

P 3

After recording, return to:

BUCHALTER, NEMER, FIELDS & YOUNGER
601 South Figueroa Street
Suite 2400
Los Angeles, CA 90017
Attn: Claire Wong, Esq.

1999 AUG -6 PM 11: 22

mte 47928

LINE OF CREDIT INSTRUMENT

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

GRANTOR: DARYL J. KOLLMAN
MARTA C. KOLLMAN
1300 Main Street
Klamath Falls, Oregon 98601

BENEFICIARY: COAST BUSINESS CREDIT,
a division of Southern Pacific Bank
12121 Wilshire Boulevard, Suite 1400
Los Angeles, CA 90025

TRUSTEE: CHICAGO TITLE INSURANCE COMPANY

Maximum Principal Amount to be Advanced: \$15,000,000

Term or Maturity Date: June 21, 2002

Daryl J. Kollman
 Marta C. Kollman
 1300 Main Street
 Klamath Falls, Oregon 98601
 Grantor

COAST BUSINESS CREDIT,
 a division of Southern Pacific Bank
 12121 Wilshire Boulevard, Suite 1400
 Los Angeles, CA 90025
 Beneficiary

After Recording Return to:

BUCHALTER, NEMER, FIELDS & YOUNGER
 601 South Figueroa Street
 Suite 2400
 Los Angeles, CA 90017
 Attn: Claire Wong, Esq.

THIS DOCUMENT TO BE RECORDED BOTH AS
 A TRUST DEED AND FIXTURE FILING

THIS DOCUMENT SECURES OBLIGATIONS WHICH CONTAIN
 PROVISIONS FOR A VARIABLE RATE OF INTEREST

STATE OF OREGON)
) ss.
 COUNTY OF KLAMATH)

LINE OF CREDIT TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT and FIXTURE FILING made this 21st day of June, 1999, between DARYL J. KOLLMAN and MARTA C. KOLLMAN (collectively, "Grantor") having an address at 1300 Main Street, Klamath Falls, Oregon 97601, CHICAGO TITLE INSURANCE COMPANY, as trustee ("Trustee") and COAST BUSINESS CREDIT, a division of Southern Pacific Bank, a California corporation, having an office at 12121 Wilshire Boulevard, Suite 1400, Los Angeles, California 90025, Attn: Edit Kondorosi.

WITNESSETH

THIS TRUST DEED CONSTITUTES A FIXTURE FILING UNDER SECTION 79.3130 AND SECTION 79.4020 OF THE OREGON REVISED STATUTES. TO THE EXTENT THE GOODS ARE FIXTURES UNDER THE LAWS OF THE STATE OF OREGON, THE FIXTURES ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY LOCATED IN THE COUNTY OF KLAMATH, STATE OF OREGON, MORE PARTICULARLY DESCRIBED ON EXHIBIT A ATTACHED HERETO, COMMONLY KNOWN BY THE STREET ADDRESS: 537 NORTHERN HEIGHTS BOULEVARD, KLAMATH FALLS, OREGON 97601. THE NAME OF THE RECORD OWNER OF THE REAL PROPERTY IS DARYL J. KOLLMAN AND MARTA C. KOLLMAN.

WHEREAS, Grantor is the owner of the premises described in Exhibit "A" annexed hereto and made a part hereof; and

WHEREAS, Grantor has delivered that certain Continuing Guaranty, dated as of even date, executed by Daryl J. Kollman and that certain Continuing Guaranty, dated as of even date, executed by Marta C. Kollman (collectively, the "Guaranty"), guaranteeing the payment and performance of all indebtedness and obligations of The New Algae Company dba Cell Tech, an Oregon corporation and The New Earth Company, an Oregon corporation (collectively, the "Borrower") pursuant to that certain Secured Term Promissory Note (Term Loan) and that certain Secured Promissory Note (Equipment Acquisition Loans) (collectively, the "Note") and that certain Loan and Security Agreement, dated as of even date (the "Loan Agreement", respectively: terms not defined herein or in the Code -- as hereinafter defined -- have the meaning set forth in the Loan Agreement) with Coast Business Credit, a division of Southern Pacific Bank (Coast Business Credit and all of its successors in interest being hereinafter referred to as "Beneficiary") pursuant to which Beneficiary has agreed to make loans in the aggregate principal amount not to exceed \$15,000,000 at any time outstanding, which sum may include loan advances, whether obligatory or not, made by Beneficiary under a revolving line of credit after this Trust Deed is delivered to the recording offices for recordation.

FOR THE PURPOSE OF SECURING (a) the payment of the indebtedness and obligations of Grantor under the Guaranty and all modifications, extensions and/or renewals thereof, (b) the payment and performance of all indebtedness and obligations of Grantor arising under this Trust Deed and other documents executed by Grantor in connection herewith, and all modifications, extensions and/or renewals thereof, and (c) payment of any money advanced by Beneficiary to Grantor, or its successors, with interest thereon, evidenced by additional notes (indicating that they are so secured) or by endorsement of the original note, executed by Grantor or its successor, Grantor has granted, mortgaged, bargained, sold, alienated, enfeoffed, released, conveyed and confirmed, and by these presents does grant, mortgage, bargain, sell, alienate, enfeoff, release, convey and confirm unto the Trustee, in trust, WITH POWER OF SALE, all its estate, right, title and interest in, to and under any and all of the property located in the City of Klamath Falls, County of Klamath, State of Oregon, more particularly described in Exhibit A attached hereto and made a part hereof, including

all easements, rights, privileges, tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining (including without limitation all minerals and quarries thereon or therein, all mining claims thereunto appertaining, all oil, gas and mineral rights and all royalties of every kind and nature), and all of the estate, right, title, interest, claim, demand, reversion or remainder whatsoever of Grantor therein or thereto, either at law or in equity, in possession or expectancy, now or hereafter acquired, including, without limitation, all and singular the ways, waters, water courses, water rights and powers, liberties, privileges, sewers, pipes, conduits, wires and other facilities furnishing utility or other services to the property (collectively, the "Land");

TOGETHER with all of the right, title and interest of Grantor in and to all buildings, structures and improvements now or hereafter erected on the Land including all plant equipment, apparatus, machinery and fixtures of every kind and nature whatsoever now or hereafter located on or forming part of said buildings, structures and improvements (collectively, the "Improvements"; the Land and Improvements being hereinafter collectively referred to as the "Premises");

TOGETHER with all of the right, title and interest of Grantor in and to the land lying in the bed of any street, road, highway or avenue in front of or adjoining the Premises;

TOGETHER with any and all award and awards heretofore made or hereafter to be made by any governmental authorities to the present and all subsequent owners of the Premises which may be made with respect to the Premises as a result of the return of excess taxes paid on the Mortgaged Property, the exercise of the right of eminent domain, the alteration of the grade of any street or any other injury to or decrease of value of the Premises, which said award or awards are hereby assigned to Beneficiary and Beneficiary, at its option, is hereby authorized, directed and empowered to collect and receive the proceeds of any such award or awards from the authorities making the same and to give proper receipts and acquittances therefor, and to apply the same as hereinafter provided; and Grantor hereby covenants and agrees to and with Beneficiary, upon request by Beneficiary, to make, execute and deliver, at Grantor's expense, any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid award or awards to Beneficiary free, clear and discharged of any and all encumbrances of any kind or nature whatsoever;

TOGETHER with all goods, equipment, machinery, furniture, furnishings, fixtures, appliances, inventory, building materials, chattels and articles of personal property (other than personal property which is or at any time has become Hazardous Substances, as hereinafter defined), including any interest therein, now or at any time hereafter affixed to, attached to, or used in any way in connection with or to be incorporated at any time into the Premises, or placed on any part thereof but not attached or incorporated thereto, together with any and all replacements thereof, appertaining and adapted to the complete and compatible use, enjoyment, occupancy, operation or improvement of the Premises (collectively, the "Chattels");

TOGETHER with leases of the Premises or the Chattels or any part thereof now or hereafter entered into and all right, title and interest of Grantor thereunder, including, without limitation, cash or securities deposited thereunder to secure performance by the lessees of their

obligations thereunder (whether such cash or securities are to be held until the expiration of the terms of such leases or applied to one or more of the installments of rent coming due immediately prior to the expiration of such terms) and all rights to all insurance proceeds and unearned premiums arising from or relating to the Premises and all other rights and easements of Grantor now or hereafter existing pertaining to the use and enjoyment of the Premises and all right, title and interest of Grantor in and to all declarations of covenants, conditions and restrictions as may affect or otherwise relate to the Premises;

TOGETHER with all sales agreements, deposit receipts, escrow agreements and other ancillary documents and agreements entered into with respect to the sale to any purchasers of any part of the Premises, and all deposits and other proceeds thereof;

TOGETHER with all permits, plans, licenses, specifications, subdivision rights, tentative tract maps, final tract maps, security interests, contracts, contract rights or other rights as may affect or otherwise relate to the Premises;

TOGETHER with all rights of Grantor in or to any fund, program or trust monies and any reimbursement therefrom directly or indirectly established, maintained or administered by any governmental authority or any other individual or entity which is designed to or has the effect of providing funds (whether directly or indirectly or as reimbursement) for the repair or replacement of storage tanks (whether above or below ground) located on the Premises or the remediation or cleanup of any spill, leakage or contamination from any such tank or resulting from the ownership, use or maintenance of any such tank or to compensate third parties for any personal injury or property damage;

TOGETHER with all rents, issues, profits, revenues, income and other benefits to which Grantor may now or hereafter be entitled from the Premises or the Chattels (which Premises, titles, interests, awards, Chattels, easements, rents, income, benefits, ways, waters, rights, powers, liberties, privileges, utilities, tenements, hereditaments, appurtenances, reversions, remainders, rents, issues, profits, estate, property, possession, claims and demands, are hereinafter collectively referred to as the "Mortgaged Property");

TO HAVE AND TO HOLD the Mortgaged Property unto the Trustee, its successors and assigns forever.

ARTICLE I

And Grantor further covenants with the Trustee and Beneficiary as follows:

SECTION 1.01. Grantor has good and marketable title to an indefeasible fee estate in the Premises subject to no lien, charge, or encumbrance except such as are approved by Beneficiary; that it owns the Chattels free and clear of liens and claims; that this Trust Deed is and will remain a valid and enforceable first and prior lien on the Mortgaged Property subject only to

the exceptions referred to above; and that neither the entry nor the performance of and compliance with this Trust Deed, the Guaranty, the Note, or the Loan Agreement has resulted or will result in any violation of, or be in conflict with, or result in the creation of any deed of trust, trust deed, lien, encumbrance or charge (other than those created by the execution and delivery of, or permitted by, this Trust Deed, the Guaranty, the Note or the Loan Agreement) upon any of the properties or assets of Grantor, or constitute a default under any deed of trust, trust deed, indenture, contract, agreement, instrument, franchise, permit, judgment, decree, order, statute, rule or regulation applicable to Grantor. Grantor has full power and lawful authority to convey the Mortgaged Property in the manner and form herein done or intended hereafter to be done and will preserve such title, and will forever preserve, warrant and defend the same unto the Trustee and Beneficiary, and will forever preserve, warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

SECTION 1.02. (a) Grantor will, at its sole cost and expense, and without expense to the Trustee or Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, deeds of trust, assignments, notices of assignments, transfers and assurances as the Trustee or Beneficiary shall from time to time require, for the purpose of better assuring, conveying, assigning, transferring, pledging, mortgaging, warranting and confirming unto the Trustee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to the Trustee, or for carrying out the intention or facilitating the performance of the terms of this Trust Deed, or for filing, registering or recording this Trust Deed and, on demand, will execute and deliver, and hereby authorizes Beneficiary to execute in the name of Grantor, to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Chattels.

(b) Grantor will pay all filing, registration or recording fees, all federal, state, county and municipal stamp taxes and other fees, taxes, duties, imposts, assessments and all other charges incident to, arising out of or in connection with the preparation, execution, delivery and enforcement of the Note, the Loan Agreement, the Guaranty, this Trust Deed, any deed of trust or trust deed supplemental hereto, any security instrument with respect to the Chattels or any instrument of further assurance.

(c) Grantor hereby appoints Beneficiary (acting through its authorized officers) its attorney-in-fact to execute, acknowledge and deliver for and in the name of Grantor any and all of the instruments mentioned in this Section 1.02, and this power, being coupled with an interest, shall be irrevocable as long as any part of the Obligations remain unpaid.

SECTION 1.03. Grantor will punctually pay the principal and interest and all other sums to become due in respect of the Guaranty, the Note and the Loan Agreement at the time and place and in the manner specified therein, all in any coin or currency of the United States of America which at the time of such payment shall be legal tender for the payment of public and private debts.

SECTION 1.04. Grantor will, so long as it is owner of the Mortgaged Property, do all things necessary to preserve and keep in full force and effect its existence, franchises, rights and privileges as a business or partnership, as the case may be, under the laws of the state of its formation, and will comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to Grantor or to the Mortgaged Property or any part thereof.

SECTION 1.05. All right, title and interest of Grantor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Mortgaged Property, hereafter acquired by, or released to, or constructed, assembled or placed by Grantor on the Premises, 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 grant, conveyance, assignment or other act by Grantor, shall become subject to the first and prior lien and security interest of this Trust Deed as fully and completely, and with the same effect, as though now owned by Grantor and specifically described in the granting clause hereof, but at any and all times Grantor will execute and deliver to Beneficiary any and all such further assurances, deeds of trust, conveyances or assignments thereof with respect thereto as Beneficiary may reasonably require for the purpose of expressly and specifically subjecting the same to the lien and security interest of this Trust Deed.

SECTION 1.06. (a) Grantor, from time to time when the same shall become due, will pay and discharge, or cause to be paid and discharged, all taxes and governmental charges of every kind and nature that may at any time be assessed or levied against or with respect to the indebtedness secured by, and any other amounts payable pursuant to, this Trust Deed, or any part of such indebtedness or amounts, the Mortgaged Property or any part thereof including, without limiting the generality of the foregoing, real and personal property taxes and income, franchise, withholding, profits and gross receipts taxes, all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges, and all other public or governmental charges whether of a like or different nature, imposed upon or assessed or levied against Grantor or the Mortgaged Property or any part thereof or interest therein or upon the revenues, rents, issues, income and profits of the Mortgaged Property or arising in respect of the occupancy, use or possession thereof. Grantor will, upon the request of Beneficiary, deliver to Beneficiary receipts evidencing the payment, before any penalties accrued thereon, of all such taxes, assessments, levies, fees, rents and other public charges imposed upon or assessed against it, this Trust Deed, or the Mortgaged Property or the revenues, rents, issues, income or profits thereof.

(b) Beneficiary may, at its option, to be exercised by ten (10) days prior written notice to Grantor (unless such notice is given at the time of the execution of this Trust Deed), require the deposit by Grantor, at the time that the payment of each regular installment of interest and/or principal is required to be paid pursuant to the terms of the Note or the Loan Agreement of an additional amount sufficient to (i) discharge Grantor's obligations under subsection (a) hereof, and (ii) pay for premiums of insurance required to be maintained by Grantor pursuant to the Loan Agreement or this Trust Deed, on a date which is thirty (30) days prior to the respective dates on

which the same or any of them would be payable. The determination of the amount so payable and of the fractional part thereof to be deposited with Beneficiary, so that the aggregate of the deposits shall be sufficient for this purpose, shall be made by Beneficiary in its sole discretion. Such amounts shall be held by Beneficiary without interest and applied to the payment of the items in respect to which such amounts were deposited or, at the option of Beneficiary, to the payment of said items in such order or priority as Beneficiary shall determine, on or before the respective dates on which the same or any of them would become delinquent. All such amounts so deposited shall not be deemed to be held by Beneficiary in escrow and may be commingled with the funds of Beneficiary and applied pursuant hereto. If one (1) month prior to the due date of the aforementioned amounts the amount then on deposit therefor shall be insufficient for the payment of such item in full, Grantor within ten (10) days after demand shall deposit the amount of the deficiency with Beneficiary. Upon the occurrence of an Event of Default, Beneficiary shall be entitled to apply all sums held by Beneficiary pursuant to this Section to the payment of the indebtedness secured hereby, in such order as Beneficiary shall elect. Nothing herein contained shall be deemed to affect any right or remedy of Beneficiary under any provisions of this Trust Deed or of any statute or rule or law to pay any such amount to the extent the sums deposited by Grantor are not sufficient therefor.

(c) Grantor will pay from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien on the Mortgaged Property or any part thereof, or on the revenues, rents, issues, income and profits arising therefrom and in general will do or cause to be done everything necessary so that the lien and security interest hereof shall be fully preserved, at the cost of Grantor, without expense to Beneficiary.

SECTION 1.07. (a) In addition to the insurance requirements set forth in the Loan Agreement, Grantor will obtain and maintain (i) insurance of the type necessary to insure the Improvements and Chattels, for the full replacement cost thereof, against any loss by fire, lightning, windstorm, hail, explosion, aircraft, smoke damage, vehicle damage, earthquakes, elevator collision, and other risks from time to time included under "extended coverage" policies, in such amounts as Beneficiary may require, but in any event in amounts sufficient to prevent Grantor from becoming a co-insurer under such policies, (ii) combined single limit bodily injury and property damage insurance against any loss, liability or damage on, about or relating to the Premises, in an amount acceptable to Beneficiary in its sole discretion, (iii) rent insurance covering gross rent for a minimum of a 12-month period, in an amount acceptable to Beneficiary in its reasonable discretion, (iv) if the property is in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards, the Improvements shall be insured by flood insurance that is provided under the National Flood Insurance Program in an amount of at least equal to either the outstanding balance owing pursuant to the Loan Agreement or the Guaranty or the maximum balance of flood insurance under the National Flood Insurance Program that is available, whichever is less -- such flood insurance shall be maintained during such time that the National Flood Insurance Program insurance is available, and (v) such other risks as Beneficiary may require. Replacement cost shall, at Beneficiary's option, be redetermined by an insurance appraiser, satisfactory to Beneficiary, not more frequently than once every twelve (12) months, at Grantor's cost. Such

insurance shall be written by companies of recognized financial standing, satisfactory to Beneficiary, which are authorized to do an insurance business in the State of Oregon. Such insurance shall be in form satisfactory to Beneficiary, shall with respect to hazard insurance and such other insurance as Beneficiary shall specify, name as the loss payee thereunder Grantor and Beneficiary, as their interests may appear, and shall contain a California form 438 BFU (NS) mortgagee endorsement or its local equivalent. Every policy of insurance referred to in this Section shall contain an agreement by the insurer that it will not cancel such policy except after thirty (30) days' prior written notice to Beneficiary and that any loss payable thereunder shall be payable notwithstanding any act or negligence of Grantor or Beneficiary which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment and notwithstanding (i) occupancy or use of the Mortgaged Property for purposes more hazardous than permitted by the terms of such policy, (ii) any foreclosure or other action or proceeding taken by the Trustee or Beneficiary pursuant to this Trust Deed upon the happening of an Event of Default or (iii) any change in title or ownership of the Mortgaged Property. Original policies or certificates thereof satisfactory to Beneficiary evidencing such insurance shall be delivered to Beneficiary at least thirty (30) days prior to the expiration of the existing policies. Grantor shall give Beneficiary prompt notice of any loss covered by such insurance and Beneficiary shall have the right to join Grantor in adjusting any loss. If there shall have occurred an Event of Default, Beneficiary shall have the exclusive right to adjust all losses payable under any such insurance policies without any liability to Grantor whatsoever in respect of such adjustments. Any monies received as payment for any loss under any such insurance shall be paid over to Beneficiary to be applied at the option of Beneficiary either to the prepayment of any sums due pursuant to the terms of the Loan Agreement or the Guaranty in such order as Beneficiary may elect, or shall be disbursed to Grantor under stage payment terms satisfactory to Beneficiary for application to the cost of repairs, replacements or restorations (collectively, "restorations") of the Improvement or Chattel so damaged or destroyed. All restorations of the Improvement or Chattel so damaged or destroyed shall be effected with reasonable promptness and shall be of a value at least equal to the value of the Improvement or Chattel so damaged or destroyed prior to such damage or destruction. Upon the occurrence of an Event of Default, all prepaid premiums shall be the sole and absolute property of Beneficiary to be applied by Beneficiary to the payment of the indebtedness secured hereby, in such order as Beneficiary shall elect.

(b) Grantor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 1.07, unless Beneficiary is included thereon as named insured with loss payable to Beneficiary under a standard California 438 BFU (NS) mortgagee endorsement, or its local equivalent. Grantor shall immediately notify Beneficiary whenever any such separate insurance is taken out, specifying the insurer thereunder and full particulars as to the policies evidencing the same.

(c) Unless Grantor provides Beneficiary with evidence of the insurance coverage as required by this Trust Deed, Beneficiary may purchase insurance at Grantor's expense to protect Beneficiary's interest. This insurance may, but need not, also protect Grantor's interest. If the Premises become damaged, the coverage Beneficiary purchase may not pay any claim Grantor

makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained insurance coverage elsewhere.

(d) Grantor is responsible for the cost of any insurance purchased by Beneficiary. The cost of this insurance may be added to the balance of the Note. If the cost is added to the Note or the Loan Agreement, the rate of interest applicable to the Loan will apply to this added amount. The effective date of coverage may be the date that Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage.

(e) The coverage that Beneficiary purchases may be considerably more expensive than insurance Grantor can obtain on his own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

SECTION 1.08. In the event of the passage, after the date of this Trust Deed, of any law of the State of Oregon deducting from the value of the Mortgaged Property for the purpose of taxing the amount of any lien thereon, or changing in any way the laws now in force for the taxation of deeds of trust, or debts secured thereby, for state or local purposes, or the manner of operation of any such taxes so as to adversely affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes, provided that if for any reason payment by Grantor of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the Guaranty, the Note, the Loan Agreement or the indebtedness secured hereby wholly or partially usurious under any of the terms or provisions of the Note, the Loan Agreement, the Guaranty or this Trust Deed, or otherwise, Beneficiary may, at its option, upon thirty (30) days' written notice to Grantor, (i) declare the whole indebtedness secured by this Trust Deed, with interest thereon, to be immediately due and payable, or (ii) pay that amount or portion of such taxes as renders the Guaranty, the Note, the Loan Agreement, or the indebtedness secured hereby unlawful or usurious, in which event Grantor shall concurrently therewith pay the remaining lawful non-usurious portion or balance of said taxes.

SECTION 1.09. In addition to restrictions contained in the Loan Agreement and the Guaranty, Grantor will not (i) further encumber, sell, convey or transfer any interest in, or any part of, the Mortgaged Property, or (ii) transfer the presently existing ownership interests in Grantor (including, without limitation, partnership or stock ownership interests, as the case may be) so as to effectively transfer control of Grantor named herein to any other person, firm, corporation or other entity, without the prior written consent of Beneficiary. Any such encumbrance, sale, conveyance or transfer made without Beneficiary's prior written consent shall be an Event of Default hereunder. At Beneficiary's option, Beneficiary's consent to a further encumbrance or transfer shall be subject to an increase in interest rate, modification of loan terms and/or the payment of a fee.

SECTION 1.10. Beneficiary and the Trustee shall have access to and the right to inspect the Premises and Chattels at all reasonable times.

SECTION 1.11. Grantor shall comply with all applicable restrictive covenants, zoning and subdivision ordinances and building codes, all health and environmental laws and regulations and all other applicable laws, rules, regulations, requirements, directions, orders and notices of violations issued by any governmental agency, body or officer relating to or affecting the Premises or the business or activity being conducted thereon whether by Grantor or by any occupant thereof.

SECTION 1.12. If Grantor shall fail to perform any of the covenants contained herein on its part to be performed, Beneficiary may, but shall not be required to, make advances to perform the same, or cause the same to be performed, on Grantor's behalf, and all sums so advanced shall bear interest, from and after the date advanced until repaid, at the lower of (i) the maximum rate permitted by law or (ii) the default rate set forth in the Note or the Loan Agreement, shall be a lien upon the Mortgaged Property and shall, at Beneficiary's option, be added to the indebtedness secured hereby. Grantor will repay on demand all sums so advanced on its behalf with interest at the rate herein set forth. This Section 1.11 shall not be construed as preventing any default by Grantor in the observance of any covenant contained in this Trust Deed from constituting an Event of Default hereunder.

SECTION 1.13. Grantor will not commit any waste at or with respect to the Mortgaged Property nor will Grantor do or fail to do anything which will in any way increase the risk of fire or other hazard to the Premises, Improvements or Chattels or to any part thereof. Grantor will, at all times, maintain the Improvements and Chattels in good order and condition and will promptly make, from time to time, all repairs, renewals, replacements, additions and improvements in connection therewith which are needful or desirable to such end. Improvements shall not be removed, demolished or materially altered, nor shall any Chattels be removed without the prior written consent of Beneficiary, provided, however, that if there shall not have occurred an Event of Default, Grantor may make appropriate replacements of Chattels, free of superior title, liens and claims, provided such replacements are immediately made and are of a value at least equal to the value of the Chattels removed.

SECTION 1.14. Grantor will immediately notify Beneficiary of the institution of any proceeding for the condemnation or taking by eminent domain of the Mortgaged Property, or any portion thereof. The Trustee and Beneficiary may participate in any such proceeding and Grantor from time to time will deliver to Beneficiary all instruments requested by it to permit such participation. In the event of such condemnation proceedings, or a conveyance in lieu of such taking, the award or compensation payable is hereby assigned to and shall be paid to Beneficiary. Beneficiary shall be under no obligation to question the amount of any such award or compensation and may accept the same in the amount in which the same shall be paid, but shall have no right to bind Grantor or to make settlement of its claim, except to the extent of the interest of the Trustee and Beneficiary. In any such condemnation proceedings the Trustee and Beneficiary may be represented by counsel selected by Beneficiary. The proceeds of any award or compensation so received after reimbursement of any expenses incurred by Beneficiary in connection with such proceedings, shall, at the option of Beneficiary, be applied, without premium, to the repayment of the Note and/or the

sums due under the Loan Agreement in such order as Beneficiary may in its sole discretion elect (regardless of interest payable on the award by the condemning authority), or to the cost of restoration of the Improvement or Chattel so taken and other terms as shall be satisfactory to Beneficiary.

SECTION 1.15. The assignment of rents, income and other benefits (collectively, "rents") contained in the granting clause of this Trust Deed shall be fully operative without any further action on the part of Grantor or Beneficiary and specifically Beneficiary shall be entitled, at its option, to all rents from the Mortgaged Property whether or not Beneficiary takes possession of the Mortgaged Property. Grantor hereby further grants to Beneficiary the right (i) to enter upon and take possession of the Mortgaged Property for the purpose of collecting the rents, (ii) to dispossess by the usual summary proceedings any tenant defaulting in the payment thereof to Beneficiary, (iii) to let the Mortgaged Property or any part thereof, and (iv) to apply the rents, after payment of all necessary charges and expenses, on account of the indebtedness and other sums secured hereby. Such assignment and grant shall continue in effect until the indebtedness and other sums secured hereby are paid, the execution of this Trust Deed constituting and evidencing the irrevocable consent of Grantor to the entry upon and taking possession of the Mortgaged Property by Beneficiary pursuant to such grant, whether or not sale or foreclosure has been instituted. Neither the exercise of any rights under this Section by Beneficiary nor the application of the rents to the indebtedness and other sums secured hereby, shall cure or waive any Event of Default, or notice of default hereunder or invalidate any act done pursuant hereto, but shall be cumulative of all other rights and remedies.

The foregoing provisions hereof shall constitute an absolute and present assignment of the rents from the Mortgaged Property, subject, however, to the conditional permission given to Grantor to collect and use the rents until the occurrence of an Event of Default at which time such conditional permission shall automatically terminate; and the existence or exercise of such right of Grantor shall not operate to subordinate this assignment, in whole or in part, to any subsequent assignment by Grantor permitted under the provisions of this Trust Deed, and any such subsequent assignment by Grantor shall be subject to the rights of the Trustee and Beneficiary hereunder.

SECTION 1.16. (a) Grantor will not (i) execute an assignment of the rents or any part thereof from the Mortgaged Property unless such assignment shall provide that it is subject and subordinate to the assignment contained in this Trust Deed, and any additional or subsequent assignment executed pursuant hereto, or (ii) except where the lessee is in default thereunder, terminate or consent to the cancellation or surrender of any lease of the Mortgaged Property or of any part thereof, now existing or hereafter to be made or (iii) modify any such lease or give consent to any assignment or subletting without Beneficiary's prior written consent, or (iv) accept prepayments of any installments of rent or additional rent to become due under such leases, except prepayments in the nature of security for the performance of the lessee's obligations thereunder, or (v) in any other manner impair the value of the Mortgaged Property or the security of the Trustee or Beneficiary for the payment of the indebtedness secured hereby, or (vi) enter into any lease prohibited under the provisions of the Loan Agreement.

(b) Grantor will not execute any lease of all or a substantial portion of the Mortgaged Property except for actual occupancy by the lessee thereunder, and will at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all leases of the Mortgaged Property now or hereafter existing, on the part of the lessor thereunder to be kept and performed. If any such lease provides for the giving by the lessee of certificates with respect to the status of such leases, Grantor shall exercise its right to request such certificates within five (5) days of any demand therefor by Beneficiary.

(c) Grantor shall furnish to Beneficiary, within fifteen (15) days after a request by Beneficiary to do so, a written statement containing the names of all lessees for the Mortgaged Property, the terms of their respective leases, the spaces occupied, the rentals paid and any security therefor.

(d) Grantor shall, from time to time upon request of Beneficiary, specifically assign to Beneficiary as additional security hereunder, by an instrument in writing in such form as may be approved by Beneficiary, all right, title and interest of Grantor in and to any and all leases now or hereafter on or affecting the Mortgaged Property, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove given to Grantor to collect the rentals under any such lease. Grantor shall also execute and deliver to Beneficiary any notification, financing statement or other document reasonably required by Beneficiary to perfect the foregoing assignment as to any such lease.

SECTION 1.17. Each lease of the Mortgaged Property or of any part thereof entered into after the date hereof shall provide that, in the event of the enforcement by the Trustee or Beneficiary of the remedies provided for by law or by this Trust Deed, any person succeeding to the interest of Grantor as a result of such enforcement shall not be bound by any payment of rent or additional rent for more than one (1) month in advance, provided, however, that nothing herein set forth shall affect or impair the rights of Beneficiary to terminate any one or more of such leases in connection with the exercise of its or the Trustee's remedies hereunder.

SECTION 1.18. Grantor shall not use Beneficiary's name or the name of any person, firm, corporation or other entity controlling, controlled by or under common control with Beneficiary in connection with any of Grantor's activities, except as such use may be required by applicable law or regulation of any governmental body.

SECTION 1.19. Grantor represents, warrants and covenants that neither Grantor nor any occupant or operator has used any Hazardous Substances at or affecting the Mortgaged Property in any manner which violates any Act governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of any Hazardous Substances, or which may make the owner of the Premises liable in tort under a common law public or private nuisance action.

The term "Hazardous Substances" shall include:

(a) those substances as defined as "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq. ("RCRA"), or the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., and in the regulations promulgated pursuant thereto;

(b) those substances designated as a "hazardous substance" under or pursuant to the Federal Water Pollution Control Act, 33 U.S.C. §1257 et seq., or defined as a "hazardous waste", under or pursuant to RCRA;

(c) those substances defined as hazardous, toxic, or radioactive substances or wastes or as poisons under ORS 453.005 or any other Oregon statute or rule governing the production, storage, labeling, release, transportation, removal, disposal, or remediation of such substances.

(d) those substances listed in the United States Department of Transportation Table (40 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto); and

(e) such other substances, materials and wastes which are regulated under any act, or which are classified as hazardous or toxic under any act.

All of the statutes, acts, codes, sections and tables listed above shall include all amendments, modifications and supplements thereto, together with all regulations promulgated pursuant to such statutes, acts, codes, sections and tables.

The term "Act" shall include all present and future laws, regulations, statutes, common law rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items of any federal, state or local government, instrumentality or body, as the same may be amended, modified or supplemented from time to time related to Hazardous Substances.

SECTION 1.20. Grantor covenants that it shall keep or cause the Premises to be kept free of Hazardous Substances and not cause or permit the Mortgaged Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, produce or process Hazardous Substances, except in compliance with all applicable Acts.

SECTION 1.21. Grantor covenants to comply, and to ensure compliance by all operators and occupants of the Mortgaged Property, with all applicable Acts and will obtain and comply, and ensure that all such operators and occupants obtain and comply, with any and all required approvals, registration or permits.

SECTION 1.22. Grantor hereby represents, covenants and warrants to Beneficiary, its successors and assigns, as follows:

(a) The Premises is presently used as a shipping and warehousing facility and for other commercial purposes, and no portions of the Premises are used as or for a "public accommodation," as described and defined in 42 U.S.C. §12101, et. seq., and all applicable rules and regulations promulgated thereunder (the "ADA").

(b) Grantor has made all modifications and/or provided all accommodations which may be required to be made or provided by Grantor to the Premises pursuant to the ADA in order to accommodate the needs and requirements of any disabled employees of Grantor.

(c) Grantor has received no notice or complaint regarding any noncompliance with the ADA of the Premises or of Grantor's employment practices and, to the best of Grantor's knowledge, there has been no threatened litigation alleging any such noncompliance by Grantor or the Premises.

SECTION 1.23. Grantor shall promptly provide Beneficiary with copies of all notices or claims which may be received by Grantor and involving claims made by any individual, entity or governmental agency as to any alleged noncompliance of the Premises with the requirements of the ADA.

SECTION 1.24. (a) Grantor shall observe and comply in all material respects with all obligations and requirements of the ADA as it applies to the Premises, which shall include, without limitation, installing or constructing all improvements or alterations which may be necessary to cause the Premises to be accessible to all persons if the use of the Premises or any part thereof becomes a "public accommodation," as defined in the ADA, or in the event additional building improvements are added or incorporated into the existing improvements, and making any reasonable accommodations which may be necessary to accommodate the needs or requirements of any existing or future employee of Grantor.

(b) Without limiting the generality of any other provision of this Trust Deed, Grantor shall indemnify, defend and hold harmless Beneficiary, its successors and assigns, and the directors, officers, employees, agents and servants of the foregoing, from any and all losses, costs, expenses (including court costs and attorneys' fees), damages, demands, claims, suits, proceedings, orders and judgments, penalties, fines and other sanctions arising from any claim that the Premises is not in compliance with the requirements of the ADA.

(c) Notwithstanding anything contained herein, the provisions of the Sections 1.22 through 1.24 are solely for the benefit of Beneficiary, and no other person is entitled to rely on the same.

SECTION 1.25. Grantor shall pay, indemnify, defend, and hold Beneficiary and its parents, subsidiaries and affiliates, attorneys and each of their officers, directors, agents, employees, counsel, trustees, receivers, executors and administrators, the heirs, successors and assigns of all of the foregoing, and attorneys-in-fact (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all losses, liabilities, contingent liabilities, damages, obligations, claims, contingent claims, actions, suits, proceedings, investigations, disbursements, penalties, costs and expenses (including, without limitation, actual attorneys' fees and costs of counsel retained by Beneficiary to monitor the proceedings and actions of Grantor in satisfying its obligations hereunder, and to advise and represent Beneficiary with respect to matters related hereto, including, without limitation, fees incurred pursuant to 11 U.S.C.) and all other professional or consultants' fees and expenses), whether or not an action or proceeding is commenced or threatened, at any time asserted against, imposed upon, or incurred by any of them in connection with or as a result of or related to the execution, delivery, enforcement, performance, and administration of this Trust Deed or the transactions contemplated herein, and with respect to any investigation, litigation, or proceeding related to this Trust Deed or any other Loan Document (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event or circumstance in any manner related thereto (all the foregoing, collectively, the "Indemnified Liabilities"). Trustor shall have no obligation to any Indemnified Person under this Section with respect to any Indemnified Liability that resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the a trustee's sale, judicial sale or deed or other transaction in lieu of such sale hereunder, the repayment of the obligations secured hereunder and the termination of the Loan Agreement and/or the Guaranty.

ARTICLE II

EVENTS OF DEFAULT AND REMEDIES

SECTION 2.01. The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") hereunder:

(a) If Grantor shall default in the payment of any sums required to be paid by Grantor pursuant to the Guaranty, the Note, the Loan Agreement, or this Trust Deed on the date that such payments are therein or herein required to be made; or

(b) If Grantor shall breach, or be in default of, any of the covenants or provisions contained in the Guaranty, the Note, the Loan Agreement, this Trust Deed, or of any chattel mortgage, other deed of trust, trust deed, security agreement, indemnity (including but not limited to, the Unsecured Hazardous Substances Indemnity Agreement executed by Grantor in favor of Beneficiary) or other document issued thereunder or in connection therewith or herewith; or

(c) If there shall be an "Event of Default" under the Loan Agreement.

Upon the occurrence of an Event of Default, and in every such case:

I. During the continuance of any Event of Default, Beneficiary personally, or by its agents or attorneys may enter into and upon all or any part of the Mortgaged Property, and each and every part thereof, and may exclude the party owning the beneficial interest in same, its agents and servants wholly therefrom; and having and holding the same, may use, operate, manage and control the Mortgaged Property for any lawful purpose and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or receivers; and upon every such entry, Beneficiary, at the expense of Grantor, from time to time, either by purchase, repairs or construction, may maintain and restore the Mortgaged Property, whereof it shall become possessed as aforesaid, may complete the construction of the Improvements and in the course of such completion may make such changes in the contemplated Improvements as it may deem desirable; may insure or reinsure the same as provided Section 1.07 hereof, and likewise, from time to time, at the expense of Grantor, Beneficiary may make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments and improvements to the Mortgaged Property or any part thereof and thereon as it may deem advisable; and in every such case Beneficiary shall have the right to manage and operate the Mortgaged Property, possessed as aforesaid, and to carry on the business thereof and exercise all rights and powers of the party owning such property with respect thereto either in the name of such party or otherwise as it shall deem best; and Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Mortgaged Property and every part thereof; and after deducting the expenses of conducting the business thereof and of all maintenance, repairs, replacements, alterations, additions, betterments and improvements and all payments which may be made for taxes, assessments, insurance, in payment of any prior deed of trust or trust deed and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as just and reasonable compensation of Beneficiary for the services of Beneficiary and for all attorneys, counsel, agents, clerks, servants and other employees by it properly engaged and employed, Beneficiary shall apply the moneys arising as aforesaid, first, to the payment of any sums, other than interest and principal on the Note or due pursuant to the Loan Agreement and/or the Guaranty required to be paid by Grantor under this Trust Deed, second, to the payment of interest on the Note or due pursuant to the Loan Agreement and/or the Guaranty, third, to the payment of the principal of the Note or due pursuant to the terms of the Loan Agreement and/or the Guaranty when and as the same shall become payable (whether by acceleration or otherwise) and finally, in an amount equal to the prepayment premium which would have been payable if Grantor had voluntarily prepaid the Note and Loan Agreement.

II. Beneficiary, at its option, may declare the entire unpaid balance of the indebtedness secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and written notice of default and of election to cause the Mortgaged Property to be sold, which notice Trustee shall cause to be duly filed for record. Beneficiary shall also deposit with the Trustee this Trust Deed, and all documents evidencing the expenditures secured hereby.

III. After the Trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the Trustee conducts the sale, the Grantor or any other person so privileged by ORS 86.753, may cure the Event or Events of Default. If the default consists of a failure to pay, when due, sums secured by this Trust Deed, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the complete performance required under the Obligations or Trust Deed. In any case, in addition to curing the Event or Events of Default, the person effecting the cure shall pay to the Beneficiary all costs and expenses actually incurred in enforcing the obligation of this Trust Deed together with Trustee's and attorney's fees not exceeding the amounts provided by law.

IV. Beneficiary may foreclose this Trust Deed judicially as a mortgage and obtain a deficiency judgment if the proceeds of sale are not sufficient to discharge the debt. If this Trust Deed is foreclosed as a mortgage and the Mortgaged Property is sold at a foreclosure sale, the purchaser may, during the redemption period perform such maintenance, repairs, and replacements as may be reasonably necessary in the purchaser's opinion for the proper operation, care, preservation, protection, and insuring thereof and any money spent in connection therewith, together with interest at the default rate will be added to and become a part of the amount required to be paid for redemption from such sale.

V. Beneficiary may cause Trustee to sell the Mortgaged Property under the power of sale granted by this Trust Deed in the manner permitted by applicable law. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Grantor, shall sell the Mortgaged Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. If the Mortgaged Property consists of several known lots or parcels, Beneficiary may designate the order in which such parcels shall be sold or offered for sale. Any person, including Grantor, Trustee or Beneficiary, may purchase at such sale.

VI. Trustee may postpone sale of all or any portion of the Mortgaged Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement.

VII. On and after the occurrence of an Event of Default, Grantor shall pay all rents, issues and profits thereafter received by Grantor from the Mortgaged Property to Beneficiary and to the extent not paid shall hold such amounts as trust funds for the benefit of Beneficiary and such rents, issues and profits shall be deemed "cash collateral" of Beneficiary under 11 U.S.C., as amended.

SECTION 2.02. (a) Trustee, after making such sale, and upon receipt of the purchase price, shall make, execute and deliver to the purchaser or purchasers its deed or deeds conveying the

Mortgaged Property so sold, but without any covenant or warranty, express or implied, and without any representation, express or implied, as to the existence, or lack thereof, of Hazardous Substances on the Mortgaged Property, and shall apply the proceeds of sale thereof to payment. FIRSTLY, of the expenses of such sale, together with the reasonable expenses of this Trust, including Trustee's fees and cost of evidence of title in connection with sale and revenue stamps on Trustee's deed; SECONDLY, of all moneys paid, advanced or expended by Beneficiary under the terms hereof, not then repaid, together with the interest thereon as herein provided; THIRDLY, of the amount of the principal and interest on the Note or under the Loan Agreement and/or the Guaranty then remaining unpaid together with an amount which would have been equal to the prepayment premium, if any, which would have been paid by Grantor if Grantor had voluntarily prepaid the Note or the Loan Agreement; and LASTLY, the balance or surplus, if any, of such proceeds of sale to the person or persons legally entitled thereto, upon satisfactory proof of such right.

(b) In the event of a sale of the Mortgaged Property, or any part thereof, and the execution of a deed or deeds therefor under these trusts, the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof and of the fact that said sale was regularly and validly made in accordance with all requirements of the laws of the State of Oregon and of this Trust Deed; and any such deed or deeds, with such recitals therein, shall be effectual and conclusive against Grantor and all other persons; and the receipt for the purchase money recited or contained in any deed executed to the purchaser as aforesaid shall be sufficient discharge to such purchaser from all obligations to see to the proper application of the purchase money according to the trusts aforesaid.

SECTION 2.03. After the happening of an Event of Default by Grantor under this Trust Deed and immediately upon the commencement of any action, suit or other legal proceeding by Beneficiary to obtain judgment for the principal of, or interest on, the Note or due pursuant to the Loan Agreement and/or the Guaranty and other sums required to be paid by Grantor pursuant to any provisions of this Trust Deed, or of any other nature in aid of the enforcement of the Note, the Loan Agreement, or of this Trust Deed, Grantor will waive the issuance and service of process and enter its voluntary appearance in such action, suit or proceeding. Further, Grantor hereby consents to the appointment of a receiver or receivers of the Mortgaged Property and of all the earnings, revenues, rents, issues, profits and income thereof. After the happening of any such default and during its continuance or upon the commencement of any proceedings to foreclose this Trust Deed or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Trustee or Beneficiary hereunder, Beneficiary shall be entitled, as a matter of right, if it shall so elect, without the giving of notice to any other party and without regard to the adequacy or inadequacy of any security for the Trust Deed indebtedness, forthwith either before or after declaring all sums evidenced by the Note or due pursuant to the Loan Agreement and/or the Guaranty to be due and payable, to the appointment of such a receiver or receivers. The receiver may be an employee or other agent of Beneficiary and may serve without bond.

SECTION 2.04. During the continuance of an Event of Default, Beneficiary shall have the following rights and remedies:

(i) Beneficiary or its employees, acting by themselves or through a court-appointed receiver, may enter upon, possess, manage, operate, dispose of, and contract to dispose of the Mortgaged Property or any part thereof; take custody of all accounts; appear in any proceeding or bring suit on Grantor's behalf, as necessary, to enforce obligations of any tenant, including actions for the recovery of rent, actions in forcible detainer and in distress for rent; negotiate with governmental authorities with respect to the Mortgaged Property's environmental compliance and remedial measures; take any action necessary to enforce compliance with any Act, including but not limited to spending rents to abate the problem; make, terminate, enforce or modify leases of the Mortgaged Property upon such terms and conditions as Beneficiary deems proper; contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Mortgaged Property necessary, in Beneficiary's judgment, to protect or enhance the security hereof; incur the risks and obligations ordinarily incurred by owners of property (without any personal obligation on the part of the receiver); and/or take any and all other actions which may be necessary or desirable to comply with Grantor's obligations hereunder and under the Guaranty, the Note or the Loan Agreement. All sums realized by Beneficiary under this subparagraph, less all costs and expenses incurred by it under this subparagraph, including attorneys' fees, and less such sums as Beneficiary deems appropriate as a reserve to meet future expenses under the subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary under this subparagraph shall cure or waive any Event of Default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to (a) the adequacy of the security for the indebtedness secured hereunder, (b) the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or (c) the filing of a notice of default.

(ii) With or without notice, and without releasing Grantor from any obligation hereunder, to cure any default of Grantor and, in connection therewith, Beneficiary or its agents, acting by themselves or through a court appointed receiver, may enter upon the Mortgaged Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including without limitation of any of its other rights to obtain a court order to enforce Beneficiary's right to enter and inspect the Mortgaged Property. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Grantor. All costs and expenses incurred by Trustee and Beneficiary pursuant to this subparagraph (including without limitation court costs, consultant fees and attorneys' fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Default Rate set forth in the Note or the Loan Agreement from the date they are incurred until said sums have been paid.

(iii) Nothing contained herein shall be construed to limit any and all rights that Beneficiary has at law or pursuant hereto.

SECTION 2.05. No remedy herein conferred upon or reserved to the Trustee or Beneficiary is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be distinct and 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, and may be exercised concurrently, independently, or successively, in any order whatsoever. Beneficiary may exercise any of its rights and remedies at its option without regard to the adequacy of its security. No delay or omission of the Trustee or Beneficiary to exercise any right or power occurring upon the Event of Default shall impair any such right or power or shall be construed to be a waiver thereof or an acquiescence therein; and every power and remedy given by this Trust Deed to the Trustee or Beneficiary may be exercised from time to time and as often as may be deemed expedient by the Trustee or Beneficiary. Nothing in this Trust Deed, the Guaranty, the Note or Loan Agreement shall affect the obligation of Grantor to pay the principal of, interest on, and prepayment premium payable pursuant to, the Note and all sums due under the Loan Agreement in the manner and at the time and place therein respectively expressed.

SECTION 2.06. While nonjudicial foreclosure of this Trust Deed generally will prohibit Beneficiary from bringing any further or other action or proceeding against Grantor or any guarantor on the debts included in the secured obligations other than actions judicially or nonjudicially foreclosing other consensual or nonconsensual security interests or liens, Grantor will be liable to Beneficiary, notwithstanding such foreclosure, for (i) any rents or income that Grantor fails to apply to operating costs and expenses (including payment of taxes and insurance premiums) or to turn over to Beneficiary or the receiver after acceleration of the due date of the debt, (ii) the reasonable value of any improvements and equipment that are damaged or destroyed if Grantor has failed to procure and maintain the insurance coverage required by this Trust Deed, and (iii) any claims that arise from or relate to Grantor's failure to comply with statutes, regulations, and orders regarding hazardous materials.

SECTION 2.07. To the extent permitted by law, Grantor will not 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, any exemption from execution or sale of the Mortgaged 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 Trust Deed; nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the marshalling of the Mortgaged Property or on the valuation or appraisal of the Mortgaged Property, or any part thereof, prior or subsequent to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any such final sale or sales, claim or exercise any right under any statute or otherwise, to redeem the property so sold or any part thereof; and Grantor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Trustee or Beneficiary, but to suffer and permit the execution of every power as

though no such law or laws had been made or enacted. Grantor hereby waives the right to require any sale to be made in parcels, or the right to select parcels to be so sold, and there shall be no requirement for marshalling of assets. Grantor hereby further waives any rights it may have under applicable law relating to the prohibition of the obtaining of a deficiency judgment by Beneficiary against Grantor. Grantor acknowledges that there is no fiduciary relationship between Grantor and Trustee or between Grantor and Beneficiary.

SECTION 2.08. During the continuance of any Event of Default and pending the exercise by the Trustee or Beneficiary of its right to exclude Grantor from all or any part of the Premises, Grantor agrees to pay the fair and reasonable rental value for the use and occupancy of the Mortgaged Property for such period and upon default of any such payment, will vacate and surrender possession of the Premises to the Trustee or Beneficiary or to a receiver, if any, and in default thereof may be evicted by any summary action or proceeding for the recovery or possession of Premises for non-payment of rent, however designated. Trustor acknowledges that the possession or repossession of the Premises and/or the collection of rents and income will not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to any notice of default or notice of sale.

SECTION 2.09. Without affecting the personal liability of any person, firm, corporation or other entity, including Grantor (other than any person released pursuant hereto), for the payment of the indebtedness secured hereby, and without affecting the lien of this Trust Deed for the full amount of the indebtedness remaining unpaid upon any property not reconveyed pursuant hereto, Beneficiary and Trustee are respectively authorized and empowered as follows: Beneficiary may, at any time and from time to time, either before or after the maturity of the Note or the expiration of the Loan Agreement, and without notice: (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, (d) release any property, real or personal, securing the indebtedness. Trustee may, without liability therefor and without notice, at any time and from time to time so long as the lien or charge hereof shall subsist, but only upon the written request of Beneficiary and presentation of this Trust Deed and the Note for endorsement: (a) consent to the making of any map or plat of the Land, (b) join in granting any easement thereon or in creating any covenants restricting use or occupancy thereof, (c) reconvey, without warranty, any part of the Mortgaged Property, (d) join in any extension agreement or in any agreement subordinating the lien or charge hereof.

SECTION 2.10. This Trust Deed constitutes a Security Agreement under the laws of the State of Oregon so that Beneficiary shall have and may endorse a security interest in any or all of the Mortgaged Property which may or might now or hereafter be or be deemed to be personal property, fixtures or property other than real estate (collectively, "Personal Property") and Grantor agrees to execute, as debtor, such financing statement or statements as Beneficiary may now or hereafter reasonably request in order that such security interest or interests may be perfected pursuant to such laws. This Trust Deed further constitutes a fixture filing under the Oregon Commercial Code, as amended or recodified from time to time; provided, however that the execution and/or filing hereof does not imply that the items of Personal Property included in the Mortgaged Property are

or are to become fixtures. The filing hereof as a fixture filing is intended to protect the parties from unwarranted assertions by third parties.

Notwithstanding any release of any or all of the property included in the Premises which is deemed "real property", any proceedings to foreclose this Trust Deed, 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 of Grantor as are now or hereafter evidenced by the Guaranty, the Note or the Loan Agreement.

Grantor agrees that Beneficiary may file this Trust Deed or a reproduction hereof in the real estate records or other appropriate office or index, as a fixture filing or financing statement for any of the items specified above as part of the Mortgaged Property. Any reproduction or recording of this Trust Deed shall be sufficient as a fixture filing or financing statement.

SECTION 2.11. During the continuance of any Event of Default, Beneficiary shall have all of the rights and remedies of a secured party under the Uniform Commercial Code (the "Code") of the State of Oregon, and specifically the right to direct notice and collections of any obligation owing to Grantor by any lessee. In addition to its rights to foreclose this Trust Deed, Beneficiary shall have the right to sell the Personal Property or any part thereof, or any further, or additional, or substituted Personal Property, at one or more times, and from time to time, at public sale or sales or at private sale or sales, on such terms as to cash or credit, or partly for cash and partly on credit, as Beneficiary may deem proper. Beneficiary shall have the right to become the purchaser at any such public sale or sales, free and clear of any and all claims, rights of equity of redemption in Grantor, all of which are hereby waived and released. Grantor shall not be credited with the amount of any part of such purchase price, unless, until and only to the extent that such payment is actually received in cash. Notice of public sale, if given, shall be sufficiently given, for all purposes, if published not less than seven days prior to any sale, in any newspaper of general circulation distributed in the city in which the property to be sold is located or as otherwise required by the Code. The net proceeds of any sale of the Personal Property which may remain after the deduction of all costs, fees and expenses incurred in connection therewith, including, but not limited to, all advertising expenses, broker's or brokerage commissions, documentary stamps, recording fees, foreclosure costs, stamp taxes and counsel fees, shall be credited by Beneficiary against the liabilities, obligations and indebtedness of Grantor to Beneficiary secured by this Trust Deed and evidenced by the Guaranty, the Note or the Loan Agreement. Any portion of the Personal Property which may remain unsold after the full payment, satisfaction and discharge of all of the liabilities, obligations and indebtedness of Grantor to Beneficiary shall be returned to the respective parties which delivered the same to Beneficiary. If at any time Grantor or any other party shall become entitled to the return of any of the Personal Property hereunder, any transfer or assignment thereof by Beneficiary shall be, and shall recite that the same is, made wholly without representation or warranty whatsoever by, or recourse whatsoever against Beneficiary.

SECTION 2.12. All rights, remedies and powers provided by Sections 2.01-2.10 hereof may be exercised only to the extent that the exercise thereof does not violate any applicable

provision of law in the jurisdiction in which the Premises are located, and all such provisions are intended to be subject to all applicable provisions of law which may be controlling in such jurisdiction and to be limited to the extent necessary so that they will not render this Trust Deed invalid, illegal or unenforceable under the provisions of any applicable law.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. In the event any one or more of the provisions contained in this Trust Deed shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Deed, but this Trust Deed shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

SECTION 3.02. All notices or demands by any party relating to this Trust Deed or any other agreement entered into in connection herewith shall be in the form set forth in the Loan Agreement and/or the Guaranty.

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 3.02 other than notices by Beneficiary in connection with Sections 9504 or 9505 of the Code, shall be deemed received on the earlier of the date of actual receipt or three (3) calendar days after the deposit thereof in the mail. Grantor acknowledges and agrees that notices sent by Beneficiary in connection with Sections 9504 or 9505 of the Code shall be deemed sent when deposited in the mail or transmitted by telefacsimile or other similar method permitted by law.

SECTION 3.03. Whenever in this Trust Deed the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

SECTION 3.04. All of the grants, covenants, terms, obligations, provisions and conditions herein contained shall run with the land and shall apply to, bind and inure to the benefit of, the successors and assigns of Grantor and Beneficiary and to the successors of the Trustee.

SECTION 3.05. This Trust Deed may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Trust Deed.

SECTION 3.06. It shall be lawful for the Trustee, or Beneficiary, at its election, upon the occurrence of an Event of Default, to sue out forthwith a complaint in foreclosure upon this Trust Deed and to proceed thereon to judgment and execution for the recovery of all sums payable by

Grantor pursuant to the terms of this Trust Deed without further stay, any law, usage or custom to the contrary notwithstanding.

SECTION 3.07. Notwithstanding the appointment of any receiver, liquidator or trustee of Grantor, or of any of its property, or of the Mortgaged Property, or any part thereof, the Trustee shall be entitled to retain possession and control of all property now or hereafter held under this Trust Deed.

SECTION 3.08. If Grantor shall default in the payment of any sums due pursuant to the terms of the Note, the Loan Agreement, or this Trust Deed such default shall be, and be deemed to be, an attempt by Grantor to avoid the prepayment premium payable by Grantor pursuant to the terms of the Note or the Loan Agreement and consequently, upon such default Beneficiary shall be entitled to collect such prepayment premium from Grantor with the same effect as if Grantor had voluntarily elected to prepay the principal sum evidenced by the Note and/or the Loan Agreement.

SECTION 3.09. Grantor hereby waives and relinquishes unto, and in favor of Beneficiary, all benefit under all laws, now in effect or hereafter passed, to relieve Grantor in any manner from the obligations assumed and the obligation for which this Trust Deed is security or to reduce the amount of the said obligation to any greater extent than the amount actually paid for the Mortgaged Property, in any judicial proceedings upon the said obligation, or upon this Trust Deed.

SECTION 3.10. Neither Grantor nor any other person now or hereafter obligated for payment for all or any part of the indebtedness secured hereby shall be relieved of such obligation by reason of the failure of Beneficiary to comply with any request of Grantor or of any other person so obligated to take action to foreclose on this Trust Deed or otherwise enforce any provisions hereof or of the Note or under the Loan Agreement or by reason of the release, regardless of consideration, of all or any part of the security held for the indebtedness secured hereby, or by reason of any agreement of stipulation between any subsequent owner of the Mortgaged Property and Beneficiary extending the time of payment or modifying the terms hereof without first having obtained the consent of Grantor or such other person; and in the latter event Grantor and all other such persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Beneficiary.

SECTION 3.11. By accepting or approving anything required to be observed, performed or fulfilled or to be given to Beneficiary pursuant to this Trust Deed, including (but not limited to) any certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal or insurance policy, Beneficiary shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Beneficiary.

SECTION 3.12. Beneficiary may from time to time, without notice to Grantor or to the Trustee, and with or without cause and with or without the resignation of the Trustee substitute a successor or successors to the Trustee named herein or acting hereunder to execute this trust. Upon such appointment and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon the Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written document executed by Beneficiary, containing reference to this Trust Deed and its place of record, which when duly filed for record in the proper office, shall be conclusive proof of proper appointment of the successor Trustee. The procedure herein provided for substitution of the Trustee shall be conclusive of all other provisions for substitution, statutory or otherwise.

SECTION 3.13. None of the transactions contemplated by the Note, the Loan Agreement, the Guaranty or this Trust Deed (including, without limitation, the use of proceeds of the loan as evidenced by the Note and the Loan Agreement) will violate or result in the violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), 12 C.F.R., Chapter II. Grantor does not own or intend to carry or purchase any "margin security" within the meaning of said regulations. None of the loan proceeds as evidenced by the Note and the Loan Agreement will be used to purchase or carry (or refinance any borrowing, the proceeds of which were used to purchase or carry) any "security" within the meaning of the Securities Exchange Act of 1934, as amended.

SECTION 3.14. Grantor agrees to pay to Beneficiary or to the authorized loan servicing representative of Beneficiary a charge not to exceed Fifty dollars (\$50.00), or the maximum permitted by law, for any statement regarding the obligations secured by this Trust Deed requested by Grantor or on its behalf.

SECTION 3.15. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS GRANTED BY THIS TRUST DEED SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OREGON AND IN ALL OTHER RESPECTS THIS TRUST DEED SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPALS.

SECTION 3.16. Grantor shall pay to Beneficiary the maximum amount as may from time to time be permitted by law for furnishing in connection with the Obligations, each statement pursuant to any statute at the time then in force. Grantor shall pay Trustee's and Beneficiary's fees, charges and expenses for any other statement, information or services furnished by Trustee or Beneficiary in connection with the Obligations. Said services may include, but shall not be limited to, the processing by Trustee or Beneficiary of assumption, substitutions, modifications, extensions, renewals, subordinations, rescissions, changes of owner, recordation of map, plat or record of survey, grants of easements, and full and partial releases, and the obtaining by Beneficiary of any policies of insurance pursuant to any of the provisions contained in this Trust Deed.

SECTION 3.17. It is the intention of Grantor and Beneficiary to conform strictly to state and federal usury laws applicable to the payment of the Obligations and permitting the highest rate of interest. Accordingly, it is agreed that notwithstanding any provisions to the contrary in this instrument or in any of the instruments representing part or all of the Obligations or otherwise relating hereto, the aggregate of all interest and any other charges constituting interest under applicable law contracted for, chargeable or receivable under the Obligations or otherwise in connection herewith, shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for in this instrument or in any of the installments representing part or all of the Obligations or otherwise relating hereto, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither Grantor nor Grantor's heirs, legal representatives, successors or assigns or any other party liable for the payment of the Obligations shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law, (c) any excess shall be deemed a mistake and cancelled automatically and if theretofore paid, shall, at the option of the holder of the Obligations be refunded to Grantor or credited on the principal amount of the Obligations, and (d) the effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under such laws as now or hereafter exist as the same may now or hereafter be construed by courts of appropriate jurisdiction.

SECTION 3.18. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

SECTION 3.19. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY 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 BENEFICIARY TO BE ENFORCEABLE.

SECTION 3.20. Simultaneously with, and in addition to, the execution of this Trust Deed, Grantor, and/or related or affiliated entities of Grantor, has executed and delivered as security for the Note and Loan Agreement a mortgage, trust deed, or deed of trust on parcels of property which may or may not be outside the boundaries of this county. Grantor agrees that the occurrence of an Event of Default hereunder, or under any of such other mortgages or deeds of trust, shall be an Event of Default under each and every one of such mortgages and deeds of trust, including this Trust Deed, permitting Beneficiary to proceed against any or all of the property comprising the Mortgaged Property or against any other security for the Guaranty, the Note and the Loan Agreement in such order as Beneficiary, in its sole and absolute discretion may determine. Grantor hereby

waives, to the extent permitted by applicable law, the benefit of any statute or decision relating to the marshalling of assets which is contrary to the foregoing. Beneficiary shall not be compelled to release or be prevented from foreclosing this instrument or any other instrument securing the Guaranty, the Note and/or the Loan Agreement unless all indebtedness evidenced by the Note and/or the Loan Agreement and all items hereby secured shall have been paid in full and Beneficiary shall not be required to accept any part or parts of any property securing the Note and the Loan Agreement, as distinguished from the entire whole thereof, as payment of or upon the Note and/or the Loan Agreement to the extent of the value of such part or parts, and shall not be compelled to accept or allow any apportionment of the indebtedness evidenced by the Note and/or the Loan Agreement to or among any separate parts of said property.

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

"GRANTOR"

Daryl J. Kollman
DARYL J. KOLLMAN

Marta C. Kollman
MARTA C. KOLLMAN

STATE OF OREGON

COUNTY OF Klamath)
) ss.
)

This instrument was acknowledged before me on June 21, 1999, by
Daryl J. Kollman

Frances I. Johnson
 Notary Public for Oregon
 My commission expires 4/16/2002

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES)
) ss.
)

This instrument was acknowledged before me on JUNE 23, 1999, by
MARTA C. KOLLMAN



Victoria Jirikow
 Notary Public for California
 My commission expires SEPT. 26, 2002

EXHIBIT A

SAID LAND IS SITUATED IN THE COUNTY OF KLAMATH FALLS, STATE OF OREGON,
AND IS DESCRIBED AS FOLLOWS:

Lots 5, 6, 9, 10 and 11 in Block 1 of TRACT 1174, COLLEGE INDUSTRIAL PARK, according
to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

State of Oregon, County of Klamath
Recorded 8/06/99, at 11:22 A.M.
In Vol. M99 Page 31602
Linda Smith,
County Clerk Fee \$ 160.00