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TRUST DEED

Vol M00 Page 22854

THIS TRUST DEED, made this 9th day of June, 2000 between John Gongaware & Sherry Gongaware, Tenants by Entirety, as Grantor, AmeriTitle, as Trustee, and Running Y Resort, Inc., an Oregon Corporation, 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: Lot 499 of Running Y Resort, Phase Phase 5 Plat, recorded in Klamath County, Oregon. 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 said real estate.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of \$87,660.00, Eighty Seven Thousand Six Hundred Sixty 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 hereof, if not sooner paid, to be due and payable 15 years from recordation date.

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.

The above described real property is not currently used for agricultural, timber or grazing purposes.

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 improvement thereon; not to commit or permit any waste of said property.

2. To complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefore.

3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said 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 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 \$ -0-, 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 the 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 the 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 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 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 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 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'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 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 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 reconveyance, 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 restrictions 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.

TRUST DEED

John Gongaware
Sherry Gongaware
7508 Spy Glass Dr.
Modesto, CA 95356
Grantor
Running Y Resort, Inc.
5391 Running Y Road
Klamath Falls, OR 97601
Beneficiary

SPACE RESERVED
FOR
RECORDERS USE

AFTER RECORDING RETURN TO

Running Y Resort, Inc.
5391 Running Y Road
Klamath Falls, OR 97601

24.000 R R
M 13.000

12. Upon default by grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, 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. In the latter event 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 ORS86.735 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 ORS86.753, 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 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 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 beneficiary's successor in interest that the grantee is lawfully seized in fee simple of said described real property and has a valid, unencumbered title thereto subject to covenants, conditions, restrictions and easements of record and that he will warrant and forever defend the same against all persons whomsoever.

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,
- (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 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.

You have the option to cancel your contract or agreement of sale by notice to the Seller until midnight of the seventh day following the signing of the contract or agreement. If you did not receive a Property Report prepared pursuant to the rules and regulations of the Office of Interstate Land Sales Registration, U.S. Department of Housing and Urban Development, in advance of your signing the contract or agreement, the contract or agreement of sale may be canceled at your option for two years from the date of signing.

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

***IMPORTANT NOTICE:** Delete by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) is applicable and 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 equivalent. If compliance with the Act is not required, disregard this notice.

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON,)ss.
County of Klamath.....)

This instrument was acknowledged before me on
June 9th, 2000, by John Gongaware & Sherry Gongaware

John Gongaware

Sherry Gongaware



Mechelle D. Marshall
Notary Public for Oregon

CORPORATE ACKNOWLEDGEMENT

This instrument was acknowledged before me on June 9th, 2000 by _____ as
_____ of _____.

Notary Public for Oregon

REQUEST FOR FULL RECONVEYANCE

To be used only when obligations have been paid.

TO: Amen Ritee Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by said 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 said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same. Mail reconveyance and documents to Gongaware.

DATED: Sept 8, 2000

Judy Urback authorized
agent Runningly Resort
Beneficiary

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.

State of Oregon, County of Klamath
Recorded 06/23/00, at 11:30 a.m.
In Vol. M00 Page 22854
Linda Smith,
County Clerk Fee \$ 26.00

Ridge View Lot No.: 499.05

Deed of Trust
Recorded: _____**NOTE SECURED BY DEED OF TRUST**

\$87,660.00

Date: June 9th, 2000

Klamath Falls, Oregon

1. **PROMISE TO PAY.** For value received, the undersigned ("Borrower") promises to pay to the order of Running Y Resort, Inc., an Oregon Corporation ("Payee"), the principal sum of **Eighty Seven Thousand Six Hundred Sixty And No/100's Dollars (\$87,660.00)**, together with interest on the unpaid balance from the first day of the first calendar month after the date (the "Recordation Date") on which the trust deed (the "Trust Deed") securing this Note is recorded, at the rate of twelve and one half percent (12.50%) per annum, together with principal and interest payable in One Hundred Eighty (180) successive installments of One Thousand Eighty And 43/100's Dollars (\$1,080.43) each commencing on the 1st day of the second calendar month following the Recordation Date, and continuing on the same day each month thereafter until such time as all the unpaid principal and interest has been paid.

2. **ADDRESS FOR PAYMENTS.** All payments of principal and interest shall be payable in lawful money of the United States to Running Y Resort, Inc., 5391 Running Y Road, Klamath Falls, Oregon 97601, or such other place as the holder of this Note may from time to time designate to the Borrower in writing.

3. **PREPAYMENT.** Borrower shall have the right to pay all or any portion of the outstanding unpaid principal at any time without notice and without any prepayment charge. Partial prepayments of principal shall be applied first against the most remote installment of principal under this Note and shall not extend or postpone the due date of any subsequent monthly installments or change the amount of such installments.

4. **APPLICATION OF PAYMENTS.** Each payment shall be first credited to late charges or returned check charges due to Payee, next to accrued interest and last to principal.

5. **SECURITY.** This Note is secured by a Trust Deed of even date herewith on a Ridge View Homesite in Klamath County, Oregon, as more specifically described in the Trust Deed, to which reference is hereby made for a description of the nature and extent of the security, rights and limitations of the rights of the holder of this Note and the terms and conditions upon which this Note is secured.

6. **LATE AND RETURNED CHECK CHARGES.** If Borrower fails to pay any installment under this Note on or before fifteen (15) days after such installment is due, Payee may elect to impose a late charge not to exceed five cents per dollar of the overdue amount. In addition, in the event Borrower shall pay any installment by personal check that is returned to Payee for any reason, Payee may elect to impose a returned check charge of twenty dollars (\$20.00) for each occurrence. Borrower shall pay such charges upon demand by Payee. Payee may levy and collect such charges in addition to all other rights and remedies allowed under this Note or applicable law and collection of a late charge shall not waive any breach caused by the late payment or returned check or limit Payee's remedies with respect to such breach.

7. **ACCELERATION.** If any installment on this Note is not paid when due, or in the event Borrower shall sell, convey, transfer, contract to sell or lease with option to purchase the homesite encumbered by the Trust Deed securing this Note without first obtaining the written consent of Payee, or upon any other breach of any term, condition, covenant, or warranty under the Trust Deed, at the option of Payee, the entire principal and accrued unpaid interest shall become immediately due and payable. Failure of Payee to exercise this or any other right available to Payee shall not constitute a waiver of the right to exercise the same in the event of any other or subsequent breach.

8. **COSTS AND EXPENSES.** If Payee institutes any action or other proceeding on this Note, Borrower shall pay Payee's costs (whether or not provided by statute) and all disbursements, together with such sum as the court may fix as attorneys' fees at trial, on appeal, on any petition for review, and in any proceedings in bankruptcy. Borrower shall pay all of Payee's costs and expenses, including collection agency and attorneys' fees, made in any attempt to enforce Borrower's obligations under this Note following a default by Borrower, whether or not a lawsuit is commenced.


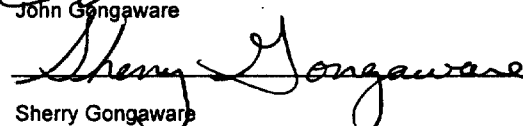
9. **LIABILITY.** Borrower and all persons liable or to become liable on this Note shall be jointly and severally liable under this Note and waive presentment, protest and demand, and notice of protest, demand, dishonor or nonpayment of this Note, and expressly agree that this Note or any payment under this Note may be extended from time to time, and any one or more persons liable under this Note may be released by Payee, without in any way affecting the liability of any other make, guarantor or endorser of this Note.

10. **LAWFUL RATE.** Notwithstanding any other provision of this Note or of the Trust Deed or of any other instrument or document, interest, fees and charges payable by reason of the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by governing law.

11. **APPLICABLE LAW.** This Note shall be construed in accordance with and governed by the laws of the State of Oregon.

NOTICE TO BORROWER: You have the option to cancel your contract or agreement of sale by notice to the Seller until midnight of the seventh day following the signing of the contract or agreement. If you did not receive a Property Report prepared pursuant to the rules and regulations of the Office of Interstate Land Sales Registration, U.S. Department of Housing and Urban Development, in advance of your signing the contract or agreement, the contract or agreement of sale may be canceled at your option for two years from the date of signing.

BORROWER:


John Gongaware

Sherry Gongaware

7508 Spy Glass Dr.
Modesto, CA 95356

State of Oregon, County of Klamath
Recorded 09/11/00, at 11:21 a m.
In Vol. M00 Page 33098
Linda Smith,
County Clerk RR Fee \$ 15⁰⁰