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Vol M02 Page 47711

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10-68634

TRUST DEED
SECURITY AGREEMENT ✓
ASSIGNMENT OF LEASES AND RENTS ✓
AND
FIXTURE FILING ✓

State of Oregon, County of Klamath
Recorded 08/23/2002 3:02 p m.
Vol M02, Pg 47711-21
Linda Smith, County Clerk
Fee \$ 7/00 # of Pgs 11

FROM: Robert W. Henderson (Grantor)
TO: Western Pioneer Title Company (Trustee)
IN FAVOR
OF: Wende E. Wiper (Beneficiary)
DATE: August 23, 2002

1. **Definitions.** As used herein, the following terms shall have the following meanings:

1.1 **Awards.** All awards and payments made or hereafter to be made by any municipal, county, state, federal or other governmental body or any other entity having the power of eminent domain to Grantor, including any awards and payments for any taking of all or a portion of the Real Property, as a result of, or by agreement in anticipation of, the exercise of the right of condemnation or eminent domain.

1.2 **Beneficiary.** The Beneficiary named above and the Beneficiary's heirs, legal representatives, successors and assigns, and the holder(s), from time to time, of the Note.

1.3 **Beneficiary's Address.**

Wende Wiper
1780 N. Juno, Apt. G
Anaheim, CA 92804

With copy to:

Charles Wiper, Jr.
P. O. Box 3462
Sunriver, OR 97707

1.4 **Environmental Laws.** All state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment.

1.5 **Event of Default.** Any of the happenings and occurrences described in paragraph 4 of this Trust Deed.

1.6 **Fixtures.** To the extent of Grantor's interest therein, all fixtures now or at any time hereafter attached to or used in any way in connection with the operation, use or occupation of the Real Property, including, without limitation, all machinery and equipment, furniture and furnishings, screens, awnings, storm windows and doors, window shades, floor coverings, shrubbery, plants, boilers, tanks, furnaces, radiators, fire prevention and extinguishing apparatus, security and access control apparatus, communications apparatus, all heating, lighting, plumbing, gas, electric, ventilation, refrigerating, air conditioning and incinerating equipment of whatever kind and nature, all of which are hereby declared and shall be deemed to be fixtures and accessory to the fee and part of the Real Property as between

Trust Deed, Security Agreement, Assignment of Leases
and Rents, and Fixture Filing - 1

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+15
86'

the parties hereto, their heirs, legal representatives, successors and assigns and all persons claiming by, through or under them.

1.7 Grantor. The Grantor(s) named above and their heirs, legal representatives and assigns.

1.8 Grantor's Address.

P.O. Box 35
CRESCENT LAKE, OR 97425

1.9 Hazardous Substances. This term is used in its very broadest sense and refers to materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The term shall include, without limitation, petroleum products or crude oil or any fraction thereof and any and all hazardous or toxic substances, materials or wastes as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, or any other of the Environmental Laws.

1.10 Improvements. All buildings and other improvements and all additions thereto and alterations thereof now, or at any time hereafter, located upon the Land or any part thereof.

1.11 Impositions. All real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges, and other governmental charges and any interest or costs or penalties with respect thereto, and charges for any easement or agreement maintained for the benefit of the Real Property which at any time prior to or after the execution of this Trust Deed may be assessed, levied or imposed upon the Real Property, or the rent or income received therefrom, or any use or occupancy thereof, and any other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Grantor or any of Grantor's properties.

1.12 Indebtedness. The principal and interest and all other amounts due under the Note, including damages for breach thereof.

1.13 Land. The property described on attached Exhibit A.

1.14 Leases. Any and all leases, subleases, licenses or grants of other possessory interests now or hereafter in force, oral or written, covering or affecting the Real Property, or any part thereof, together with all rights, powers, privileges, options and other benefits of Grantor thereunder.

1.15 Note. The promissory note made by Grantor, payable to Beneficiary, dated this date, in the amount of \$328,600, the final payment of which, if not sooner paid, is due August 1, 2007, as may be extended, renewed, modified or amended, and including any adjustments in interest, principal, and payment terms.

1.16 Obligations. Any and all of the covenants, promises and other obligations (other than the Indebtedness) made or owing by Grantor to or due to Beneficiary under this Trust Deed, and any and all extensions, renewals, modifications and amendments thereof.

1.17 Personalty. The following:

1.17.1 All estate, right, title, interest, claims or demands and other general intangibles now or in the future relating to the Real Property, including but not limited to, all insurance, and proceeds thereof, which Grantor now has or may in the future acquire with respect to the Real Property or any items of personal property described herein, and all present or future refunds or rebates of taxes or assessments on the Real Property or any item of personal property described herein, and all Awards;

1.17.2 Present or future plans, specifications, contracts and agreements for construction of improvements on the Land and all surveys, soil tests and other inspections and reports relating to the Real Property;

1.17.3 All equipment, furniture, and trade fixtures (other than the Fixtures and notwithstanding the inclusion of such items in the definition of Fixtures) owned by Grantor and now or at any time hereafter located in, upon or about the Land and the Improvements, including, without limitation, personal property required for the maintenance and operation of the Real Property;

1.17.4 All replacements and substitutions of and additions to the foregoing; and

1.17.5 All proceeds and products of the foregoing.

1.18 Real Property. The Land, the Improvements, the Fixtures, the Leases and the Rents, together with:

1.18.1 All rights, privileges, permits, licenses, tenements, hereditaments, rights-of-way, easements, appendages and appurtenances of the Land belonging or in any way appertaining thereto and all right, title and interest of Grantor in and to any streets, ways, alleys or strips adjoining the Land or any part thereof;

1.18.2 All mineral, oil and gas rights and profits, water and water rights appurtenant to the Land; and

1.18.3 All the estate, right, title, interest, claim or demand whatsoever of Grantor, either at law or in equity, in and to the Land, the Improvements, the Fixtures, the Leases and the Rents.

1.19 Rents. All of the rents, revenues, income, profits, deposits, tenders and other benefits payable under any Leases or otherwise arising from the use and enjoyment of all or any portion of the Real Property.

1.20 Security Agreement. The security agreement described in paragraph 3.

1.21 Trust Deed. This Trust Deed, Security Agreement, Assignment of Leases and Rents and Fixture Filing, which shall be recorded in real estate records of the county in which the Land is situated.

1.22 Trustee. The person named as such in the preamble of this Trust Deed, and, if a corporation, its successors, and any successor trustee appointed by Beneficiary.

2. Grant. To secure payment of the Indebtedness and performance and discharge of the Obligations, Grantor hereby grants, bargains, sells and conveys and assigns to Trustee, in trust for Beneficiary, with power of sale, the Real Property.

3. Security Agreement and Assignment of Leases and Rents.

3.1 Security Agreement. This Trust Deed shall constitute a "security agreement" within the meaning of, and shall create a security interest under, the Oregon Uniform Commercial Code, in the Personalty, the Fixtures, the Leases, the Rents and any other items or part of the Real Property which, under applicable law, may be subject to a security interest pursuant to the Oregon Uniform Commercial Code.

3.2 Security Interest Granted. Grantor hereby grants to Beneficiary a security interest in the Personalty, the Fixtures, the Leases, the Rents and any other items or part of the Real Property which, under applicable law, may be subject to a security interest pursuant to the Oregon Uniform Commercial Code, and Beneficiary shall have all the rights with respect thereto afforded to it by the Oregon Uniform Commercial Code, in addition to, but not in limitation of, the other rights afforded Beneficiary this Trust Deed. Grantor agrees to execute and deliver to Beneficiary, upon

Beneficiary's request, any financing statements, as well as extensions, renewals and amendments, and shall pay all costs of filing such financing statements and extensions, renewals, amendments and determinations.

3.3 Assignment of Leases and Rents. To further secure the Note and payment of the Indebtedness and the observance, performance and discharge of the Obligations, Grantor hereby absolutely and irrevocably assigns and transfers to Beneficiary, all of Grantor's right, title and interest in and under the Leases and in the Rents. Grantor hereby appoints Beneficiary as Grantor's true and lawful attorney-in-fact, with the right, at Beneficiary's option at any time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in Grantor's or Beneficiary's name, for all Rents. Notwithstanding this assignment of Leases and Rents, as long as no Event of Default has occurred, Grantor shall have the right to collect, retain and enjoy all Rents. This assignment shall not be deemed or construed to constitute Beneficiary or Trustee as a mortgagee in possession nor obligate Beneficiary or Trustee to take any action or to incur any expense or perform or discharge any obligation, duty or liability.

3.4 Fixture Filing. With respect to the Fixtures, this Trust Deed shall serve as a fixture filing pursuant to the Oregon Uniform Commercial Code.

4. Covenants. Until the entire Indebtedness has been paid in full, Grantor covenants and agrees as follows:

4.1 Compliance with Laws. Grantor will promptly and faithfully comply with, conform to and obey all present and future laws, ordinances, rules, regulations and requirements of every duly constituted governmental authority or agency and of every Board of Fire Underwriters having jurisdiction, or similar body exercising similar functions, which may be applicable to it or to the Real Property, or any part thereof, or to the use or manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Real Property, or any part thereof, whether or not such law, ordinance, rule, order, regulation or requirement necessitates structural changes or improvements or interferes with the use or enjoyment of the Real Property.

4.2 Payment of Impositions. Grantor will duly pay and discharge, or cause to be paid and discharged, the Impositions. Installments thereof shall be paid prior to the day before any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment thereof.

4.3 Repair. Grantor will keep the Real Property and Personalty in good order and condition and make all necessary or appropriate repairs, replacements and renewals thereof, and will use Grantor's best efforts to prevent any act or thing which might impair the value or usefulness of the Real Property or the Personalty. Grantor shall not make any alterations or additions to the Improvements or remove any of the Improvements if such alterations, additions or removal would impair the value of the Real Property.

4.4 Waste. Grantor shall not commit or suffer any waste of the Real Property and shall not cut or remove from the Real Property any standing timber without Beneficiary's prior written consent.

4.5 Defense of Property. Grantor shall give notice in writing to Beneficiary, and unless otherwise directed in writing by Beneficiary, appear in and defend any action or proceeding purporting to affect the Real Property and Personalty, including, without limitation, matters pertaining to land use, zoning and Environmental Laws and Hazardous Substances.

4.6 Environmental Laws. Grantor shall cause the Real Property and all operations on the Real Property to comply with all Environmental Laws and orders of any governmental authorities having jurisdiction under any Environmental Laws. Grantor shall exercise extreme care in handling Hazardous Substances and shall undertake any and all preventive, investigatory or remedial action (including emergency response, removal, containment and other remedial action) which is either required by any applicable Environmental Laws or orders by any governmental authority having jurisdiction under Environmental Laws, or necessary to prevent or minimize property damage (including, without limitation, damage to Grantor's own property), personal injury or damage to the environment or the threat of any such damage or injury, by releases of or exposure to Hazardous Substances in connection with the Real Property or operations on the Real Property. In the event Grantor fails to perform any of Grantor's obligations under this paragraph,

Beneficiary may, but shall not be required to, perform such obligations at Grantor's expense. In performing any such obligations of Grantor, Beneficiary shall at all times be deemed to be the agents of Grantor and shall not by reason of such performance be deemed to be assuming any responsibility of Grantor under any Environmental Law or to any other third party. Any time Beneficiary requests, Grantor shall provide to Beneficiary further assurance of Grantor compliance with this paragraph. The assurances shall be in a form and substance satisfactory to Beneficiary, in Beneficiary's sole discretion, and may include, but not be limited to, Grantor providing Beneficiary an environmental audit or assessment from a source acceptable to Beneficiary at Grantor's expense.

4.7 Disposition of Personalty and Fixtures. Grantor shall not sell, exchange, lease or otherwise dispose of all or substantially all of the Personalty or Fixtures or suffer or permit any lien, levy or attachment thereon or security interest therein or financing statement to be filed with reference thereto, superior in right to that of Beneficiary. This restriction shall not be construed to prevent Grantor from selling or otherwise disposing of items of the Personalty or Fixtures in anticipation of replacement thereof. Grantor may grant purchase money security interests in the replacement items. Proceeds of items of the Personalty or Fixtures sold and not replaced within 30 days of such sale shall be paid to Beneficiary and applied in the manner provided in paragraph 7.2.

4.8 Insurance Required. Grantor shall obtain and continuously maintain throughout the term of this Trust Deed insurance upon the Improvements, Fixtures and Personalty against loss by fire and other casualties as are normally and usually covered by special extended coverage or "all-risk" policies in effect in the locality where the Land is situated and such other risks as may be reasonably specified by Beneficiary, from time to time, in amounts and with insurers reasonably acceptable to Beneficiary, but not less than the replacement value of the Improvements, Fixtures and Personalty, with coverage for increased costs of construction and increased building code requirements. Such policy or policies of insurance shall name Beneficiary as additional insured, and shall require at least 30 days' notice to Beneficiary before cancellation, expiration or material change. Each policy required by these provisions shall contain an "agreed amount endorsement" or similar provision that will prevent loss of coverage or reduction in proceeds due to the operation of a co-insurance or contribution clause. For purposes of these provisions, replacement value shall be equal to the full cost of replacing the Improvements, Fixtures and Personalty. Grantor shall provide Beneficiary with a copy of all insurance policies required by these provisions, or certificates thereof, satisfactory to Beneficiary and shall, from time to time, upon request of Beneficiary, furnish a statement of Grantor of the amounts of insurance maintained in compliance with these provisions, the risks covered by such insurance, the insurance company or companies which carry such insurance and evidence that the premiums thereon have been paid.

4.9 Restoration Following Casualty. In the event of any casualty resulting in damage to or loss or destruction of the Improvements, Fixtures or Personalty, Grantor shall give prompt notice thereof to Beneficiary, and Grantor shall promptly restore, repair or replace the damaged, lost or destroyed property to a value and condition that is equal to or better than the value and condition existing immediately prior to such damage, loss or destruction.

4.10 Application of Insurance Proceeds. If at the time of damage to or loss or destruction of the Improvements, Fixtures or Personalty, for which proceeds are payable under Grantor's insurance policies, an Event of Default has occurred and is continuing or an event has occurred and is continuing which with the passage of time or the giving of notice would constitute an Event of Default, then all insurance proceeds shall be applied in the same manner specified in paragraph 7.2. Otherwise, the proceeds may be used by Grantor for repair, replacement or restoration of damaged, lost or destroyed Improvements, Fixtures or Personalty for which the proceeds have been paid or are payable. Beneficiary may require the proceeds be deposited or held in such a manner as to reasonably insure their application by Grantor for restoration, repair or replacement.

4.11 Lease Agreements. Grantor will promptly perform all covenants and agreement under any Leases and any other agreements to which it is a party with respect to the Real Property or any part thereof, and will use its best efforts to enforce and secure the performance of each and every obligation and undertaking of any and all Leases. Grantor shall exercise sound business judgment with respect to the above or the execution or any terminations, modifications or extensions of any Leases.

4.12 Payment of Rents. Grantor agrees that the lessees under any Lease, upon notice from Beneficiary of an Event of Default, shall thereafter pay to Beneficiary the Rents due and to become due under any Lease without any obligation to determine whether or not an Event of Default does in fact exist. Until the occurrence of an Event of Default, Grantor shall be entitled to collect Rents as and when they become due and payable, but not more than three months in advance.

4.13 Inspection. Beneficiary shall have the right, individually or through agents, at all reasonable times to inspect the Real Property and Personalty.

4.14 Indemnification. Grantor shall indemnify and hold Beneficiary and Beneficiary's agents, legal representatives, heirs, successors and assigns harmless against any and all claims, demands, losses, liabilities, costs and expenses (including, without limitation, attorney fees at trial and on any appeal or petition for review) arising out of or in any way related to or affecting the Real Property or Personalty or Grantor's use thereof, including, but not limited to, any such claims, demands, losses, liabilities, cost and expenses (a) arising out of or relating to any investigatory or remedial action involving the Real Property and the operations conducted on the Real Property and required by Environmental Laws or by orders of any governmental authority having jurisdiction under any Environmental Laws, (b) on account of injury to any person or damage to any property arising out of common connection with or in any way relating to the violation of any Environmental Laws, the use, treatment, storage, generation, manufacture, transport, release, spill, disposal or other handling of Hazardous Substances on the Real Property or in connection with operations, or the contamination of any of the Real Property by Hazardous Substances by any means whatsoever. The covenants contained in this paragraph shall survive the payment of the Indebtedness and reconveyance of this Trust Deed and shall survive delivery of a deed in lieu of foreclosure to Beneficiary and any foreclosure, whether judicial or nonjudicial, of the Real Property by Beneficiary, and shall be for the benefit of Beneficiary, as holder of any security interest in the Real Property or the Indebtedness, or as owner of the Real Property following foreclosure or the delivery of a deed in lieu of foreclosure.

4.15 Books and Records. Grantor will maintain full and complete books of account and other records relating to the Real Property and Personalty, and shall furnish or cause to be furnished to Beneficiary such financial data and other information, including, without limitation, copies of any Leases, as Beneficiary may, from time to time, reasonably request. Beneficiary shall have the right, at reasonable times and upon reasonable advance notice, to examine and make copies of Grantor's records and books of account which pertain to the Real Property and Personalty.

4.16 Awards. Grantor will file and prosecute Grantor's claim or claims for any Awards in good faith and with due diligence and cause the same to be collected and paid over to Beneficiary to the extent permitted pursuant to paragraph 7.

4.17 Licenses. Grantor shall keep in full force and effect all licenses, permits and other governmental approvals which are necessary for the operation of the Real Property, and shall furnish evidence satisfactory to Beneficiary that the Real Property and the use thereof comply with all applicable zoning and building laws, regulations and ordinances.

4.18 Construction Liens. Grantor shall not permit or suffer any construction or similar lien on any of the Real Property, except as such liens may be filed in the normal course by contractors, materialmen and the like. Grantor shall remove or cause the removal of all such liens by payment of amounts due on account thereof. If Grantor desires to contest any such lien, immediately following the filing of the claim of lien. Grantor shall post a bond necessary for its removal.

4.19 Representation and Warranties of Grantor. Grantor hereby represents and warrants to Beneficiary that Grantor has the right to grant this Trust Deed and the Security Agreement and to assign the Leases and Rents to Beneficiary and that the Real Property is being used for commercial or investment purposes.

4.20 Liability Insurance. Grantor shall at all times maintain a comprehensive general liability insurance policy covering personal injury, death and property damage with a combined single limit liability of not less than

\$1,000,000. Grantor shall provide evidence of such coverage at the execution of this Trust Deed and at such other time as requested by beneficiaries. Beneficiary shall be named as additional insured on Grantor's liability policy.

5. Events of Default. Each of the following shall be an Event of Default.

- 5.1 The failure of Grantor to pay any portion of the Indebtedness when it is due.
- 5.2 The failure of Grantor within the time required by this Trust Deed to make any payment for Impositions, insurance or other payment necessary to prevent filing of or discharge of any lien.
- 5.3 The failure of Grantor to make any payment or perform any obligation under any superior lien or encumbrance, within the time required under such lien or encumbrance, or commencement of any action to foreclose any superior or inferior lien or encumbrance.
- 5.4 The seizure of the Real Property or Personalty by any governmental agency.
- 5.5 The sale, conveyance, transfer or other disposition of the Real Property, or any part thereof, or any interest therein, including the transfer of possessory rights therein, directly or indirectly, either voluntarily, involuntarily or by operation of law, by contract, deed or otherwise, without Beneficiary's prior written consent, which consent may be withheld in the exercise of Beneficiary's sole discretion.
- 5.6 The insolvency of Grantor; abandonment of the Real Property, or any parcel or portion thereof; an assignment by Grantor for the benefit of creditors; the filing by Grantor of a voluntary petition in bankruptcy or an adjudication that Grantor is bankrupt; the appointment of a receiver for the property of Grantor; or the filing of an involuntary petition in bankruptcy and the failure of Grantor to secure the dismissal of the petition within 30 days after filing. Any Event of Default under this paragraph 5.5 shall apply and refer to Grantor, any guarantor of the Indebtedness, and to each of the individuals or entities which are collectively referred to as "Grantor."
- 5.7 In the event Grantor encumbers or suffers an encumbrance superior to the lien granted herein of any of the Real Property.
- 5.8 The failure of Grantor to observe or perform any of the Obligations, other than as specified in this paragraph 5, within 15 days after notice from Beneficiary specifying the nature of the deficiency. No notice of default and opportunity to cure shall be required if during the prior 12 months Beneficiary has already sent a notice to Grantor concerning a deficiency in performance of this same obligation.

6. Remedies. Upon the occurrence of any Event of Default, Beneficiary may exercise any one or more of the following remedies:

- 6.1 Acceleration. Declare the unpaid portion of the Indebtedness to be immediately due and payable.
- 6.2 Foreclosure. Foreclose this Trust Deed, either in equity as a mortgage in the manner provided by law for mortgage foreclosures, or nonjudicially by directing the Trustee to foreclose this Trust Deed by advertisement and sale in the manner provided by law.
- 6.3 UCC Remedies. Exercise any and all remedies available to Beneficiary under the Oregon Uniform Commercial Code with respect to the Security Agreement.
- 6.4 Receiver. Beneficiary shall be entitled, as a matter of right, without notice and ex parte, and without regard to the value or occupancy of the security, or the solvency of Grantor or the adequacy of the Real Property and Personalty as security, to have a receiver appointed to enter upon and take possession of the Real Property and Personalty, collect the Rents therefrom, and apply the same as the court may direct. Any receiver appointed may serve without bond. Beneficiary shall not be disqualified to serve as receiver. The receiver may take possession of, and for

these purposes use, any and all Personalty. The expense of the receivership (including counsel fees and other costs) shall be secured by this Trust Deed.

6.5 Remedies Cumulative and Concurrent. The rights and remedies of Beneficiary as provided in the Note and this Trust Deed shall be cumulative and concurrent and may be pursued separately, successively, or together against Grantor or against other obligers, or against the Real Property or Personalty, or any one or more of them, at the sole discretion of Beneficiary, and may be exercised as often as occasion therefore shall arise.

6.6 Nonwaiver. The election of Beneficiary not to exercise any option or remedy which they may have under this Trust Deed with respect to any Event of Default shall not be deemed a waiver of Beneficiary's right to exercise such rights or options as to any proceeding or subsequent Event of Default, nor shall it be deemed a waiver with respect to that Event of Default or any other remedy available to Beneficiary under this Trust Deed, the Note or applicable law.

7. Condemnation.

7.1 Grantor hereby assigns to Beneficiary all rights of Grantor to any Award or payment in respect to the following:

7.1.1 Any taking of all or a portion of the Real Property as a result of, or by agreement in anticipation of, the exercise of the right of eminent domain;

7.1.2 Any such taking of any appurtenances to the Real Property or of any areas or projections outside the boundaries of the Land, or rights in, under or above the alleys, streets or avenues adjoining the Land, or rights and benefits of light, air, view or access to such alleys, streets or avenues or for the taking of space or rights therein, below the level of, or above the Land; and

7.1.3 Any damage to the Real Property or any part thereof due to governmental action, not resulting in a taking of any portion of the Real Property, such as, without limitation, the changing of the grade of any street adjacent to the Land.

Grantor hereby agrees to file and prosecute Grantor's claim or claims for any such Award, or payment in good faith and with due diligence and cause the same to be collected and paid over to Beneficiary, and hereby irrevocably authorizes and empowers Beneficiary, in the name of Grantor or otherwise, to collect and receipt for any such Award or payment and, in the event Grantor fails to act, or in the event that an Event of Default has occurred and is continuing to file and prosecute such claim or claims.

7.2 Application of Proceeds. All proceeds received by Beneficiary with respect to a taking pursuant to paragraph 7.1 shall be applied as follows, in the order of priority indicated:

7.2.1 To reimburse Beneficiary for all costs and expenses, including reasonable attorney fees incurred in connection with collecting the proceeds;

7.2.2 To Grantor for the purpose of and to the extent necessary for repair or restoration of Land and/or Improvement damaged by the taking, to the extent the Award includes sums for such damage;

7.2.3 To the payment of accrued and unpaid interest on the Note;

7.2.4 To the prepayment of unpaid principal of the Note; and

7.2.5 To the payment of the balance of the Indebtedness.

7.2.6 The balance, if any, will be paid to Grantor.

8. Miscellaneous.

8.1 Beneficiary's Right to Act. Upon an Event of Default, Beneficiary may, at Beneficiary's option and without waiver of the default, perform the same on behalf of Grantor. Expenditures made or charges incurred by Beneficiary for the foregoing purposes shall be paid by Grantor to Beneficiary immediately upon demand and shall be secured by this Trust Deed. Any such expenditures made or charges incurred by Beneficiary which are not immediately repaid shall bear interest at the rate, or default rate, if any, whichever is higher, specified in the Note, from the date paid or incurred by Beneficiary until repaid. Beneficiary may, at Beneficiary's option, bring an action to collect all or any part of such expenditures without foreclosing this Trust Deed and without affecting Beneficiary's right to foreclose judicially or nonjudicially at any future time. Beneficiary shall not be required to inquire into the validity of any lien, encumbrance or claim in advancing monies as authorized by this paragraph. Nothing herein shall require Beneficiary to advance monies for any purpose or to do any other act, and Beneficiary shall not incur any personal liability because of Beneficiary's action or inaction under this paragraph.

8.2 Attorney Fees and Costs. In the event any action or proceeding is instituted to enforce or interpret any of the terms of this Trust Deed or the Note, including, but not limited to, any action or participation by Grantor or Beneficiary in, or in connection with, a case or proceeding under the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to recover all expenses reasonably incurred at, before and after trial and on appeal and review, whether or not taxable as costs, including, without limitation, attorney fees (including estimated fees to collect a judgment entered in favor of the prevailing party) witness fees (expert and otherwise), deposition costs, copying charges and other expenses. Whether or not any court action is involved, all reasonable expenses, including, but not limited to, costs of searching records, obtaining title reports or appraisals, survey reports, title insurance, trustee fees, and attorney fees, incurred by Beneficiary that are necessary or advisable at any time in Beneficiary's opinion for the protection of Beneficiary's interest or enforcement of Beneficiary's rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until paid at the default interest rate provided in the Note or if the Note contains no default rate, then at the interest rate provided for in the Note.

8.3 Time of Essence. Time is of the essence in the payment of the Indebtedness and the Performance of the Obligations under and secured by this Trust Deed.

8.4 Reconveyance. When the Indebtedness is paid in full and the Obligations are fully performed, observed and discharged, Beneficiary shall request Trustee to reconvey the Real Property, and shall surrender this Trust Deed and the Note and terminate Beneficiary's security interest in the Personalty, Fixtures and Leases. The conveyance by the Trustee and the termination of the security interest will be at Beneficiary's expense.

8.5 Successor Trustee. In accordance with applicable law, Beneficiary may, from time to time, appoint a successor to Trustee or any successor trustee. Upon such appointment and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon Trustee herein.

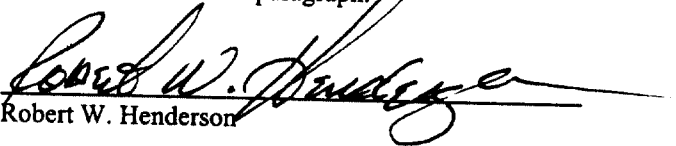
8.6 Applicable Law. This Trust Deed and the Note shall be governed by and construed according to the laws of the state of Oregon.

8.7 Interpretation. In interpreting this Trust Deed, the singular shall include the plural. If Grantor consists of more than one person or entity, each such person and entity shall be jointly and severally liable to pay the Indebtedness and perform the Obligations.

8.8 Severability. In case any one or more of the Obligations shall be invalid, illegal or unenforceable in any respect, the validity of the Note and remaining Obligations shall be in no way affected, prejudiced or disturbed thereby.

8.9 Modification. This Trust Deed may not be changed, waived, discharged or terminated orally, but only by an instrument or instruments in writing, signed by the party against which enforcement of the change, waiver, discharge or termination is asserted.

8.10 Notices. Whenever any notice is required by the terms of this Trust Deed or by any law, such notice shall be deemed given when personally delivered, or upon deposit in the United States mail, postage fully prepaid, certified, return receipt requested, addressed to the party to whom the notice is directed at the address specified in Paragraph 1 of this Trust Deed (or in the event an address is not specified, to the last known address of the party), or such other address as either party may specify by notice given in accordance with this paragraph.


Robert W. Henderson

STATE OF OREGON)
) ss.
County of Lane)

This instrument was acknowledged before me on August 16 2002 by Robert W. Henderson.



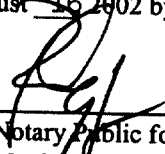

Notary Public for Oregon
My Commission Expires: _____

EXHIBIT "A"

DESCRIPTION OF PROPERTY

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

Parcel 1: A parcel of land located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 1, Township 24 South, Range 6 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at a point on the Section line common to Sections 1 and 6, said point bears S. 00°05'12" W., 748.21 feet from the Northeast corner of said Section 1; thence N. 89°04'11" W. 72.34 feet to a point; thence S. 16°19'55" E. 255.91 feet to a point; thence N. 00°05'12" E. 244.41 feet to the point of beginning, with bearings based on Survey #3065.

Parcel 2: That portion of Government Lot 14, Section 6, Township 24 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, lying Northeasterly of State Highway No. 58.