

TRUST DEED

PARADISE HILLS DEVELOPMENT, L.L.C.

PO BOX 223

KLAMATH FALLS, OR 97601

Grantor

O'CONNOR LIVESTOCK COMPANY & DANOC CORP.

Beneficiary

After recording return to: ESCROW NO. MT36748-PS

AMERITITLE

222 S. 6TH STREET

KLAMATH FALLS, OR 97601

MTC 36748-PS

TRUST DEED

THIS TRUST DEED, made on September 9, 1997, between
 PARADISE HILLS DEVELOPMENT, L.L.C., as Grantor,
 AMERITITLE, as Trustee, and
 O'CONNOR LIVESTOCK COMPANY, AN OREGON CORPORATION AS TO AN UNDIVIDED 1/2
 INTEREST, AND DANOC CORPORATION, AN OREGON CORPORATION AS TO AN UNDIVIDED 1/2
 INTEREST, as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with
 power of sale, the property in KLAMATH County, Oregon, described as:
 SEE EXHIBIT A WHICH IS MADE A PART HEREOF BY THIS REFERENCE

SEE SPECIAL TERMS ON EXHIBIT B WHICH IS MADE A PART HEREOF BY THIS REFERENCE.

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise
 now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection
 with the property.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of
 FIVE HUNDRED FIVE THOUSAND FIVE HUNDRED Dollars, with interest thereon
 according to the terms of a promissory note of even date herewith, payable to beneficiary or order and made payable by grantor, the
 final payment of principal and interest hereof, if not sooner paid, to be due and payable October 10 2012.

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of said note
 becomes due and payable. In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be
 sold, conveyed, assigned, or alienated by the grantor without first having obtained the written consent or approval of the beneficiary,
 then, at the beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein or
 herein, shall become immediately due and payable.

To protect the security of this trust deed, grantor agrees:

1. To protect, preserve and maintain said property in good condition and repair; not to remove or demolish any building or im-
 provement thereon; not to commit or permit any waste of said property.
2. To complete or restore promptly and in good workmanlike manner any building or improvement which may be constructed,
 damaged or destroyed thereon, and pay when due all costs incurred therefor.
3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property; if the beneficiary
 so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require
 and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or
 searching agencies as may be deemed desirable by the beneficiary.
4. To provide and continuously maintain insurance on the buildings now or hereafter erected on said premises against loss or damage
 by fire and such other hazards as the beneficiary may from time to time require, in an amount not less than the full insurable value,
 written in companies acceptable to the beneficiary, with loss payable to the latter; all policies of insurance shall be delivered to the
 beneficiary as soon as insured; if grantor shall fail for any reason to procure any such insurance and to deliver said policies to the
 beneficiary at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on said buildings, the
 beneficiary may procure same at grantor's expense. The amount collected under any fire or other insurance policy may be applied by
 beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine, or at option of beneficiary the
 entire amount so collected, or any part thereof, may be released to grantor. Such application or release shall not cure or waive any
 default or notice of default hereunder or invalidate any act done pursuant to such notice.
5. To keep said premises free from construction liens and to pay all taxes, assessments and other charges that may be levied or
 assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and
 promptly deliver receipts therefor to beneficiary; should the grantor fail to make payment of any taxes, assessments, insurance
 premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiary with funds with which to
 make such payment, beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth
 in the note secured hereby, together with obligations described in paragraphs 6 and 7 of this trust deed, shall be added to and become
 a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for
 such payments, with interest as aforesaid, the property hereinbefore described, as well as the grantor, shall be bound to the same
 extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and
 payable without notice, and the nonpayment thereof shall, at the option of the beneficiary, render all sums secured by this trust deed
 immediately due and payable and constitute a breach of this trust deed.
6. To pay all costs, fees and expenses of this trust deed 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 attorney's fees actually incurred.
7. To appear in and defend any action or proceeding purporting to affect the security rights or powers of beneficiary or trustee; and
 in any suit, action or proceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed,
 to pay all costs and expenses, including evidence of title and the beneficiary's or trustee's attorney's fees; the amount of attorney's
 fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgement or
 decrees of the trial court, grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the beneficiary's
 or trustee's attorney's fees on such appeal.

It is mutually agreed that:

8. In the event that any portion or all of said property shall be taken under the right of eminent domain or condemnation, beneficiary
 shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are

NOTE: The Trust Deed Act provides that the Trustee hereunder must be either an attorney, who is an active member of the Oregon
 State Bar, a bank, trust company, or savings and loan association authorized to do business under the laws of Oregon or the United
 States, a title insurance company authorized to insure title to real property of this state, its subsidiaries, affiliates, agents or branches,
 the United States or any agency thereof, or an escrow agent licensed under ORS 696.505 to 696.585.

in excess of the amount required to pay all reasonable costs, expenses and attorney's fees necessarily paid or incurred by grantor in such proceedings, shall be paid to beneficiary and applied by it first upon any such reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, necessarily paid or incurred by beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon beneficiary's request.

9. At any time and from time to time upon written request of beneficiary, payment of its fees and presentation of this deed and the note for endorsement (in case of full reconveyances, for cancellation), without affecting the liability of any person for the payment of the indebtedness, trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be not less than \$5.

10. Upon any default by grantor hereunder, 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 its own name sue or otherwise collect the 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's fees upon any indebtedness secured hereby, and in such order as beneficiary may determine.

11. The entering upon and taking possession of said property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, time being of the essence with respect to such payment and/or performance, the beneficiary may declare all sums secured hereby immediately due and payable. In such an event the beneficiary at his election may proceed to foreclose this trust deed in equity as a mortgage or direct the trustee to foreclose this trust deed by advertisement and sale, or may direct the trustee to pursue any other right or remedy, either at law or in equity, which the beneficiary may have. In the event the beneficiary elects to foreclose by advertisement and sale, the beneficiary or the trustee shall execute and cause to be recorded his written notice of default and his election to sell the said described real property to satisfy the obligation secured hereby whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 86.735 to 86.795.

13. After the trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the trustee conducts the sale, the grantor or any other person so privileged by ORS 86.753, may cure the default or defaults. If the default consists of a failure to pay, when due, sums secured by the trust deed, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the obligation or trust deed. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the beneficiary all costs and expenses actually incurred in enforcing the obligation of the trust deed together with trustee's and attorney's fees not exceeding the amounts provided by law.

14. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The trustee may sell said property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the trustee, but including the grantor and beneficiary, may purchase at the sale.

15. When trustee sells pursuant to the powers provided herein, trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the trustee and a reasonable charge by trustee's attorney, (2) to the obligation secured by the trust deed, (3) to all persons having recorded liens subsequent to the the interest of the trustee in the trust deed as their interests may appear in the order of their priority and (4) the surplus, if any, to the grantor or to his successor in interest entitled to such surplus.

16. Beneficiary may from time to time appoint a successor or successors to any trustee named herein or to any successor trustee appointed hereunder. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

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

The grantor covenants and agrees to and with the beneficiary and the beneficiary's successor in interest that the grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto and that the grantor will warrant and forever defend the same against all persons whomsoever.

WARNING: Unless grantor provides beneficiary with evidence of insurance coverage as required by the contract or loan agreement between them, 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 collateral becomes damaged, the coverage purchased by beneficiary may not pay any claim made by or against grantor. Grantor may later cancel the coverage by providing evidence that grantor has obtained property coverage elsewhere. Grantor is responsible for the cost of any insurance coverage purchased by beneficiary, which cost may be added to grantor's contract or loan balance. If it is so added, the interest rate on the underlying contract or loan will apply to it. 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 considerably more expensive than insurance grantor might otherwise obtain alone and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

The grantor warrants that the proceeds of the loan represented by the above described note and this trust deed are:

(a) primarily for grantor's personal, family, or household purposes [NOTICE: Line out the warranty that does not apply]
(b) for an organization, or (even if grantor is a natural person) are for business or commercial purposes.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors, and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein.

In construing this mortgage, it is understood that the mortgagor or mortgagee may be more than one person; that if the context so requires, the singular shall be taken to mean and include the plural and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, said grantor has hereunto set his hand the day and year first above written.

PARADISE HILL DEVELOPMENT, L.L.C.

By: 

L. Frank Goodson, Member

STATE OF Oregon, County of Klamath) ss.

By: 
Mark Wendt, Member

This instrument was acknowledged before me on PARADISE HILLS DEVELOPMENT, L.L.C. XXXXXXXXXXXX /see attached/

My Commission Expires _____

Notary Public for _____

29691

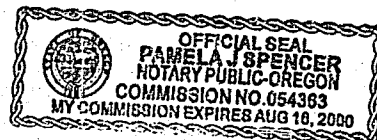
LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Oregon)
COUNTY OF KLAMATH) ss

On this 9th day of September, 19 97, before me, the undersigned Notary Public, personally appeared L. Frank Goodson and Mark Wendt on behalf of Paradise Hill Development, L.L.C. and known to me to be members or designated agent of the limited liability company that executed this instrument, and acknowledge this instrument to be the free and voluntary act of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this instrument and in fact executed this instrument on behalf of the limited liability company.

Pamela J. Spencer
Notary Public in and for the State of ~~OREGON~~ Oregon

My commission expires: 8/16/2000



REQUEST FOR FULL RECONVEYANCE (To be used only when obligations have been paid)

TO: _____

_____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by the trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of the trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by the trust deed (which are delivered to you herewith together with the trust deed) and to reconvey, without warranty, to the parties designated by the terms of the trust deed the estate now held by you under the same. Mail reconveyance and documents to: _____

DATED: _____

, 19 _____

Do not lose or destroy this Trust Deed OR THE NOTE which it secures.
Both must be delivered to the trustee for cancellation before
reconveyance will be made.

Beneficiary

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

The NE1/4 SE1/4; SE1/4SW1/4; S1/2 SE1/4; and that portion of Government Lots 4 and 5 lying Southerly and Easterly of the County Road formerly the Dalles-California Highway of Section 31, Township 37 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

That portion of Government Lots 1 and 2 lying East of the State Highway as described in Deed Volume 138 page 81 of Section 1, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, SAVING AND EXCEPTING THEREFROM any portion of Upper Lake Garden Tracts, as same is now platted that may lie in said Government Lot 2.

The W1/2 NW1/4 of Section 8, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

The NE1/4 SW1/4 NW1/4; S1/2 SW1/4 NW1/4; N1/2 NW1/4 SW1/4; S1/2 SW1/4 NW1/4 SW1/4; SE1/4 NW1/4 SW1/4 and the SW1/4 SW1/4 all in Section 5, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

The NE1/4; NW1/4; N1/2 SE1/4; SE1/4 SE1/4, NE1/4 SW1/4 and that portion of Government Lot 1 lying Northeasterly of the County Road, formerly the Dalles-California Highway of Section 6, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. SAVING AND EXCEPTING that portion conveyed to C.N. Hurtgen by deed executed on November 8, 1943, recorded December 20, 1943, Deed Volume 160 at page 527.

PARCEL 2:

A portion of Government Lot 2 of Section 31, Township 37 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point on the East-West center line 1,320.33 feet West of the quarter corner common to Sections 31 and 32, Township 37 South, Range 9 East of the Willamette Meridian, and running thence North 89 degrees 49' West along said center line a distance of 124.22 feet to a point; thence North 1 degree 10' East along the present fence a distance of 1,322.2 feet to a point; thence South 89 degrees 49' East a distance of 141.54 feet to a point; thence South 1 degree 55' West a distance of 1,322.6 feet to the point of beginning.

EXHIBIT "B"

It is further mutually agreed and understood that, so long as no default exists in the payment of any of the installments of principal and interest, the Beneficiary hereunder shall, upon application by the Grantor hereunder, authorize the herein named Trustee to execute partial reconveyance of the lands hereby encumbered under the following terms and conditions:

- I. The cash release price shall be \$675.00 per acre.
- II. Any payments so made in cash shall be applied first to interest then to the reduction of the principal balance then due on said Note.
- III. No releases shall be given at any time which will deprive the remaining lands encumbered hereunder of adequate access in accordance with County requirements as to width, grade and location, to a public road and to public utilities.
- IV. In the event surveys of the lands to be released shall be required said survey shall be made at the expense of the Grantor hereunder.
- V. In the event Grantor hereunder desires to sell parcels of the lands encumbered as security hereunder, and further if Grantor in said event wishes to accept a Promissory Note from purchasers secured by a first Deed of Trust to Grantor therefore on the land or portions thereof being sold, the Beneficiary agrees that upon request of Grantor, the Beneficiary will authorize a partial reconveyance of the encumbered property to Grantor and accept assignment from Grantor of the Note or Notes and first Deed of Trust or first Deeds of Trust of his purchaser on subject property. Likewise, Beneficiary agrees to authorize partial reconveyance and accept assignment of a Note or Notes secured by a first Deed of Trust or first Deeds of Trust from subsequent purchasers of portions or all of subject real property where same are assignable to Grantor and Grantor agrees to concurrently with said reconveyance assign same to Beneficiary. The following terms and conditions shall apply in said event.
 - A. The purchase money Note or Notes and Deed of Trust or Deeds of Trust to be assigned to Grantor hereunder are assigned by Grantor to Beneficiary as collateral for the Promissory Note of Grantor hereunder, concurrent with recording of said partial reconveyance, to the Beneficiary hereunder for the purpose of additional securing repayment of the said Note hereby secured.
 - B. A collection account shall be established with AmeriTitle, 222 South 6th Street, Klamath Falls, Oregon 97601, for the Note together with Deed of Trust issued by Grantor to Beneficiary hereunder, that said account shall hold said Note and payments received thereon shall be disbursed as follows:
 1. First to payment to the Beneficiary for application to any then due annual or monthly payment under the original Note.
 2. Secondly to the Grantor hereunder, any remaining excess over the payment applications specified in Item #1 above.
 - C. Other secured Notes assigned to Beneficiary as collateral shall also be set up in separate collection escrow accounts at AmeriTitle, 222 South 6th Street, Klamath Falls, OR 97601, and shall be disbursed as follows:
 1. Firstly to payment to the Beneficiary for application to any then due annual or monthly payment under the original Note.
 2. Any excess to Grantor.

EXHIBIT "B"
(continued)

- VI. All such collaterally assigned Promissory Notes must comply with the following minimum standards:
- A. All such collaterally assigned Deeds of Trust shall be insured by a Policy of Title Insurance issued by a Title Company doing business in the County of Klamath, which said Policy of Insurance shall insure to and run with the benefit of the Beneficiaries herein.
 - B. All such collaterally assigned Promissory Notes shall be in an amount of not less than \$675.00 for each said acre to be released or portion thereof.
 - C. All such collaterally assigned Promissory Notes shall bear interest at the rate of not less than eight and one half percent (8.5%) per annum with principal and interest payable in installments of an annual frequency or monthly frequency. Such notes shall have a term not to exceed 15 years.
 - D. All such Promissory Notes and Deeds of Trust shall be collaterally assigned only and shall not be direct assignments.
- VII. Grantor-Promissor of the Master Deed of Trust shall pay all expenses and charges relating to the creation, collection and disbursements of the collaterally assigned Notes.
- VIII. If any of the Notes securing the Deeds of Trust assigned or reassigned as collateral security, as herein above provided, become in default for any reason, including non-payment of taxes and insurance and installments of principal and interest, Grantor-Promissor under Master Deed of Trust shall, at his sole cost and expense, take all legal steps necessary to foreclose the same. In the event such foreclosure proceeds to a foreclosure sale and said Grantor becomes the purchaser, said Grantor agrees that the property foreclosed shall again automatically become encumbered by the herein Deed of Trust, and that upon a re-sale of said parcel, any note and Deed of Trust resulting from such sale shall become subject to the provisions of this release agreement.
- IX. Such collateral assignments shall be for the sole purpose of securing payment of the Promissory Note hereby secured, and when the note hereby secured has been paid in full, the Beneficiary hereunder will reassign to the Grantor hereunder all Notes and Deeds of Trust held as collateral for security for the purpose herein above stated.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 10th day
of Sept. A.D., 19 97 at 3:37 o'clock P. M., and duly recorded in Vol. M97
of Mortgages on Page 29689

FEE \$40.00

By Bernetha G. Letsch, County Clerk
Kathleen Kross