall consult and cooperate with each other and each shall be entitled to participate in all meetings and negotiations with respect to the settlement of such claim.

1.14 Intentionally Omitted.

1.15 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds the parties

hereto, the Secured Creditors and their respective successors and assigns.

1.16 Inspections. The Grantor hereby authorizes the Beneficiary, its agents, representatives or workmen, upon reasonable prior notice to Grantor, (i) to visit and inspect any of the Property or any portion(s) thereof, at such reasonable times and intervals to such reasonable extent as the Beneficiary may reasonably request, (ii) to discuss with employees of the Grantor the affairs, finances and accounts of the Property, and (iii) verify the amount, quantity, quality, value and/or condition of, or any other matter relating to, the Property, all at such reasonable times and as often as the Beneficiary may reasonably request.

1.17 Transfers. Except as otherwise permitted in accordance with the terms of the Credit Agreement, no part of the Property or of any legal or beneficial interest in the Property shall be sold, assigned, conveyed, leased, transferred or otherwise disposed of (whether voluntarily or involuntarily, directly or indirectly, by sale of stock or any interest in the Grantor, or by operation of law or otherwise). If any such sale, assignment, transfer, or conveyance is permitted in accordance with the terms of the Credit Agreement, the Beneficiary shall execute and deliver upon the request of, and at the sole cost and expense of the Grantor, an appropriate release, discharging or reconveyance hereof in recordable form.

1.18 Secured by Liens. Except as otherwise provided in the Credit Agreement, the Grantor shall not create, incur or suffer to exist, or cause to be created, incurred or suffered to exist, directly or indirectly Liens (other than Permitted Liens) against the Property or any part thereof or any rents or income arising therefrom.

1.19 Environmental Protection Matters. The Grantor shall comply with the provisions of the Credit Agreement relating to environmental matters, including, but not limited to, Sections 7.19, 8.01(i) and 8.06 of the Credit Agreement, which provisions are incorporated herein by reference.

1.20 Actions by the Beneficiary to Preserve this Property. If an Event of Default shall have occurred and be continuing, the Beneficiary may (but shall not be obligated to) pay or perform the Obligations in the same manner and to such extent as it may deem necessary in its sole discretion. In connection therewith, without limiting its general powers, the Beneficiary shall have and is hereby given the right, but

not the obligation: (a) to enter upon and take possession of the Property; (b) to make additions, alterations, repairs and improvements to the Property which are reasonably necessary or proper to keep the Property in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of the Beneficiary; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which may adversely affect the security of this Deed of Trust or be prior or superior hereto; and (e) in exercising such powers, to pay all necessary expenses, including the reasonable fees and expenses of counsel or other necessary or desirable consultants. The Grantor shall, immediately upon demand therefor by the Beneficiary, pay or reimburse the Beneficiary for all reasonable costs and expenses incurred by the Beneficiary in connection with the exercise by the Beneficiary of the foregoing rights, including, without limitation, cost of evidence of title, court costs, appraisal costs, surveys and reasonable attorneys' fees. In the event this Deed of Trust is placed in the hands of an attorney for the collection of any sum secured hereby, the Grantor agrees to pay on demand all reasonable costs of collection, including attorneys' fees, incurred by the Beneficiary, either with or without the institution of any action or proceeding, and in addition to all costs, disbursements and allowances provided by law. If the Grantor shall fail to reimburse any amounts paid by the Beneficiary within two (2) Business Days after notice of payment thereof to the Grantor, all such amounts shall thereafter bear interest at the rate set forth in Section 1.09(c) of the Credit Agreement in respect of Revolving Loans that are maintained as Base Rate Loans and shall constitute Obligations hereunder and be secured hereby.

1.21 Intentionally Omitted.

1.22 Continued Occupancy. If at any time the then existing use or occupancy of any part of the Property shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue or so long as any portion of the Obligations remain unpaid, the Grantor will not cause or permit such use or occupancy to be discontinued without the prior written consent of the Beneficiary. The Grantor shall promptly notify the Beneficiary of any anticipated or proposed change in the zoning for the Property or any portion thereof or any other property with respect to which a change in zoning would materially, adversely affect the zoning of, or the Grantor's use and enjoyment of, the Property or any part thereof. The

Beneficiary shall have the right to participate in any judicial, administrative or other proceeding with respect to or in any way affecting the Property (including, without limitation, any proceeding relating to zoning or environmental matters).

1.23 The Credit Agreement. This Deed of Trust is made pursuant to the Credit Agreement, and this Deed of Trust is subject to all of the provisions of the Credit Agreement including, without limitation, the provisions of the Credit Agreement entitling the Beneficiary, the Banks and/or the other Secured Creditors to declare the respective indebtedness secured hereby to be immediately due and payable, as the case may be, all of which provisions are incorporated herein with the same force and with like effect as if they were fully set forth herein at length and made a part hereof. In the event of a conflict between any of the provisions of the Credit Agreement and any of the provisions of this Deed of Trust, the provisions of the Credit Agreement shall control.

1.24 Brokers. The Grantor represents and warrants that it has not dealt with any broker in connection with this transaction and that it knows of no other Person who is entitled to a commission in connection with this transaction. The Grantor hereby agrees to indemnify, defend and hold the Indemnitees harmless from and against any and all claims, liabilities, damages, demands, costs, expenses (including, without limitation, the costs and expenses of defending or settling any such claims and all attorneys' fees and disbursements) or causes of action arising out of a breach of the representations, warranties or agreements contained in this Section 1.24. The representations, warranties and agreements contained in this Section 1.24 shall survive repayment of the Obligations and discharge of this Deed of Trust.

1.25 Recordation of Deed of Trust and Financing Statements. The Grantor will execute, acknowledge and deliver any financing statements, continuation statements and other instruments in addition or supplemental hereto, including, without limitation, contracts, licenses and permits affecting the Property, which may be necessary or reasonably requested by the Beneficiary from time to time in order to perfect and maintain the validity and effectiveness of this Deed of Trust and the lien and security thereof to the Beneficiary and in such manner and places and within such times, in each case as is commercially reasonable and as may be necessary or appropriate to accomplish such purposes and

to preserve and protect the rights and remedies of the Beneficiary. The Grantor or its agents will furnish reasonably satisfactory evidence of every such recording, filing and registration to the Beneficiary. The Grantor hereby appoints the Beneficiary as its true and lawful attorney-in-fact to file, with the Grantor's signature, or without Grantor's signature in the state and county where the Property is located and any other jurisdiction in which such filing may lawfully and effectively be made without the Grantor's signature, any and all Uniform Commercial Code financing and continuation statements which the Beneficiary may reasonably deem necessary or appropriate to file with respect to this Deed of Trust.

1.26 After Acquired Property Interests. All right, title and interest of the Grantor in and to all extensions, improvements, betterment, renewals, substitutes and replacements of, and all additions and appurtenances to, the Property, hereafter acquired by, or released to, the Grantor or constructed, assembled or placed by the Grantor on the Land, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by the Grantor, shall become subject to the lien of this Deed of Trust as fully and completely, and with the same effect, as though now owned by the Grantor and specifically described in the granting clause hereof, but at all times the Grantor shall execute and deliver to the Beneficiary all such other assurances, mortgages conveyances or assignments thereof as the Beneficiary may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Deed of Trust. The Grantor hereby irrevocably authorizes and appoints the Beneficiary the agent and attorney-in-fact of Grantor to execute all such documents and instruments on behalf of the Grantor, which appointment shall be deemed to be coupled with an interest, if the Grantor fails or refuses to do so within ten (10) days after a request therefor by the Beneficiary.

1.27 Zoning and Title Matters. The Grantor will not, without the prior written consent of the Beneficiary, which will not be unreasonably withheld so long as the Property is not adversely affected, (a) initiate, join in, consent to or support any zoning reclassification of the Property, seek any variance under existing zoning ordinances applicable to the Property execute or file any subdivision plat affecting the Property, use or permit the use of the

Property in a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances, impose any restrictive covenants or encumbrances upon the Property which in any such case has a material adverse effect on the Property, (b) consent to the annexation of the Property to any municipality, or (c) permit or allow the Property to be used by the public or any person in such manner which serves as the basis for a claim of adverse usage or possession or of any implied dedication or easement by prescription.

1.28 Changes to Deed of Trust or Related Loan Documents. If the Obligations or any part thereof are extended or varied or if any part of the security is released, all persons now or at any time hereafter liable therefor, or whose consent to this Deed of Trust was obtained, shall be held to assent to such extension, variation or release, and their liability and the lien and all provisions hereof shall continue in full force, the right of recourse, if any, against all such persons being expressly reserved by the Beneficiary, notwithstanding such extension, variation or release. Any person or entity taking a junior mortgage or other lien upon the Property or any interest therein, shall take said lien subject to the rights of the Beneficiary to amend, modify, and supplement, restate and consolidate this Deed of Trust and/or the other Financing Documents and to impose additional fees and other charges, and to extend the maturity of said indebtedness, and to grant partial releases of the lien of this Deed of Trust, in each and every case without obtaining the consent of the holder of such lien and without the lien of this Deed of Trust losing its priority over the rights of any such junior lien. Nothing contained in this Section shall be construed as waiving any provision contained herein which provides, among other things, that it shall constitute an Event of Default if the Property be sold, conveyed, or encumbered unless permitted by this Deed of Trust and/or the other Financing Documents.

1.29 Property Management. The Grantor shall operate and manage the Property, or cause the Property to be operated and managed, to a standard that does not deviate significantly from the standard to which the Property is operated and managed on the date hereof, in accordance with current industry standards and practices and in compliance with all applicable provisions of the Financing Documents. The Grantor will not suffer or permit the management of the Property to be delegated to a person other than the Grantor or its Wholly-Owned Subsidiaries or any Joint Venture without

the prior or written consent of the Required Secured Creditors (as defined in the Security Agreement). In the event the Required Secured Creditors consent to the delegation of the management responsibilities in respect of the Property to a Person other than the Grantor, such management shall be pursuant to a management agreement no less favorably to Grantor than comparable arms' length agreements, and providing for the payment of management fees which are not greater than the then current market management fees for comparable properties. Any management fees payable pursuant to any such management agreement shall be expressly subject and subordinate to all payments due or to become due in respect of the Obligations.

ARTICLE II.

SECURITY AGREEMENT

2.01 Creation of Security Interest. The Grantor, as debtor, hereby grants to the Beneficiary, as secured party, a security interest in, and lien on, all of the Grantor's right, title and interest in and to the following property whether now owned or hereafter acquired (collectively, the "Secured Property"):

- (a) All general intangibles, contract rights, accounts and proceeds arising from all insurance policies required to be maintained by the Grantor hereunder;
- (b) All proceeds of any judgment, award or settlement in any condemnation or eminent domain proceeding, together with all general intangibles, contract rights and accounts arising therefrom;
- (c) All of the Equipment which constitutes personal property and all other personal property described in the granting clauses hereof and all replacements, substitutes and additions thereto and any proceeds therefrom;
- (d) All service contracts now or hereafter in effect relating to the operation of the Property;
- (e) Any other agreements now or hereafter in effect relating to the construction, repair, alteration or leasing of the Improvements or operation of the Property, including any distributions, damages and amounts payable to the Grantor thereunder;

(f) All amendments, supplements, additions, substitutions, replacements and renewals to any of the aforesaid agreements;

(g) All permits, consents and other governmental approvals in connection with the construction of the Improvements or the operation of the Property, to the extent any of the same may be assigned, transferred, pledged or subjected to a security interest;

(h) All plans and specifications, studies, tests or design materials relating to the design, construction, repair, alteration or leasing of this Property, to the extent any of the same may be assigned, transferred, pledged or subjected to a security interest;

(i) All tangible personal property of the Grantor, whether now owned or existing or hereafter acquired or arising, in which the Grantor may have an interest and which is used or is intended to be used in the construction, repair, alteration or leasing of the Improvements or operation of the Property and which is of a type which may be subjected to a security interest under the Code as defined hereinbelow;

(j) Proceeds of and any unearned premiums on any insurance policies covering the Trust Estate or any portion thereof (including any claims or demands of the Grantor with respect to the same), which the Grantor has or may hereafter acquire, and any and all awards made for the taking by eminent domain or condemnation, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property, including, without limitation, any awards resulting from a change of grade of streets or for severance damage;

(k) Any fixture which constitutes a part of the Property, and all replacements, substitutions and additions thereto; and

(l) All cash and non-cash proceeds of the above-mentioned items.

The security interests and liens described in clauses (a) through (l) above also shall secure all of the obligations.

2.02 Representations, Warranties and Covenants of the Grantor. The Grantor hereby warrants, represents and covenants as follows:

(a) The Grantor's interest in the Secured Property is, and as to all the Secured Property acquired after the date hereof, will be, free from any lien, security interest, encumbrance or claim thereon of any kind whatsoever (other than Permitted Liens and Permitted Encumbrances). The Grantor will notify the Beneficiary of, and will defend the Secured Property against, all claims and demands of all persons at any time claiming the Secured Property or any interest therein other than such interests as are permitted herein, or in the Credit Agreement.

(b) The Secured Property is not used or bought for personal, family or household purposes.

(c) Except as permitted by the terms of the Credit Agreement and the Security Agreement, the Secured Property will be kept on or at the Property and the Grantor will not remove any portion or item of Secured Property affixed or attached to the Property without the prior written consent of the Beneficiary.

(d) The Grantor maintains a place of business at the address of the Beneficiary set forth on the first page of this Deed of Trust and the Grantor will immediately notify the Beneficiary in writing of any change in its place of business.

(e) The address of the Beneficiary from which information concerning the security interest granted hereby may be obtained is the address of the Beneficiary set forth on the first page of this Deed of Trust, and the mailing address of the Grantor is the address of the Grantor set forth on such first page.

(f) The Grantor shall cause all financing and continuation statements and other instruments with respect to the Secured Property at all times to be kept recorded, filed or registered in such manner and in such places as may be required by law fully to evidence, perfect, secure and preserve the interests of the Beneficiary in the Secured Property, and shall pay all recording, filing or registration fees in connection therewith. At the request of the Beneficiary, the Grantor will join the Beneficiary in executing one or more financing statements and renewals, continuation statements and amendments thereof pursuant to the Uniform Commercial Code in form satisfactory to the Beneficiary, and will pay the cost of filing the same in all public offices wherever filing is deemed by the Beneficiary to be necessary or desirable. Without limiting the

foregoing, the Grantor hereby irrevocably appoints the Beneficiary its attorney-in-fact to execute, deliver and file such instruments for or on behalf of the Grantor upon the failure of the Grantor to do so within a reasonable time after demand, and the Grantor will pay the cost of any such filing.

(g) This Deed of Trust constitutes a Security Agreement, Fixture Filing and Financing Statement as those terms are used in the Uniform Commercial Code. For purposes of this Section, this Deed of Trust is to be filed and recorded in, among other places, the real estate records of Alameda County and the following information is included: (1) the Grantor shall be deemed the "Debtor" with the address set forth for the Grantor on page of this Deed of Trust; (2) the Beneficiary shall be deemed to be the "Deed of Trust" with the address set forth for the Beneficiary on the first page of this Deed of Trust; (3) this Deed of Trust covers goods which are or are to become fixtures; (4) the name of the record owner of the land is the Debtor; and (5) the tax identification number of the Debtor is 01-163499.

2.03 Survival of Security Agreement. Notwithstanding any release of any or all of the property included in the Trust Estate which is deemed "real property", or any proceedings to foreclose this Deed of Trust or its satisfaction of record, the terms hereof shall survive as a security agreement with respect to the security interest created hereby and referred to above until the repayment or satisfaction in full of the Obligations.

2.04 Election of Remedies. If any Event of Default occurs hereunder and is continuing, the Beneficiary, pursuant to the appropriate provisions of the Uniform Commercial Code, shall have an option to proceed with respect to both the real property included in the Trust Estate and the Secured Property in accordance with its rights, powers and remedies with respect to such real property, in which event the default provisions of the Uniform Commercial Code shall not apply. The parties agree that if the Beneficiary shall elect to proceed with respect to the Secured Property separately from such real property, the Beneficiary shall have all remedies available to a secured party under the Uniform Commercial Code and ten (10) days' notice of the sale shall be reasonable notice. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by Deed of Trust shall include, but not be limited to, attorneys' fees and legal expenses incurred by the Beneficiary.

2.05 Conflict with the Security Agreement. Notwithstanding anything to the contrary contained herein, if any provision of this Deed of Trust relating to the Secured Property or grant of the security interest is inconsistent with, conflicts with, or is more erroneous or broader than the provisions of the Security Agreement, the terms of the Security Agreement shall control.

ARTICLE III.

ASSIGNMENT OF LEASES, RENTS AND PROFITS

3.01 Assignment. To further secure the Obligations, the Grantor hereby sells, assigns and transfers unto the Beneficiary all the Rents now due and which may hereafter become due under or by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the Property or any part thereof, which may have been heretofore or may be hereafter made or agreed to or which may be made or agreed to by the Grantor or by the Beneficiary under the powers herein granted, it being the intention hereby to establish an absolute transfer and assignment of all such leases and agreements, and all the avails thereunder, to the Beneficiary and not merely the passing of a security interest. The Grantor hereby irrevocably appoints the Beneficiary its true and lawful attorney in its name, place and stead (with or without taking possession of the Property as provided in Section 4.02(a) hereof) to rent, lease or let all or any portion of the Property to any party or parties at such rental and upon such terms as the Beneficiary shall, in its discretion, determine, and to collect all of said Rents arising from or accruing at any time hereafter, and all now due or that may hereafter become due under each and every of the leases and agreements, written or verbal, or other tenancy existing, or which may hereafter exist on the Property, with the same rights and powers and subject to the same immunities, exoneration of liability and rights of recourse and indemnity as the Beneficiary would have upon taking possession pursuant to the provisions of Section 4.02(a) hereof. The Grantor represents and agrees that except with the prior written approval of the Beneficiary, no Rent has been or will be paid by any person in possession of any portion of the Property for more than one installment in advance and that no payment of any of the Rents to accrue for any portion of the Property (other than a de minimis amount) will be waived, released, reduced, discounted or otherwise discharged or compromised by the Grantor, except as the Grantor may determine in the exercise

of its business judgment to be prudent and desirable, or as otherwise approved in writing by the Beneficiary. As between the Grantor and the Beneficiary, the Grantor waives any rights of set-off against any person in possession of any portion of the Property. The Grantor agrees that it will not assign any of the Rents of the Property to any other Person. Nothing herein contained shall be construed as constituting the Beneficiary a mortgagee or trustee in possession in the absence of the taking of actual possession of the Property by the Beneficiary pursuant to Section 4.02(a) hereof. In the exercise of the powers herein granted to the Beneficiary, no liability shall be asserted or enforced against the Beneficiary, all such liability being expressly waived and released by the Grantor. The Grantor further agrees to assign and transfer to the Beneficiary all specific future leases upon all or any part of the Property and to execute and deliver, at the request of the Beneficiary, all such further assurances and assignments in the Property as the Beneficiary shall from time to time reasonably require. Although it is the intention of the parties that the assignment contained in this Section 3.01 shall be a present absolute assignment, it is expressly understood and agreed, anything herein contained to the contrary notwithstanding, that the Beneficiary shall not exercise any of the rights or powers conferred upon it by this Section 3.01 until an Event of Default shall have occurred and be continuing under this Deed of Trust.

ARTICLE IV.

EVENTS OF DEFAULT AND REMEDIES

4.01 Events of Default. The occurrence of any of the following specified events shall constitute an "Event of Default" hereunder:

(a) An "Event of Default" under and as defined in the Credit Agreement and shall in any event, include, without limitation, any payment default on any of the Obligations after the expiration of any applicable grace period;

(b) The Grantor shall default in the payment when due of any amounts owed by it hereunder to the Beneficiary or any other Person and such default shall continue unremedied for a period of five or more Business Days following notice of such default from the

Beneficiary (in all cases other than in respect of a payment of a portion of the Obligations); or

(c) Except as otherwise provided in Section 4.01(a) and (b) above, the Grantor shall default in the due performance by it of any term, covenant or agreement contained in this Deed of Trust, and such default shall continue unremedied for a period of thirty (30) days after written notice to the Grantor by the Beneficiary; provided, however, that if such default is not susceptible of complete cure within such thirty (30) day period and the Grantor has commenced to cure within such period, no Event of Default shall be deemed to have occurred if the Grantor diligently and continuously prosecutes such cure to completion and (i) if in the Beneficiary's sole reasonable judgment such failure is material, such cure is completed within ninety (90) days after notice to the Grantor that the Beneficiary deems such failure to be material or (ii) if such cure or a partial cure is required by Law within a certain time period, such cure or such partial cure is completed within such time period or any period during which the Grantor in good faith contests such Law, and the Grantor provides the Beneficiary with a bond, if required by law or requested by the Beneficiary, or other collateral in an amount sufficient to assure the cure and to pay any damages resulting from the delay caused by such contest, or (iii) if in the Beneficiary's reasonable judgment such cure or a partial cure may be required to be completed in a shorter period in order to prevent imminent risk of material damage to property or imminent risk of danger to health and safety as specified in a notice from the Beneficiary to the Grantor, solely that portion of such cure necessary to eliminate such risks is completed within such shorter period.

4.02 Remedies Upon Default. If an Event of Default shall occur and be continuing, the Beneficiary may:

(a) either in person or by agent with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property or any part thereof, in its own name or in the name of the Grantor, and do or cause to be done any acts which it deems necessary or desirable to preserve the value of the Property or any part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession

of the Property, make, cancel or modify leases and sue for or otherwise collect the Rents thereof, including those past due and unpaid, and apply the same, less costs of operation and collection, including reasonable attorney's fees, to the payment of the Obligations in accordance with the Security Agreement. The entering upon and taking possession of the Property, the collection of such Rents and the application thereof as aforesaid, shall not, by itself, cure or waive any Event of Default or notice of default hereunder or invalidate any act done in response to such Event of Default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of Rents, the Beneficiary shall be entitled to exercise every right provided for herein or in the Credit Agreement, or at law or in equity upon the occurrence of any Event of Default;

(b) commence and maintain one or more actions at law or in equity or by any other appropriate remedy (i) to protect and enforce the Beneficiary's rights, whether for the specific performance of any covenant or agreement herein contained (which covenants and agreements the Grantor agrees shall be specifically enforceable by injunctive or other appropriate equitable remedy), (ii) to collect any sum then due hereunder, (iii) to aid the execution of any power herein granted, or (iv) to foreclose this Deed of Trust, without prejudice to the right of the Beneficiary thereafter to pursue and enforce any other appropriate remedy against the Grantor;

(c) exercise any or all of the remedies available to a secured party under the Uniform Commercial Code;

(d) by notice to the Grantor (to the extent such notice is required to be given under the Credit Agreement), but without formal demand, presentment, notice of intention to accelerate or of acceleration, protest or notice of protest, all of which are hereby waived by the Grantor, declare all of the indebtedness secured hereby to be immediately due and payable, and upon such declaration all of such indebtedness shall become and be immediately due and payable, anything in this Deed of Trust or the other Credit Documents to the contrary notwithstanding; and

(e) exercise any other right or remedy available to the Beneficiary under the Credit Agreement, the other Credit Documents or otherwise available at law or in equity.

4.03 Right of Foreclosure. If an Event of Default shall occur and be continuing, the Beneficiary shall have the right, at its option, to proceed at law or in equity to foreclose this Deed of Trust or in a non-judicial foreclosure this trust with respect to all or any portion of the Property, any statute or rule of law at any time existing to the contrary notwithstanding. The Beneficiary may, to the extent permitted by law, adjourn from time to time any sale by it to be made under or by virtue of this Deed of Trust by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by an applicable provision of law, the Beneficiary may make such sale at the time and place to which the same shall be so adjourned. With respect to all components of the Trust Estate, the Beneficiary is hereby irrevocably appointed the true and lawful attorney of the Grantor (coupled with an interest), in its name and stead, to make all necessary conveyances, assignments, transfers and deliveries of the Trust Estate, and for that purpose the Beneficiary may execute all necessary instruments of conveyance, assignment, transfer and delivery, and may substitute one or more persons with such power, the Grantor hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof. Notwithstanding the foregoing, the Grantor, if so requested by the Beneficiary, shall ratify and confirm any such sale or sales by executing and delivering to the Beneficiary or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Beneficiary, for such purpose, and as may be designated in such request. To the extent permitted by law, any such sale or sales made under or by virtue of this Article IV shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of the Grantor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against the Grantor and against any and all persons claiming or who may claim the same, or any part thereof, from, through or under the Grantor. Upon any sale made under or by virtue of this Article IV, the Beneficiary may, to the extent permitted by law, bid for and acquire the Trust Estate or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Obligations secured hereby the net sales price after deducting therefrom the expenses of the sale and the cost of

the action and any other sums which the Beneficiary is authorized to deduct by Law or under this Deed of Trust.

4.04 Sale of Premises Pursuant to Foreclosure. In case of a sale pursuant to a foreclosure of this Deed of Trust, the Trust Estate, whether real, personal or mixed, may be sold for cash or credit as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as the Beneficiary, in its unrestricted discretion, may elect, and the Grantor, for and on behalf of itself and all persons claiming by, through or under the Grantor, waives any and all right to have the property and estates comprising the Trust Estate marshalled upon any foreclosure sale. Any such sale shall bind the Grantor, shall operate to divest all right, title and interest whatsoever, either at law or in equity, of the Grantor in and to the property sold, and shall be a perpetual bar, both at law and in equity, against the Grantor and its successors and assigns, and against any and all persons claiming through or under the Grantor. The proceeds of any sale made under or by virtue of this Article IV, together with any other sums which then may be held by the Beneficiary under this Deed of Trust, whether under the provisions of this Article or otherwise, shall be applied to the payment of the Obligations in accordance with the Security Agreement.

4.05 Appointment of Receiver. If an Event of Default shall have occurred and be continuing, the Beneficiary as a matter of strict right and without notice to the Grantor or anyone claiming under the Grantor, and without regard to the adequacy or the then value of the Property or the interest of the Grantor therein or the solvency of any party bound for payment of the Obligations, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Property, and the Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual rights, powers and duties of receivers in like or similar cases and all the rights, powers and duties of the Beneficiary in case of entry as provided in subparagraph 4.02(a) hereof and shall continue as such and exercise all such powers until the date of confirmation of sale of this Property unless such receivership is sooner terminated.

4.06 Remedies Not Exclusive. The Beneficiary shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers under this Deed of Trust or other agreement or any

laws now or hereafter in force, notwithstanding that some or all of the said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, security deed, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the powers herein contained, shall prejudice or in any manner affect the Beneficiary's right to realize upon or enforce any other security now or hereafter held by the Beneficiary, it being agreed that the Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by the Beneficiary in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to the Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy to which the Beneficiary is entitled may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Beneficiary, and the Beneficiary may pursue inconsistent remedies.

4.07 WAIVER OF REDEMPTION, NOTICE, MARSHALLING, ETC. NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, TO THE EXTENT PERMITTED BY LAW, THE GRANTOR: (A) HEREBY WAIVES TRIAL BY JURY; (B) WILL NOT (I) AT ANY TIME INSIST UPON, OR PLEAD, OR IN ANY MANNER WHATEVER, CLAIM OR TAKE ANY BENEFIT OR ADVANTAGE OF ANY STAY OR EXTENSION OR MORATORIUM LAW, HOMESTEAD AND ALL OTHER EXEMPTIONS FROM EXECUTION OR SALE OF THE PROPERTY OR ANY PART THEREOF, WHEREVER ENACTED, NOW OR AT ANY TIME HEREAFTER IN FORCE, WHICH MAY AFFECT THE COVENANTS AND TERMS OF PERFORMANCE OF THIS DEED OF TRUST, NOR (II) CLAIM, TAKE OR INSIST UPON ANY BENEFIT OR ADVANTAGE OR ANY LAW NOW OR HEREAFTER IN FORCE PROVIDING FOR THE VALUATION OR APPRAISAL OF THE PROPERTY OR ANY PART THEREOF, PRIOR TO ANY SALE OR SALES THEREOF WHICH MAY BE MADE PURSUANT TO ANY PROVISION HEREOF, OR PURSUANT TO THE DECREE, JUDGMENT OR ORDER OF ANY COURT OF COMPETENT JURISDICTION; NOR (III) AFTER ANY SUCH SALE OR SALES, CLAIM OR EXERCISE ANY RIGHT UNDER ANY STATUTE HERETOFORE OR HEREAFTER ENACTED TO REDEEM THE PROPERTY SO SOLD OR ANY PART THEREOF; AND (C) COVENANTS NOT TO HINDER, DELAY OR IMPEDE THE EXECUTION OF ANY POWER HEREIN GRANTED OR DELEGATED TO THE BENEFICIARY, BUT TO SUFFER AND PERMIT THE EXECUTION OF EVERY POWER AS THOUGH NO SUCH LAW OR LAWS HAD BEEN MADE OR ENACTED. THE GRANTOR, FOR ITSELF AND ALL WHO MAY CLAIM UNDER IT,

WAIVES, TO THE EXTENT THAT IT LAWFULLY MAY, ALL RIGHT TO HAVE THE TRUST ESTATE MARSHALLED UPON ANY FORECLOSURE HEREOF.

4.08 Expenses of Enforcement. In connection with any action to enforce any remedy of the Beneficiary under this Deed of Trust, the Grantor agrees to pay all reasonable expenditures and expenses which may be paid or incurred by or on behalf of the Beneficiary including, without limitation, reasonable attorneys' fees, receiver's fees, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies and similar data and assurances with respect to title and value as the Beneficiary may deem reasonably necessary, and neither the Beneficiary nor any other person shall be required to accept tender of any portion of the indebtedness then secured hereby unless the same be accompanied by a tender of all such expenses, costs and commissions. All expenditures and expenses of the nature in this Section 4.08 mentioned, and such expenses and fees as may be incurred in the protection of the Property and the maintenance of the lien of this Deed of Trust, including the reasonable fees of any attorney employed by the Beneficiary in any litigation or proceeding, including appellate proceedings, affecting this Deed of Trust or the Property (including, without limitation, the occupancy thereof or any construction work performed thereon), including probate and bankruptcy proceedings, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding whether or not an action is actually commenced, shall be immediately due and payable by the Grantor, with interest thereon at the rate of interest set forth in Section 1.08(c) of the Credit Agreement in respect of Revolving Loans that are maintained as Base Rate Loans and shall be part of the indebtedness secured by this Deed of Trust.

ARTICLE V.

ADDITIONAL COLLATERAL

5.01 Additional Collateral. (a) The Grantor acknowledges and agrees that the Obligations are secured by the Property and various other collateral including, without limitation, at the time of execution of this Deed of Trust certain personal property of the Grantor and other parties described in the Credit Documents. The Grantor specifically

acknowledges and agrees that the Property, in and of itself, if foreclosed or realized upon would not be sufficient to satisfy the outstanding amount of the Obligations. Accordingly, the Grantor acknowledges that it is in the Grantor's contemplation that the other collateral pledged to secure the obligations may be pursued by the Beneficiary in separate proceedings in the various states and counties where such collateral may be located and additionally that the Grantor and other parties liable for payment of the Obligations will remain liable for any deficiency judgments in addition to any amounts the Beneficiary may realize on sales of other property or any other collateral given as security for the Obligations. Specifically, and without limitation of the foregoing, it is agreed that it is the intent of the parties hereto that in the event of a foreclosure of this Deed of Trust, that the Indebtedness evidencing the Obligations shall not be deemed merged into any judgment of foreclosure, but shall rather remain outstanding. It is the further intent and understanding of the parties that the Beneficiary, following an Event of Default, may pursue all of its collateral with the Obligations remaining outstanding and in full force and effect notwithstanding any judgment of foreclosure or any other judgment which the Beneficiary may obtain.

(b) The Grantor acknowledges and agrees that the Property and the property which may from time to time be encumbered by the other Security Documents are located in more than one state and therefore the Grantor waives and relinquishes any and all rights it may have, whether at law or equity, to require Deed of Trust to proceed to enforce or exercise any rights, powers and remedies it may have under the Security Documents or the Credit Documents in any particular manner, in any particular order, or in any particular State or other jurisdiction. Furthermore, the Grantor acknowledges and agrees that the Beneficiary shall be allowed to enforce payment and performance of the Obligations and to exercise all rights and powers provided under this Deed of Trust, the other Security Documents or the other Financing Documents or any of them or under any provision of law, by one or more proceedings, whether contemporaneous, consecutive or both in any one or more States in which the security is located. Neither the acceptance of this Deed of Trust, or any other Security Document or any other Financing Documents nor its enforcement in one State, whether by court action, power of sale, or otherwise, shall prejudice or in any way limit or preclude enforcement of the Security Documents or the other Financing Documents or any of them,

through one or more additional proceedings, in that state or in any other State.

(c) The Grantor further agrees that any particular proceeding, including, without limitation, foreclosure through court action (in a state or federal court) or power of sale, may be brought and prosecuted in the local or federal courts of any one or more States as to all or any part of the Property or the property encumbered by the Security Documents, wherever located, without regard to the fact that any one or more prior or contemporaneous proceedings have been situated elsewhere with respect to the same or any other part of the Property and the property encumbered by the Security Documents.

(d) The Beneficiary may resort to any other security held by the Beneficiary for the payment of the Obligations in such order and manner as the Beneficiary may elect.

(e) Notwithstanding anything contained herein to the contrary, the Beneficiary shall be under no duty to the Grantor or others, including, without limitation, the holder of any junior, senior or subordinate mortgage on the Property or any part thereof or on any other security held by the Beneficiary, to exercise or exhaust all or any of the rights, powers and remedies available to the Beneficiary.

ARTICLE VI.

MISCELLANEOUS

6.01 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Oregon. In the event that any provision or clause of this Deed of Trust conflicts with applicable laws, such conflicts shall not affect other provisions of this Deed of Trust which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust are declared to be severable.

6.02 Limitation on Interest. It is the intent of the Grantor and the Beneficiary in the execution of this Deed of Trust and all other instruments evidencing or securing the Obligations to contract in strict compliance with the relevant usury laws. In furtherance thereof, the Beneficiary and the Grantor stipulate and agree that none of the terms and provisions contained in this Deed of Trust shall ever be

construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by relevant law.

6.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile or cable communications) and mailed, telegraphed, telexed, transmitted via facsimile, cabled or delivered: if to the Grantor, at 410 N. 44th Street, Suite 700, Phoenix, Arizona 85008 it being understood by the Grantor that the failure to furnish such informational copy shall not, in any way, be deemed to vitiate or impair the effectiveness of any notice upon the Grantor pursuant to the terms of this Section 6.03; if to the Beneficiary, at The Bank of Nova Scotia, 600 Peachtree Street, N.E., Suite 2700, Atlanta, Georgia 30308, Attention: Eudia Smith, facsimile # (404) 888-8998, or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective as provided in Section 13.03 of the Credit Agreement.

6.04 Captions. The captions or headings at the beginning of each Article and Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

6.05 Waiver; Amendment. (a) None of the terms and conditions of this Deed of Trust may be changed, waived, modified or varied in any manner whatsoever except with the prior written consent of the Required Secured Creditors.

(b) No delay on the part of the Beneficiary in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. No notice to or demand on the Grantor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Beneficiary to any other or further action in any circumstances without notice or demand.

6.06 Obligations Absolute. The obligations of the Grantor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the

Grantor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Deed of Trust or any other Financing Document; or (c) any amendment to or modification of any Financing Document or any security for any of the Obligations; whether or not the Grantor shall have notice or knowledge of any of the foregoing.

6.07 Further Assurances. The Grantor, at its own expense, will execute, acknowledge and deliver all such instruments and take all such action as may be necessary to assure to the Beneficiary the interest in the Trust Estate herein described and the rights intended to be provided to the Beneficiary herein.

6.08 Remedies Cumulative. Each and every right, power and remedy hereby specifically given to the Beneficiary shall be in addition to every other right, power and remedy specifically given under this Deed of Trust or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Beneficiary. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Beneficiary in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any default or Event of Default or an acquiescence therein. In the event the Beneficiary shall seek to enforce its rights hereunder and shall be entitled to judgment, then in such suit the Beneficiary may recover reasonable expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

6.09 Partial Invalidity. If any of the provisions of this Deed of Trust or the application thereof to any person, party or circumstances shall to any extent be invalid or unenforceable, the remainder of this Deed of Trust, or the application of such provision or provisions to persons, parties or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Deed of Trust shall be valid and enforceable to the fullest extent permitted by law.

6.10 Priority. This Deed of Trust is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely Permitted Encumbrances, to the extent of the maximum amount secured hereby.

6.11 The Beneficiary as Agent for Secured Creditors; Application of Proceeds. (a) It is expressly understood and agreed that the rights and obligations of the Beneficiary as holder of this Deed of Trust and as collateral agent of the Secured Creditors and otherwise under this Deed of Trust are only those expressly set forth in this Deed of Trust and in the Credit Agreement. The Beneficiary shall act hereunder on the terms and conditions set forth herein and in the Credit Agreement. All proceeds received by the Beneficiary for application to the Obligations secured hereby shall be applied, except as otherwise provided herein, as set forth in the Security Agreement.

(b) It is understood that the Grantor shall remain liable to the extent of any deficiency between the amount of the proceeds and the remaining amount of the Obligations.

(c) The Secured Creditors agree that this Deed of Trust may be enforced only by the action of the Beneficiary acting upon the instructions of the Required Secured Creditors and that no other Secured Creditor shall have any right individually to seek to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Beneficiary for the benefit of the Secured Creditors only upon the terms of this Deed of Trust and the Credit Agreement.

6.12 Full Recourse. This Deed of Trust is made with full recourse to the Grantor (including as to all assets of the Grantor, including the Secured Property) and pursuant to and upon the representations, warranties, covenants and the agreements on the part of the Grantor contained herein, in the other Financing Documents and otherwise in writing in connection herewith or therewith.

6.13 Acknowledgment of Receipt. The Grantor hereby acknowledges receipt of a true copy of this Deed of Trust.

6.14 Release Upon Full Payment. Upon the occurrence of the Termination Date (as defined in the Security

Agreement), this Deed of Trust shall be released of record, or (at the request of Grantor) assigned, and the Trustee, at the request and expense of the Grantor, will execute and deliver to the Grantor (without recourse and without representation or warranty) a proper instrument or instruments acknowledging the satisfaction and termination of this Deed of Trust (or assignment, as the case may be).

6.15 Time of the Essence. Time is of the essence of this Deed of Trust.

6.16 Open-End Deed of Trust. This Deed of Trust is given to secure the Grantor's obligations under, or in respect of, the Credit Documents and the Interest Rate Protection Agreements or Other Hedging Agreements to which the Grantor is "party" and shall secure not only obligations with respect to presently existing indebtedness under the foregoing documents and agreements but also any and all other indebtedness now owing or which may hereafter be owing by the Grantor to the Secured Creditors, however incurred, whether interest, discount or otherwise, and whether the same shall be deferred, accrued or capitalized, including future advances and readvances, pursuant to the Credit Agreement, whether such advances are obligatory or to be made at the option of the Banks, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust. The lien of this Deed of Trust shall be valid as to all indebtedness secured hereby, including future advances, from the time of its filing for record in the recorder's office of the county in which the Property is located. This Deed of Trust is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the real estate, to the extent of the maximum amount secured hereby.

6.17 Leases. Any foreclosure of this Deed of Trust and any other transfer of all or any part of the Property in extinguishment of all or any part of the Obligations may, at the Beneficiary's option, be subject to any or all leases of all or any part of the Property and the rights of tenants under such leases. No failure to make any such tenant a defendant in any foreclosure proceedings or to foreclose or otherwise terminate any such lease and the rights of any such tenant in connection with any such foreclosure or transfer shall be, or be asserted to be, a defense or hindrance to any such foreclosure or transfer or to any proceedings seeking collection of all or any part of the obligations (including, without limitation, any

deficiency remaining unpaid after completion of any such foreclose or transfer).

6.18 Suits to Protect Property. After the occurrence and during the continuance of an Event of Default, the Beneficiary is hereby irrevocably authorized, at the Beneficiary's option, to initiate and maintain any and all suits and proceedings that the Beneficiary may deem advisable, at the Grantor's expense (a) to prevent any impairment of the Property or of the security of this Deed of Trust by any unlawful acts or omissions, (b) to prevent the occurrence or continuance of any violation of this Deed of Trust, any other Security Document or any other Financing Documents, (c) to foreclose this Deed of Trust, (d) to preserve and protect the Beneficiary's interest in the Property, and (e) to restrain the enforcement of, or compliance with, any law, ordinance, rule, regulation, order, judgment, injunction or decree that may be unconstitutional or otherwise invalid, if such enforcement or compliance would (in the Beneficiary's judgment) impair the Property or the security of this Deed of Trust.

6.19 Rules of Usage. The following rules of usage shall apply to this Deed of Trust unless otherwise required by the context:

1. Singular words shall connote the plural as well as the singular, and vice versa, as may be appropriate.
2. Unless otherwise indicated, references in any such document to appendices, articles, schedules, sections or exhibits are references to appendices, articles, schedules, sections or exhibits of such document.
3. The words "herein," "hereof" and "hereunder" and words of similar import appearing in each such document shall be construed to refer to such document as a whole and not to any particular section, paragraph or other subpart thereof unless expressly so stated.
4. Any headings, subheadings or table of contents used in any such document are solely for convenience of reference and shall not constitute a part of such document nor shall they affect their meaning, construction or effect.

5. References to any person shall include such person and its successors and permitted assigns.

6. Each of the parties to such documents and their counsel have reviewed and revised, or requested revisions to, such documents, and the usual rule of construction that any ambiguities are to be resolved against the drafting party shall be inapplicable in the construction and interpretation of such documents and any amendments or exhibits thereto.

7. Unless an express provision requires otherwise, each reference to "the Property" shall be deemed a reference to "the Property or any part thereof," and each reference to "Secured Property" shall be deemed a reference to "the Secured Property or any part thereof."

6.20 Leasehold Deed of Trust Provisions. If Exhibit A includes a leasehold estate pursuant to a Ground Lease, the terms and conditions set forth in Exhibit B annexed hereto and made a part hereof are incorporated into this Deed of Trust by reference.

6.21 Indexing. The Credit Agreement contains provisions that the interest rate, payment terms or balance due may be indexed, adjusted, renewed or renegotiated, as set forth in the Credit Agreement.

6.22 Attorneys' Fees. The prevailing party in any arbitration, litigation or other proceeding pertaining to the interpretation or enforcement of this Deed of Trust, including any appeal or petition for review, shall be entitled to attorneys' fees. The prevailing party in a bankruptcy proceeding in a U.S. bankruptcy court shall be entitled to attorneys fees.

6.23 ORS 41.580 Disclosure. Under Oregon law, we (the Beneficiary) are (or may be) required to advise you (the Grantor) that for non-consumer, non-credit card loans, an agreement, promise or commitment (a) to lend money, (b) to otherwise extend credit, (c) to forbear with respect to the repayment of any debt payable in money, (d) to modify or amend the terms under which the person has lent money or otherwise extended credit, (e) to release any guarantor or cosigner or (f) to make any other financial accommodation pertaining to an existing debt or other extension of credit, is void and therefore unenforceable, unless such agreement is

in writing, expresses consideration and is signed by the party to be charged.

In compliance with this new law, please read carefully and acknowledge your (the Grantor) receipt and understanding of the following statement:

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (THE BENEFICIARY) AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY AN AUTHORIZED REPRESENTATIVE OF BENEFICIARY TO BE ENFORCEABLE.

ARTICLE VII.

7.1 Covenants of the Trustee. The Trustee, by its acceptance hereof, covenants faithfully to perform and fulfill the trusts herein created, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by it in accordance with the terms hereof. It shall not be the Trustee's duty to see to any recording, filing or registration of this Deed of Trust or any other instrument in addition or supplemental thereto or to give notice thereof, or to see to the payment of, or be under any duty regarding any Imposition, or to see to the performance or observance by the Grantor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment, or validity of this Deed of Trust or of any instrument in addition or supplemental hereto or for the insufficiency of the security purported to be created hereby and makes no representation in respect thereof or regarding the rights of the Beneficiary. The Trustee may advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to the legal matters or on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for his own willful misconduct, and the Trustee may rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

7.2 Resignation; Removal of the Trustee. The Trustee may resign at any time without notice. In the event

of the resignation or death or dissolution of the Trustee, or the Trustee's failure, refusal or inability, for any reason, to make any sale or to perform any of the trusts herein declared, or, at the option of the Beneficiary, without cause, the Beneficiary may appoint a substitute trustee, who shall thereupon succeed to all the estates, titles, rights, powers, and trusts herein granted to and vested in the Trustee. The instrument of appointment may, but shall not be required to, be recorded in the recorder's office(s) in which this Deed of Trust is recorded. If the Beneficiary is a corporation, such appointment may be made on behalf of such Beneficiary by any person who is then the president, or a vice-president, assistant vice-president, treasurer, cashier, secretary, or any other authorized officer or agent of the Beneficiary. In the event of the resignation or death of any substitute trustee, or such substitute trustee's failure, refusal or inability to make any such sale or perform such trusts, or, at the option of the Beneficiary, without cause, successive substitute trustees may thereafter, from time to time, be appointed in the same manner.

7.3 Substitution of Trustee; Trustee's Duties; Successor Trustees. The Trustee may resign by giving of notice of such resignation in writing to the Beneficiary. If the Trustee shall die, resign, or become disqualified from acting in the execution of this Deed of Trust or shall fail or refuse to execute the same when requested by the Beneficiary to do so, or if, for any reason, with or without cause, Beneficiary shall prefer to appoint a substitute trustee to act instead of the aforementioned Trustee, the Beneficiary shall have full power, in accordance with applicable law, to appoint a substitute trustee and, if preferred, several substitute trustees in succession who shall succeed to all the estates, rights, powers, and duties of the aforementioned Trustee. Such appointment may be executed by any authorized officer or agent of the Beneficiary and such appointment shall be conclusively presumed to be executed with the authority and shall be valid and sufficient without proof of any action by the Beneficiary. Any new trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts or his predecessor in the rights hereunder with like effect as if originally named as the Trustee herein.

35625

IN WITNESS WHEREOF, the Grantor has caused this
Deed of Trust to be duly executed as of the day and year
first above written.

RED LION HOTELS, INC.

By:

Beverly S. Brown
Name: Beverly S. Brown
Title: Vice President

35626

STATE OF NEW YORK

COUNTY OF NEW YORK

PERSONALLY APPEARED BEFORE ME HADI RAZZO,
who, in oath, says that (s)he saw the within-named
corporation by ROBERT S. BROWN, its sign the
within instrument, and the said Corporation, by said officer,
as its act and deed, deliver the same, and that (s)he with
Kelly G. Abbott witnessed the execution thereof.

[Signature]
Witness

SWORN TO BEFORE ME THIS 4th

day of November, 1996.

[Signature]
NOTARY PUBLIC

State of NY

My Commission Expires:

KELLY G. ABBOTT
Notary Public, State of New York
No. 31-4997881
Qualified in New York County
Commission Expires Oct. 17, 1998

EXHIBIT ADESCRIPTION OF LAND

The following described real property situate in Klamath County, Oregon:

Beginning at a $\frac{1}{4}$ inch iron pin on the South line of the relocated right of way of the Klamath Falls-Lakeview Highway (South Sixth Street) which bears South $80^{\circ}45'$ West a distance of 290.3 feet and South $0^{\circ}06'30''$ West a distance of 11.82 feet from the Northeast corner of the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 Township 39 South, Range 9 E.W.M.; said iron pin also being the Northwest corner of parcel of land conveyed to the United States National Bank of Portland by deed recorded in Vol. 293, page 435, Deed records of Klamath County, Oregon; thence North $89^{\circ}58'30''$ West along said relocated right of way line, a distance of 100.0 feet to an iron pin and the true point of beginning of this description; thence South $0^{\circ}06'30''$ West parallel with the West line of said United States National Bank parcel a distance of 150.0 feet to an iron pin; thence South $89^{\circ}58'30''$ East parallel to the South line of said re-located highway right of way a distance of 100.0 feet to an iron pin on the West line of said United States National Bank parcel; thence South $0^{\circ}06'30''$ West along said West line a distance of 30.0 feet to a $\frac{5}{8}$ inch iron pin marking the Southwest corner of said parcel; thence South $0^{\circ}55'30''$ East a distance of 329.18 feet, more or less, to a $\frac{5}{8}$ inch iron pin on the Northeasterly right of way line of the O.C.&E. Railroad; thence North $67^{\circ}15'$ West along said right of way line a distance of 472.81 feet, more or less, to an iron pin on the Easterly right of way line of the U.S.R.S. Drain 1-C; thence North $29^{\circ}11'00''$ West along said right of way line a distance of 65.47 feet to an iron pin; thence North $01^{\circ}22'00''$ West along the West line of parcel of land conveyed to Johann L. Uherek et ux., by deed recorded September 20, 1950, Deed Vol. 242, page 201, records of Klamath County, Oregon, a distance of 266.9 feet, more or less, to the South line of the said Klamath Falls-Lakeview Highway (South Sixth Street); thence South $89^{\circ}50'30''$ East along said relocated right of way line a distance of 367.8 feet, more or less, to the point of beginning.

LEASEHOLD DEED OF TRUST PROVISIONS

Notwithstanding anything contained herein to the contrary, and in addition to any rights, privileges and remedies granted to the Beneficiary elsewhere in this Deed of Trust, the Beneficiary shall have, and the Grantor hereby grants to the Beneficiary for the benefit of the Secured Creditors, any and all rights, privileges and remedies of the leasehold provided for in the Ground Lease (including without limitation, any renewal rights and options to purchase contained in the Ground Lease) without the necessity of particularly specifying any or all of such rights, privileges and remedies that are or could be granted to leasehold mortgagees pursuant to the Ground Lease.

The Grantor hereby represents, covenants and agrees that:

(a) This Deed of Trust is lawfully executed and delivered in conformity with the Ground Lease.

(b) The Grantor will pay when due the rents, taxes and other sums and charges mentioned in and made payable by the Grantor under the Ground Lease.

(c) The Grantor will promptly, in all material respects, perform and observe all of the terms, covenants and conditions required to be performed and observed by it under the Ground Lease, within the periods (including any grace or cure periods) provided therein, and will do all things necessary to preserve and to keep unimpaired its rights under the Ground Lease. In the event of the failure of the Grantor to make any payment required to be made by the lessee pursuant to the provisions of the Ground Lease or to observe, abide by, discharge or perform, or cause to be observed, kept, discharged or performed, any of the terms, obligations, covenants, conditions, agreements, indemnities, representations, warranties or liabilities of the Ground Lease on the part of lessee thereunder to be observed, kept, discharged and performed, the Grantor does hereby irrevocably appoint and constitute the Beneficiary as its true and lawful attorney in fact, which

appointment is coupled with an interest, in its name, place and stead, to take any and all actions deemed necessary or desirable by the Beneficiary to perform and comply with all of the obligations of the Grantor under the Ground Lease, to do and take, but without any obligation so to do, any action which the Beneficiary deems necessary or desirable to prevent or cure any default by the Grantor under the Ground Lease, to enter into and upon the Trust Estate or any part thereof to such extent and as often as the Beneficiary, in its reasonable discretion, deems necessary or desirable in order to prevent or cure any default of the Grantor pursuant thereto, to the end that the rights of the Grantor in and to the leasehold estate created by the Ground Lease shall be kept unimpaired and free from default, and all sums so expended by the Beneficiary, with interest thereon at the rate set forth in Section 1.08(c) of the Credit Agreement in respect of Revolving Loans that are maintained as Base Rate Loans from the date of each such expenditure, shall be paid by the Grantor to the Beneficiary promptly upon demand by the Beneficiary and shall be added to the indebtedness secured hereby and the Beneficiary shall have, in addition to any other remedy of the Beneficiary, the same rights and remedies in the event of non-payment of any such sum by the Grantor as in the case of a default by the Grantor in the payment of any sums due under the Credit Agreement. The Grantor shall, within five (5) days after written request by the Beneficiary, execute and deliver to the Beneficiary, or to any person designated by the Beneficiary, such further instruments, agreements, powers, assignments, conveyances or the like as may be necessary to complete or perfect the interest, rights or powers of the Beneficiary pursuant hereto.

(d) The Grantor will promptly (i) notify the Beneficiary in writing of the receipt by it of any notice of default from the lessor under the Ground Lease; (ii) notify the Beneficiary in writing of the receipt by it of any notice under the Ground Lease of the termination of the Ground Lease; (iii) cause a copy of each such notice received by the Grantor from the lessor under the Ground Lease to be delivered to the Beneficiary; and (iv) cause a copy of any notice of election or the exercise of any rights of option,

purchase or renewal under the Ground Lease sent by the Grantor to the lessor under Ground Lease, to be delivered to the Beneficiary.

(e) The Grantor will not, without the prior written consent of the Beneficiary, terminate or surrender or suffer or permit any termination or surrender of the Ground Lease, nor modify the Ground Lease, if the modification shall materially impair the Beneficiary's security interest in the Trust Estate or the rights and remedies of the Beneficiary under this Deed of Trust.

(f) The Grantor will, within twenty (20) days after written demand from the Beneficiary, use reasonable efforts to obtain from the lessor under the Ground Lease and deliver to the Beneficiary an estoppel certificate in the form provided for in the Ground Lease.

(g) The Grantor will furnish to the Beneficiary upon demand, proof of payment of all items which are required to be paid by the Grantor pursuant to the Ground Lease and a statement of any such payments which the Grantor is contesting or arbitrating pursuant to the terms of the Ground Lease.

(h) Except as otherwise provided in the Ground Lease, the Grantor will not consent to the subordination of the Ground Lease to any lien on the fee estate of the lessor under the Ground Lease.

(i) So long as any of the Obligations shall remain outstanding, the Grantor shall not fail to exercise any option or right to renew or extend the term of the Ground Lease without the prior written consent of the Beneficiary. The Grantor shall give Deed of Trust simultaneous written notice of the exercise of any such option or right to renew or extend, together with a copy of the instrument given to the lessor under the Ground Lease exercising such option or right, and thereafter, shall promptly deliver to the Beneficiary a copy of any acknowledgment by such lessor with respect to the exercise of such option or right. If any such option or right has not been exercised as aforesaid, then, not

more than three hundred sixty (360) and not less than two hundred seventy (270) days before the right of the Grantor to exercise any such option or right, the Grantor shall give the Beneficiary written notice specifying (i) the date on which, (ii) the term for which and (iii) the manner in which such option or renewal is to be exercised. Within ten (10) business days of written demand by the Beneficiary, the Grantor shall exercise any such option or renewal which is necessary to extend the term of the Ground Lease beyond the outside maturity date set forth in the Credit Agreement.

0000DNWR.W51

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title the 12th day
of November A.D., 1996 at 3:43 o'clock P.M., and duly recorded in Vol. M96,
of Mortgages on Page 35579.

FEE \$270.00

Bernetha G. Letsch County Clerk

By Kathleen Ross