

After recording return to:
Brophy, Mills, Schmor,
Gerking, Brophy & Paradis, LLP
Attorneys at Law
PO Box 128
Medford, OR 97501

Send tax statements to:
Jerry C. Eiler and Ann Eiler
520 Coachman Drive
Jacksonville, OR 97530

GRANTOR: Jerry C. Eiler and Ann Eiler, husband and wife
520 Coachman Drive
Jacksonville, OR 97530

TRUSTEE: First American Title Insurance Company of Oregon
1225 Crater Lake Avenue
Medford, OR 97504

BENEFICIARY: Theodore Allen Peters and Elaine Peters, husband and wife
201 Holcomb Road
Montague, CA 96064

TRUST DEED

THIS TRUST DEED, made this 1st day of July, 2006, between Jerry C. Eiler and Ann Eiler, husband and wife, as Grantors, First American Title Insurance Company of Oregon, as Trustee, and Theodore Allen Peters and Elaine Peters, husband and wife, as Beneficiaries.

WITNESSETH:

Grantors irrevocably grant, bargain, sell and convey to trustee in trust, with power of sale, the property in Jackson County, Oregon, described as:

Lot 10, Block 5, Tract No. 1077, LAKEWOODS SUBDIVISION UNIT #3, Klamath County, Oregon.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER CHAPTER 1, OREGON LAWS 2005 (BALLOT MEASURE 37 [2004]). BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER CHAPTER 1, OREGON LAWS 2005 (BALLOT MEASURE 37 [2004]).

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 connection with the property.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantors herein contained and payment of the sum of EIGHT HUNDRED FIFTY THOUSAND and no/100 (\$850,000.00) DOLLARS, payable to the Beneficiaries pursuant to the terms of the Agreement for Transfer of Partnership Interest executed contemporaneously herewith. The final payment, if not sooner paid, shall be due and payable on June 30, 2016.

Should the grantors either agree to, attempt to, or actually sell, convey or assign all (or any part) of the property or all (or any part) of grantors' interest in it without first obtaining the written consent or approval of the beneficiaries, then at the beneficiaries' option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, shall become immediately due and payable. The execution by grantors of an earnest money agreement does not constitute a sale, conveyance or assignment.

Despite any language in this Trust Deed to the contrary, the beneficiaries shall not declare a default under this instrument unless a prior or superior lien institutes foreclosure proceedings against Grantors with respect to this property, in which case the Beneficiaries may declare a default and pursue all remedies provided by this Trust Deed.

To protect the security of this trust deed, grantors agree:

1. To protect, preserve and maintain the property in good condition and repair; not to remove or demolish any building or improvement thereon; 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 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 the property 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 full insurance value, written in companies acceptable to the beneficiaries, with loss payable to the latter; all policies of insurance shall be delivered to the beneficiaries as soon as insured; if the grantors shall fail for any reason to procure any such insurance and to deliver the policies to the beneficiaries at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on the buildings, the beneficiaries may procure the same at grantors' expense. The amount collected under any fire or other insurance policy may be applied by beneficiaries upon any indebtedness secured hereby and in such order as beneficiaries may determine, or at option of beneficiaries the entire amount so collected, or any part thereof, may be released to grantors. 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 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 become past due or delinquent and promptly deliver receipts therefor to beneficiaries; should the grantors fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiaries with funds with which to make such payment, beneficiaries may, at their 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 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 beneficiaries, 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 including the cost of title search as well as other costs and expenses of the trustee incurred in connection with or in enforcing this obligation and the 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 beneficiaries or trustee; and in any suit, action or proceeding in which the beneficiaries 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 beneficiaries' or trustee's attorney fees; the amount of attorney 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 judgment or decree of the trial court, grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the beneficiaries' 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, beneficiaries 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's fees necessarily paid or incurred by grantors in such proceedings, shall be paid to beneficiaries and applied by them first upon any reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, necessarily paid or incurred by beneficiaries in such proceedings, and the balance applied upon the indebtedness secured hereby; and grantors agree, at their own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon beneficiaries' request.
9. At any time and from time to time upon written request of beneficiaries, payment of their 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; (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 mention in this paragraph shall be not less than \$50.

10. Grantors shall pay and keep current all prior liens recorded against the real property and shall not allow them to be declared in default.

11. Upon default by grantors in payment of any indebtedness secured by or in grantor's performance of any agreement hereunder, time being of the essence with respect to such payment an/or performance, the beneficiaries may declare all sums secured hereby immediately due and payable. In such event the beneficiaries 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 last or in equity, which the beneficiaries may have. In the event the beneficiaries elect to foreclose by advertisement and sale, the beneficiaries 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.

12. 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 grantors or any of 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, the 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 beneficiaries 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.

13. 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 or 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.

14. 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.

15. Beneficiaries 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.

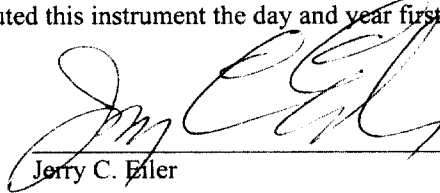
16. Trustee accepts this trust when this deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which grantor, beneficiary or trustee shall be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

The grantors covenant and agree to and with the beneficiaries and the beneficiaries' successor in interest that the grantors are lawfully seized in fee simple of the real property and have a valid, unencumbered title thereof, except as may be set forth in an addendum or exhibit attached hereto, and that the grantors will warrant and forever defend the same against all persons whomsoever.

WARNING: Unless grantors provide beneficiaries with evidence of insurance coverage as required by the contract or loan agreement between them, beneficiaries may purchase insurance at grantors' expense to protect beneficiaries' interest. This insurance may, but need not, also protect grantors' interest. If the collateral becomes damaged, the coverage purchased by beneficiaries may not pay any claim made by or against grantors. Grantors may later cancel the coverage by providing evidence that grantors have obtained property coverage elsewhere. Grantors are responsible for the cost of any insurance coverage purchased by beneficiaries, which cost may be added to grantors' 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 grantors' prior coverage lapsed or the date grantors failed to provide proof of coverage. The coverage beneficiaries purchase may be considerably more expense than insurance grantors might otherwise obtain alone and may not satisfy the need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

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 beneficiaries shall mean the holder and owner, including pledgee, of the contract secured hereby, assumed and implied to make the provisions hereof apply equally to corporation and to individuals.

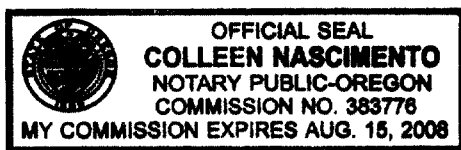
IN WITNESS WHEREOF, the grantors have executed this instrument the day and year first above written.

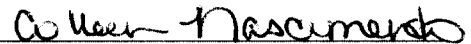

Jerry C. Eiler


Ann Eiler

STATE OF OREGON)
) ss.
County of Jackson)

This instrument was acknowledged before me on 6/15, 2006, by JERRY C. EILER and ANN EILER, husband and wife.




Notary Public for Oregon
My commission expires: 8-15-2008

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

TO: First American Title Insurance Company of Oregon, 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 are hereby directed, on payment to you of any such 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: Jerry C. Eiler and Ann Eiler.

Dated: _____, 20__.

Theodore Allen Peters

Elaine Peters

Beneficiaries

RE: Schmar Transactions & Family Investments - Theodore Peters Eiler to Peters Trust Deed (Copy)