

RETURN TO: MICHAEL P. RUDD 411 Pine St. Klamath Falls, OR 97601	TAX STATEMENT TO: SYLVIA M. ROSANDICH 827 E. Langell Valley Rd. Bonanza, OR 97623	CLERK'S STAMP:
--	--	----------------

TRUST DEED

DATE: May 5, 1995

PARTIES: RE Ranch, a partnership, by Sylvia M. Earp nka Sylvia Rosandich
827 E. Langell Valley Rd.
Bonanza, Oregon 97623

GRANTOR

Mountain Title Company of Klamath County
222 S. 6th Street
Klamath Falls, Oregon 97601

TRUSTEE

John Earp
P.O. Box 132
Bonanza, Oregon 97623

BENEFICIARY

RECITALS:

A. Grantor is the owner of real property described on Exhibit "A" hereto, including all appurtenances, buildings and existing or future improvements located thereon and all fixtures and attachments thereto, all of which real property is hereinafter referred to as "the Trust Property."

B. Beneficiary has agreed to lend to Grantor and Grantor has agreed to borrow from Beneficiary, the sum of \$50,000.00 upon the terms and conditions set out herein and in a promissory note (the Note) dated concurrently with this Trust Deed with the final payment due on the fifth day of May, 2005, which is the maturity date of this Trust Deed. Grantor has agreed to deed to Trustee the Trust Property to secure punctual payment of the Note and any other indebtedness owing by Grantor to Beneficiary and to secure performance of all of Grantor's obligations under the Note, under this Trust Deed and under any other instruments evidencing an indebtedness of Grantor to Beneficiary.

THEREFORE, to secure payment by Grantor of the indebtedness to be evidenced by the Note in strict accordance with its terms, including payment of interest thereon and performance by Grantor of the covenants contained herein and in the Note by it to be performed, and to secure payment of any other indebtedness of Grantor to Beneficiary which arises directly or indirectly out of the Note or this Trust Deed, Grantor hereby grants, bargains, sells and conveys to the Trustee, in trust, with power of sale, the Trust Property and presently assigns the rents, revenues, income, issues and profits therefrom to the Trustee, its successors and its assigns, upon the terms set forth herein.

PROVIDED, HOWEVER, that until the occurrence of an event of default, Grantor may remain in control of and operate and manage the Trust Property and collect and enjoy the rents, revenues, income, issues and profits therefrom; and

PROVIDED, FURTHER, that if Grantor shall make all payments for which provision is made in the Note in strict accordance with the terms thereof and shall perform all of the covenants contained herein, and shall make all payments due on any other indebtedness and shall perform all of the covenants contained in the Note and this Trust Deed, then Trustee shall execute and deliver to Grantor, without warranty, a reconveyance of the Trust Property.

The parties covenant and agree as follows:

SECTION 1.

GRANTOR'S COVENANTS AND WARRANTIES

1.1 Payment of the Note. Grantor will make all payments of the interest and principal for which provision is made in the Note, and in any note or notes given in renewal or replacement thereof, promptly as such payments become due and payable and will pay the unpaid balance of the Note upon maturity.

1.2 Warranty of Title. Grantor warrants that it holds good and merchantable title to the Trust Property.

1.3 Taxes and Assessments; Liens and Claims.

1.3.1 Payment. Grantor shall pay, when due, all taxes and all assessments imposed against the Trust Property and all claims and demands arising from the

Grantor's use or occupancy of the Trust Property.

1.3.2 Protection of the Trust Property From Liens. Grantor shall not permit any lien prior or equal to the Trustee's title to be imposed upon the Trust property, except liens for taxes or assessments assessed but not yet due.

1.3.3 Grantor's Right to Contest. Grantor may withhold payment of any taxes, assessments, claims or demands or may elect to contest any lien if Grantor is in good faith conducting appropriate proceedings to contest its obligation to pay and for so long as the Trustee's interest in the Trust Property is not jeopardized.

1.4 Insurance.

1.4.1 Property Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all building and improvements, including additions thereto and replacements thereof. The amount of insurance shall, in no event, be less than the amount of principal owed on the Note.

1.4.2 Insurance companies, Policies and Certificates. Grantor shall deliver to Beneficiary a certificate of coverage from the insurer issuing the policy required by paragraph 1.4.1 containing a stipulation that coverage will not be canceled or diminished without a minimum of 10 days advance written notice to Beneficiary.

1.4.3 Notice of Loss. In the event of loss, Grantor shall immediately notify Beneficiary, which may make proof of loss if it is not made promptly by Grantor.

1.4.4 Insurance Proceeds. Insurance proceeds shall be paid directly to Grantor. Any money for loss or damage shall be used for the repair of buildings or improvements located on the Trust Property or for the erection of new buildings or improvements in their place or for any other purpose or object satisfactory to Beneficiary.

1.5 Use, Maintenance and Alterations.

1.5.1 Duty to Maintain. Grantor shall maintain the Trust Property in good condition and repair and promptly perform all repairs and maintenance necessary to preserve its value.

1.5.2 Waste; Nuisance. Grantor shall not conduct or permit any nuisance on the trust Property nor commit or suffer any strip or waste thereof, without the expressed written consent of beneficiary. Beneficiary understands that the trust property is used for agricultural purposes and will not unreasonably withhold his consent to modify the property for agricultural purposes.

1.5.3 Removal of Improvements. Grantor shall not demolish or remove any improvements on the Trust Property without prior written consent of Beneficiary but Grantor may make alterations which it deems necessary for the purpose of renting the Trust Property.

1.5.4 Beneficiary's Right to Enter and Inspect. Grantor will permit Beneficiary and its agents to enter upon the Trust Property at all reasonable times to inspect the Trust Property.

1.5.5 Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Trust Property. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Beneficiary's and Trustee's interests in the Trust Property are not jeopardized.

1.6 Eminent Domain.

1.6.1 Notice of Taking or Condemnation Proceeding. If the Trust Property, or any part thereof or interest therein, should be taken or damaged by reasons of any public improvement or condemnation proceeding, or if Grantor should receive any notice or other information regarding a condemnation proceeding or similar type of proceeding, Grantor shall immediately notify Beneficiary.

1.6.2 Condemnation Proceeds. Grantor shall be entitled to all compensation, awards and other payment or relief related to condemnation, and shall be entitled at its sole option to commence, appear in and prosecute in its own name any such action or proceeding. Grantor shall also be entitled to make any compromise or settlement in connection with such taking or damage. Grantor shall have the option, at her sole discretion, to apply the condemnation proceeds to the indebtedness evidenced by this trust deed.

SECTION 2.

EVENTS OF DEFAULT

The following shall constitute events of default:

2.1 Nonpayment. Failure of grantor to make any payment required by the Note or to make any payment for taxes and insurance premiums.

2.2 Breach of Other Covenant. Failure of Grantor to perform any obligation contained in this Trust Deed within 30 days after notice from Beneficiary (or Beneficiary's representative) specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue with reasonable diligence curative action.

SECTION 3.

REMEDIES IN CASE OF DEFAULT

If an event of default shall occur, Beneficiary or Trustee, as the case may be, may exercise any of the following rights and remedies, in additions to any other remedies which may be available at law, in equity, or otherwise:

3.1 Foreclosure. Beneficiary may obtain a decree foreclosing Grantor's interest in all or any part of the Trust Property.

3.2 Power of Sale. Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law.

3.3 Sale of collateral; Bid at Public Sale. In exercising its rights a remedies, Beneficiary shall be free to sell all or any part of the collateral together or separately, or to sell certain portions of its collateral and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale of all or any portion of its collateral.

2. TRUST DEED

3.4 Cumulative Remedies. Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Trust Deed are cumulative and not exclusive. An election to cure shall neither prejudice the right to declare a default nor constitute a waiver of the breached term or of any of the remedies provided herein. No delay or omission in exercising any right or remedy shall impair that or any other right to remedy or shall be construed to be a waiver of the default.

SECTION 4.

APPLICATION OF PROCEEDS

All proceeds realized from the exercise of the rights and remedies under Sections 2 and 3 shall be applied as follows:

4.1 Costs and Expenses. To pay the costs of exercising such rights and remedies, including the costs of any sale.

4.2 Indebtedness. To pay all other amounts owed by Grantor, payment of which is secured by this Trust Deed.

4.3 Surplus. The surplus, if any, shall be paid to the clerk of the court in the case of a foreclosure by judicial proceeding, otherwise to the person or persons legally entitled thereto.

SECTION 5.

GENERAL PROVISIONS

5.1 Reconveyance Upon Payment. Upon written request of Beneficiary stating that all sums secured hereby have been paid, surrender of this Trust Deed and the Note to Trustee for cancellation and retention and payment of its fees, Trustee shall reconvey, without warranty, the Trust Property then held hereunder. The recitals in any reconveyance executed under this Trust Deed of any matters of facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

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

5.3 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding on and insure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

5.4 Notice. Any notice under this Trust Deed shall be in writing. Any notice to be given or document to be delivered under this Trust Deed shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address first stated in this Trust Deed; provided that any notice pursuant to exercise of the Trustee's power of sale in the event of default shall be sufficient if such notice complies with all provisions of Oregon law applicable to exercise of such powers of sale. Any party may, by notice to the others, designate a different address.

5.5 Beneficiary's Right to Cure. If Grantor fails to perform any obligation required of it under this Trust Deed, Beneficiary may, without notice, take any steps necessary to remedy such failure. Grantor shall reimburse Beneficiary for all amounts expended in so doing on demand with interest at a rate equal to the lesser of 9% percent per annum until repaid. Such action by Beneficiary shall not constitute a waiver of the default or any other right or remedy which Beneficiary may have on account of Grantor's default.

5.6 Applicable Law. This Trust Deed shall be governed by the laws of the State of Oregon.

5.7 Time of Essence. Time is of the essence of this Trust Deed.

5.8 Headings. The headings to the sections and paragraphs of this Trust Deed are included only for the convenience of the parties and shall not have the effect of defining, diminishing or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Trust Deed.

5.9 Severability. If any provision of this Trust Deed shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Trust Deed, but this Trust Deed shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

5.10 Entire Agreement. This Trust Deed and the Note contain the entire agreement of the parties with respect to the matters covered, and no other previous agreement, statement or promise made by any party to this Trust Deed which is not contained in its terms or in the terms of the Note shall be binding or valid.

IN WITNESS WHEREOF, Grantor has caused this Trust Deed to be executed as of the day and year first above written.

Sylvia Rosandich

RE Ranch

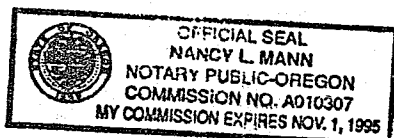
by: Sylvia Earp nka Sylvia Rosandich

STATE OF OREGON)

) ss.

County of Klamath)

This instrument was acknowledged before me on the 5 day of May, 1995 by Sylvia Earp nka Sylvia Rosandich.



Nancy L. Mann
Notary Public for Oregon
My Commission expires: 11-1-95

3. TRUST DEED

11788

That portion of Government Lots 1 and 2 and the S1/2 of the NE1/4 of Section 4, Township 40 South, Range 13 East of the Willamette Meridian, Klamath County, Oregon, lying Southerly and Westerly of the USBR right of way for the Lost River Channel Improvement.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co the 5th day
of May A.D., 19 95 at 3:31 o'clock P M, and duly recorded in VolM95
of Mortgages on Page 11785

FEE \$25.00

By Bernetha G. Leisch, County Clerk

EXHIBIT A