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Vol M02 Page 54844

TRUST DEED

STATE OF OREGON,

1

HORSESHOE RANCH, L.L.C.

1336 NE EBY AVENUE

TERREBONNE, OR. 97760

Grantor's Name and Address

GORDON C. GALLIC, ET AL

P.O. BOX 11077

EUGENE, OR. 97440

Beneficiary's Name and Address

After recording, return to (Name, Address, Zip):

WESTERN PIONEER TITLE COMPANY

P.O. BOX 10146

EUGENE, OR. 97440

SPACE RESERVED
FOR
RECORDER'S USE

State of Oregon, County of Klamath

Recorded 09/26/2002 2:37 p.m.

Vol M02, Pg 54844-47

Linda Smith, County Clerk

Fee \$ 360 # of Pgs 4

THIS TRUST DEED, made on SEPTEMBER 12, 2002, between
HORSESHOE RANCH, L.L.C.

, as Grantor,
AMVESCO, INC. D/B/A WESTERN PIONEER TITLE COMPANY OF LANE COUNTY, as Trustee, and
SOUTH VALLEY BANK & TRUST, AN OREGON BANKING CORPORATION, ITS SUCCESSORS AND ASSIGNS,
CUSTODIAN F/B/O ROBERT WHITMAN ROLLOVER IRA, AS TO AN UNDIVIDED 32.362% * ~~XXXXXXXXXX~~

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' ATTACHED HERETO

*INTEREST, MICHAEL J. ALLTUCKER AS TO AN UNDIVIDED 21.575% INTEREST, RICHARD FULWILER,
 TRUSTEE OF THE RICHARD FULWILER LOVING TRUST AS TO AN UNDIVIDED 15.102% INTEREST, SHARON
 C. PERRYMAN AS TO AN UNDIVIDED 10.787% INTEREST, PAMELA ROSE CARPENTER AS TO AN UNDIVIDED
 10.787% INTEREST AND GORDON C. GALLIC AS TO AN UNDIVIDED 9.387% INTEREST, AS BENEFICIARIES,

NOTE: GRANTOR WARRANTS, REPRESENTS AND COVENANTS THAT THERE IS AND HAS BEEN NO DISCHARGE OR
 DISPOSAL ON THE PROPERTY OF ANY HAZARDOUS OR TOXIC WASTES OR SUBSTANCES (AS SUCH TERMS ARE
 DEFINED BY ANY APPLICABLE FEDERAL, STATE, OR LOCAL GOVERNMENTAL LAW, RULE, ORDINANCE, OR
 REGULATION) OR CONTAMINATION OF THE PROPERTY BY ANY SUCH SUBSTANCES.

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

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of ---\$463,500.00---
FOUR HUNDRED SIXTY THREE THOUSAND FIVE HUNDRED DOLLARS AND NO/100'S

Dollars, with interest thereon according to the terms of a promissory note of even date herewith, payable to beneficiary or order and made by grantor, the final
 payment of principal and interest, if not sooner paid, to be due and payable on OCTOBER 1, 2005

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of the note becomes due and payable.
 Should the grantor either agree to, attempt to, or actually sell, convey, or assign all (or any part) of the property, or all (or any part) of grantor's interest in it ~~which~~
~~ON WHATEVER FORM OR MANNER, OR BY WHATEVER MEANS, then, all obligations secured by this instrument, irrespective of the matu-~~
 rity dates expressed therein, or herein, shall become immediately due and payable. The execution by grantor of an earnest money agreement** does not constitute a
 sale, conveyance or assignment.

ALL DUE IN FULL UPON SALE, TRANSFER OR ASSIGNMENT.

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

1. To protect, preserve and maintain the property in good condition and repair; not to remove or demolish any building or improvement thereon; and not to
 commit or permit any waste of the property.

2. To complete or restore promptly and in good and habitable condition any building or improvement which may be constructed, damaged or destroyed there-
 on, 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 execut-
 ing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require, and to pay for filing the 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 the property against loss or damage by fire and other haz-
FULL INSURABLE VALUE

ards, as the beneficiary may from time to time require, in an amount not less than \$_____, written by one or more
 companies acceptable to the beneficiary, with loss payable to the latter. All policies of insurance shall be delivered to the beneficiary as soon as issued. If the grantor
 shall fail for any reason to procure any such insurance and to deliver the policies to the beneficiary at least fifteen days prior to the expiration of any policy of insur-
 ance now or hereafter placed on the buildings, the beneficiary may procure the same at grantor's expense. The amount collected under any fire or other insurance pol-
 icy 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 invali-
 date any act done pursuant to such notice.

5. To keep the property free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against the
 property before any part of such taxes, assessments and other charges becomes 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 the 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. For such payments, with interest as aforesaid, the prop-
 erty 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. 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 shall constitute a breach of this trust deed.

6. To pay all costs, fees and expenses of this trust, including the cost of title search, as well as the other costs and expenses of the trustee incurred in con-
 nection with or in enforcing this obligation, and trustee and attorney 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 pro-
 ceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed or any suit or action related to this instrument, including
 but not limited to its validity and/or enforceability, to pay all costs and expenses, including evidence of title and the beneficiary's or trustee's attorney fees. The amount
 of attorney fees mentioned in this paragraph in all cases shall be fixed by the trial court, and in the event of an appeal from any judgment or decree 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 fees on such appeal.

It is mutually agreed that:

8. In the event that any portion or all of the 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 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 it first upon any reasonable
 costs and expenses and attorney 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. 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.

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.

*WARNING: 12 USC 1701j-3 regulates and may prohibit exercise of this option.

**The publisher suggests that such an agreement address the issue of obtaining beneficiary's consent in complete detail.

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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 the 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; or (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 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 the 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 fees, upon any indebtedness secured hereby, and in such order as beneficiary may determine.

11. The entering upon and taking possession of the 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 grantor's 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 event, the beneficiary may elect to 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 a written notice of default and election to sell the 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 and attorney 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 the sale may be postponed as provided by law. The trustee may sell the 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 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 any 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 to and agrees with the beneficiary and the beneficiary's successors in interest that the grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto, except as may be set forth in any addendum or exhibit attached hereto, and that the grantor will warrant and forever defend the same against all persons whomsoever. SEE EXHIBIT 'B' ATTACHED HERETO

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 (choose one):*

~~XAY PNNKAIKYXOU PZNTUUSNPKKOTIYHMMUKOI PNMKONM KNNKOKSXSCKTNPOMANONYOMCEVATIKVOXX~~

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 trust deed, it is understood that the grantor, trustee and/or beneficiary may each 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, the grantor has executed this instrument the day and year first written above.

***IMPORTANT NOTICE:** Delete, by lining out, whichever warranty (a) or (b) is inapplicable. If warranty (a) is applicable and the beneficiary is a creditor as such word is defined in the Truth-in-Lending Act and Regulation Z, the beneficiary **MUST** comply with the Act and Regulation by making required disclosures. For this purpose use Stevens-Ness Form No. 1319, or the equivalent. If compliance with the Act is not required, disregard this notice.

HORSESHOE RANCH, L.L.C.

RY.

JAMES GARDNER, ITS: SOLE MEMBER

STATE OF OREGON, County of Deschutes) ss.

This instrument was acknowledged before me on

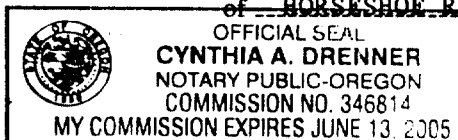
by

This instrument was acknowledged before me on 9-20-02

by

25

of



Notary Public for Oregon

My commission expires

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

TO: _____ Trustee

10. 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 the reconveyance and documents to _____.

DATED

Do not lose or destroy this Trust Deed OR THE NOTE which it secures.

Both should be delivered to the trustee for cancellation before reconveyance is made.

Beneficiary

54846

EXHIBIT 'A'

Lots 3 and 4 of Block 2, and the North $\frac{1}{2}$ of vacated B Dreet adjacent to Hoyt's Addition to Fort Klamath, according to the official plat thereof on file in the office of the County Clerk, Klamath County, Oregon; and

Lots 4 and 21 of Section 15, Township 33 South, Range 7 $\frac{1}{2}$ E.W.M., Klamath County, Oregon.

54847

EXHIBIT 'B'

THAT CERTAIN DEED OF TRUST REFERENCED BELOW WHICH SHALL REMAIN SECOND, SUBORDINATE AND INFERIOR TO THE SUBJECT DEED OF TRUST:

Trust Deed, including the terms and provisions thereof, given to secure an indebtedness of \$250,000.00
Dated : June 24, 1998
Recorded : January 27, 1999 in M-99 on page 2954, records of Klamath County, Oregon
Grantor : Horseshoe Ranch, L.L.C.
Trustee : Amerititle
Beneficiary : First Trust Corp., Tee FBO (Charles Gardner), FTC Account X202367-001

The assessment roll and the tax roll disclose that the within described premises were specially zoned or classified for Farm use. If the land has become or becomes disqualified for such use under the statute, an additional tax or penalty may be imposed.

Agreement, including the terms and provisions thereof, regarding the Melhase Ditch, recorded October 28, 1952 in Deed Volume 257 on page 429, records of Klamath County, Oregon.

Agreement, including the terms and provisions thereof, regarding the Melhase Ditch, recorded January 17, 1953 in Deed Volume 258 on page 595, records of Klamath County, Oregon.

An easement created by instrument, including the terms and provisions thereof;
Recorded : May 23, 1988 in M-88 on page 7980, records of Klamath County, Oregon
Favor of : Telephone Utilities of Eastern Oregon, Inc.
For : underground telephone facilities
Affects : Government Lot 21

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 the Wood River and the ownership of the State of Oregon in and to that portion lying below the high water mark thereof.

Any adverse claim based upon the assertion that some portion of said land has been removed from or brought within the boundaries thereof by an avulsive movement of the Wood River or has been formed by the process of accretion or reliction or has been created by artificial means or has accreted to such portion so created.