

AFTER RECORDING, RETURN TO: Western Title Co., 839 SW Highland, Redmond, OR 97756.

TRUST DEED

1. PARTIES:

GRANTOR: Jerry J. Boddum and Mary Ann R. Boddum, husband & wife.

BENEFICIARY: William A. Hanke and Carol J. Hanke, husband & wife.

TRUSTEE: Western Title Co., Redmond, Oregon.

2. AGREEMENT: For the purpose of securing performance of an agreement of grantor and payment of the sum of ONE MILLION DOLLARS (\$1,000,000.00). Grantor grants, bargains, sells and conveys to Trustee in trust for Beneficiary, with power of sale, the real property in Lake County, Oregon, described as attached in Exhibit 1 and real property in Klamath County, Oregon, with appurtenances, described as attached in Exhibit 2.

The property is currently used for agricultural, timber or grazing purposes. Grantor agrees to annually perform all obligations to maintain farm tax deferral status and irrigation rights on the property.

3. SECURITY:

3.1. This trust deed secures a trust deed note between Grantor and Beneficiary, dated the same date as this trust deed.

3.2. As additional security, Grantor hereby assigns to Beneficiary during the continuance of this trust, all rents, issues, royalties and profits of the property affected by this trust deed and of any personal property located thereon. Until Grantor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Grantor shall have the right to collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable.

4. WARRANTIES OF TITLE: Grantor warrants and represents to Beneficiary that Grantor owns the property in fee simple free from all liens and encumbrances except:

For the Lake County, Oregon, property:

4.1 Rights of the public and of governmental bodies in and to that portion of the premises herein described lying below the high water mark of Rock Creek and the ownership of the State of Oregon in and to that portion lying below the high water mark thereof;

4.2 Right of Way Easement Deed, including the terms and provisions thereof, from First National Bank of Oregon, Guardian for John R. Gray, a national banking association

Page 1. TRUST DEED

to United States of America, dated February 1, 1974, recorded February 5, 1974, in volume M74 page 1247, Deed records of Klamath County, Oregon;

4.3 Rights of the public in and to any portion of the Lake County, Oregon, property lying within the limits of any road or highway;

4.4 Rights of the public and of governmental bodies in and to that portion of the premises herein described lying below the high water mark of Bear Creek, Bridge Creek, Buck Creek and Timothy Creek and the ownership of the State of Oregon in and to that portion lying below the high water mark thereof;

4.5 An outstanding interest in Lake County, Oregon, a municipal corporation, for right of way for roads and highways over and across SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, Lot 3, NW $\frac{1}{4}$ SE $\frac{1}{4}$ in Section 30, T28S, R14E, W.M., reserved under that certain Deed, including the terms and provisions thereof, recorded in Volume 77, page 75, Deed records of Lake County, Oregon;

4.6 An outstanding interest in Lake County, Oregon, a municipal corporation, for right of way for roads and highways over and across and of the coal, oil, gas and minerals on, in or under the following: All of Section in Section 36, T28S, R12E, W.M.; NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, in Section 18, T29S, R13E, W.M.; SW $\frac{1}{4}$ in Section 36, T28S R19E W.M.; reserved under those certain Deeds, including the terms and provisions thereof, recorded in Volume 97, page 391, and Volume 103, Page 156, and Volume 97, Page 321, all Deed records of Lake County, Oregon;

4.7 An outstanding interest in John E. Ferguson, for one half of the minerals under that certain deed, including the terms and provisions thereof, recorded in Volume 117, Page 457 Deed records of Lake County, Oregon, Affects SE $\frac{1}{4}$ in Section 33, T28S, R15E, W.M.;

4.8 An outstanding interest in J.A. Dudrey, for one half of the minerals, under that certain deed, including the terms and provisions thereof, recorded in Volume 138, Page 124, Deed records of Lake County, Oregon. Affects SE $\frac{1}{4}$ in Section 33, T28S, R15E, W.M.; and

For the Klamath County property:

4.9 Rights of the public and of governmental bodies in and to that portion of the premises herein described lying below the high water mark of Rock Creek and the ownership of the State of Oregon in and to that portion lying below the high water mark thereof; and

4.10 Right of Way Easement Deed, including the terms and provisions thereof, from First National Bank of Oregon, Guardian for John R. Gray, a national banking association to United States of America, dated February 1, 1974, recorded February 5, 1974, in volume M74 page 1247, Deed records of Klamath County, Oregon.

Page 2. TRUST DEED

5. GRANTOR'S DUTIES: Grantor will forever defend the property against all persons; Grantor will pay the obligation secured by this trust deed according to all its terms and conditions; Grantor will pay all taxes and assessments and all charges of every nature which may be levied or assessed against the property; Grantor will pay according to their terms and conditions any and all other liens and encumbrances that are or may become charges against the property or any part thereof; Grantor will complete or restore promptly and in good workmanlike manner any building or improvement on the described property which may be constructed, damaged or destroyed thereon and pay when due all costs incurred therefor when said damage or destruction is not paid by insurance required herein; Grantor will not remove or demolish any building or improvement on the described property without the written consent of Beneficiary; Grantor will pay all costs and expenses of this trust, including the cost of title search as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation, and Trustee's and any attorney fees as provided by law or herein; Grantor will pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate provided on the principal debt, and the repayment thereof shall be secured hereby.

6. INSURANCE: Grantor agrees that any dwellings erected on the property will be kept insured by Grantor in favor of Beneficiary against loss or damage by fire with extended coverage in a company or companies satisfactory to Beneficiary; Grantor will have the insurance on the property made payable to Beneficiary as Beneficiary's interest may appear; the insurance policy will be delivered to Beneficiary as soon as issued and proof of continuing insurance shall be provided to Beneficiary annually on the anniversary of the date of this trust deed; the insurance will be on a replacement cost basis.

7. USE OF PROPERTY: Grantor agrees not to abuse, misuse or waste the property, real or personal, described in this trust deed and to maintain the property in good condition.

8. PERFORMANCE:

8.1. If Grantor performs the terms and conditions of this trust deed and pays the obligation secured hereby according to all terms and conditions this conveyance shall be void, but otherwise shall remain in full force to secure the performance of this trust deed and the payment of the obligation it secures. The parties agree that failure of Grantor to perform any term or condition of this trust deed or the obligation it secures, or if proceedings of any kind are taken by anyone to foreclose any lien which grantor is bound by this trust deed to remove on the property or any part thereof, Beneficiary shall have the option to declare the whole unpaid amount of the obligation secured by this trust deed at once due and payable, and this trust deed may be foreclosed at any time thereafter.

8.2. Upon performance of the obligation secured hereby, Trustee shall, upon written request of Beneficiary, reconvey the property to Grantor.

Page 3. TRUST DEED

9. DEFAULT:

9.1. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice of default and election to sell the trust property, which notice Trustee shall cause to be duly filed for record. If Beneficiary desires the property to be sold, Beneficiary shall deposit with Trustee the trust deed, the note and all documents evidencing expenditures secured hereby, whereupon the Trustee shall fix the time and place of sale and give notice thereof as then required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee shall, if Grantor's default has not been cured in the manner then provided by law, sell said property at the time and place fixed by it in the notice of sale and such sale shall be conducted in the manner then provided by law. Trustee shall deliver to its purchaser its deed in a form as required by law conveying the property so sold, but without any covenant or warranty, express or implied.

9.2 If Grantor shall fail to make any payment as herein provided and the failure shall continue for more than ten (10) days after the payment becomes due, Grantor shall be deemed in default and Beneficiary shall not be obligated to give prior notice to Grantor of a declaration of the default more than one time in any calendar year. Beneficiary may, at Beneficiary's sole discretion, allow late payment up to fifteen days after the payment becomes due by payment by Grantor of an additional amount of ten percent (10%) of the amount of the payment due. Grantor shall not be deemed in default for failure to perform any covenant or condition of this contract, other than failure to make payments as provided herein, until written notice of the proposed default has been given by Beneficiary to Grantor and Grantor shall fail to remedy the default within twenty-one (21) days after the giving of the notice.

9.3 Upon any default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in their own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney fees at trial and on appeal, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

9.4 Nothing herein shall be construed as a waiver by Beneficiary of the right to elect to foreclose in the manner provided by law for the foreclosure of mortgages on real property.

10. CONDEMNATION: Should the property or any part thereof be taken under the right of eminent domain or condemnation, or in any other manner, Beneficiary shall have the right, if they so elect, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney fees necessarily paid or incurred by Grantor in such proceedings, shall be paid to Beneficiary and applied by them first upon any reasonable costs and expenses and attorney fees necessarily paid or incurred by Beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and Grantor agrees, at his own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon Beneficiary's request.

11. WAIVER: By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive the right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay. Waiver of any provision in this agreement shall not be held a waiver of any subsequent default or of any default in any other provision.

12. ESTABLISHMENT OF TRUST:

12.1. Trustee accepts this trust when this trust deed, duly executed and acknowledged, is made public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other trust deed or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless brought by Trustee.

12.2. Beneficiary may appoint another Trustee in place of Trustee named herein, and thereupon the Trustee so appointed shall be substituted as Trustee with the same effect as if originally named Trustee.

13. SUCCESSORS IN INTEREST: This deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors, and assigns of the parties hereto. All obligations of Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgors, of the note secured hereby, whether or not named as beneficiary herein.

14. ASSIGNMENT: Beneficiary has sold the property which is the subject of this contract on the basis of Grantor's personal liability, financial resources and personal responsibility. Therefore, it is understood and agreed that neither this trust deed or any interest in this trust deed or in the property shall be assigned, conveyed or transferred in any manner whatsoever, directly or indirectly, nor may possession or control of the property or any part thereof or interest therein be transferred by Grantor or Grantor's successors or assigns without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld. Beneficiary shall not be required to consent unless Beneficiary is reasonably satisfied that the prospective transferee has sufficient financial resources and personal

responsibility to perform Grantor's obligations under this trust deed, but such consent and assumption shall not in any way relieve or discharge Grantor's obligations under this trust deed. Consent to one transfer shall not constitute consent to subsequent transfers or be deemed a waiver of this paragraph.

15. ATTORNEY FEES: If suit or action is instituted to enforce any of the provisions of this trust deed, the prevailing party shall be entitled to such sums as the court may adjudge reasonable as attorney fees in said suit or action in any court including any appellate court in addition to costs and disbursements provided by statute. Prevailing party shall also recover cost of title report.

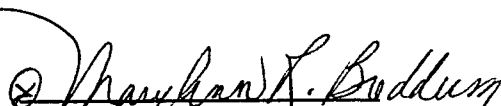
16. PARTIAL RELEASES:

If this trust deed is not in default, Beneficiary shall convey partial releases of this trust deed for the following payments to be credited against the principal amount owing as follows:

- | | |
|---|--------------------|
| 16.1 158 acre pivot in Fort Rock: | \$120,000.00; |
| 16.2 Property with water rights: | \$650.00 per acre; |
| 16.3 Property without water rights: | \$130.00 per acre; |
| 16.4 Property improvements on Buck Creek: | \$65,000.00; |
| 16.5 Property improvements on Bridge Creek: | \$10,000.00. |

GRANTOR:

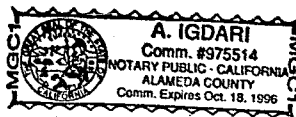

JERRY J. BODDUM


MARY ANN R. BODDUM

STATE OF CALIFORNIA)
County of Alameda) ss.

The foregoing instrument was acknowledged before me by JERRY J. BODDUM, this First day of May, 1995.

June
(A.1)



A. Igdari
Notary Public for Calif.
My Commission Expires: Oct 18, 1996

15063

STATE OF CALIFORNIA)

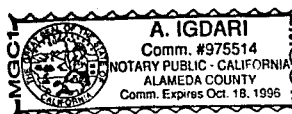
County of Alameda) ss.

The foregoing instrument was acknowledged before me by MARY ANN R. BODDUM, this
First day of ~~May~~ ^{June}, 1995.

(A-1)

A. Igdari
Notary Public for Calif.

My Commission Expires: Oct 18, 1996



DESCRIPTION

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

Parcel 1:

Township 26 South, Range 15 East of the Willamette Meridian:

Section 33: SE $\frac{1}{4}$

Parcel 2:

Township 28 South, Range 12 East of the Willamette Meridian:

Section 32: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 33: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 34: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 36: All

Township 28 South, Range 13 East of the Willamette Meridian:

Section 21: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 25: S $\frac{1}{2}$

Section 26: E $\frac{1}{2}$ SE $\frac{1}{4}$

Section 28: NE $\frac{1}{4}$, W $\frac{1}{2}$

Section 29: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Section 30: SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$

Section 31: N $\frac{1}{2}$ NW $\frac{1}{4}$

Section 32: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Section 33: NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 35: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 36: N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$

Township 28 South, Range 14 East of the Willamette Meridian:

Section 30: SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, Government Lot 3, NW $\frac{1}{4}$ SE $\frac{1}{4}$, EXCEPTING THEREFROM the following: Beginning at the Southeast corner of the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 30, running thence West 209 feet; thence North 209 feet; thence East 209 feet; thence South 209 feet to the place of beginning.

Township 28 South, Range 19 East of the Willamette Meridian:

Section 36: SW $\frac{1}{4}$

Township 29 South, Range 12 East of the Willamette Meridian:

Section 1: Government Lots 1, 2, 3, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Section 3: Lot 4

Section 4: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, Lot 3, SE $\frac{1}{4}$ NW $\frac{1}{4}$

Section 12: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$

Township 29 South, Range 13 East of the Willamette Meridian:

Section 5: S $\frac{1}{2}$ S $\frac{1}{2}$

Section 6: Government Lots 4, 5, 6, 7, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 7: NE $\frac{1}{4}$, Government Lots 1 and 2, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$

Section 8: N $\frac{1}{2}$ N $\frac{1}{2}$

Section 18: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Parcel 3:

Township 28 South, Range 12 East of the Willamette Meridian:

Section 27: An undivided $\frac{3}{5}$ ths interest in the SW $\frac{1}{4}$

Exhibit 2
Page 1 of 1

The following described property is in Klamath County, Oregon:

T27S, R10E, WM, Klamath County, Oregon:

Section 10: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 11: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 14: E $\frac{1}{2}$ W $\frac{1}{2}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 23: NE $\frac{1}{4}$ NW $\frac{1}{4}$

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ 7th _____ day
of _____ June _____ A.D., 19 95 at 10:54 o'clock _____ A _____ M., and duly recorded in Vol. _____ M95
of _____ Mortgages _____ on Page 15057.

By _____ Bernetha G. Letsch, County Clerk

FEE \$50.00