

RECORDING REQUESTED BY,  
AND WHEN RECORDED MAIL TO:

~~Stephen G. Jamieson, Esq.~~ *Ameri Title*  
~~2502 East Barnett Road~~ *2228.6th St.*  
~~Medford, OR 97504~~ *Klamath Falls, OR*  
*97601*

State of Oregon, County of Klamath  
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\_\_\_\_\_ SPACE ABOVE THIS LINE FOR RECORDER'S USE \_\_\_\_\_

**TRUST DEED**

This TRUST DEED is made and entered into this 1<sup>st</sup> day of May, 2002, by and among the following parties:

Grantor: **PELICAN BUTTE OIL, LLC**, an Oregon limited liability company having offices presently located in Jackson County, Oregon.

Trustee: **AMERITITLE**, whose address is 222 South Sixth Street, Klamath Falls, Oregon .

Beneficiary: **Roderick L. Slade, Trustee of the ELIZABETH A. SLADE MARITAL TRUST U.T.A.D. January 26, 1990**, of Klamath County, Oregon.

IN CONSIDERATION OF the respective promises being made by the parties in this Trust Deed, and in all related instruments and documents, the parties agree as follows:

1. Conveyance Of Property In Trust. The Grantor hereby irrevocably grants, bargains, sells, transfers, assigns and conveys to the Trustee, in trust with the power of sale, for the benefit of the Beneficiary, that certain real property located in Klamath County, Oregon which is described on Exhibit "A" attached hereto (the "Property"), together with any and all easements, tenements, hereditaments, rights of way and other rights and privileges now or hereafter appurtenant to that property.

2. Purpose Of Conveyance. The purpose of Grantor's conveyance of the Property to the Trustee shall be to secure: (i) performance by Grantor of each and every agreement of Grantor which is set forth in this Trust Deed, (ii) performance by Grantor of the obligation to assume and secure the release of Roderick L. Slade, the Elizabeth A. Slade Family Trust U.T.A.D. 1/26/90, and May Slade Oil Company from certain liabilities to Star Marketers Acceptance Corp. and South Valley State Bank in accordance with the requirements of Section 3 of that certain Earnest Money Contract with respect to the Property, of approximately even date herewith, between Grantor (as buyer) and Beneficiary (as seller), and (iii) performance by Grantor of the obligation to remove the lien of the "StarMark Trust Deed" against certain parcels of real property owned by Beneficiary and/or related parties in accordance with the requirements of Section 3 of that certain Earnest Money Contract with respect to the Property, of approximately even date herewith, between Grantor (as buyer) and Beneficiary (as seller).

3. Maturity Date Of This Trust Deed. The maturity date of this Trust Deed shall be the date on which all obligations of the Grantor, as those obligations are specified in Section 2, above, have been fully performed.

4. Grantor To Retain Control Of Property Until Default. Until the occurrence of an event of default with respect to this Trust Deed, Grantor shall have the right to remain in control of, operate, and manage the Property and collect and enjoy the rents, revenues, income, issues and profits therefrom.

5. Full Reconveyance. If and when Grantor shall have fully and satisfactorily performed all obligations of Grantor as set forth in Section 2, above, in strict accordance with the terms set forth and referred to therein, and shall have performed all of the covenants contained in this Trust Deed, then, upon written request from the Beneficiary and payment by Grantor of the Trustee's fees, and upon surrender of this Trust Deed to Trustee for cancellation, Trustee shall execute and deliver to Grantor, without warranty, a full reconveyance of the Property or any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto".

*6/26/02*

6. Warranty Of Title. Grantor warrants that it holds title to the Property in fee simple, free of all encumbrances other than the encumbrances described on Exhibit "B" attached hereto (hereinafter the "Permitted Encumbrances"). Grantor shall indemnify, defend and hold harmless Beneficiary from and against any and all third-party claim(s) which question Grantor's title to the Property or the interests of the Trustee or Beneficiary under this Trust Deed. With respect to any claim for which Beneficiary seeks indemnification under the preceding sentence, Beneficiary shall give written notice of the claim to Grantor as promptly as practicable after Beneficiary becomes aware of the claim. The notice shall set forth in reasonable detail the basis and nature of the claim. Grantor shall have ten (10) days after its receipt of the notice to notify Beneficiary in writing that the Grantor agrees to undertake, conduct and control, with legal counsel reasonably satisfactory to Beneficiary, the defense or settlement of the claim. If Grantor fails to acknowledge to Beneficiary the obligation of Grantor to defend or settle the claim within the requisite period, then Beneficiary shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle, the claim. Beneficiary shall at all times have the right to participate fully in such defense or settlement at its own expense, and Grantor will deliver (or cause to be delivered) to Beneficiary whatever instruments may be requested by Beneficiary from time to time to permit such participation by the Beneficiary.

7. Covenants And Agreements Of Grantor. Grantor hereby covenants and agrees as follows:

(a) Payment And Performance. Grantor will pay the debts and liabilities secured by this Trust Deed promptly when due and will strictly and punctually perform all additional obligations, covenants and agreements which are contained in this Trust Deed and in Section 3 of that certain Earnest Money Contract with respect to the Property, of approximately even date herewith, between Grantor (as buyer) and Beneficiary (as seller).

(b) Use, Maintenance And Alterations. Grantor shall maintain the Property in good condition and repair, and shall promptly perform all repairs and maintenance necessary to preserve the value of the Property. Grantor will not commit or suffer any waste of the Property. Grantor shall not demolish or remove any improvements now or hereafter constructed or located upon the Property, or make any alterations thereof which might reasonably be considered to decrease the value of the Property, without the prior written consent of Beneficiary, which consent shall not be withheld unreasonably. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Property; Grantor may contest in good faith any such law, ordinance or regulation, and may withhold compliance during any such contest (including appropriate appeals), so long as in the determination of Beneficiary and Trustee the interests of Beneficiary and Trustee in the Property are not jeopardized thereby. Beneficiary may require that Grantor provide a bond acceptable to (or other security acceptable to) Beneficiary during the period of any such contest.

(c) Liens, Taxes And Assessments. Grantor will pay prior to delinquency all taxes, assessments and other charges levied or assessed on or against the Property, or any part thereof. Grantor shall not permit any lien to be imposed upon or to remain upon the Property which is prior to or equal to the interest of Trustee hereunder (including but not limited to construction liens), other than the Permitted Encumbrances or liens for taxes or assessments which are not yet delinquent. If Trustee or Beneficiary shall so request, Grantor shall promptly furnish to Trustee and/or Beneficiary evidence of payment of real property taxes and assessments, and Grantor hereby authorizes the appropriate city or county official to deliver to Trustee and Beneficiary at any time a written statement of the taxes and assessments against the Property. Grantor may withhold payment of any contested taxes, assessments, claims or demands as long as in the determination of Beneficiary and Trustee the interests of Beneficiary and Trustee in the Property are not jeopardized thereby; in any contest Grantor shall, at Grantor's expense, defend itself, the Trustee and the Beneficiary, and shall satisfy any final adverse judgment before enforcement against the Property. Beneficiary may require that Grantor provide a bond acceptable to (or other security acceptable to) Beneficiary during the period of any such contest. Grantor shall defend the rights of Trustee and Beneficiary hereunder against any and all liens and encumbrances, and shall hold Trustee and Beneficiary harmless from all costs incurred in connection with such taxes, assessments, liens and encumbrances. If the Property is subjected to any lien which is not discharged within thirty (30) days from the date when the lien or notice of lien claim is filed, then Grantor shall, if so requested by Beneficiary or Trustee, deposit or cause to be deposited with Beneficiary cash (or a sufficient corporate surety bond or other security reasonably satisfactory to Beneficiary) in an amount adequate to provide for: (i) discharge of the lien, plus (ii) any interest, costs, attorney fees or other charges which could accrue as a result of foreclosure or sale. If Grantor fails to pay any tax, assessment, charge, lien or encumbrance as required under this paragraph, Beneficiary may, but shall not be required to, pay said amount, and the amount of that payment, together with interest thereon at the interest rate provided in the Loan Agreement and any costs or attorney fees incurred in connection therewith, shall be immediately payable by Grantor upon demand by Beneficiary, and until such payment is made by Grantor all such amounts shall be secured by the lien of this Trust Deed.

(d) Insurance. Grantor shall procure and maintain one or more policies of fire insurance, with a standard broad form extended coverage endorsement, covering all buildings, improvements, fixtures and personal property included within the Property, including additions thereto and replacements thereof, in an aggregate amount equal to the full replacement cost of those assets, or, if greater, in an aggregate amount sufficient to prevent Grantor or Beneficiary from becoming a coinsurer within the terms of the applicable policies. Grantor also shall procure and maintain one or more policies of insurance against environmental contamination, at a commercially reasonable premium and in an aggregate amount deemed reasonably adequate by Beneficiary to cover the costs of remediation of any environmental contamination which might occur with respect to the Property; the parties agree to use Beneficiary's pre-existing policy coverages as a baseline to determine the reasonable adequacy of Grantor's coverage. Beneficiary shall have the right to approve or disapprove the insurance company providing such policies, and the form of such policies, under a commercial reasonableness standard. Grantor shall deliver to Beneficiary a certificate of coverage from the insurer(s) issuing the policies which contains a stipulation that coverage will not be canceled or diminished without a minimum of thirty (30) days advance written notice to the Beneficiary. Grantor shall deliver to Beneficiary, at least thirty (30) days prior to the expiration of any such insurance policies, a certificate showing the placement of renewal or substitute policies of insurance. In the event of any loss which might be covered by insurance, Grantor immediately shall notify Beneficiary, and proof of loss may be made by Beneficiary, if not made promptly by Grantor. In the event of any casualty other than environmental contamination, Grantor shall, within sixty (60) days after receipt of the insurance proceeds with respect to that casualty, elect in writing whether to apply the proceeds for the purpose of restoring or replacing the damaged portion of the Property; if Grantor elects not to restore or replace all or part of the damaged portion of the Property, then the portion of the insurance proceeds not expended for restoration or replacement shall be transferred to Beneficiary and applied against the indebtedness evidenced by the Promissory Note; if Grantor elects to repair or restore the Property, then any portion of the insurance proceeds which, within ninety (90) days after receipt, has not been paid for such repair or restoration shall be delivered to Beneficiary and applied against the indebtedness evidenced by the Promissory Note. If Grantor fails to provide, maintain, keep in force or deliver to Beneficiary the policies of insurance required by this paragraph, then Beneficiary may, but shall not be required to, procure such insurance covering Beneficiary's interests, and Grantor thereafter will be obligated to pay all premiums thereon promptly upon demand by Beneficiary; until such payment is made by Grantor, the amount of all such premiums shall be secured by the lien of this Trust Deed. In the event of any foreclosure of this Trust Deed or other transfer of title or assignment of the Property in extinguishment (in whole or in part) of the debts secured hereby, all right, title and interest of Grantor in and to all policies of insurance required by this paragraph shall inure to the benefit of and shall pass to the successor-in-interest to Grantor, or to the purchaser or grantee of the Property. All insurance policies required by this paragraph shall name Beneficiary as loss payee with a loss payable endorsement acceptable to Beneficiary.

(e) Eminent Domain. If all or any portion of the Property shall be taken by eminent domain or condemnation proceeding, or if Grantor shall receive notice of any such proceeding, then Grantor shall provide prompt written notice thereof to Beneficiary. If any condemnation or eminent domain proceeding is commenced, Grantor shall promptly take all steps necessary to defend that action and obtain a compensation award. Although Grantor may be the nominal party in any such action or proceeding, Beneficiary shall be entitled to participate in the action or proceeding and to be represented therein and on any appeal therefrom (at Grantor's sole expense) by counsel of Beneficiary's choice, and Grantor will deliver (or cause to be delivered) to Beneficiary whatever instruments may be requested by Beneficiary from time to time to permit such participation by Beneficiary. If all or any portion of the Property shall be taken under power of eminent domain or condemnation, Beneficiary may elect to require that all or any portion of the monies payable as compensation for that taking (which are in excess of the amount required to pay all reasonable costs, expenses and attorney fees necessarily paid or incurred by Grantor in connection with the eminent domain or condemnation proceedings in trial or appellate courts) shall be paid to Beneficiary (without regard to whether the security of Beneficiary under this Trust Deed is impaired); Beneficiary shall apply those monies first against any reasonable costs, expenses and attorney fees necessarily paid or incurred by Beneficiary in the eminent domain or condemnation proceedings in trial and appellate courts, with the balance being applied upon the indebtedness secured by the lien of this Trust Deed. If Beneficiary does not elect to apply condemnation proceeds as provided in the preceding sentence, then the condemnation proceeds remaining after deducting all of Beneficiary's costs and expenses shall be applied to the restoration of the Property under whatever conditions Beneficiary, in its discretion, may deem appropriate.

(f) Environmental Covenants. Grantor will adhere to the highest customary standard of care in the wholesale and retail fuel distribution business so as to not unreasonably cause or permit any activities on the Property which directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic wastes or substances. Grantor agrees to provide written notice to Beneficiary immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been contaminated with hazardous or toxic

waste or substances originating on or about the Property. Grantor agrees to comply with all applicable "Environmental Laws" (as defined below) and to provide to Beneficiary, within a reasonable time after receipt, copies of any notice, pleading, citation, indictment, complaint, order, decree or other document from any source asserting or alleging a circumstance or condition which requires or may require a cleanup, removal, remedial action or other response by or on the part of Grantor under the Environmental Laws, or which seeks criminal or punitive penalties from Grantor for an alleged violation of the Environmental Laws. Grantor agrees to indemnify and hold harmless Beneficiary from and against any and all claims, demands, damages, costs, expenses, losses, liens, liabilities, penalties, fines, lawsuits and other proceedings, and attorney fees, which arise directly or indirectly from or out of, or are in any way connected with:

(i) any activities on the Property subsequent to the date of execution of this Trust Deed which directly or indirectly result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances, (ii) the discovery of hazardous or toxic waste or substances on the Property, or the discovery of hazardous or toxic waste or substances on any other property, which shall have become contaminated as a result of activities on the Property subsequent to the date of execution of this Trust Deed, or (iii) the cleanup of hazardous or toxic waste or substances from the Property, or the cleanup of hazardous or toxic waste or substances from any other property, which shall have become contaminated as a result of activities on the Property subsequent to the date of execution of this Trust Deed, (iv) any liability to any third party in connection with any violation of any of the Environmental Laws or other action by Grantor or its agents with respect to the Property, or any diminution in value of the Property caused by a violation of the Environmental Laws by Grantor or its agents. For purposes of this Trust Deed, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic wastes, hazardous or toxic material, hazardous, toxic or radioactive substance, or other similar term by any applicable federal, state or local statute, regulation or ordinance now or hereafter in effect (the "Environmental Laws"), including but not limited to the following: the Federal Resource Conservation and Recovery Act of 1979, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Clean Air Act, the Federal Water Pollution Control Act and Federal Clean Water Act of 1977, the Federal Insecticide Fungicide and Rodenticide Act, the Federal Toxic Substances Control Act, the Federal Safe Drinking Water Act, the Northwest Interstate Compact on Low Level Radioactive Waste Management, Chapter 466 of the Oregon Revised Statutes, regulations of the Environmental Protection Agency, regulations of the Nuclear Regulatory Commission, and regulations of any State Department of Natural Resources or State Environmental Protection Agency now or at any time hereafter in effect. The terms of, and the indemnity provided by, this paragraph shall survive any termination, satisfaction, assignment or judicial or nonjudicial foreclosure of this Trust Deed, or delivery of a deed in lieu of foreclosure, and repayment of all amounts secured hereby.

(g) Access Covenants. Beneficiary has represented to Grantor that, as of the date of execution of this Trust Deed, the Property is in compliance with applicable requirements of the Americans with Disabilities Act of 1990 (including but not limited to, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities), the Fair Housing Amendments Act of 1988, all other federal and state and local laws and ordinances related to disabled access, and all rules, regulations, and orders issued pursuant thereto, all as amended from time to time (collectively the "Access Laws"). Grantor agrees that, at all times subsequent to the date of execution of this Trust Deed, the Property shall strictly comply with the applicable requirements of the Access Laws. At any time Beneficiary may require Grantor to provide a certificate of compliance with the Access Laws and indemnification in a form reasonably acceptable to Beneficiary. Beneficiary may also require a certificate of compliance with the Access Laws from an architect, engineer, or other third party acceptable to Beneficiary in the event of a transfer of the Property upon foreclosure or otherwise or if Beneficiary has reasonable cause to believe that the Property is not in compliance. Grantor agrees to give prompt notice to Beneficiary of any claim of violation of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with any Access Laws. Grantor shall indemnify and hold harmless Beneficiary from and against any and all claims, demands, damages, costs, expenses, losses, liabilities, penalties, fines, and other proceedings, including but not limited to reasonable attorney fees and expenses arising directly or indirectly from or out of or in any way connected with any failure of the Property to comply with any of the Access Laws subsequent to the date of execution of this Trust Deed. The obligations and liabilities of Grantor under this section shall survive any termination, satisfaction, assignment or judicial or nonjudicial foreclosure of this Trust Deed, or delivery of a deed in lieu of foreclosure, and repayment of all amounts secured hereby.

(h) Inspection Rights. Grantor shall allow Beneficiary and its agents the opportunity to enter upon the Property at all reasonable times for the purpose of inspecting the Property and for the purpose of performing any of the acts which Beneficiary is authorized to perform under the terms of this Trust Deed.

8. Events Of Default. For purposes of this Trust Deed, the following shall constitute events of default: (i) the failure by Grantor to pay, on or before the due date therefor (or, if later, the expiration of any applicable grace period), any payment required under the Promissory Note issued by Grantor to Beneficiary, or any payment of taxes or

insurance premiums required under this Trust Deed, or any other payment which is necessary to prevent the filing of, or to obtain the discharge of, any lien against the Property, or any other payment which is necessary in order to prevent the breach of any provision of this Trust Deed; or (ii) the failure of Grantor to fully perform any covenant, agreement or obligation required of Grantor under this Trust Deed (other than a covenant to make payment) or required of Grantor under Section 3 of that certain Earnest Money Contract with respect to the Property, of approximately even date herewith, between Grantor (as buyer) and Beneficiary (as seller), within thirty (30) days after receipt of written notice specifying Grantor's failure to perform that covenant, agreement or obligation; provided, however, that if the failure to perform shall be such that it cannot reasonably be corrected within the thirty (30) day period, and if within that thirty (30) day period Grantor submits to Trustee a written request that Trustee grant an additional specified period of time within which to cure such failure, then Trustee shall not unreasonably refuse to grant that request (as long as there is then no other uncured event of default outstanding under the Promissory Note issued by Grantor to Beneficiary which is secured by this Trust Deed), and Grantor thereafter shall not be deemed to be in default with respect to that particular failure if corrective action with respect to that failure is instituted by Grantor within the original thirty (30) day period, is diligently pursued until the failure is corrected, and is completed within the additional period of time granted by Trustee.

9. Remedies Upon Default. If any event of default shall occur, Beneficiary and/or Trustee shall have the right to exercise any and all of the following rights and remedies, in addition to any other remedies which might be available at law, in equity or otherwise:

(a) The right to declare all sums secured by this Trust Deed to be immediately due and payable.

(b) The right to take possession of all or any portion of the Property, either through a court appointed receiver or as a lender-in-possession, and to preserve and protect the Property and to operate the Property preceding foreclosure or sale, and to apply the proceeds derived from operating and administering the Property (over and above the cost of such administration and operation) against the indebtedness secured by this Trust Deed. The court appointed receiver or the lender-in-possession may serve without bond if permitted by law. Beneficiary's right to have a court appointed receiver appointed or to take possession of the Property as a lender-in-possession shall exist regardless of whether the apparent value of the Property exceeds the indebtedness secured hereby. Grantor hereby irrevocably consents to the appointment of a court appointed receiver or the taking possession of the Property by Beneficiary as a lender-in-possession on the terms set forth herein. Employment by Beneficiary shall not disqualify a person from serving as receiver. Upon taking possession of all or any part of the Property, the court appointed receiver or Beneficiary as lender-in-possession may: (i) use, operate, manage, control and conduct business with respect to the Property; (ii) make expenditures for all maintenance, renewals, replacements, alterations, additions and improvements to the Property as in its judgment are proper; (iii) insure and reinsure the Property against all risks incidental to possession, operation and maintenance of the Property; (iv) collect any and all revenues and income from the Property and apply such sums to the expenses of use, operation and management in whatever priority it deems appropriate; (v) cancel or terminate any lease or agreement for any cause for which Grantor would be entitled to cancel the same; (vi) extend or modify any lease or make any new lease with respect to any portion of the Property, and any such instruments as extended or modified shall be binding upon Grantor and all persons whose interests in the Property are subordinate to this Trust Deed, and upon the purchaser or purchasers at any foreclosure sale; (vii) complete any construction in progress with respect to the Property, and pay any bills, borrow funds, employ contractors, and make any changes in plans or specifications as it deems appropriate; (viii) borrow such sums as it deems necessary for the purposes stated in this paragraph, if the revenues and income derived from operation of the Property are insufficient to pay such expenses; any amounts so borrowed shall bear interest from the date of expenditure until repaid at the same rate as is accruing on such borrowing, and shall become a part of the balance secured by this Trust Deed and shall be payable by Grantor on demand; (ix) obtain a deficiency judgment (subject to any limitations imposed by law) if the net sale proceeds of any foreclosure sale are insufficient to pay the entire unpaid indebtedness secured hereby; (x) exercise any other right or remedy available under law. Beneficiary agrees to take possession of all or a portion of the Property as a lender-in-possession (rather than through a court-appointed receiver) only if and when Beneficiary reasonably believes that remedy to be necessary to the adequate protection of Beneficiary's financial interests under this Trust Deed.

(c) The right to foreclose this Trust Deed by civil action as a mortgage.

(d) Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Property by advertisement and sale under applicable law, as follows:

(i) If Beneficiary directs Trustee to foreclose this Trust Deed by advertisement and sale, and if

the requirements of ORS 86.735 shall have been satisfied by Beneficiary or Trustee, then Trustee shall fix the time and place of sale, give notice thereof as then required by law, and proceed to foreclose this Trust Deed in the manner provided in ORS 86.705 to 86.795.

(ii) After Trustee has commenced foreclosure by advertisement and sale, and at any time prior to five (5) days before the date Trustee conducts the sale, Grantor or any other person so privileged by ORS 86.753 may cure the default. If the default consists of a failure to pay, when due, sums secured by this Trust Deed, then the default may be cured by paying the entire amount due at the time of the cure (other than whatever portion thereof would not then be due had no default occurred). Any other default that is capable of being cured may be cured by tendering the performance required under this Trust Deed and the Promissory Note issued by Grantor to Beneficiary. In any event, the person effecting the cure shall, in addition to curing the default or defaults, pay to Beneficiary all costs and expenses actually incurred in enforcing the obligation of this Trust Deed, together with trustee fees and attorney fees not exceeding the amounts provided by law.

(iii) If the default is not cured as provided in subparagraph (ii), then the advertised sale shall be held on the date and at the time and place designated in the notice of sale, or at the time and place to which the sale may be postponed as provided by law. Trustee may sell the Property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding Trustee but including Grantor and Beneficiary, may purchase at the sale.

(iv) If the Trustee sells by advertisement and sale as provided herein, Trustee shall apply the proceeds of sale: (i) first, to pay the expenses of sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney; (ii) second, to pay all other amounts owed by Grantor, the payment of which is secured by this Trust Deed; and (iii) third, to all persons having recorded liens subsequent to the interest of the Trustee under the Trust Deed, as their interest may appear in the order of their priority; and (iv) the surplus, if any, shall be paid to the Grantor, or to any successor in interest entitled to such surplus.

(e) The right to pursue any other right or remedy, either at law or in equity, which the Beneficiary may have.

10. Application Of Proceeds. All proceeds received from the exercise of the rights and remedies under Paragraph 9, other than foreclosure by advertisement and sale, shall be applied as follows: (i) first, to pay the cost of exercising those rights and remedies, including the costs of any sale, the costs and expenses of any receiver or lender-in-possession, and attorney fees and other expenses incurred in connection with any actions reasonably taken by Beneficiary in exercising its rights and remedies with respect to the default; (ii) second, to pay all other amounts owed by Grantor, the payment of which is secured by this Trust Deed; and (iii) the surplus, if any, shall be paid to the clerk of the court in the case of foreclosure by judicial proceeding or, in any other case, shall be paid to the person or persons legally entitled thereto.

11. Grantor To Indemnify And Pay All Costs Of Enforcement. If Beneficiary and/or Trustee shall take any action, judicial or otherwise, to foreclose this Trust Deed, or if Beneficiary and/or Trustee shall be required to appear in any proceeding to protect and maintain the priority of Trustee's title to the Property, then Trustee and/or Beneficiary shall be entitled to recover from Grantor all reasonable expenses which are incurred in taking that action, including but not limited to costs incurred in searching records, the cost of title reports and surveyor's reports, appraisal fees, trustee fees, court costs, and attorney fees (whether incurred in a suit or action or any appeals from a judgment or decree therein, or in connection with bankruptcy proceedings or any non-judicial action). Grantor, upon demand, shall indemnify and hold harmless Beneficiary and/or Trustee from and against, and shall reimburse Beneficiary and/or Trustee for, attorney fees and expenses so incurred, with interest from the date of expenditure until repaid as provided in the Promissory Note.

12. Notice. Any notice to be given or document to be delivered under this Trust Deed shall be given in writing and shall be effective either when delivered in person or when deposited as registered or certified mail, postage pre-paid, addressed to the last-known address of the party entitled to receive the notice. Notwithstanding the preceding sentence, any notice pursuant to the exercise of Trustee's power of sale in the event of default shall be sufficient if that notice complies with all provisions of Oregon law applicable to the exercise of such powers of sale. Any party may designate a new or different address by notice to the other parties.

13. Successor Trustee. Beneficiary may, from time to time, appoint a successor or successors to any trustee named herein or to any successor trustee appointed hereunder. Upon appointment of a successor trustee, the successor trustee shall become vested with all title, powers and duties conferred upon Trustee herein named (without any requirement of conveyance of the Property to the successor trustee). Each such appointment and substitution of a successor trustee shall be made by written instrument executed by Beneficiary, which, when recorded in the mortgage records of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor trustee.

14. No Waiver. Beneficiary shall not be deemed to have waived any rights under this Trust Deed or under any promissory note issued by Grantor to Beneficiary unless such waiver is in writing and signed by Beneficiary. No delay or omission on the part of Beneficiary in exercising any right shall operate as a waiver of that right or any other right. A waiver by Beneficiary or Trustee of a provision of this Trust Deed shall not constitute a waiver of, and shall not prejudice that party's right to otherwise demand strict compliance with, any other provision of this Trust Deed. The waiver or granting of consent by Beneficiary in any one instance shall not constitute a continuing waiver or consent with respect to any subsequent instance where such consent is required. If, upon the occurrence of any default with respect to Grantor's obligations hereunder, Beneficiary shall enter upon and take possession of the Property and/or shall collect rents and profits with respect to the Property, said action(s) by Beneficiary shall not cure or waive that default. By accepting payment of any sum secured hereby after its due date, Beneficiary shall not waive the right either to require prompt payment when due of all other sums secured hereby, or to declare a default for failure to make prompt payment when due of all sums secured hereby. The collection of rents, issues and profits or the proceeds of fire or other insurance policies or compensation or awards for any taking or damage of the Property, or the application or release thereof, shall not cure or waive any default or notice of default hereunder, or invalidate any act done pursuant to such notice.

15. No Obligation Of Notice By Trustee. Trustee shall not be obligated to notify any party hereto of any pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless brought by Trustee.

16. Miscellaneous.

(a) This Trust Deed and the Promissory Note issued by Grantor to Beneficiary shall be deemed to be the entire, final and complete agreement of the parties with respect to the subject matter hereof, and shall supersede, replace and integrate all of the written and oral agreements of the parties previously made or now existing in any form. Any modifications, amendments or supplements to this Trust Deed shall be executed in writing and signed by all of the parties. If any provision of this Trust Deed shall be determined to be void by any court of competent jurisdiction, then that determination shall not affect any other provisions of this Trust Deed, and all such other provisions shall remain in full force and effect. It is the intention of the parties that if any provision of this Trust Deed is capable of two constructions, only one of which would render the provision valid, then the provision shall have the meaning which renders it valid.

(b) All references to "attorney fees" in this Trust Deed and the Promissory Note shall include attorney fees incurred before trial, at trial, on any appeal, in any bankruptcy proceeding, and in any nonjudicial proceeding. The captions set forth in this Trust Deed are for reference purposes only, and shall not be considered in construing the meaning of the terms and conditions hereof. If the context so requires, the singular shall mean and include the plural, and vice versa. The term "Beneficiary" shall mean the holder and owner, including pledgee, of the obligations secured hereby, whether or not specifically named as "Beneficiary" herein. Grantor warrants that the proceeds of the loan represented by the Promissory Note are for business or commercial purposes.

(c) This Trust Deed shall be governed by, construed and enforced in accordance with the laws of the state of Oregon. Any legal proceedings with respect to this Trust Deed shall be filed in the appropriate court in Klamath County or Jackson County, Oregon, and each of the parties hereby irrevocably submits to the jurisdiction of the Circuit Court of Klamath County and Jackson County, Oregon.

(d) All rights and remedies provided under this Trust Deed are cumulative to one another and to all other rights and remedies under the Promissory Note and under applicable law or in equity, and no exercise of any one right or remedy shall in any manner operate to prejudice or impair any other right or remedy provided at law or in equity.

(e) There shall be no merger of the interest or estate created by this Trust Deed with any other interest

or estate in the Property at any time held by or for the benefit of Beneficiary in any capacity, without Beneficiary's express written consent to that merger.

(f) This Trust Deed shall be binding upon, and shall inure to the benefit of, the successors and assigns of Grantor, Trustee, and Beneficiary.

(g) Time is of the essence in all matters relating to this Trust Deed.

(h) All obligations secured by this instrument, irrespective of the maturity dates expressed therein or herein, shall, at the option of Beneficiary, become immediately due and payable in the event Grantor shall either agree to, attempt to, or actually sell, convey, or assign all or any part of the Property, or all or any part of Grantor's interest in the Property, without first obtaining the written consent or approval of Beneficiary.

GRANTOR, having read all of the provisions of this Trust Deed, hereby agrees, as of the date first above written, to each and all the terms hereof.

GRANTOR: PELICAN BUTTE OIL, LLC

By [Signature]  
Authorized agent of Grantor  
Title: Member/manager

By [Signature]  
Authorized agent of Grantor  
Title: member

STATE OF OREGON )  
County of Klamath ) ss.



Personally appeared before me this 1<sup>st</sup> day of May, 2002, Robert D. George, in his/her capacity as Member/Manager of Pelican Butte Oil, LLC, and acknowledged the foregoing instrument on behalf of Pelican Butte Oil, LLC.

[Signature]  
Notary Public for Oregon  
My Commission Expires: 11/16/2003

STATE OF OREGON )  
County of Jackson ) ss.

Personally appeared before me this 7<sup>th</sup> day of May, 2002, Paula M George, in his/her capacity as member of Pelican Butte Oil, LLC, and acknowledged the foregoing instrument on behalf of Pelican Butte Oil, LLC.

[Signature]  
Notary Public for Oregon  
My Commission Expires: \_\_\_\_\_

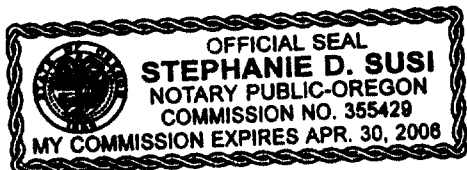


EXHIBIT "B" TO TRUST DEED

**PERMITTED ENCUMBRANCES**

1. Subject to any unrecorded leases and tenancies, if any.

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## EXHIBIT "A" TO TRUST DEED

**PROPERTY DESCRIPTION**

The parcel of real property located in Klamath County, Oregon which is commonly identified as 865 Spring Street, Klamath Falls, Oregon, and is more particularly described as follows, together with all buildings, improvements and fixtures constructed and existing thereon, and all appurtenances related thereto and easements benefiting said land:

Lots 17, 18 and 19 in Block 19 of Second Railroad Addition to the City of Klamath Falls, according to the official plat thereon on file in the office of the County Clerk at Klamath County, Oregon.

Unofficial  
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