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Vol M02 Page 72752

WHEN RECORDED RETURN TO:
M. Todd Haynie III
Haynsworth Sinkler Boyd, P.A.
P.O. Box 11889
Columbia, South Carolina 29211

State of Oregon, County of Klamath
Recorded 12/13/2002 2:18 P.m.
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Linda Smith, County Clerk
Fee \$ 146 # of Pgs 23

STATE OF OREGON

COUNTY OF KLAMATH

Aspen Title Escrow #56189

**COMMERCIAL TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

C 3 INVESTMENTS, INC., an Oregon corporation,
whose address is 220 Church Street, Suite 101, Mt. Pleasant, South Carolina 29464
Grantor

ASPEN TITLE & ESCROW, INC.
whose address is 525 Main Street, Klamath Falls, Oregon 97601
Trustee

THE NATIONAL BANK OF SOUTH CAROLINA,
whose address is Post Office Box 1457, Columbia, South Carolina 29202
Beneficiary

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND
FIXTURE FILING (this "Trust Deed") is for the real property located at 2521 South 6th Street,
Klamath Falls, Oregon and described in the attached Exhibit A.

The maximum principal amount under the Promissory Note due and owing from Grantor
to Beneficiary is \$5,720,000. The maturity date on said Promissory Note is two (2) years from
the execution date of said note and the tax account number for the real property subject to the
instrument is R-3909-004AA-03200-000, Key Nos. R530875, R530866, R530857, R530848,
R530839, R530820, and R530802.

72753

**COMMERCIAL TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this "Trust Deed") is made as of the 13th day of December, 2002, by C 3 INVESTMENTS, INC., an Oregon corporation (hereinafter "Grantor"), to ASPEN TITLE & ESCROW, INC., having its office at 525 Main Street, Klamath Falls, Oregon 97601 (hereinafter "Trustee"), for the benefit of THE NATIONAL BANK OF SOUTH CAROLINA (hereinafter "Beneficiary").

WHEREAS, Grantor is indebted to Beneficiary in the principal sum of up to TWO MILLION EIGHT HUNDRED SIXTY THOUSAND DOLLARS (\$2,860,000.00), together with interest thereon, as evidenced by that certain promissory note of even date herewith, executed by Grantor and delivered to Beneficiary, the final payment of which is due two (2) years after the date of this Trust Deed, which by reference is made a part hereof to the same extent as though set out in full herein (hereinafter referred to as the "Note");

WHEREAS, as a condition of the loan to Grantor, Beneficiary has required, and Grantor has agreed to execute and deliver, this Trust Deed.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.01 below, Grantor irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of the Beneficiary, with power of sale and right of entry and possession, all of Grantor's right, title, and interest in the following:

(A) THE LAND. All the land (the "Land") described in Exhibit A attached hereto and made a part hereof.

(B) THE IMPROVEMENTS. TOGETHER WITH all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all fixtures, machinery, appliances, equipment, furniture, and personal property of every nature whatsoever now or hereafter owned by Grantor and located in or on, or attached to, or used or intended to be used in connection with or with the operation of, the Land, buildings, structures or other improvements, including all extensions, additions, improvements, betterments, renewals and replacements to any of the foregoing and all of the right, title and interest of Grantor in and to any such personal property or fixtures subject to any lien, security interest or claim together with the benefit of any deposits or payments now or hereafter made by Grantor or on its behalf (the "Improvements").

(C) EASEMENTS OR OTHER INTERESTS. TOGETHER WITH all easements, rights of way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the property hereinabove described, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Grantor, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law as well as in equity, of Grantor of, in and to the same, including but not limited to all judgments, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the property described in paragraphs (A), (B) and (C) hereof or any part thereof

under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the property described in paragraphs (A), (B) and (C) hereof or any part thereof, or to any rights appurtenant thereto, and all proceeds of any sales or other dispositions of the property described in paragraphs (A), (B) and (C) hereof or any part thereof.

(D) ASSIGNMENTS OF RENTS. TOGETHER WITH all rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof to be applied against the indebtedness and other sums secured hereby; provided, however, that permission is hereby given to Grantor so long as no default has occurred hereunder, to collect, receive, take, use and enjoy such rents, royalties, issues, profits, revenue, income and other benefits as they become due and payable, but not in advance thereof. The foregoing assignment shall be fully operative without any further action on the part of either party and specifically Beneficiary shall be entitled, at its option upon the occurrence of a default hereunder, to all rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof whether or not Beneficiary takes possession of the property described in paragraphs (A), (B) and (C) hereof. Upon any such default hereunder, the permission hereby given to Grantor to collect such rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof shall terminate and such permission shall not be reinstated upon a cure of the default without Beneficiary's specific consent. Neither the exercise of any rights under this paragraph by Beneficiary nor the application of any such rents, royalties, issues, profits, revenue, income or other benefits to the indebtedness and other sums secured hereby, shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant hereto or to any such notice, but shall be cumulative of all other rights and remedies.

(E) ASSIGNMENT OF LEASES. TOGETHER WITH all right, title and interest of Grantor in and to any and all leases now or hereafter on or affecting the property described in paragraphs (A), (B) and (C) hereof, together with all security therefor and all monies payable thereunder; subject, however, to the conditional permission hereinabove given to Grantor to collect the rentals under any such lease. The foregoing assignment of any lease shall not be deemed to impose upon Beneficiary any of the obligations or duties of Grantor provided in any such lease, and Grantor agrees to fully perform all obligations of the lessor under all such leases. Upon Beneficiary's request, Grantor agrees to send to Beneficiary a list of all leases covered by the foregoing assignment, and as any such lease shall expire or terminate or as any new lease shall be made, Grantor shall so notify Beneficiary in order that Beneficiary shall at all times have a current list of all leases affecting the property described in paragraphs (A), (B) and (C) hereof. Beneficiary shall have the right, at any time and from time to time, to notify any lessee of the rights of Beneficiary as provided by this paragraph. From time to time, upon request of Beneficiary, Grantor shall 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 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.

This instrument constitutes an absolute and present assignment of the rents, royalties, issues, profits, revenue, income and other benefits from the Trust Property to Beneficiary, subject to the right of Grantor to collect, receive, take, use and enjoy the same as provided hereinabove; provided, further, that the existence or exercise of such right of Grantor shall not operate to subordinate this assignment to any subsequent assignment, in whole or in part, by Grantor, and any such subsequent assignment by Grantor shall be subject to the rights of Beneficiary hereunder.

(F) FIXTURES AND PERSONAL PROPERTY. TOGETHER WITH a security interest in (i) all personal property and fixtures now or hereafter acquired and affixed to or located on the property described in paragraphs (A), (B) and (C) hereof which, to the fullest extent permitted by law shall be deemed fixtures and a part of the real property, (ii) all articles of personal property now or hereafter acquired and all materials delivered to the property described in paragraphs (A), (B) and (C) hereof (including such property for use in any construction being conducted thereon) and owned or leased by Grantor, including, but not limited to, all equipment, furniture, furnishings, inventory, apparatus, machinery, motors, elevators, fittings, radiators, ranges, refrigerators, awnings, shades, screens, blinds, carpeting, office equipment and other furnishings and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment and fixtures and appurtenances thereto and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are or shall be attached to said Land and Improvements in any manner, (iii) all existing and future choses in action and claims of every nature whatsoever related to the Land or the Improvements, including without limitation claims related to design or construction defects or otherwise concerning the condition of the Land or the Improvements, claims arising from damage to the Land or the Improvements caused by the acts of third parties, and claims for injury to the operation of the Land or the Improvements or diminution of the revenues derived therefrom arising from the acts of third parties, (iv) all leases of personal property, accounts, contract rights, instruments, chattel paper, cash, rights to withdraw cash, general intangibles, actions and rights in action now or hereafter acquired pertaining to the Trust Property, including all rights to insurance proceeds, and (v) all proceeds, products, replacements, additions, substitutions renewals and accessions of any of the foregoing. Grantor (Debtor) hereby grants to Beneficiary (Secured Party) a security interest in all fixtures, rights in action and personal property described herein. This Trust Deed is a self-operative security agreement with respect to such property, but Grantor agrees to execute and deliver on demand such other security agreements, financing statements and other instruments as Beneficiary may reasonably request in order to perfect its security interest or to impose the lien hereof more specifically upon any of such property. Grantor agrees to pay Beneficiary's charge, to the maximum amount permitted by law, for any statement by Beneficiary regarding the obligations secured by this Trust Deed requested by Grantor or on behalf of Grantor. On demand, Grantor will promptly pay all costs and expenses of filing financing statements, continuation statements, partial releases, and termination statements deemed necessary or appropriate by Beneficiary to establish and maintain the validity and priority of the security interest of Beneficiary, or any modification thereof, and all costs and expenses of any searches reasonably required by Beneficiary. Beneficiary may exercise any or all of the remedies of a secured party available to it under the Uniform Commercial Code (Oregon) with respect to such property, and it is expressly agreed in accordance with the provisions of the Uniform Commercial Code (Oregon), 10 days' notice by Beneficiary to Grantor shall be deemed to be reasonable notice under any provision of the Uniform Commercial Code (Oregon) requiring such notice; provided, however, that Beneficiary may at its option dispose of the collateral in accordance with Beneficiary's rights and remedies in respect to the real property pursuant to the provisions of this Trust Deed, in lieu of proceeding under the Uniform Commercial Code (Oregon).

Some of the items of property described herein are goods that are or are to become fixtures related to the real estate described herein, and it is intended that, as to those goods, this Trust Deed shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Land is located. Information concerning the security interest created by this instrument may be obtained from the Beneficiary, as Secured Party, or the Grantor, as Debtor, at the address first shown above

Everything referred to in paragraphs (A), (B), (C), (D), (E), and (F) hereof and any additional property hereafter acquired by Grantor and subject to the lien of this Trust Deed or intended to be so is herein referred to as the "Trust Property."

TO HAVE AND TO HOLD the Trust Property unto Trustee and the heirs, successors and assigns of Trustee, for the benefit of Beneficiary and its successors and assigns forever.

PROVIDED, ALWAYS, that if Grantor shall promptly pay or cause to be paid to Beneficiary the principal and interest payable under the Note, at the times and in the manner stipulated therein, herein, and in all other instruments securing the Note, all without any deduction or credit for taxes or other similar charges paid by Grantor, and shall keep, perform and observe all the covenants and promises in the Note, and any renewal, extension or modification thereof, and in this Trust Deed and in all other instruments securing the Note, to be kept, performed or observed by Grantor, then the lien and estate granted by this Trust Deed shall be reconveyed; otherwise, this Trust Deed shall remain in full force and effect.

To protect the security of this Trust Deed, Grantor hereby covenants and agrees as follows:

ARTICLE ONE

COVENANTS OF GRANTOR

1.01 Obligations Secured. This Trust Deed secures the following, collectively referred to as the "Obligations":

(a) The performance and observance by Grantor of all covenants and conditions contained in the Note, in any renewal, extension or modification thereof, in this Trust Deed and in all other instruments securing the Note;

(b) The repayment of all future advances and re-advances that may subsequently be made to Grantor by Beneficiary, evidenced by the aforesaid Note, and all modifications, renewals and extensions thereof (provided, however, that nothing contained herein shall create an obligation on the part of Beneficiary to make future advances or re-advances to Grantor) the maximum amount of all indebtedness outstanding at any one time secured hereby not to exceed twice the face amount of the Note, plus interest thereon, all charges and expenses of collection incurred by Beneficiary, including court costs, and reasonable attorneys' fees; and

(c) The payment and performance of any and all other indebtedness and obligations of Grantor to Beneficiary of any nature whatsoever, whether direct or indirect, primary or secondary, joint or several, liquidated or unliquidated, whenever and however arising, and whether or not reflected in a written agreement or instrument.

1.02 Performance of Note, Trust Deed, etc. Grantor shall perform, observe and comply with all provisions hereof, of the Note and of every other instrument securing the Note, and will promptly pay to Beneficiary the principal with interest thereon and all other sums required to be paid by Grantor under the Note and pursuant to the provisions of this Trust Deed and of every other instrument securing the Note when payment shall become due, all without deduction or credit for taxes or other similar charges paid by Grantor.

1.03 Warranty of Title. Grantor covenants and warrants that it is seized of an indefeasible estate in fee simple in the Land and real property hereby conveyed, has good and absolute title to all existing personal property hereby conveyed or made subject to the security interest hereby created and has good right, full power and lawful authority to convey and encumber the same as provided herein; that Beneficiary may, upon default and to the extent permitted by law, at all times peaceably and quietly enter upon, hold, occupy and enjoy the Land and real property hereby conveyed and every part thereof; that the Land, real

property and all existing personal property hereby conveyed or made subject to the security interest hereby created is free and clear of all liens, security interests, charges and encumbrances whatsoever, except for the lien for property taxes not yet due and payable and those permitted encumbrances described in Schedule B of the title insurance policy accepted by Beneficiary. Grantor shall and will make such further assurances to perfect fee simple title to the Land and the real property hereby conveyed, and the title to the personal property hereby conveyed or made subject to the security interest hereby created as may reasonably be required. Grantor fully warrants the title to the Land, real property and all existing personal property hereby conveyed or made subject to the security interest hereby created and every part thereof, and will forever defend the same against the claims of all persons whomsoever.

1.04 Zoning and Environmental Laws.

(a) Grantor covenants and warrants that all applicable zoning laws, ordinances and regulations affecting the Land permit the use and occupancy of the Improvements and further covenants and warrants to comply with all such laws, ordinances and regulations, including, but not limited to, all environmental and ecological laws, ordinances and regulations affecting the Trust Property or the use thereof. Without limiting the generality of the foregoing, Grantor warrants and represents to Beneficiary after thorough investigation that: (a) to the best of Grantor's knowledge, the Trust Property described herein is now and at all times hereafter will continue to be in full compliance with all federal, state and local environmental laws and regulations, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), Public Law No. 96-510, 94 Stat. 2767, 42 USC 9601 *et seq.*, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat. 1613, and any amendments thereto, and (b)(i) to the best of Grantor's knowledge, as of the date hereof there are no hazardous materials, substances, wastes or other environmentally regulated substances (including without limitation, any materials containing asbestos) located on, in or under the Trust Property or used in connection therewith, or (ii) Grantor has fully disclosed to Beneficiary in writing the existence, extent and nature of any such hazardous materials, substances, wastes or other environmentally regulated substances, which Grantor is legally authorized and empowered to maintain on, in or under the Trust Property or use in connection therewith, and Grantor has obtained and will maintain all licenses, permits and approvals required with respect thereto, and is in full compliance with all of the terms, conditions and requirements of such licenses, permits and approvals. Grantor further warrants and represents that it will promptly notify Beneficiary of any change in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the Trust Property or used in connection therewith, and will transmit to Beneficiary copies of any citations, orders, notices or other material governmental or other communication received with respect to any other hazardous materials, substances, wastes or other environmentally regulated substances affecting the Trust Property.

(b) Grantor shall indemnify and hold Beneficiary harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs), judgments and expenses (including attorneys' consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against Beneficiary as a direct or indirect result of any warranty or representation made by Grantor in the preceding paragraph being false or untrue in any material respect or any requirement under any law, regulation or ordinance, local, state or federal, which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances by Beneficiary, Grantor or any transferee of Grantor or Beneficiary.

(c) Grantor's obligations under this Section shall not be limited to any extent by the term of the Note secured hereby, and, as to any act or occurrence prior to payment in full and satisfaction of said Note which gives rise to liability hereunder, shall continue, survive and remain in full force and effect

notwithstanding payment in full and satisfaction of said Note and this Trust Deed or foreclosure under this Trust Deed, or delivery of a deed in lieu of foreclosure.

1.05 Taxes and Liens.

(a) Grantor shall pay or bond promptly, when and as due, and shall promptly exhibit to Beneficiary receipts for the payment of all taxes, assessments, rates, dues, charges, fees, levies, fines, impositions, liabilities, obligations and encumbrances of every kind whatsoever now or hereafter imposed, levied or assessed upon or against the Trust Property or any part thereof, or upon or against this Trust Deed or the indebtedness or other sums secured hereby, or upon or against the interest of Beneficiary in the Trust Property, as well as all income taxes, assessments and other governmental charges levied and imposed by the United States of America or any state, county, municipality, borough or other taxing authority upon or against Grantor or in respect of the Trust Property or any part thereof, and any charge which, if unpaid, would become a lien or charge upon the Trust Property prior to or equal to the lien of this Trust Deed before they become delinquent and before any interest attaches or any penalty is incurred.

(b) Grantor shall not permit or suffer more than thirty (30) days any mechanics', laborers' materialmen's, statutory or other lien upon any of the Trust Property.

(c) Beneficiary may, if it deems in its reasonable judgment that its security for the Note is impaired, require Grantor to deposit with Beneficiary on the first day of each month, in addition to making any required payments of principal and interest, until the Note is fully paid, an amount equal to one-twelfth (1/12) of the yearly taxes and assessments as estimated by Beneficiary to be sufficient to enable Beneficiary to pay at least thirty (30) days before they become due all taxes, assessments and other similar charges against the Trust Property or any part thereof. Such deposits shall not be, nor be deemed to be, trust funds, but may be commingled with the general funds of Beneficiary, and no interest shall be payable in respect thereof. Upon demand by Beneficiary, Grantor shall deliver to Beneficiary such additional monies as are required to make up any deficiencies in the amounts necessary to enable Beneficiary to pay such taxes, assessments and similar charges. In the event of a default under any of the terms covenants and conditions of the Note, this Trust Deed or any other instruments securing the Note to be kept, performed or observed by Grantor, Beneficiary may apply to the reduction of the sums secured hereby, in such manner as Beneficiary shall determine, any amount under this paragraph remaining to Grantor's credit.

(d) In the event of the enactment of any law by the State of South Carolina or the State of North Carolina, except for a change only in state income tax rates applicable to Beneficiary generally, after the date of this Trust Deed, deducting from the value of the Trust Property for the purpose of taxation any lien thereon, or imposing any liability upon Beneficiary, in respect of the indebtedness secured hereby, or changing in any way the laws now in force for the taxation of mortgages, or debts secured by mortgages, or the manner of collection of any such taxes, so as to affect this Trust Deed, Grantor shall pay any such obligation imposed on Beneficiary thereby (unless payment of such by Grantor is prohibited by law), and in the event Grantor fails to pay such obligation within thirty (30) days after written notice by Beneficiary, the whole of the indebtedness secured by this Trust Deed, together with the interest due thereon, shall, at the option of Beneficiary, become immediately due and payable.

1.06 Insurance.

(a) Grantor shall at its sole expense obtain for, deliver to and maintain for the benefit of Beneficiary, during the life of this Trust Deed, insurance policies with replacement cost endorsements, for the full insurable value, insuring the Trust Property against fire, extended coverage and such other insurable hazards, casualties and contingencies as Beneficiary may require including flood damage, earthquake damage and business interruption or loss of rental income protection, and shall pay promptly, when due, any premiums on such insurance policies and on any renewals thereof. The form of such policies, the coverages provided, and the companies issuing them, and the coverages provided shall be acceptable to Beneficiary. All such policies and renewals thereof shall be held by Beneficiary and shall contain a noncontributory mortgagee endorsement making losses payable to Beneficiary. The coverage under such policies shall be limited to the improvements now or hereafter located on the Trust Property. At least thirty (30) days prior to the expiration date of all such policies, renewals thereof satisfactory to Beneficiary shall be delivered to Beneficiary. Grantor shall deliver to Beneficiary receipts evidencing the payment of all premiums on such insurance policies and renewals. Delivery of the insurance policies and renewals thereof shall constitute an assignment to Beneficiary, as further security, of all unearned premiums. In the event of loss, Grantor will give immediate written notice to Beneficiary and Beneficiary may make proof of loss if not made promptly by Grantor. Upon sale under this Trust Deed or any other transfer of title to the property in extinguishment of the indebtedness and other sums secured hereby, all right, title and interest of Grantor in and to all insurance policies and renewals thereof then in force shall pass to the purchaser or grantee. Beneficiary may at any time at its own discretion procure and substitute for any and all of the insurance so held as aforesaid, such other policy or policies of insurance, in like amount, as it may determine without prejudice to the power of sale given hereunder should Grantor fail or refuse to keep said premises so insured.

(b) Grantor hereby assigns to Beneficiary all proceeds from any insurance policies, and Beneficiary is hereby authorized and empowered in its reasonable discretion to adjust or compromise any loss under any insurance policies on the Trust Property, and to collect and receive the proceeds from any such policy or policies. Each insurance company is hereby authorized and directed to make payment for all such losses directly to Beneficiary alone, and not to Grantor and Beneficiary jointly. In the event the Trust Property is entirely destroyed or is partially destroyed to the extent that restoration will in the opinion of Beneficiary cost in excess of One Hundred Thousand (\$100,000.00) Dollars, or in the event restoration costs will not exceed said amount but the conditions of the next sentence are not satisfied, all insurance proceeds shall, at the option of Beneficiary, be applied to the Note (first to expenses, then interest, and then principal) and the Note and all other amounts secured hereby shall, at the option of Beneficiary, become immediately due and payable. Notwithstanding any provisions of this Section to the contrary, (i) if the Trust Property is only partially destroyed to the extent that in the opinion of Beneficiary the Trust Property can be restored for a cost not to exceed One Hundred Thousand (\$100,000.00) Dollars; (ii) if in the opinion of Beneficiary the Trust Property as restored will produce an operating income to debt service ratio substantially the same as that used in underwriting the loan evidenced by the Note; (iii) if rental insurance or business interruption insurance is available in amounts sufficient to pay all payments due on the Note during restoration, or if Grantor makes some other provision satisfactory to Beneficiary for making all payments due on the Note during restoration; (iv) if all tenants agree in writing to remain on the Trust Property under their leases and, if applicable, any purchasers of the Trust Property or portions thereof agree in writing that their purchase contracts shall remain in effect; (v) if Beneficiary receives evidence satisfactory to it and its counsel that the Trust Property as restored will comply with all local zoning ordinances and building restrictions; and (vi) if Grantor covenants to make the necessary repairs and restoration and provides all additional funds necessary therefor, Beneficiary will make the insurance proceeds (less expenses incurred in collecting the same) available to Grantor for the purpose of such repair and restoration, disbursement of proceeds to be in accordance with Beneficiary's standard construction disbursement procedures. If

Beneficiary elects to restore the improvements, any balance of such monies after restoration shall, at the option of Beneficiary, either be applied toward the reduction of indebtedness and other sums secured hereby or be paid to Grantor. Beneficiary shall not be responsible for any failure to collect any insurance proceeds due under the terms of any policy regardless of the cause of such failure.

(c) Grantor shall at its sole expense obtain for, deliver to and maintain for the benefit of Beneficiary, during the life of this Trust Deed, liability insurance policies relating to the Trust Property, in such amounts, with such companies and in such form as may be reasonably required by Beneficiary. Beneficiary may require such policies to contain an endorsement, in form satisfactory to Beneficiary, naming Beneficiary as an additional insured thereunder. Grantor shall pay promptly, when due, any premiums on such insurance policies and renewals thereof. Grantor shall deliver to Beneficiary receipts evidencing the payment of all premiums on such insurance policies and renewals.

(d) Beneficiary may, in its sole discretion, require Grantor to deposit with Beneficiary on the first day of each month, in addition to making payments of regular installments of principal and interest, until the Note is fully paid, an amount equal to one-twelfth (1/12) of the yearly premiums for all insurance. Such deposits shall not be, nor be deemed to be, trust funds, but may be commingled with the general funds of Beneficiary, and no interest shall be payable in respect thereof. Upon demand by Beneficiary, Grantor shall deliver to Beneficiary such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable Beneficiary to pay such premiums when due. In the event of a default under any of the terms, covenants and conditions in the Note, this Trust Deed or any other instrument securing the Note to be kept, performed or observed by Grantor, Beneficiary may apply to the reduction of the sums secured hereby, in such manner as Beneficiary shall determine, any amount under this paragraph remaining to Grantor's credit and any refund of premium received from cancellation of any insurance policy by Beneficiary upon foreclosure of this Trust Deed.

1.07 Condemnation. In the event that by, or pursuant to, proper authority there is taken or condemned the entire Trust Property or any part thereof, under power of eminent domain exercised by any actual or quasi governmental authority or public utility, Grantor hereby assigns to Beneficiary any and all awards that may be given, made or due Grantor in any proceedings in connection therewith, and the amounts of such awards shall be applied by Beneficiary to the reduction of the indebtedness secured hereby, and Grantor agrees to execute any and all such further instruments of assignment of any and all such condemnation awards as may be required by Beneficiary to carry out the purposes of this Section. Grantor shall give written notice of such condemnation proceeding within ten (10) days of receipt of any service or process in connection therewith. In any condemnation proceedings against the Trust Property, Beneficiary hereby reserves, and Grantor hereby acknowledges, Beneficiary's right to institute or intervene in any such condemnation proceedings to assert said interest. In the event the entire Trust Property is taken or so much thereof that restoration will in the opinion of Beneficiary cost in excess of One Hundred Thousand (\$100,000.00) Dollars, or in the event restoration costs will not exceed said amount but the conditions of the next sentence are not satisfied, all condemnation proceeds shall, at the option of Beneficiary, be applied to the Note (first to expenses, then interest, and then principal) and the Note and all other amounts secured hereby shall, at the option of Beneficiary, become immediately due and payable. Notwithstanding any provisions of this Section to the contrary, (i) if the entire Trust Property is not taken and in the opinion of Beneficiary the Trust Property can be restored for a cost not to exceed One Hundred Thousand (\$100,000.00) Dollars; (ii) if in the opinion of Beneficiary the Trust Property as restored will produce an operating income to debt service ratio substantially the same as that used in underwriting the loan evidenced by the Note; (iii) if provision satisfactory to Beneficiary is made for making all payments due on the Note during restoration; (iv) if all tenants agree in writing to remain on the Trust Property under their leases and, if applicable, any purchasers of the Trust Property or portions thereof agree in writing that their purchase contracts shall remain in effect; (v) if Beneficiary receives evidence satisfactory to it and its counsel that the

Trust Property as restored will comply with all local zoning ordinances and building restrictions; and (vi) if Grantor covenants to make the necessary repairs and restoration and provides all additional funds necessary therefor, Beneficiary will make said award (less expenses incurred in collecting the same) available to Grantor for the purpose of such repair and restoration, disbursement of proceeds to be in accordance with Beneficiary's standard construction disbursement procedures. Any excess of the proceeds of the award over the cost of repair and restoration shall be applied to reduce the principal amount of the Note and accrued interest thereon.

1.08 Care of Trust Property.

(a) Grantor shall preserve and maintain the Trust Property in good condition and repair. Grantor shall not remove, demolish, materially alter or materially change the use of any building, structure or other improvement presently or hereafter on the Land without the prior written consent of Beneficiary, except as provided in the Loan Agreement. Grantor shall not permit, commit or suffer any waste, impairment or deterioration of the Trust Property or of any part thereof, and will not take any action which will increase the risk of fire or other hazard to the Trust Property or to any part thereof.

(b) Except as otherwise provided in this Trust Deed, no fixture, personal property or other part of the Trust Property shall be removed, demolished or altered, without the prior written consent of Beneficiary. Grantor may sell or otherwise dispose of, free from the lien of this Trust Deed, furniture, furnishings, equipment, tools, appliances, machinery, fixtures or appurtenances, which may become worn out, undesirable or obsolete only if they are replaced immediately with similar items of at least equal value which shall, without further action, become subject to the lien of this Trust Deed, except as otherwise provided in this Trust Deed.

(c) Beneficiary may enter upon and inspect the Trust Property at any reasonable time during the life of this Trust Deed.

(d) Grantor will promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Trust Property or any part thereof.

(e) If all or any part of the Trust Property shall be lost, damaged or destroyed by fire or any other cause, Grantor will give immediate written notice thereof to Beneficiary and, unless Beneficiary elects to apply available insurance proceeds to the Note instead of to restoration as permitted in Section 1.06(b) hereof, Grantor shall promptly restore the Trust Property to the equivalent of its original condition regardless of whether or not there shall be sufficient insurance proceeds therefor. If a part of the Trust Property shall be lost, physically damaged or destroyed through condemnation, unless Beneficiary elects to apply condemnation proceeds to the Note instead of to restoration as permitted in Section 1.07 hereof, Grantor will promptly restore, repair or alter the remaining property in a manner satisfactory to Beneficiary, regardless of whether condemnation proceeds are sufficient to pay for such restoration.

(f) If any work required to be performed under this Paragraph involves an estimated expenditure of more than one (1%) per cent of the face amount of the Note, no such work shall be undertaken until plans and specifications therefor, prepared by an architect or engineer satisfactory to Beneficiary, have been submitted to and approved in writing by Beneficiary.

1.09 Transfer of Trust Property. Grantor shall not sell, convey, transfer, lease (except for the rental of hotel rooms in the ordinary course of business) or further encumber any interest in or any part of the Trust Property, without the prior written consent of Beneficiary in its sole discretion. If any person should obtain any interest in all or any part of the Trust Property pursuant to the execution or enforcement

of any lien, security interest or other right, whether superior, equal or subordinate to this Trust Deed or the lien hereof, such event shall be deemed to be a transfer by Grantor. Grantor shall not, without the prior written consent of Beneficiary in its sole discretion, further assign the rents from the Trust Property, nor enter into any agreement or do any act (not in the ordinary course of business) to amend, modify, extend, terminate or cancel, accept the surrender, subordinate, accelerate the payment of rent, or change the terms of any renewal option of any lease now or hereafter covering such Trust Property or any part thereof. If Grantor is a limited liability company or a general or limited partnership, Grantor further covenants that no shareholder or partner, as applicable, shall transfer any stock or partnership interest in the Grantor without the prior written consent of Beneficiary in its sole discretion. This prohibition also applies to any transfer of interest by any shareholder or partner owning an interest in an entity that owns an interest, directly or indirectly, in Grantor. Any transfer in violation of this section shall be an Event of Default hereunder.

1.10 Further Assurances. At any time and from time to time, upon Beneficiary's request Grantor shall make, execute and deliver or cause to be made, executed and delivered to Beneficiary and, where appropriate, shall cause to be recorded or filed and from time to time thereafter to be rerecorded or refiled at such time and in such offices and places as shall be deemed desirable by Beneficiary any and all such further deeds of trust, instruments of further assurance, certificates and other documents as Beneficiary may consider necessary or desirable in order to effectuate, complete, enlarge in accordance with the Loan Agreement or perfect, or to continue and preserve the obligations of Grantor under the Note and this Trust Deed, and the lien of this Trust Deed as a first and prior lien upon all of the Trust Property, whether now owned or hereafter acquired by Grantor. Upon any failure by Grantor to do so, Beneficiary may make, execute, record, file, re-record or refile any and all such deeds of trust, instruments, financing statements, certificates and documents for and in the name of Grantor, and Grantor hereby irrevocably appoints Beneficiary the agent and attorney-in-fact of Grantor to do so.

1.11 After Acquired Property. The lien of this Trust Deed will automatically attach, without further act, to all after acquired property located in or on, or attached to, or used or intended to be used in connection with or with the operation of, the Trust Property or any part thereof.

1.12 Leases Affecting Trust Property. Grantor shall comply with and observe its obligations as landlord under all leases affecting the Trust Property or any part thereof. Grantor, if required by Beneficiary, shall furnish promptly to Beneficiary executed copies of all such leases now existing or hereafter created, all of which shall be in form and substance subject to the approval of Beneficiary. Grantor shall not, without the express written consent of Beneficiary, modify, surrender, terminate, or permit the termination of any such lease now existing or hereafter created, or permit or suffer an assignment or sublease, except in the ordinary course of business. Grantor shall not accept payment of rent more than one (1) month in advance without the prior written consent of Beneficiary.

1.13 Expenses. Grantor shall pay or reimburse Beneficiary for all costs, charges and expenses, including reasonable attorneys' fees (as defined in Section 3.13) and disbursements, and costs incurred or paid by Beneficiary in any action which is threatened, pending or completed or proceeding or in dispute in which Beneficiary is or might be made a party or appears as a party plaintiff or party defendant and which affects or might affect the Note, or the Trust Property or any part thereof, or the interests of Grantor or Beneficiary therein, including but not limited to the sale of the Trust Property pursuant to this Trust Deed or applicable law, condemnation involving all or part of the Trust Property or any action to protect the security hereof. All costs, charges and expenses so incurred or paid by Beneficiary shall become due and payable immediately, whether or not there be notice, demand, attempt to collect or suit pending. The amounts so incurred or paid by Beneficiary, together with interest thereon at the Default Rate as hereinafter defined from the date incurred until paid by Grantor, shall be added to the indebtedness and secured by the lien of this Trust Deed.

1.14 Beneficiary's Performance of Defaults. Upon an Event of Default, Beneficiary may at its option perform or observe any covenant under this Trust Deed, the Loan Agreement or any other loan document which Grantor has failed to perform, and all payments made (whether such payments are regular or accelerated payments) and costs and expenses incurred or paid by Beneficiary in connection therewith shall become due and payable immediately by Grantor. The amounts so incurred or paid by Beneficiary, together with interest thereon at the Default Rate as hereinafter defined from the date incurred until paid by Grantor, shall be added to the indebtedness and secured by the lien of this Trust Deed. Nothing contained herein shall be construed as requiring Beneficiary to advance or expend monies for any purposes mentioned in this paragraph, or for any other purpose. Beneficiary is hereby empowered to enter and to authorize others to enter upon the Trust Property or any part thereof for the purpose of performing or observing any such defaulted covenant, condition or terms, without thereby becoming liable to Grantor or any person in possession holding under Grantor.

1.15 Estoppel Affidavits. Grantor, within ten (10) days after written request from Beneficiary, shall furnish a written statement, duly acknowledged, setting forth the unpaid principal of, and interest on, the Note, and any other unpaid sums secured hereby, and whether or not any offsets or defenses exist against such principal and interest or other sums.

1.16 Use of Trust Property. The Trust Property shall be used by Grantor only as a Rite Aid drugstore, which use shall not change without the prior written consent of Beneficiary.

ARTICLE TWO

DEFAULTS

2.01 Event of Default. The term Event of Default, wherever used in this Trust Deed, shall mean the occurrence of any of the following events:

(a) failure of Grantor to pay the Note in full on its maturity date; (b) failure of Grantor to make any other payment of principal or interest as required by the Note, which failure shall continue for ten (10) days after the due date, no notice of such default being required; (c) failure of Grantor to pay any other sum secured by this Trust Deed within ten (10) days after written notice by Beneficiary; (d) an event of default under any instrument securing the Note or any instrument collateral to the Note, not cured within the cure period (if any) provided in such instrument; (e) breach of any warranties or representations given by the Grantor to Beneficiary not cured (if such breach can be cured) within ten (10) days after written notice by Beneficiary; (f) failure of Grantor to observe or perform any other covenant or agreement set forth in this Trust Deed not cured within ten (10) days after written demand by Beneficiary; (g) the death or material adverse change in financial position of Grantor or any guarantor of the Note (unless Beneficiary, in its sole discretion, accepts a substitute guarantor) or other default by a guarantor under any guaranty of the Note; (h) commencement of any proceedings or other action seeking the entry of an order for relief against the Grantor, written admission by Grantor of an inability to pay the debts of Grantor as they mature, assignment of the assets of Grantor for the benefit of creditors, request or petition by Grantor for the appointment of a receiver, trustee or conservator of the assets of Grantor for reorganization or liquidation of Grantor or any such request or petition made by another person not dismissed within sixty (60) days; or (i) a material adverse change in the financial position of Grantor or.

2.02 Acceleration of Maturity. If an Event of Default shall have occurred, Beneficiary may declare the outstanding principal amount of the Note and the interest accrued thereon, and all other sums

secured hereby, to be due and payable immediately, and upon such declaration such principal and interest and other sums shall immediately become and be due and payable without demand or notice.

2.03 Beneficiary's Power of Enforcement; Sale of Trust Property. If an Event of Default shall have occurred, Beneficiary may, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy to:

(a) Enforce payment of the Note or the performance of any term hereof or any other right;

(b) Instruct the Trustee to sell, subject to any prior liens, leases, assessments and encumbrances thereon, and pursuant to Article 2A of Chapter 45 of the North Carolina General Statutes or any replacements or amendments thereof, to the highest bidder all or any portion of the Trust Property. Such sale or sales of the Trust Property may be made in one parcel, or as separate parcels, as the Trustee in its sole discretion deems to be in the best interest of the parties. Such sale or sales of the Trust Property or portions thereof shall be made at public auction at such place and at such time and upon such terms as the Trustee may fix and as may comply with the applicable law at the time in question relating to foreclosure sales under a power of sale contained in deeds of trust and shall be briefly specified in the notice of sale to be given as hereinafter provided; and

(c) Proceed to protect and enforce the rights of the Beneficiary by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein or in the Note, or in aid of the execution of any power granted, or for the enforcement of any other appropriate legal or equitable remedy as the Beneficiary shall deem most effectual to protect and enforce any of its rights.

Notice of hearing and advertisement for any sale pursuant to any provision of this Trust Deed shall comply with all requirements of applicable law. Subject to the provisions of applicable law, the Trustee may, from time to time, for good cause, adjourn any sale to be made under the provisions of this Trust Deed, by announcement at the time and place appointed for such sale, or for such adjourned sale or sales, and without further notice or publication (unless otherwise required by law), such sale may be made at any time or place to which the same may be so adjourned. Upon the completion of any sale or sales under this Trust Deed, the Trustee conducting the sale or sales shall execute and deliver to the purchaser or purchasers a good and sufficient bill or bills of sale and deed or deeds of conveyance of the Trust Property sold.

Upon any sale, whether under the power of sale hereby given, or by virtue of judicial proceedings, it shall not be necessary for the Trustee, or any public officer acting under execution or order of court, to have present or constructive possession of any of the Trust Property.

The recital contained in any conveyance made by the Trustee, to any purchaser at any sale, made pursuant hereto, or under applicable law shall conclusively, to the extent permitted by law, establish the truth and accuracy of the matters therein stated, including without limiting the generality of the foregoing, the balance due on the Note, the occurrence and continuation of a Default, advertisement and conduct of such sale in the manner provided herein, or under applicable law, of any of the Trust Property, and the qualification hereunder of any Trustee acting with respect thereto, and all prerequisites to such sale shall be presumed to have been satisfied and performed.

To the extent permitted by law, any such sale or sales made under or by virtue of this Trust Deed whether under the power of sale hereby granted or conferred, or under or by virtue of any judicial

proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity of the Grantor of, in and to the Trust Property sold, and shall be a perpetual bar, both at law and in equity, against the Grantor, its successors and assigns, and against any and all persons claiming the Trust Property sold, or any part thereof, through or under the Grantor.

The receipt of the Trustee for the purchase money paid at any such sale, or the receipt of any other person authorized to receive the same shall be sufficient discharge therefor to any purchaser of the Trust Property or any part thereof sold as aforesaid, and no such purchaser or his representatives, grantees, or assigns, after paying such purchase money and receiving such receipt shall be bound to see that the application of such purchase money, or any part thereof, upon or for any trust or purpose of this Trust Deed, or in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money or any part thereof, or be bound to inquire as to the authorization, necessity, expediency, or regularity of such sale.

The remedies provided to Beneficiary in this paragraph shall be in addition to and not in lieu of any other rights and remedies provided in this Trust Deed or at law or in equity, all of which rights and remedies may be exercised by Beneficiary simultaneously or consecutively in any order without being deemed to have waived any right or remedy previously or not yet exercised.

2.04 Beneficiary's Right to Enter and Take Possession, Operate and Apply Income.

(a) If an Event of Default shall have occurred, Grantor, upon demand of Beneficiary, shall forthwith surrender to Beneficiary the actual possession subject to the rights of Rite Aid drugstores as tenant, and if and to the extent permitted by law, Beneficiary itself, or by such officers or agents as it may appoint, may enter and take possession of all the Trust Property, and may exclude Grantor and its agents and employees wholly therefrom, and may have joint access with Grantor to the books, papers and accounts of Grantor.

(b) If Grantor shall for any reason fail to surrender or deliver the Trust Property or any part thereof after Beneficiary's demand, Beneficiary may obtain a judgment or decree conferring on Beneficiary the right to immediate possession or requiring Grantor to deliver immediate possession of all or part of the Trust Property to Beneficiary along with all books, papers and accounts of Grantor, to the entry of which judgment or decree Grantor hereby specifically consents.

(c) Grantor shall pay to Beneficiary, upon demand, all reasonable costs and expenses of obtaining such judgment or decree and reasonable compensation to Beneficiary, its attorneys and agents, and all such costs, expenses and compensation shall, until paid, be secured by the lien of this Trust Deed.

(d) Upon every such entering upon or taking of possession, Beneficiary may hold, store, use, operate, manage and control the Trust Property and conduct the business thereof, and, from time to time:

(i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other Trust Property;

(ii) insure or keep the Trust Property insured;

(iii) manage and operate the Trust Property and exercise all the rights and powers of Grantor in its name or otherwise, with respect to the same;

(iv) enter into agreements with others to exercise the powers herein granted
Beneficiary:

all as Beneficiary in its reasonable judgment from time to time may determine; and Beneficiary may collect and receive all the income, revenues, rents, issues and profits of the same, including those past due as well as those accruing thereafter; and shall apply the monies so received by Beneficiary in such priority as Beneficiary may determine to (1) the reasonable compensation, expenses and disbursements of the agents and attorneys; (2) the cost of insurance, taxes, assessments and other proper charges upon the Trust Property or any part thereof; (3) the deposits for taxes and assessments and insurance premiums due; and (4) the payment of accrued interest on the Note.

Beneficiary shall surrender possession of the Trust Property to Grantor only when all that is due upon such interest, tax and insurance deposits and principal installments, and under any of the terms of this Trust Deed, shall have been paid and all defaults made good. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

2.05 Leases. Beneficiary, at its option, is authorized to instruct the Trustee to sell the Trust Property subject to the rights of any tenants of the Trust Property, and the failure to make any such tenants parties defendant to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted by Grantor to be, a defense to any proceedings instituted by Beneficiary to collect the sums secured hereby or to collect any deficiency remaining unpaid after the foreclosure sale of the Trust Property.

2.06 Purchase by Beneficiary. Upon any such foreclosure sale, Beneficiary may bid for and purchase the Trust Property and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such Trust Property in its own absolute right without further accountability.

2.07 Application of Indebtedness Toward Purchase Price. Upon any such foreclosure sale, Beneficiary may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash and for the costs and expenses of the sale, compensation and other charges, in paying the purchase price apply any portion of or all sums due to Beneficiary under the Note, this Trust Deed or any other instrument securing the Note, in lieu of cash, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon.

2.08 Application of Proceeds of Sale. The purchase money proceeds and avails of any sale, whether made under the power of sale hereby granted or pursuant to judicial proceedings, shall be applied first to the payment of the costs and expenses reasonably incurred in connection with such sale, including reasonable attorneys' fees and commissions of the Trustee, (which commission shall be one-half of one (1/2%) percent of the gross proceeds of the sale), the payment of all taxes, assessments, or other charges having liens on the Trust Property prior to the lien of this Trust Deed, except taxes and assessments and other charges having prior liens, if any, subject to which any of the Trust Property shall have been sold; then to the payment of all fees and amounts due and unpaid under the Note and the Loan Agreement; the surplus, if any, after payment of the costs and expenses, interest and principal, as set forth above, shall be payable to the Grantor, its successors or assigns, or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. No provision hereof shall be construed as waiving the right of Beneficiary to collect any deficiency from Grantor or any Guarantor of the Note, such right being expressly reserved.

2.09 Substitution of Trustee. Trustee and any substitute trustee may be removed by Beneficiary at any time without notice or cause and a substitute trustee may be appointed in the event of the removal or

resignation of any trustee or of the failure or inability of any trustee to act, without the resignation or consent of any trustee, and with no formality or action other than the filing for record with the Register of Deeds in the County where the Trust Property is located of a designation of a substitute trustee and the removal of a former trustee in the event any trustee is removed. This conveyance shall vest in all substitute trustees all rights, titles, privileges, power and duties conferred herein on the trustee originally herein named; and the conveyance of any substitute trustee to any purchaser or purchasers at foreclosure sale shall be equally valid and effective. Such right to appoint a substitute trustee shall exist as often and whenever from any reason or cause any trustee, original or substitute, fails or is unable to act, resigns, or has been removed. The recitals in any conveyance made or to be made to any purchaser or purchasers by the trustee or any substitute trustee, shall be full proof and evidence of the matters therein stated, and no other proof shall be required of the performance of this trust; all prerequisites and requirements of any sale or sales shall be conclusively presumed to have been performed; and any and all statements of facts and recitals contained in any deed from the Trustee or any substitute trustee shall be taken and construed in court and elsewhere as prima facie evidence and proof of the facts recited.

2.10 Waiver of Appraisalment, Valuation, Stay, Extension, and Redemption Laws. Grantor agrees to the full extent permitted by law that in case of a default on its part hereunder, neither Grantor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Trust Deed, or the absolute sale of the Trust Property or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Grantor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising the Trust Property marshalled upon any foreclosure of the lien hereof or appraised for the purpose of reducing any deficiency judgment obtained by Beneficiary against Grantor and agrees that Beneficiary or any court having jurisdiction to foreclose such lien may sell the Trust Property in part or as an entirety. Grantor further waives, to the full extent permitted by law, the right to petition for the appointment of appraisers following foreclosure for the purpose of seeking to reduce a deficiency judgment or for any other reason.

2.11 Receiver. If an Event of Default shall have occurred, Beneficiary, to the extent permitted by law and without regard to the value or occupancy of the security, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Trust Property and to collect all rents, revenues, issues, income, products and profits thereof and apply the same as the court may direct. The receiver shall have all rights and powers permitted under the laws of the state where the Land is located and such other powers as the court making such appointment shall confer. The expenses, including receiver's fees, attorney's fees, costs and agent's compensation, incurred pursuant to the powers herein contained shall be secured by this Trust Deed. The right to enter and take possession of and to manage and operate the Trust Property, and to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Beneficiary shall be liable to account only for such rents, issues and profits actually received by Beneficiary, whether received pursuant to this Section or Section 2.04. Notwithstanding the appointment of any receiver or other custodian, Beneficiary shall be entitled as secured party hereunder to the possession and control of any cash, deposits, or instruments at the time held by, or payable or deliverable under the terms of this Trust Deed to, Beneficiary.

2.12 Suits to Protect the Trust Property. Beneficiary shall have the power and authority to institute and maintain any suits and proceedings as Beneficiary may deem advisable (a) to prevent any impairment of the Trust Property by any acts which may be unlawful or any violation of this Trust Deed, (b) to preserve or protect its interest in the Trust Property, and (c) to restrain the enforcement of or compliance

with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order might impair the security hereunder or be prejudicial to Beneficiary's interest.

2.13 Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting Grantor, any person, partnership or limited liability company guaranteeing or endorsing any of Grantor's obligations, its creditors or its Trust Property, Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have its claims allowed in such proceedings for the entire amount due and payable by Grantor under the Note, this Trust Deed and any other instrument securing the Note, at the date of the institution of such proceedings, and for any additional amounts which may become due and payable by Grantor after such date.

2.14 Grantor to Pay the Note on Any Default in Payment; Application of Monies by Trustee.

(a) If default shall be made in the payment of any amount due under the Note, this Trust Deed or any other instrument securing the Note, then, upon Beneficiary's demand, Grantor will pay to Beneficiary the whole amount due and payable under the Note and all other sums secured hereby; and if Grantor shall fail to pay the same forthwith upon such demand, Beneficiary shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid together with costs and expenses including the reasonable compensation, expenses and disbursements of Beneficiary's agents and attorneys incurred in connection with such suit and any appeal in connection therewith. Beneficiary shall be entitled to sue and recover judgment as aforesaid either before, after or during the pendency of any proceedings for the enforcement of this Trust Deed, and the right of Beneficiary to recover such judgment shall not be affected by any taking, possession or foreclosure sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the terms of this Trust Deed, or the foreclosure of the lien hereof.

(b) In case of a foreclosure sale of all or any part of the Trust Property and of the application of the proceeds of sale to the payment of the sums secured hereby, Beneficiary shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid and to recover judgment for any portion thereof remaining unpaid, with interest.

(c) Grantor hereby agrees, to the extent permitted by law, that no recovery of any such judgment by Beneficiary and no attachment or levy of any execution upon any of the Trust Property or any other property shall in any way affect the lien of this Trust Deed upon the Trust Property or any part thereof or any lien, rights, powers or remedies of Beneficiary hereunder, but such lien, rights, powers and remedies shall continue unimpaired as before.

(d) Any monies collected or received by Beneficiary under this paragraph shall be applied as follows:

(i) First, to the payment of reasonable attorney's fees, compensation, expenses and disbursements of the agents and attorneys; and

(ii) Second, to payment of amounts due and unpaid under the Note, this Trust Deed and all other instruments securing the Note; and

(iii) Third, and any remaining balances, as provided by applicable North Carolina law.

2.15 Delay or Omission No Waiver. No delay or omission of Beneficiary or of any holder of the Note to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to Beneficiary may be exercised from time to time and as often as may be deemed expedient by Beneficiary.

2.16 No Waiver of One Default to Affect Another. No waiver of any Event of Default hereunder shall extend to or affect any subsequent or any other Event of Default then existing, or impair any rights, powers or remedies consequent thereon. If Beneficiary (a) grants forbearance or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment thereof; (c) waives or does not exercise any right granted in the Note, this Trust Deed or any other instrument securing the Note; (d) releases any part of the Trust Property from the lien of this Trust Deed or any other instrument securing the Note; (e) consents to the filing of any map, plat or replat of the Land; (f) consents to the granting of any easement on the Land; or (g) makes or consents to any agreement changing the terms of this Trust Deed or subordinating the lien or any charge hereof, no such act or omission shall release, discharge, modify, change or affect the original liability under the Note, this Trust Deed or otherwise of Grantor, or any subsequent purchaser of the Trust Property or any part thereof or any maker, cosigner, endorser, surety or guarantor. No such act or omission shall preclude Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in case of any Event of Default then existing or of any subsequent Event of Default nor, except as otherwise expressly provided in an instrument or instruments executed by Beneficiary, shall the lien of this Trust Deed be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Trust Property, Beneficiary, without notice to any person, firm or limited liability company, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Trust Property or the indebtedness secured hereby, or with reference to any of the terms or conditions hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any of the liabilities or undertakings hereunder.

2.17 Discontinuance of Proceedings; Position of Parties Restored. If Beneficiary shall have proceeded to enforce any right or remedy under this Trust Deed by sale under the power of sale or applicable law, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Beneficiary, then and in every such case Trustee shall be entitled to a reasonable commission, Grantor and Beneficiary shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Beneficiary shall continue as if no such proceeding had occurred or had been taken.

2.18 Remedies Cumulative. No right, power or remedy conferred upon or reserved to Beneficiary by the Note, this Trust Deed or any other instrument securing the Note is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Note or any other instrument securing the Note, or now or hereafter existing at law, in equity or by statute.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

3.01 Time Is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Trust Deed.

3.02 Reconveyance by Trustee. At any time on the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Trust Deed, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Trust Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

3.03 Trustee. The word "Trustee" whenever herein used shall be held to include and refer to any one or all of the Trustees above named; provided, however, that each of said Trustees is hereby vested with full power and authority to exercise fully in his own name alone, and without joinder of the other Trustees, all or any of the powers, authorities and duties herein and by law vested in and imposed upon the Trustee; and the acts and deeds of any one Trustee hereunder shall be as fully binding and effective as if all said Trustees had joined therein; and provided further, that no Trustee shall be liable for any of the acts or omissions of the other Trustees.

3.04 Substitute Trustee. In the event of dissolution or resignation of Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

3.05 Indemnity. Grantor shall hold Beneficiary and Trustee and their respective directors, officers, employees, agents, and attorneys, harmless from and indemnify them for any and all claims, demands, damages, liabilities, and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Trustee's or Beneficiary's interest under this Trust Deed, except Grantor shall not be liable for acts performed by Beneficiary or Trustee in violation of applicable law.

3.06 Breach of Note and Other Documents. Notwithstanding anything to the contrary contained in this Trust Deed or in the Note, or in any other instrument securing the loan evidenced by such Note, upon an Event of Default, Beneficiary may at its option declare the entire indebtedness secured hereby, and all interest thereon and all advances made by Beneficiary hereunder, immediately due and payable and/or exercise all additional rights accruing to it under this Trust Deed in the event of a breach by Grantor of any covenant contained in this Trust Deed, the Note, or in any other document securing the Note. All advances and indebtedness arising and accruing under the Note from time to time shall be secured hereby.

3.07 Partial Foreclosure. In the event the Trust Property is comprised of more than one parcel of real property, Grantor hereby waives any right to require Trustee or Beneficiary, as applicable, to foreclose or exercise any other remedies against all of the Trust Property as a whole or to require Trustee or Beneficiary, as applicable, to foreclose or exercise such remedies against one portion of the Trust Property prior to the foreclosure or exercise of said remedies against other portions of the Trust Property.

3.08 Future Advances. This Trust Deed is given to secure present and future obligations which may be advanced hereunder from time to time. The maximum principal amount, including present and future obligations, that may be secured hereby at any one time is twice the face amount of the Note, exclusive of interest, any amounts advanced by Beneficiary in connection with the preservation of its rights under the Note or any other loan documents, and any amounts advanced by Beneficiary for Grantor's account for payment of taxes, assessments and insurance. Future obligations need not be evidenced by a written instrument or notation, nor signed by the Grantor, stating that such obligation is secured by this Trust Deed. It is further agreed that in the event partial payments on the obligations have been received so that the maximum amount is not outstanding, further obligations may be incurred from time to time within the time limits set forth above, provided the total unpaid principal balance shall never exceed the maximum amounts specified above.

3.09 Governing Law. This Trust Deed is made by Grantor and accepted by Beneficiary in the State of Oregon, with reference to the laws of such State, and shall be construed, interpreted, enforced and governed by and in accordance with such laws (excluding the principles thereof governing conflicts of law). The Note and other non-security documents are governed by South Carolina law.

3.10 Default Rate. The Default Rate shall be the rate of interest after default as provided in the Note.

3.11 Heirs, Successors, and Assigns Included in Parties. Whenever one of the parties hereto is named or referred to herein, the heirs, successors and assigns of such party shall be included and all covenants and agreements contained in this Trust Deed, by or on behalf of Grantor or Beneficiary, shall bind and inure to the benefit of their respective heirs, successors and assigns, whether so expressed or not.

3.12 Addresses for Notices, Etc. Any notice, report, demand or other instrument authorized or required to be given or furnished under this Trust Deed to Grantor or Beneficiary shall be deemed given or furnished when mailed certified mail, return receipt requested, to that party at the address first shown above. Any party hereto may change the address for said notice by appropriately notifying the other parties in writing.

3.13 Headings. The headings of the articles, sections, paragraphs and subdivisions of this Trust Deed are for convenience of reference only, are not to be considered a part hereof, and shall not limit or expand or otherwise affect any of the terms hereof.

3.14 Invalid Provisions to Affect No Others. In the event that any of the covenants, agreements, terms or provisions contained in the Note, this Trust Deed or any other instrument securing the Note shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein and in the Note and any other instrument securing the Note shall be in no way affected, prejudiced or disturbed thereby.

3.15 Changes, etc. Neither this Trust Deed nor any term hereof may be changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement hereafter made by Grantor and Beneficiary relating to this Trust Deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

3.16 ARBITRATION.

(a) UPON DEMAND OF GRANTOR OR LENDER, WHETHER MADE BEFORE OR AFTER INSTITUTION OF ANY JUDICIAL PROCEEDING, ANY DISPUTE, CLAIM OR CONTROVERSY ("DISPUTES") ARISING OUT OF, CONNECTED WITH OR RELATING TO THIS DEED OF TRUST OR ANY OTHER LOAN DOCUMENTS SHALL BE RESOLVED BY BINDING ARBITRATION AS PROVIDED HEREIN. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from loan documents executed in the future, or claims arising out of or connected with the transaction reflected by this document.

(b) Pursuant to the Federal Arbitration Act or, if it is deemed not to apply, the South Carolina Uniform Arbitration Act, arbitration shall be conducted under and governed by the Commercial

Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"). All arbitration hearings shall be conducted in Columbia, South Carolina. All applicable statutes of limitation shall apply to a Dispute. A judgment upon the award may be entered in any court having jurisdiction.

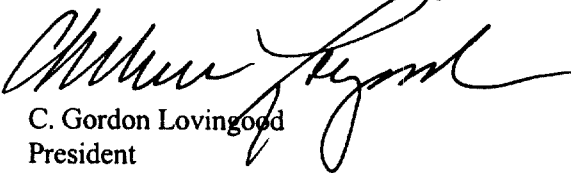
(c) Notwithstanding the preceding binding arbitration provisions, each party preserves, without diminution, certain remedies that such party may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Lender and Grantor shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under this Deed of Trust or any other loan document or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

(d) Grantor and Lender shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, the undersigned has executed and sealed this Trust Deed under seal the day and year above first written.

C-3 INVESTMENTS, INC., an Oregon corporation

By:


C. Gordon Lovingood
President

72773

South Carolina
STATE OF ~~OREGON~~)
County of Charleston) ss.

On this 9th day of December, 2002, before me personally appeared C. Gordon Lovingood, who being duly sworn, stated that he is the President of C 3 Investments, Inc., an Oregon corporation, and acknowledged the foregoing instrument to be the voluntary act and deed of the corporation, executed by authority of its board of directors.

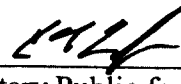

Notary Public for ~~Oregon~~ South Carolina
My commission expires: 12-7-2008

Exhibit A

Two (2) tracts of land located in the Northeast one-quarter of Section 4, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Lots 8 through 27 and portions of Lots 28 through 40, Block 4, SIXTH STREET ADDITION TO THE CITY OF KLAMATH FALLS and a portion of Lot 802, ENTERPRISE TRACTS, Klamath County, Oregon, more particularly described as follows:

TRACT 1:

Beginning at a 5/8 inch iron rod with a plastic cap marked TRULINE SURVEYING, INC., at the Northwest corner of said Lot 8; thence South 55° 50' 00" East, a distance of 499.71 feet along the Southwesterly right of way line of Pershing Way to a railroad spike set at the intersection of the Southwesterly right of way line of Pershing Way and the Westerly right of way line of Washburn Way; thence South 00° 00' 00" East, a distance of 120.86 feet along the Westerly right of way line of Washburn Way to a railroad spike set at the intersection of the Westerly right of way of Washburn Way and the Northeasterly right of way line of a Public Alley in said Block 4; thence North 55° 50' 00" West, a distance of 567.59 feet along the Northeasterly right of way line of said Public Alley to a 5/8 inch iron rod with a plastic cap marked TRULINE SURVEYING, INC. at the Southwest corner of said Lot 8; thence North 34° 10' 00" East, a distance of 100.00 feet to the point of beginning of Tract 1.

TRACT 2:

Beginning at a 5/8" iron rod with a plastic cap marked TRULINE SURVEYING, INC., that bears North 55° 50' 00" West a distance of 6.25 feet from the Northwest corner of Lot 39; thence South 55° 50' 00" East, a distance of 397.27 feet along the Southwesterly right of way of a Public Alley in said Block 4 to a railroad spike set at the intersection of the Southwesterly right of way line of said Public Alley and the Westerly right of way of Washburn Way; thence South 00° 00' 00" East, a distance of 58.34 feet along the Westerly right of way line of Washburn Way to a railroad spike; thence Southwesterly a distance of 24.26 feet along the arc of a 12.00 foot radius curve right through a central angle of 115° 51' 00" (the long chord of which bears South 57° 55' 30" West, a distance of 20.34 feet) to a 5/8 inch iron rod with a plastic cap marked TRULINE SURVEYING, INC.; thence North 64° 09' 00" West, a distance of 150.73 feet along the Northeasterly right of way line of South Sixth Street to a P-K Nail; thence Northwesterly a distance of 11.61 feet along the arc of a 80.00 foot radius curve right through a central angle of 08° 19' 00" (the long chord of which bears North 59° 59' 30" West a distance of 11.60 feet) to a P-K Nail; thence North 55° 50' 00" West, a distance of 261.12 feet continuing along said Northeasterly right of way line to a 5/8 inch iron rod with a plastic cap marked TRULINE SURVEYING, INC. that bears North 55° 50' 00" West, a distance of 6.25 feet from the Southwest corner of Lot 39, Block 4; thence leaving said Northeasterly right of way line, North 34° 10' 00" East a distance of 89.53 feet at right angles to the centerline of South Sixth Street to the point of beginning of Tract 2.