

After recording, return to:  
U.S. Bank National Association  
111 S.W. Fifth Avenue (T-8)  
Portland, Oregon 97204  
Attention: William James

The Tax Parcel Nos. for the real property covered by this trust deed are 415223, 415232, 415241, 415250, 415278, 415269, 415198, 415205, 725291, 786233, 415296, 415287, and 415303.

In the event of any discrepancy between the real property covered by said Tax Account numbers and the legal description, the legal description for the property shall control.

2007-015778  
Klamath County, Oregon



00030836200700157780120128

09/07/2007 08:33:30 AM

Fee: \$76.00

## TRUST DEED

Date: August 21, 2007

Grantor: HEATON STEEL & SUPPLY, INC., aka HEATON STEEL & SUPPLY INC. aka HEATON STEEL & SUPPLY COMPANY aka HEATON STEEL AND SUPPLY, INC., whose address is 428 Spring Street, Klamath Falls, Oregon 97601

Trustee: U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, whose address is 111 S.W. Fifth Avenue, Portland, Oregon 97204

Beneficiary: U.S. BANK NATIONAL ASSOCIATION whose address is 111 S.W. Fifth Avenue (T-8), Portland, Oregon 97204

1. The Collateral. For valuable consideration, the receipt and sufficiency of which hereby are acknowledged, Grantor hereby:

(a) mortgages, transfers, assigns, and conveys in trust to Trustee with power of sale upon default for the benefit of Beneficiary all of Grantor's right, title, and interest in the land in Klamath County, Oregon, legally described as in the attached Exhibit A attached hereto and all buildings, structures, improvements, fixtures, minerals, timber and timber rights, hydrocarbons, and landscaping now or hereafter located thereon, all roads, rights-of-way, easements, access rights, water rights, appurtenances, tenements, hereditaments, and licenses now or hereafter belonging thereto, and all leases, rents, royalties, issues, profits, and proceeds therefrom, specifically including, but not limited to, all insurance and condemnation proceeds and awards (all of the foregoing shall collectively be referred to below as the "Property"); and

(b) conveys, transfers, and assigns to Beneficiary all of Grantor's right, title, and interest in existing and future leases, rental agreements, and similar contracts and all maintenance, security, and service contracts relating to all or any part of the Property or to the use or enjoyment thereof, any contracts for the sale of the Property, and all income, royalties, rents, revenue, and profits arising from the Property (including the leasing and rental thereof), and all rights and remedies related thereto, specifically including the right to demand, sue for and/or collect rent and other payments due from lessees or guests, subject only to a limited license reserved to Grantor to collect and properly apply said

rents and payments prior to Grantor's default, if any, hereunder (collectively referred to below as the "Leases and Contracts").

The Property and the Leases and Contracts sometimes are referred to below collectively as the "Collateral."

2. Obligations Secured. The Collateral secures:

- (a) Payment of the following promissory note, and any and all renewals, modifications, or extensions thereof, whether or not evidenced by any new or additional instruments: dated January 25, 2005, in the face amount of \$500,000 (as amended, including an additional increase in the amount to \$750,000, the "Note");
- (b) Grantor's obligation to perform Grantor's covenants and agreements set forth in this trust deed;
- (c) Grantor's obligation to pay or perform, as the case may be, all other present or future debts, liabilities, or obligations of any kind or nature, direct or indirect, of Grantor to Beneficiary, including, but not limited to, obligations under a January 25, 2005, Revolving Credit Agreement (as amended the "Agreement"), and an August 21, 2007, Forbearance Agreement (the "Forbearance Agreement");
- (d) all advances by Beneficiary in servicing and enforcing the debts, obligations, and liabilities of Grantor and in preserving, handling, protecting, collecting, foreclosing, disposing, and otherwise realizing on any and all security therefor, including the Collateral, including, but not limited to, payments by Beneficiary with respect to insurance, liens, and taxes upon the Property, with interest thereon at the rate set forth in the Note;
- (e) the obligation of Grantor to pay all attorney fees and costs incurred by Trustee or Beneficiary in defending the priority or validity of this trust deed or the title to the Collateral;
- (f) the obligation of Grantor to pay all sums advanced by Beneficiary to or on behalf of Grantor for the purpose of clearing encumbrances or defects from the title to the Property where Beneficiary, in good faith, believes such encumbrances to be superior to the lien of the trust deed, including, without limitation, payment of ad valorem taxes and agricultural or materialmen's liens that may have gained priority over the lien of this trust deed; and
- (g) the obligation of Grantor to pay all attorney fees and costs incurred by Trustee or Beneficiary in any case or proceeding under the United States Bankruptcy Code affecting Grantor or the Collateral.

3. Assignment of Leases, Rents, and Profits. Grantor acknowledges and agrees that the assignment herein to Beneficiary of the existing and future leases, rents, royalties, income, and profits that arise from the use or occupancy of the Property is an absolute and present assignment. However, until such time, if any, that Grantor is in default under this trust

deed, Grantor shall have a license to collect and receive such rents, royalties, income, and profits. Upon any default by Grantor, Beneficiary may terminate Grantor's license at any time without prior notice to Grantor and may thereafter collect the lease payments, rents, royalties, income, and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any lease payments, rents, royalties, income, or profits shall make Beneficiary a "mortgagee-in-possession" of the Property. Possession by a court-appointed receiver shall not be considered possession by Beneficiary. All lease payments, rents, royalties, income, and profits collected by Beneficiary or a receiver may in Beneficiary's discretion be applied first to pay all expenses of collection, then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by this trust deed.

4. Security Agreement. This trust deed, without affecting its validity as a trust deed and mortgage, is also executed and shall be construed as a security agreement under the Oregon Uniform Commercial Code granting Beneficiary a security interest in the Collateral. In addition to the rights and remedies provided herein, Beneficiary shall have all the rights and remedies granted by such Uniform Commercial Code. Grantor hereby authorizes Beneficiary to execute and file on behalf of Grantor financing statements and similar documents reasonably deemed necessary or desirable by Beneficiary to perfect, continue, and renew Grantor's security interest in the Collateral or any portion thereof.

5. Grantor's Representations and Warranties. Grantor represents and warrants as follows:

- (a) Grantor is the owner of the Collateral and has the right and authority to convey the Collateral as provided herein;
- (b) Grantor shall defend the title to the Collateral against all claims and demands whatsoever;
- (c) the Collateral is free and clear of any and all liens, claims, encumbrances, restrictions, encroachments, and interests whatsoever, except liens in favor of Beneficiary;
- (d) to the best of Grantor's knowledge, the Property is in compliance with all applicable zoning, building, use, and other governmental requirements, environmental laws, and access laws;
- (e) Grantor has obtained or has been assigned all licenses, permits, agreements, or other documents or items necessary to enable Grantor to lawfully use and operate the Property;
- (f) any and all obligations Grantor has incurred in connection with the Collateral are current and without default;
- (g) there are no actions, proceedings, investigations, or claims pending or threatened against or affecting Grantor or the Collateral that could have a material

adverse affect on the Collateral (or any material portion thereof), or Grantor's ability to perform their obligations to Beneficiary hereunder;

(h) Grantor's execution, delivery, and performance of this trust deed do not violate any law, regulation, rule, or order binding on Grantor and do not violate the provisions of or constitute a default under any indenture, loan agreement, or other agreement or instrument to which Grantor is a party, or by which Grantor may be bound or affected; and

(i) Grantor is not in breach of or in default under any material agreement to which Grantor is a party, or which is binding on Grantor or any of Grantor's assets except as previously disclosed by Grantor to Beneficiary.

The foregoing representations and warranties are continuous and shall remain in force and effect until Grantor's obligations secured by trust deed have been satisfied.

6. Promise to Pay and Perform. Grantor shall strictly and punctually perform all obligations, covenants, and agreements that are contained in this trust deed and any other instrument or agreement between Grantor and Beneficiary.

7. Encumbrances and Compliance with Law. Grantor hereby agrees that Grantor shall:

(a) Pay all taxes, assessments, and other charges of every kind and nature (including utilities) that may be levied or assessed upon or against the Property or any part thereof, when due and payable according to law;

(b) Promptly pay and satisfy all liens or encumbrances that are or might by operation of law or otherwise become a lien on the Property;

(c) Comply with all existing and future laws, orders, and regulations of all governmental bodies that affect the Property, or the use thereof, including, but not limited to, environmental laws; and

(d) Comply with all covenants, conditions, and restrictions applicable to the Property.

Grantor shall not be deemed to be in default hereunder by reason of Grantor's failure to pay any taxes, assessments, liens, or other charges levied, assessed, or imposed upon or against the Property when due and payable so long as Grantor is contesting such taxes, assessments, liens, or charges in good faith by appropriate means.

8. Protection and Maintenance of the Collateral. Grantor hereby agrees that until Grantor's obligations secured by this trust deed have been satisfied, Grantor shall:

(a) Not demolish nor remove any improvements from the Property without the written consent of Beneficiary;

(b) Pay or cause to be paid when due all utility charges that are incurred by Grantor for the benefit of the Property or which may become a charge or lien against the Property;

(c) Keep the Property and all improvements there in good order and repair and shall not commit or suffer any waste of the Property;

(d) Not do or allow any act or omission, including removal or alteration of improvements on the Property, that would materially reduce the value of the Property, or materially alter the nature of the Property;

(e) Afford Beneficiary the right to enter upon the Property at all reasonable times to inspect the Collateral and Grantor's books and records pertaining to the Collateral; and

(f) Not grant or permit any lien, security interest, or encumbrance in or against the Collateral, or any portion thereof, without the prior written consent of Beneficiary, which consent will not be withheld without reasonable cause.

9. Insurance. At all times, Grantor shall provide, maintain, and keep in force, or cause to be provided, maintained, and kept in force, the following policies of insurance issued by insurers reasonably acceptable to Grantor:

(a) Insurance against loss or damage to the Property and all improvements (other than for timber on the Property) thereon by fire and any of the risks covered by insurance of the type commonly known as "broad form of extended coverage," in an amount not less than the lesser of (i) the original face amount of the Note, or (ii) 100 percent of the full replacement cost of the improvements on the Property (or such lesser amount as is sufficient to prevent operation of coinsurance provisions). The policy or policies of insurance carried by Grantor in accordance with this paragraph shall contain the "Replacement Cost Endorsement" or comparable endorsement; and

(b) Such other insurance as may reasonably be required by Beneficiary and is reasonable and customary for property similar to the Property including, without limitation, liability insurance (but excluding insurance for timber).

All policies of insurance required by the terms of this trust deed shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Grantor that might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim, or deductions against Grantor (Non-Contributory Standard Mortgage Clause and Lender's Loss Payable Endorsement - Form 438 BFU NS - or their equivalent). Furthermore, the above-described insurance policy or policies shall name Grantor and Beneficiary as additional insureds and provide that the insurance coverage provided by such policy or policies shall not be canceled or materially amended or altered without at least 15 days' prior written notice having been given to Beneficiary. Grantor shall give prompt notice to Beneficiary of any insured or uninsured casualty with respect to the Collateral, or any portion thereof. Grantor

promptly shall provide Beneficiary with evidence that the insurance hereunder is in effect, if requested to do so by Beneficiary.

10. Proceeds of Insurance or Condemnation. In the event of any condemnation under the power of eminent domain with respect to all or any portion of the Property, all proceeds with respect thereto shall be applied to payment of the obligations secured by this trust deed. Provided that no event of default has occurred and is continuing under this trust deed, and subject to the conditions specified herein, Beneficiary, in its sole discretion, may authorize Grantor to use proceeds of casualty insurance to promptly repair damage to the Property that results from any insured event, occurrence, or risk (the "Casualty"). Before Grantor may use insurance proceeds as specified in the preceding sentence, Grantor must demonstrate to Beneficiary's reasonable satisfaction (a) that there are sufficient proceeds to complete the proposed repairs; (b) that the insurance proceeds shall be disbursed and used in a fashion reasonably acceptable to Beneficiary, which may include, but not be limited to, establishment of a procedure similar to a construction loan draw procedure; (c) that neither the repairs nor the process by which the repairs are effected shall unreasonably impair or jeopardize the value of the Collateral; (d) that if any insurance proceeds remain after completion of the repairs, those proceeds shall be paid to Beneficiary and applied to the obligations secured hereby; and (e) the Property as repaired will be in substantially the same, or better condition than such property was in before the Casualty.

11. Indebtedness Due on Sale or Material Change in Ownership. Grantor acknowledges and agrees that if Grantor conveys or assigns the whole or any part of the Property (whether by deed, contract, further encumbrance, or otherwise), or leases all or any portion of the Property without first obtaining Beneficiary's written consent, or changes its ownership by more than 50 percent, then Beneficiary or any other holder of the Note may declare the entire unpaid balance owed pursuant to the Note to be immediately due and payable. Failure of Beneficiary or holder to accelerate the amount owed pursuant to the Note following an occurrence of one of the events described in the preceding sentence shall not be deemed to be consent to any other such event, or a waiver of Beneficiary's right to accelerate the amount owed pursuant to the Note following the occurrence of another event of the type described above.

12. Performance of Grantor's Obligations by Beneficiary. If Grantor allows insurance coverage required by this trust deed to expire (or fails to procure such insurance), fails or refuses to pay taxes, assessments, charges, liens, or encumbrances against or with respect to the Property, or fails to comply with governmental requirements or regulations with respect to the Property, Beneficiary may, but shall not be required to, procure, pay, or perform the same. The amount of such payment or cost of such procurement or performance, together with interest thereon at the rate provided for in the Note shall be immediately due and payable by Grantor to Beneficiary and shall be secured by the lien of this trust deed. Performance by Beneficiary shall not be deemed a waiver of any rights Beneficiary may have on account of Grantor's failure to timely perform the obligation in question and shall not obligate Beneficiary to perform any obligation of Grantor thereafter.

## WARNING

Unless Grantor provides Beneficiary with evidence of the insurance coverage as required by this trust deed, Beneficiary may purchase insurance at Grantor's expense to protect Beneficiary's interest. This insurance may, but need not, also protect Grantor's interest. If the property becomes damaged, the coverage that Beneficiary purchases may not pay any claim Grantor makes or any claim made against Grantor. Beneficiary may later cancel this coverage by providing evidence that Grantor has obtained property coverage elsewhere. Grantor is responsible for the cost of any insurance purchased by Beneficiary. The cost of this insurance may be added to Grantor's obligation to Beneficiary. If the cost is added to Grantor's obligation to Beneficiary, the interest rate set forth in the Note will apply to this amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage.

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

13. Hazardous Waste. Grantor represents and warrants to Beneficiary that to Grantor's actual knowledge without investigation after due and diligent inquiry no hazardous or toxic waste or substances are or have been located, stored, or used on the Property, or any adjacent property in violation of Environmental Laws (as defined below). Grantor agrees that at all times Grantor and the Property shall comply in all material respects with all applicable local, state, and federal environmental laws and laws relating to the existence, clean-up, generation, use, storage, handling, transportation, or disposal of hazardous or toxic waste or substances (collectively the "Environmental Laws"). Grantor agrees to provide written notice to Beneficiary immediately if Grantor becomes aware that the Property or any adjacent property is being or has been contaminated with hazardous or toxic waste or substances. Grantor shall not cause or permit any activities on the Property that directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances. Grantor acknowledges that, as between Beneficiary and Grantor, Grantor shall be solely responsible for all costs and expenses relating to compliance with the Environmental Laws, including, but not limited to, costs associated with the clean-up of hazardous or toxic waste or substances from the Property or from any other properties that become contaminated with hazardous or toxic waste or substances as a result of the contamination of or activities on the Property. Nothing herein constitutes a waiver of any rights or claims Grantor may have against any third party, and no third party is an intended beneficiary of Grantor's obligations, duties, and agreements hereunder, which run only in favor of Beneficiary (and its successors and assigns). For purposes of this trust deed, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic by any applicable federal, state, or local statute, regulation, or ordinance now or hereafter in effect. Grantor hereby

agrees to execute documents deemed necessary or desirable in connection with Grantor's obligations regarding environmental matters, including an environmental questionnaire and an environmental indemnity agreement.

14. Default. Time is of the essence with respect to performance of the obligations under the Note and this trust deed. Occurrence of one or more of the following events (an "Event of Default") shall constitute a default by Grantor under this trust deed:

- (a) Any of the payments provided for in the Note, the Agreement, or the Forbearance Agreement is not made when due;
- (b) There is a default under any other provision (other than as specified in subparagraph (a)) of this trust deed, the Agreement, and the Forbearance Agreement that is not cured within thirty days after notice by Beneficiary, provided, however, that if such default is of a nature that it cannot be cured within thirty days then Grantor shall have thirty days to commence all steps reasonably necessary to promptly cure such default and must continue with such reasonable effort to have such default promptly cured;
- (c) There is a default under any other obligation secured by this trust deed that is not remedied or cured within the period set forth in the applicable instrument, document, or agreement; and
- (d) Grantor becomes insolvent or unable to pay Grantor's debts as they mature, makes an assignment for the benefit of creditors, or petitions for or becomes the subject of any federal or state law receivership, insolvency, liquidation, or reorganization case or proceeding.

15. Remedies. Following the occurrence of an Event of Default hereunder, Beneficiary shall have the option to declare all debts and liabilities of Grantor to Beneficiary immediately due and payable without notice. In addition, Beneficiary shall have and be entitled to exercise all other rights and remedies available under applicable law, including, but not limited to, the right to foreclose this trust deed either by advertisement and sale, or by civil action as a mortgage. During the pendency of any foreclosure (whether by advertisement and sale or by civil action), Beneficiary, either directly or through a receiver appointed by the presiding judge of the circuit court for the county in which the Property is located, may take possession of the Property upon Grantor's default hereunder (whether or not the value of the Property exceeds the debts and liabilities of Grantor to Beneficiary), collect the lease payments, rents, and profits therefrom and apply the same to the payment of amounts due to Beneficiary. Any receiver appointed at the instance of Beneficiary with respect to the Property may serve without bond. Grantor hereby consents irrevocably to the appointment of a receiver or receivers with respect to the Property following an event of default under this trust deed without regard to the value of the Property at the time in question or the interest of Grantor therein.

16. Consent to Modifications. Beneficiary may, without notice to Grantor or anyone else, once or often, extend the time of payment or grant renewals of the debt hereby secured for any term, release all or any part of collateral (including the Collateral) securing the obligations secured by the lien of this trust deed, execute releases or partial releases from the lien



of this trust deed, or in any other respect modify the terms hereof without thereby affecting the grant of the lien of this trust deed or Grantor's obligations hereunder.

17. Governing Law. This trust deed shall be governed by the laws of the state of Oregon, without regard to conflict of law principles. If any provision or clause of this trust deed conflicts with applicable laws, such conflicts shall not affect other provisions of this trust deed that can be given effect without the conflicting provision, and to this end the provisions of this trust deed are severable.

18. Modification/Waiver. The provisions of this trust deed cannot be waived, modified, discharged, or terminated orally. In order to be effective, any waiver, modification, discharge, or termination of any provision hereof must be in writing and signed by Grantor and an authorized representative of Beneficiary. The failure of Beneficiary at any time to require strict performance by Grantor of any covenant, agreement, or condition hereof shall not estop or otherwise affect Beneficiary's right to enforce the same, nor shall any acceptance of partial payment, or any waiver or forbearance by Beneficiary be held to be a waiver of Grantor's default or the covenant, agreement, or condition itself, or any future failure to perform the same.

19. Foreclosure Costs. If a civil action is instituted with respect to this trust deed, the prevailing party in such action shall be entitled to recover from the other party hereto all costs and disbursements awarded therein (or in any appeal) and such sum as the trial judge or appeal court may adjudge reasonable as attorney fees in such action. All sums of the type described in the preceding sentence awarded in favor of Beneficiary shall be secured by the lien of this trust deed.

20. Notice. Whenever any notice, demand, or request is required by the terms hereof or by any law now in existence or hereafter enacted, the notice, demand, or request shall be sufficient if actually furnished to Grantor, or mailed to Grantor in a postage prepaid envelope addressed to the address specified on the first page of this trust deed, or such other address that Grantor requests Beneficiary to use for notice purposes (which request must be in writing and acknowledged in writing by Beneficiary).

21. Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, Trustee shall reconvey to Grantor, or the person or persons legally entitled thereto, without warranty, any portion of or interest in the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

22. Binding Effect. This trust deed, and the warranties, covenants, and agreements made herein, shall bind Grantor and Grantor's successors and assigns and inure to the benefit of Trustee, successor trustees, Beneficiary, and Beneficiary's successors and assigns. Notwithstanding the foregoing, Grantor may not sell, transfer, or assign any of Grantor's rights or obligations under this trust deed without Beneficiary's prior, written consent. Beneficiary shall be entitled to transfer its rights and obligations under this trust deed at any time, without Grantor's consent.

IN WITNESS WHEREOF Grantor has executed this trust deed as of the date first above written.

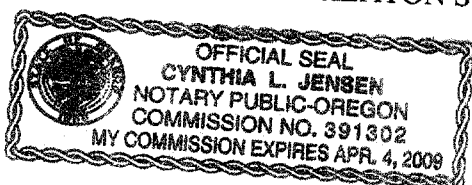
HEATON STEEL & SUPPLY, INC., aka  
HEATON STEEL & SUPPLY INC. aka  
HEATON STEEL & SUPPLY COMPANY  
aka HEATON STEEL AND SUPPLY, INC.

By: Marc R. Hodder  
Marc Hodder, President

By: Debra Hagen  
Debra Hagen, Secretary

STATE OF OREGON )  
COUNTY OF Klamath ) SS

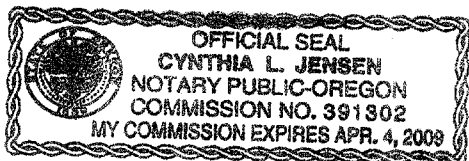
This instrument was acknowledged before me on August 24, 2007, by MARC HODDER as President of HEATON STEEL & SUPPLY, INC.



Cynthia L. Jensen  
Notary Public for Oregon  
My commission expires: 4/4/09

STATE OF OREGON )  
COUNTY OF Klamath ) SS

This instrument was acknowledged before me on August 24, 2007, by DEBRA HAGEN as Secretary of HEATON STEEL & SUPPLY, INC.



Cynthia L. Jensen  
Notary Public for Oregon  
My commission expires: 4/4/09

**EXHIBIT A  
(LEGAL DESCRIPTION)**

**Exhibit "A"**

Real property in the County of Klamath, State of Oregon, described as follows:

LOTS 1A, 1B, 2A, 2B, 3A, 3B, 4A, 4B, 5A, 5B, 35A, 35B, 36A, 36B, 37A, 37B, 38A, 38B, 39A, 39B, 39C, 40A, 40B, ALL IN BLOCK 7, AND THAT CERTAIN PARCEL OF LAND BEING A PORTION OF ALLEY LOT "C", IN BLOCK 7, OF THE RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS, AND BEING ALSO A PORTION OF THE LAND DESCRIBED FOURTH IN DEED DATED AUGUST 7, 1919, FROM THE KLAMATH DEVELOPMENT COMPANY TO CENTRAL PACIFIC RAILWAY COMPANY (NOW SOUTHERN PACIFIC TRANSPORTATION COMPANY), RECORDED SEPTEMBER 29, 1919 IN VOLUME 50 OF DEEDS AT PAGE 466, RECORDS OF KLAMATH COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT A POINT IN THE WESTERLY LINE OF SAID ALLEY LOT "C", DISTANT THEREON 160 FEET SOUTHERLY FROM THE SOUTHERLY LINE OF OAK AVENUE, SAID POINT BEING THE SOUTHWESTERLY CORNER OF THAT CERTAIN 0.147 OF AN ACRE PARCEL OF LAND DESCRIBED IN DEED DATED NOVEMBER 10, 1955, FROM CENTRAL PACIFIC RAILWAY COMPANY AND SOUTHERN PACIFIC COMPANY TO CHARLES HEATON, ET UX., THENCE EASTERLY, AT RIGHT ANGLES FROM SAID WESTERLY LINE, BEING ALONG THE SOUTHERLY LINE OF SAID 0.147 OF AN ACRE PARCEL OF LAND, A DISTANCE OF 40 FEET TO THE EASTERLY LINE OF SAID ALLEY LOT "C"; THENCE SOUTHERLY ALONG SAID EASTERLY LINE 97.3 FEET; THENCE WESTERLY, AT RIGHT ANGLES FROM SAID EASTERLY LINE, 40 FEET TO SAID WESTERLY LINE, THENCE NORTHERLY ALONG SAID WESTERLY LINE 97.3 FEET TO THE POINT OF BEGINNING, CONTAINING AN AREA OF 0.089 OF AN ACRE, MORE OR LESS, EXCEPTING THEREFROM THAT PORTION LYING BELOW A DEPTH OF 500 FEET, MEASURED VERTICALLY, FROM THE CONTOUR OF THE SURFACE OF SAID PROPERTY; HOWEVER, GRANTOR OR ITS SUCCESSORS AND ASSIGNS SHALL NOT HAVE THE RIGHT FOR ANY PURPOSE WHATSOEVER TO ENTER UPON, INTO OR THROUGH THE SURFACE OF SAID PROPERTY OR ANY PART THEREOF LYING BETWEEN SAID SURFACE AND 500 FEET BELOW SAID SURFACE.

ALSO, THE FOLLOWING DESCRIBED PARCEL OF LAND SITUATE, LYING AND BEING IN ALLEY "C". BLOCK 7 OF RAILROAD ADDITION TO CITY OF KLAMATH FALLS, OREGON, BEING A PORTION OF THE LAND DESCRIBED IN DEED DATED AUGUST 7, 1919 FROM KLAMATH DEVELOPMENT COMPANY TO CENTRAL PACIFIC RAILWAY COMPANY, RECORDED SEPTEMBER 29, 1919 IN VOLUME 50 OF DEEDS PAGE 466, RECORDS OF KLAMATH COUNTY, OREGON AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHWESTERLY CORNER OF SAID ALLEY LOT "C" IN BLOCK 7; THENCE EAST ALONG THE NORTHERLY LINE OF SAID ALLEY LOT "C", BEING ALSO THE SOUTHERLY LINE OF OAK AVENUE, 40 FEET TO A POINT IN THE EASTERLY LINE OF SAID ALLEY LOT "C"; THENCE SOUTHERLY ALONG THE SAID EASTERLY LINE 160 FEET; THENCE WESTERLY AT RIGHT ANGLES TO LAST DESCRIBED COURSE 40 FEET TO A POINT IN THE WESTERLY LINE OF SAID ALLEY LOT "C"; THENCE NORTHERLY ALONG SAID WESTERLY LINE 160 FEET TO THE POINT OF BEGINNING.

LOTS 1, 2 AND 3 IN BLOCK 8, RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON, ALSO THAT PORTION THEREOF LYING BELOW A DEPTH OF 500 FEET, MEASURED VERTICALLY, FROM THE CONTOUR OF THE SURFACE OF SAID PROPERTY AS SHOWN AS EXHIBIT "A" OF BARGAIN AND SALE DEED RECORDED JUNE 11, 1979 IN VOLUME M80 PAGE 11591, RECORDS OF KLAMATH COUNTY, OREGON. HOWEVER, GRANTOR OR ITS SUCCESSORS AND ASSIGNS SHALL NOT HAVE THE RIGHT FOR ANY PURPOSE WHATSOEVER TO ENTER UPON, INTO OR THROUGH THE SURFACE OF SAID PROPERTY OR ANY PART THEREOF LYING BETWEEN SAID SURFACE AND 500 FEET BELOW SAID SURFACE.

Tax Parcel Number: 415223 and 415232 and 415241 and 415250 and 415278 and 415269 and 415198 and 415205 and 725291 and 786233 and 415296 and 415287 and 415303