

KLAMATH COUNTY
SOUTH CENTRAL OREGON REGIONAL STRATEGIES BOARD
AGREEMENT GRANTING EQUAL PRIORITY RIGHTS

REC # 344150 + 44734

THIS AGREEMENT GRANTING EQUAL PRIORITY RIGHTS (hereinafter "Agreement") is made as of the 18th day of July, 1996, between Klamath County, herein called "County", and the South Central Oregon Regional Strategies Board, an ORS 190.010 intergovernmental entity, herein called "Board."

WHEREAS, County has loaned to Klamath Community Development Corporation, (hereinafter "Borrower"), the sum of Five Hundred Thousand dollars (\$500,000.00) and the sum of One Hundred and Thirty Thousand & no/100 Dollars (\$130,000.00) (hereinafter "County's Loan"). The first note is evidenced by a note dated February 13, 1996, and the second loan is evidenced by a note dated 1 August, 1996, with both indebtedness evidenced by a Trust Deed dated February 13, 1996 and recorded on February 16, 1996, in Volume M96, page 4520, and recorded again on March 14, 1996 in volume M96, page 6897, of the Klamath County Deed Records.

WHEREAS, Board has loaned to Borrower the sum of One Hundred Thousand & no/100 Dollars (\$100,000.00) (hereinafter "Board's Loan"), which loan is evidenced by a note dated 1 August, 1996, and Trust Deed dated 1 August, 1996 and recorded on 1 August, 1996 in Volume m96, page 23455, of the Klamath County Deed Records.

WHEREAS County's Trust Deed and the Board's Trust Deed encumber the following described personal property

Parcel 1 of Land Partition 32-95 located in the SW 1/4 of Section 15 and the NW 1/4 of Section 22, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

Property Address is: 6450 Swan Court, Klamath Falls, Oregon.

WHEREAS County and Board wish to establish equal priorities as to the liens of the Trust Deed securing County's Loan and the Trust Deed securing the Board's Loan and to enter into an agreement respecting both the County's Loan and the Board's Loan on the following terms and conditions:

NOW THEREFORE, in consideration of the mutual agreements hereinafter set forth, County and Board agree as follows:

1. Equal Priority Rights.

The beneficial interests and priorities of the County and Board in the property secured by the County's Trust Deed and the Board's Trust Deed are equal, as though the County's Trust Deed and the Board's Trust Deed were recorded simultaneously. It is the intent of this paragraph that any foreclosure sale will be conducted, and bids submitted, as though County and Board were a single entity having a lien interest equivalent to their combined outstanding loan balance. Unless otherwise agreed, any bid made by County or Board at any foreclosure sale shall equal the combined lien interest of both. It is also the intent of this paragraph that any remedy the County or Board has under ORS Chapter 86 shall be pursued as though County and Board were a single entity having a secured interest equal to their combined outstanding loan balance.

2. Proportionate Share.

The parties shall share in any proceeds of any sale or disposition of the real property secured by the County's Trust Deed and the Board's Trust Deed arising out of a foreclosure of any nature or any proceeds under ORS Chapter 86 proportionately. Each party's share shall constitute a percentage represented by that fraction the numerator of which is the unpaid principal balances plus accrued interest of either County's Loan or Board's Loan, as the case may be, and the

96 AUG -1 P 3:46

denominator of which is the combined unpaid principal balances plus accrued interest of both County's Loan and the Board's Loan, which principal balances shall be determined as of the date any foreclosure or action under ORS Chapter 86 is commenced.

3. Limitations on Power of Board and County.

Board and County agree that they will not, without the written consent of both parties:

- (a) make or consent to any material adverse alteration or amendment of the notes, Trust Deeds or any other documents or instrument evidencing, securing or guaranteeing either of the Loans in whole or in part, which document or instrument was otherwise executed and/or delivered in connection with the Board Loan or the County Loan (all such documents being herein collectively called the "Loan Documents");
- (b) make or consent to any release, substitution, or exchange of any security for either of the Loans, except for release, if any, to be made pursuant to the provisions of the Trust Deeds;
- (c) waive any covenant or condition on the part of the Borrower which is required to be kept and performed under the Loan Documents, except that either party may extend for reasonable periods of time the performance of any covenant or condition under that party's own loan documents;
- (d) waive or release, in whole or in part, any obligation of any guarantor in respect of any of the Loan Documents;
- (e) consent to sale or transfer of Borrower's interest in the property encumbered by the Trust Deed, without accelerating the entire unpaid balance of the notes and all other charges and accrued interest.

4. Default by Borrower.

Both County and Board separately retain all rights with respect to the enforcement, collection and administration of the respective loans made by each and the security therefore, provided, however, that both County and Board shall, promptly after having knowledge of the occurrence thereof, and in no event later than 30 days inform the other party of any default by Borrower under any of the respective Loan Documents and of any material fact relating to any other aspect of the loans which might have an adverse effect on the value of the security interest. As used in this paragraph, default means the nonperformance of or noncompliance with any covenant, condition, or obligation imposed upon the Borrower in any Loan Documents.

5. Commencement of Foreclosure or Remedies Under Chapter 86.

Upon any default by Borrower, County and Board shall promptly consult and attempt to agree upon a mutually acceptable course of action to take with respect to such default, and then to pursue such course of action without delay and with due diligence. County shall have the authority to pursue such course of action on behalf of both parties if agreement is reached. If County and Board cannot agree upon a mutually acceptable course of action within fifteen (15) days after the notification referred to above, then one of the following alternatives shall be pursued; (1) either party may purchase the other's proportionate share which, for purposes only of this paragraph, shall be defined as the unpaid principal balance of Borrower's obligations to that party, plus all unpaid and accrued interest thereon; or (2) the parties shall commence arbitration to determine a mutually acceptable course of action in accordance with paragraph 11 hereof.

In the event either party commences judicial or nonjudicial foreclosure proceedings or other proceedings permitted by ORS Chapter 86 in accordance with the preceding paragraphs and on behalf of both parties, the party commencing action shall indicate by appropriate recordation, pleading, affidavit, or admission that the other party has an equal priority right in any proceeds from foreclosure or other proceedings permitted by ORS Chapter 86. Both parties further agree that in the event of judicial foreclosure they will ensure that any decree of foreclosure specifies the equality of priority and joint interest of each for the purpose of any foreclosure sale.

6. Effect of Remedial Actions Under Paragraph 5.

After payment of all reasonable costs and expenses in pursuing the remedies under paragraph 5, County and Board shall promptly remit to the other its proportionate share of all remaining net proceeds. If either County or Board acquired title or certificate of sale to the property through foreclosure or by a deed in lieu of foreclosure, the other party shall have an undivided ownership interest in the property equal to its proportionate share.

7. Assignments.

Without the prior written consent of the other, neither party shall assign or otherwise dispose of all or any part of its interest in the Loan Documents.

8. Applicable Law. Entire Agreement.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oregon. This Agreement constitutes the entire understanding between the parties and may be amended, modified, or terminated only by an instrument signed by the parties.

9. Notices.

Any notices which may be required herein shall be in writing and shall be considered to have been given as of the date and time when the same is deposited in the United States Mail with postage prepaid and mailed by registered or certified mail, return receipt requested, to the following addresses:

Klamath Community Development Corporation
125 S. 6th Street
Klamath Falls, OR 97601

Klamath County
403 Pine Street
Klamath Falls, OR 97601

South Central Oregon Regional Strategies Board
Lake County Courthouse
513 Center Street
Lakeview, OR 97630

Each party may designate a change of address by notice to the other party.

10. Granting of Equal Priority Not a Security; No Pledge or Joint Venture.

The granting of a priority rights represented by this Agreement shall not be deemed to be a security within the meaning of the Securities Act of 1933, the Securities Exchange Act of 1934, or the Oregon Securities Law (ORS Chapter 59). This Agreement shall not be deemed to represent a pledge of any interest in County's Loan to Board, or by Board's to County. In addition, this Agreement shall not be construed to create a joint venture or partnership between County and Board.

11. Arbitration.

Any dispute between the parties with respect to the construction of this Agreement, or the rights and liabilities of any party, shall be determined by arbitration. The arbitrators shall be appointed and such arbitration shall be conducted in Klamath Falls, Oregon, in accordance with the rules then followed by the American Arbitration Association (to the extent such rules are not in conflict with Oregon law) and judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall share expenses of arbitration.

12. Amendment.

No party may amend this Agreement except by an agreement in writing signed by both parties.

13. Successors.

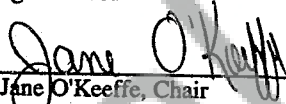
All rights, benefits, burdens, and obligations set forth in this Agreement shall bind and inure to all successors in interest of each of the parties.

IN witness WHEREOF, County and Board have dully executed this Agreement as of the day and year first above written.

Klamath County
Board of County Commissioners

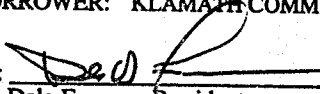



South Central Oregon Regional
Strategies Board

By: 
Jane O'Keeffe, Chair

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT GRANTING EQUAL PRIORITY RIGHTS AND AGREES TO ITS TERMS.

BORROWER: KLAMATH COMMUNITY DEVELOPMENT CORPORATION

By: 
Dale Foresee, President

By: 
Terry Anthony, Secretary

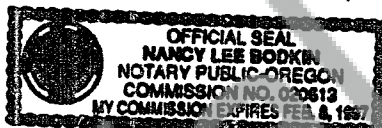
ACKNOWLEDGMENT FOR AGREEMENT GRANTING EQUAL PRIORITY RIGHTS

STATE OF OREGON)
) SS.
 County of Klamath)

I certify that I know or have satisfactory evidence that I Jean Elzner Chair Klamath County Board of Commissioners signed this instrument, on oath stated that he is authorized to execute the instrument, and acknowledged this Agreement to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Before me: 8-1-97

Nancy Lee Bodkin
 Notary Public of Oregon
 My commission expires: Feb 8, 1997

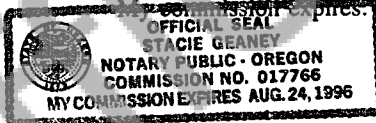


STATE OF OREGON)
) SS.
 County of Lake)

I certify that I know or have satisfactory evidence that Jane O'Keeffe, Chair, South Central Oregon Regional Strategies Board signed this instrument, on oath stated that she is authorized to execute the instrument, and acknowledged this Agreement to be her free and voluntary act for the uses and purposes mentioned in the instrument.

Before me: 7-18-96

Stacie Geaney
 Notary Public of Oregon
 My commission expires: 8-24-96



STATE OF OREGON)
) SS.
 County of Klamath)

I certify that I know or have satisfactory evidence that Dale Foresee, President, Klamath Community Development Corporation signed this instrument, on oath stated that he is authorized to execute the instrument, and acknowledged this Agreement to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Before me: 8-1-96

Cathryn E. Waters
 Notary Public of Oregon
 My commission expires: 6-19-97

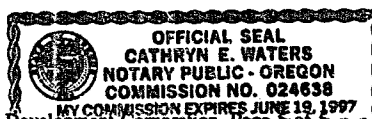


STATE OF OREGON)
) SS.
 County of Klamath)

I certify that I know or have satisfactory evidence that Terry Anthony, Secretary, Klamath Community Development Corporation signed this instrument, on oath stated that he is authorized to execute the instrument, and acknowledged this Agreement to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Before me: 8-1-96

Cathryn E. Waters
 Notary Public of Oregon
 My commission expires: 6-19-97



Agreement Granting Equal Priority Rights: Klamath Community Development Corporation, Page 2 of 2 (7/96)

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title & Escrow the 1st day of August A.D. 19 96 at 3:46 o'clock PM., and duly recorded in Vol. M96 of Mortgages on Page 23473.

Bernetha G Letsch, County Clerk

FEE \$30.00

By Cheryl Small