

AFTER RECORDING RETURN TO:

Randal A. Johnson
Foster Pepper & Shefelman LLP
101 SW Main, 15th Floor
Portland, OR 97204-3223

K-51918
LOAN MODIFICATION AGREEMENT

THIS AGREEMENT is made as of the 13th day of February, 1998 between MOLATORE'S MOTEL, INC., aka MOLATORES MOTEL ("Borrower"), and WASHINGTON MUTUAL BANK, doing business and formerly known as WESTERN BANK ("Lender").

RECITALS

A. Borrower obtained a loan (the "Loan") from Lender in the original principal amount of Six Hundred Thirty-Nine Thousand Nine Hundred Nine and 00/100 Dollars (\$639,909).

B. The Loan is evidenced by a promissory note (the "Note") dated April 20, 1988 made by Borrower in favor of Lender in the amount of \$639,909.

C. The Note is secured by a trust deed (the "Trust Deed") among Borrower, as grantor, Klamath County Title Company, as trustee, and Western Bank, as beneficiary, dated April 20, 1988 and recorded on April 20, 1988 in Klamath County, Oregon, in Volume M88 at Page 6233.

D. Borrower has paid \$200,000 as an additional principal payment on the principal balance of the Note and has requested that Lender reamortize the Loan to reflect the additional payment and Lender has consented on the terms and conditions hereinafter set forth.

E. Following such principal payment and concurrent with this Agreement, Lender has requested that a portion of the real property encumbered by the Trust Deed be reconveyed. Upon such reconveyance, the Trust Deed will continue to encumber that portion of the original property acting as security legally described on Exhibit A attached hereto (the "Property").

F. The Note, the Trust Deed, this Agreement and all other documents evidencing or securing the Loan are sometimes collectively referred to as the "Loan Documents."

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits accruing to each, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Principal Payment.** Borrower has paid to Lender and Lender acknowledges the receipt of Two Hundred Thousand and 00/100 Dollars (\$200,000) as payment on the principal balance of the Note. The parties agree that following such payment and as of the date hereof, the principal balance of the Note shall be Two Hundred Twenty Thousand Five Hundred Nineteen and 98/100 Dollars (\$220,519.98).

2. **Monthly Payments.** Lender has reamortized the Loan based on the principal balance of \$220,519.98, at the current interest rate provided in the Note, through the original maturity date of the Loan of April 25, 2008, such that monthly payments due under the Note will be \$2,897.08 each month, commencing with the payment due March 25, 1998. The monthly payment amount may change due to adjustment in the interest rate as provided in the Note.

3. **Modifications to the Note.** The Note is modified as follows:

3.1 **Payment Amount.** The paragraph titled "PAYMENTS" of the Note is amended in its entirety to read as follows:

"Installments: I agree to pay this note in 240 payments. The first payment will be in the amount of \$6,175.26 and will be due on May 25, 1988. A payment of \$6,175.25 will be due on the 25th day of each month thereafter through January, 1998. Thereafter, a payment of \$2,897.08 will be due on the 25th day of each month commencing with the payment due March 25, 1998. This amount may change."

4. **Modifications to Trust Deed.** The Trust Deed is modified as follows:

4.1 **Obligations Secured.** The following paragraph is inserted by interlineation as item (e) in the first full paragraph on the first page of the Trust Deed:

"(e) the performance of Borrower's covenants and agreements under the loan modification agreement dated as of February 13, 1998 between Borrower and Lender (the "Loan Modification Agreement")."

4.2 **Cross Default.** A new paragraph identified as section 8.8 is added to Paragraph 8 on page 3 of the Trust Deed:

"8.8 Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in the Loan Modification Agreement or this Security Agreement (but not prior to acceleration under paragraph 10 unless applicable law provides otherwise)."

5. **Cross Default.** It shall be a default under this Agreement if Borrower shall default in the performance of any covenant or agreement of the Loan Documents.

6. **Liens Prohibited.** Borrower shall keep the Property free from liens and claims of all kinds.

7. **Full Force and Effect.** Except as herein modified, all of the terms, covenants and conditions of the Loan Documents are in full force and effect without modification or change. Nothing herein shall be deemed to affect or modify the priority of the Trust Deed. All references to the Note and the Trust Deed in any document shall be deemed to mean the Note and the Trust Deed as herein modified.

8. **Reaffirmation of Obligations.** Borrower hereby covenants ratifies and reaffirms each and every of its obligations under the Loan Documents, as herein modified, including, but not limited, to the obligation of Borrower to pay the indebtedness evidenced and secured thereby.

9. **Indemnification.** Borrower hereby indemnifies, defends and agrees to hold Lender harmless from the claims of any third parties arising in any way out of the Property or the Loan Documents.

10. **Encumbrances.** Borrower warrants and represents to Lender that the only financial encumbrances affecting the Property as of the date hereof those described on Exhibit B attached hereto.

11. **Expenses.** All fees, charges and expenses associated with the transactions contemplated by this Agreement, including, but not limited to, recording fees, title insurance premiums, escrow fees, appraisal and inspection costs and attorneys' fees, shall be paid for in their entirety by Borrower. Lender shall incur no expense in connection with the transactions contemplated by this Agreement.

12. **Release.** In consideration of Lender's entering into this Agreement, Borrower does for itself, its heirs, legatees, representatives, successors, transferees and assigns, hereby forever fully release, discharge and acquit Lender and its predecessors, successors, assigns, employees, representatives, directors, officers, shareholders, attorneys, parents, subsidiaries, affiliates and agents of and from any and all claims, demands, sums of money, actions, rights, causes of action, obligations and liabilities of any kind whatsoever, whether known or unknown, at law or in equity which Borrower may have had, claims to have had or now has or claims to have, or might in the future have or assert that are or may be based on any facts, acts, conduct, representations, omissions, contracts, claims, events, causes, matters or other things occurring or at any time on or before the date of this Agreement. Borrower acknowledges that this Agreement is entered into freely and voluntarily after having carefully read it, with full knowledge of all relevant facts and the nature, extent and duration of its rights and claims, if any, with advice of competent counsel independently selected by him or her, and without duress or coercion of any kind on the part of Lender, and Lender's agreements and undertakings contained in this Agreement constitute substantial and sufficient consideration for the foregoing release and waiver of claims.

13. **Attorneys' Fees and Legal Expenses.** In the event of any default under the Note or the other Loan Documents, or in the event that any dispute arises relating to the interpretation, enforcement or performance of the Loan Documents, Lender shall be entitled to collect from Borrower on demand all fees and expenses incurred in connection therewith,

including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators and court reporters. Without limiting the generality of the foregoing, Borrower shall pay all such costs and expenses incurred in connection with: (a) arbitration or other alternative dispute resolution proceedings, trial court actions and appeals; (b) bankruptcy or other insolvency proceedings of Borrower, any guarantor or other party liable for any of the obligations of the Note or the other Loan Documents or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any property securing the Note; (d) post-judgment collection proceedings; (e) all claims, counterclaims, cross-claims and defenses asserted in any of the foregoing whether or not they arise out of or are related to the Loan or any security for the Note; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

14. **Final and Complete Expression.** This Agreement, and the various other documents executed in connection herewith, constitutes the final and complete expression of the parties with respect to the transactions contemplated herein and may not be modified, amended, altered or superseded except by an agreement in writing signed by all parties hereto.

15. **Captions.** The headings to the various sections of this Agreement have been inserted for convenience of reference only and do not modify, amend, alter or supersede the express provisions hereof.

16. **No Joint Venture.** Nothing contained herein or in any of the Loan Documents shall be construed as creating a partnership or joint venture between or among Borrower and Lender or between Lender and any other party, or cause Lender to be responsible in any way for the debts or obligations of Borrower or any other party, it being the express intent of the parties that the relationship between Borrower and Lender is, and at all times shall remain, that of a borrower and lender.

17. **Third-Party Beneficiaries.** Nothing contained herein or in any of the Loan Documents shall be construed as creating a third-party beneficiary relationship between Borrower, Lender and any other party.

18. **Severability.** If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby and each provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

19. **Further Assurances.** Borrower agrees to execute such other instruments and provide Lender with such further assurances as Lender, in its reasonable discretion, deems necessary to protect its security or to more fully carry out the intents and purposes of this Agreement.

20. **Conflicts Between Documents.** In the event of a conflict in the terms and conditions of any of the Loan Documents and this Agreement, the terms and conditions of this Agreement shall prevail.

21. **Counterparts.** This Agreement may be executed in a number of identical counterparts. If so executed, each of such counterparts shall collectively constitute one agreement.

22. **Time of Essence.** Time is of the essence under this Agreement and in the performance of every term, covenant and obligation contained herein.

23. **Binding Effect.** All agreements, covenants, conditions and provisions of this Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties hereto.

24. **Governing Law.** This Agreement is made with reference to and is to be construed in accordance with the laws of the state of Oregon.

DATED as of the day and year first above written.

UNDER OREGON LAW. MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY WASHINGTON MUTUAL BANK 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 WASHINGTON MUTUAL BANK TO BE ENFORCEABLE.

BORROWER:

MOLATORE'S, MOTEL, INC., aka
MOLATORES MOTEL

By:
Its:

[Signature]
President

LENDER:

WASHINGTON MUTUAL BANK, doing
business and formerly known as WESTERN
BANK

By:
Its:

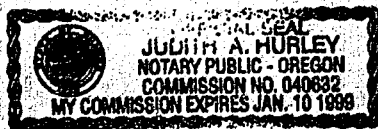
[Signature]
Fred Kowal/Assistant Vice President

STATE OF OREGON)

) ss.

County of Klamath)

This instrument was acknowledged before me on the 20th day of February, 1998 by
by H. David Molatore as President of Molatore's, Motel, Inc., aka Molatores
Motel.



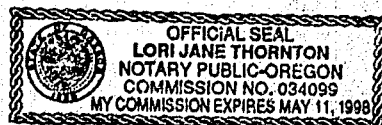
Judith A. Hurley
Notary Public for Oregon
My Commission Expires: 1-10-99

STATE OF OREGON)

) ss.

COUNTY OF Klamath)

This instrument was acknowledged before me on the 13th day of February, 1998 by
Fred Kowal as Asst. Vice Pres. of Washington Mutual Bank, doing business as
Western Bank.



Lori Jane Thornton
Notary Public for Oregon
My Commission Expires: 5-11-1998

EXHIBIT A

PARCEL 2, PROPERTY LINE ADJUSTMENT 26-97, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A TRACT OF LAND BEING IN BLOCKS 32 AND 33 OF "LINKVILLE OREGON", SITUATED IN SW1/4, NE1/4, NW1/4 SE1/4 AND NE1/4 SW1/4 OF SECTION 32, T38S R9EWM, KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF SAID BLOCK 33, THENCE S39°04'30"W 261.69 FEET; THENCE S41°26'08"E 10.25 FEET; THENCE S50°41'48"E 83.26 FEET; THENCE S84°40'38"E 7.27 FEET; THENCE S43°07'05"E 13.76 FEET; THENCE S39°11'23"W 69.62 FEET; THENCE N54°27'41"W 4.80 FEET; THENCE S38°54'57"W 22.54 FEET; THENCE S63°41'04"W 30.14 FEET; THENCE S39°50'51"W 34.61 FEET; THENCE S25°45'25"W 16.36 FEET; THENCE S35°52'12"E 16.43 FEET; THENCE S39°18'22"W 27.24 FEET; THENCE S03°21'43"W 9.68 FEET; THENCE S40°35'13"W 73.38 FEET; THENCE N49°45'45"W 44.43 FEET; THENCE S36°06'52"W 32.33 FEET; THENCE S64°31'29"W 13.24 FEET, TO THE SOUTHERLY LINE OF SAID BLOCK 32; THENCE S50°55'30"E 10.03 FEET, ALONG THE SOUTHERLY LINE OF SAID BLOCK 32. THENCE S39°04'30"W 26.29 FEET, TO THE NORTHERLY RIGHT OF WAY LINE OF CENTER STREET; THENCE, ALONG THE NORTHERLY RIGHT OF WAY LINE OF CENTER STREET, S63°14'30"E 128.34 FEET, ALONG THE ARC OF A CURVE TO THE LEFT, (RADIUS EQUALS 44.00 FEET AND CENTRAL ANGLE EQUALS 77°41'00") 59.66 FEET TO THE EASTERLY LINE OF SAID BLOCK 32; THENCE N39°04'30"E 543.93 FEET TO THE MOST EASTERLY CORNER OF SAID BLOCK 33; THENCE N50°55'30"W 240.00 FEET, TO THE POINT OF BEGINNING, CONTAINING 108,012 SQUARE FEET.

TOGETHER WITH: THE ENCROACHMENT AGREEMENT CONTAINED IN VOLUME M-82 PAGE 15,533.

EXHIBIT B

The property described on Exhibit A is subject to the following financial encumbrances:

1. Trust Deed, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Grantor : Molatore's Motel, Inc., an Oregon corporation,
aka Molatores Motel
Trustee : Klamath County Title Company
Beneficiary : Western Bank
Amount : \$639,909
Dated : April 20, 1988
Recorded : April 20, 1988
Recording No. : Volume M88, Page 6233

2. Line of Credit Mortgage, including the terms and provisions thereof to secure the amount noted below and other amounts secured thereunder, if any:

Grantor : Molatore's Motel, Inc., an Oregon corporation
Lender : Western Bank
Amount : \$700,000
Dated : January 30, 1995
Recorded : February 1, 1995
Recording No. : Volume M95, Page 2332

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of First American Title the 24th day
of February A.D., 19 98 at 3:13 o'clock P. M., and duly recorded in Vol. M98
of Mortgages on Page 5976.

FEE \$45.00

By Bernetha G. Letsch, County Clerk
Kathleen Rose