

REVOCABLE TRUST

Mildred R. Palaoan, referred to herein as SETTLOR, and Ted T. Palaoan, referred to herein as TRUSTEE, (the singular term "TRUSTEE" shall refer to multiple TRUSTEES if multiple TRUSTEES are appointed) in consideration of the covenants and undertakings herein agree:

ARTICLE I

CONVEYANCE OF PROPERTY TO THE TRUSTEE

SETTLOR herewith assigns and conveys to the TRUSTEE, the property described in Exhibit "1" hereto. All of said property, together with any income, accessions and additions herein, shall be held by the TRUSTEE in trust for the purposes set forth in this revocable living trust.

ARTICLE II

REVOCATION

SETTLOR hereby reserves the right to revoke this trust at any time, by written instrument. Revocation shall be effective upon mailing or delivery to the TRUSTEE of a notice of revocation.

TRUSTEE may resign upon 30 days prior written notice to the SETTLOR. For purposes of this agreement, notices shall be delivered as follows:

TO SETTLOR
6800 S. 6th St. # 59
Klamath Falls, Or. 97603

TO TRUSTEE

6800 S. 6th St. # 59
Klamath Falls, Or. 97603

ARTICLE III

SUCCESSORS TO THE TRUSTEE

ADDITIONAL TRUSTEES

The SETTLOR during his lifetime may from time to time add additional TRUSTEES by notice to the then existing TRUSTEES. In the event there are multiple TRUSTEES, the majority shall in any matter in which the TRUSTEES disagree control. In the event that the TRUSTEES are evenly divided in the actions to be taken, the TRUSTEE with the longest tenure of service shall cast an

additional vote to determine the matter.

In the event that any TRUSTEE resigns or is unwilling or incapable of acting, during the SETTLOR's lifetime, the SETTLOR shall name additional or replacement TRUSTEES. After the SETTLOR's death, Jerri L. Palaoan shall name the replacements for any TRUSTEES who resign or are unwilling or incapable of acting. If Jerri L. Palaoan is unwilling or incapable of acting, she shall name the same. In the event that none shall be unwilling or incapable of acting, the Court having jurisdiction over estates and trusts, located in Klamath County, State of Oregon shall name the successor TRUSTEES.

ARTICLE IV

WITHDRAWALS BY SETTLOR

The SETTLOR may from time to time withdraw any part of the corpus of the trust (whether capital or interest) by written notice to the TRUSTEE. The TRUSTEE shall be acquitted of all further responsibility for any assets so delivered upon receipt by the SETTLOR.

ARTICLE V

POWERS OF THE TRUSTEE

The TRUSTEE shall have the power to do all acts, institute all proceedings and exercise all rights, powers and privileges that an absolute owner of the trust property would have, subject always to the discharge of trustee's fiduciary responsibilities.

I further direct that the TRUSTEE shall act without bond. Further, this TRUST shall be administered without the necessity for an administration thereof to be through the court system.

No entity dealing with the TRUSTEE shall be required to investigate or to confirm the TRUSTEE's authority to enter into any transaction or to administer the application of the proceeds of any transaction.

ARTICLE VI

COMPENSATION OF TRUSTEE

If the TRUSTEE is an individual, then the TRUSTEE shall serve without compensation, but with reimbursement for reasonable and ordinary expenses. Nevertheless, the TRUSTEE if an attorney shall be entitled to compensation for legal services rendered to the trust, or if an accountant, for accounting services rendered to

the trust.

If the TRUSTEE is a corporation or banking entity, it shall be entitled to customary, reasonable and ordinary charges and expenses incurred in rendering services to the estate.

ARTICLE VI

DISPOSITION OF TRUST PROCEEDS

After paying the necessary expenses incurred in the management and investment of the trust estate, including compensation as provided for herein, the TRUSTEE shall accumulate the same during the lifetime of the SETTLOR.

After SETTLOR's death the TRUSTEE shall distribute the net income of the TRUST the following manner:

To be distributed to Ted and Jerri Palancoan, and to who ever they feel is entitled to any of the trust.

Should any beneficiary named above die, the TRUSTEE shall distribute the income to the lineal descendants of the beneficiary. If any beneficiary dies and is not survived by lineal descendants, the distributions from the TRUST shall be adjusted to pro-rata increase all other shares.

ARTICLE VII

INVASION OF PRINCIPAL

After SETTLOR's death, the TRUSTEE may apply so much of the principal of the trust for the use of the beneficiaries at such time or times as in trustee's discretion TRUSTEE may deem advisable for health, education, support and maintenance. Any amounts so applied to the use of any beneficiary shall be charged against, or deducted from, the principal of any share then or thereafter set apart for said beneficiary.

ARTICLE VIII

NON-ASSIGNABILITY OF THE TRUST PROCEEDS

The interest of the beneficiaries of this trust shall not be assignable. The beneficiaries shall not have the right to pledge, assign, convey, or otherwise transfer, lien or encumber any portion of the income or principal of the trust. All payments provided for by the beneficiaries herein shall be made directly

to them or their guardians as is provided herein.

ARTICLE VIII

DISTRIBUTIONS TO MINOR OR INCOMPETENT BENEFICIARIES

The TRUSTEE in his discretion may make payments of income or principal to any minor or incompetent beneficiary or to the same to the minor or incompetent's guardian, or to the person having control over the minor or incompetent; or by direct expenditure for the benefit of the minor or incompetent. However, the TRUSTEE may also pay an allowance in such amount as he may fit from time to time to the minor or incompetent. Further, in the discretion of the TRUSTEE the distributions for a minor or incompetent beneficiary may be accumulated and shall thereupon be paid to the minor or incompetent upon their disability being removed. Any payment under this section shall operate as a full discharge of the TRUSTEE as to such payment.

ARTICLE VIII

ACCOUNTINGS

The TRUSTEE shall, after the death of the SETTLOR provide a semi-annual accounting to all competent, adult beneficiaries detailing the transactions of any, of the trust. The same shall not be required to be audited, although the TRUSTEE may, in his sole discretion, may cause an audit to be performed from time to time.

ARTICLE IX

LIQUIDATION OF TRUST

If at any time the total of the principal and income of the trust is less than \$ One dollar, the TRUSTEE, may in his absolute discretion, close out the trust by paying the proportionate shares of each beneficiary to them. The TRUSTEE shall at that time deliver a final accounting to each beneficiary. Upon payment, the TRUSTEE shall be discharged from all further duties.

SECTION X

PERPETUITIES SAVINGS CLAUSE

Notwithstanding anything to the contrary herein contained, the trust created by this agreement shall cease and terminate as is provided in Section IX, 21 years after the death of the last survivor of trustees and all issue of trustees living at the date of this agreement.

SECTION XI

DISTRIBUTION OF DIVISION IN KIND

On any distribution from the trust, whether it be an ordinary distribution or one of principal, or a final distribution, the TRUSTEE may apportion and allocate the assets of the trust estate in cash and partly in kind, in his absolute discretion. The valuation, whether based on an appraisal, or not, made by the TRUSTEE shall be binding on the beneficiaries.

SECTION XII

LITIGATION OR COMPROMISE OF CLAIMS

The TRUSTEE may compromise, or abandon, at TRUSTEE's option any claim or claim against the trust, or subject the same to arbitration. Or, the TRUSTEE, in his absolute discretion, may litigate any claim in favor of or against the estate.

SECTION XIII

NOTICE OF EVENTS

Until the TRUSTEE receives notice of any death, birth, marriage, or other event on which the right to receive distributions is based, the TRUSTEE shall incur no liability for any disbursements or distributions made in good faith. This clause shall not prevent the TRUSTEE from seeking restitution of any payment in error in his discretion.

SECTION XIV

DEFINITIONS- GOVERNING LAW

The words "child", "children", "descendants" and "issue" shall include children legally adopted and the lawful descendants of such adoptees.

This trust shall be governed by the laws of Oregon.

SECTION XV

SEVERABILITY

If any provision herein are held by a court of competent jurisdiction to be invalid, the remainder shall govern.

Dated: _____

18857

Mildred R. Palaroan
Mildred R. Palaroan

STATE OF Oregon COUNTY OF Klamath
Mildred R. Palaroan, being duly sworn states that they executed
this instrument for the purposes stated herein.

Jandra Handsaker
Notary Public

My Commission Expires: 7/23/93

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Ted T. Palaroan the 30th day
of July A.D., 19 93 at 11:52 o'clock A M., and duly recorded in Vol. M93
of Deeds on Page 18852.

FEE \$35.00

Evelyn Biehn County Clerk
By Dorlene Mulendore

Return: Ted T. Palaroan
6800 S. 6th-#39
Klamath Falls, Or. 97603