

MTC 1396-9066

**SOUTH CENTRAL OREGON REGIONAL STRATEGIES BOARD
TRUST DEED**

DATE: November 3, 1997

PARTIES

GRANTOR: REACH, Inc.
PO Box 1059
Klamath Falls, Oregon 97601

AMERITITLE, has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein.

TRUSTEE: AmeriTitle
222 S 6th Street
Klamath Falls, Oregon 97601

BENEFICIARY: South Central Oregon Regional Strategies Board
c/o Central Oregon Intergovernmental Council
PO Box 573
Redmond, Oregon, 97756

PROPERTY

LAND IN KLAMATH COUNTY, OREGON DESCRIBED AS FOLLOWS:

For legal description see Exhibit "A" attached hereto.

Property Address is 2350 Maywood Drive, Klamath Falls, Oregon.

RECITALS

- A. Grantor is the owner of real property described above ("PROPERTY"), including all appurtenances, buildings, and existing or future improvements located thereon and all fixtures and attachments thereto, all of which real property is hereinafter referred to as "the Trust Property."
- B. Beneficiary has agreed to grant to Reach, Inc. the sum of \$198,500 upon the terms and conditions set out herein and in the South Central Oregon Regional Strategies Program Grant Award Contract (the Contract) dated November 3, 1997.
- C. The term "Grantor" as used in this instrument refers to the Grantor and REACH, Inc. (as an Oregon corporation), as the particular context so requires.

Grantor has agreed to deed to Trustee the Trust Property to secure the performance of all of Grantor's obligations under the Contract, under this Trust Deed, and under any other instruments evidencing an indebtedness of Grantor to Beneficiary, including future advances.

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THEREFORE, to secure performance by Grantor of the covenants contained herein and in the Contract by it to be performed, Grantor hereby grants, bargains, sells, and conveys to the Trustee, in trust, with power of sale, the Trust Property and presently assigns the rents, revenues, income, issues, and profits therefrom to the Trustee, its successors and its assigns, upon the terms set forth herein.

PROVIDED, HOWEVER, that until the occurrence of an event of default, Grantor may remain in control of and operate and manage the Trust Property and collect and enjoy the rents, revenues, income, issues, and profits therefrom; and

PROVIDED, FURTHER, that if Grantor shall perform all of the covenants contained herein, and shall perform all of the covenants contained in the Contract and this Trust Deed, then Trustee shall execute and deliver to Grantor, without warranty, a reconveyance of the Trust Property.

The parties covenant and agree as follows:

1. Grantor's Covenants and Warranties.

(a) Warranty of Title. Grantor warrants that it holds good and merchantable title to the Trust Property subject to no liens or encumbrances other than:

(i) trust deed to United States National Bank of Oregon dated March 11, 1993 and recorded March 15, 1993, Microfilm No. M93, page 5317, Records of Klamath County, Oregon, securing the payment of a note for \$1,000,000.00. The balance of this note is not to exceed \$1,000,000.00, and

(ii) trust deed to The Administrator of the Small Business Administration, an Agency of the Government of the United States of America dated July 22, 1993 and recorded July 23, 1993, Microfilm No. M93, page 17914, Records of Klamath County, Oregon, securing the payment of a note for \$350,000.00. The balance of this note is not to exceed \$350,000.00.

Grantor covenants with Beneficiary that it will defend Beneficiary's and Trustee's rights hereunder against the claims and demands of all persons.

(b) Use of Grant Proceeds. Grantor warrants that the proceeds of the Grant represented by the Contract and this Trust Deed are not to be used for Grantor's personal, family, or household purposes or for any other purpose other than the activities allowed in the Contract.

(c) Use of Trust Property. Grantor covenants and warrants that the Trust Property is not currently used for agricultural, timber or grazing purposes. Grantor further covenants and warrants that the current use of the Trust Property is in compliance with all laws, ordinances, and regulations of all governmental authorities.

(d) Taxes and Assessments; Liens and Claims.

(i) Payment. Grantor shall pay when due all taxes and all assessments imposed against the Trust Property and all claims and demands arising from the Grantor's use or occupancy of the Trust Property. Grantor's timely payment of the real property taxes on the quarterly installment basis shall be deemed for purposes hereof as "payment when due."

- (ii) Protection of the Trust Property from Liens. Grantor shall not permit any lien prior or equal to the Trustee's title to be imposed upon the Trust Property, except liens for taxes or assessments assessed but not yet due.
- (iii) Grantor's Right to Contest. Grantor may withhold payment of any taxes, assessments, claims, or demands, or may elect to contest any lien if Grantor is in good faith conducting appropriate proceedings to contest its obligation to pay and for so long as the Trustee's interest in the Trust Property is not jeopardized. If the Trust Property is subjected to a lien which is not discharged within 30 days from the date that the notice of claim of lien is filed, Grantor shall deposit or cause to be deposited with Beneficiary cash, a sufficient corporate surety bond, or other security reasonably satisfactory to Beneficiary in an amount adequate to provide for discharge of the lien plus any interest, cost attorney fees, or other charges that could accrue as a result of foreclosure or sale. In any contest, Grantor shall at Grantor's expense defend itself, Trustee, and Beneficiary, and shall satisfy any final adverse judgment before enforcement against the Trust Property.
- (iv) Evidence of Payment of Taxes or Assessments. Upon payment of real property taxes and assessments, Grantor shall furnish to Beneficiary evidence of payment of such taxes and assessments. Grantor hereby authorizes the appropriate city or county official to deliver to Trustee and Beneficiary, at any time, a written statement of the taxes and assessments against the Trust Property.
- (e) Insurance:
- (i) Property Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement cost basis covering all buildings and improvements, including additions thereto and replacements thereof, in an amount sufficient to avoid application of any coinsurance clause and with loss payable to Beneficiary to the extent of its interest. The amount of insurance shall in no event be less than the sum of the grant award amount in the Contract and the obligations having priority over the lien of this Trust Deed.
- (ii) Insurance Companies, Policies, and Certificates. Both the insurance company providing the policy required by the Section 1(e) and the form of the policy must be acceptable to Beneficiary. Grantor shall deliver to Beneficiary a certificate of coverage from the insurer issuing the policy required by paragraph 1(e)(i) containing a stipulation that coverage will not be canceled or diminished without a minimum of 30 days advance written notice to Beneficiary. Grantor shall deliver to Beneficiary at least 15 days prior to the expiration of any insurance policy required by this Section 1(e), a certificate showing the placement of a renewal or substitute policy of insurance.
- (iii) Notice of Loss. In the event of loss, Grantor shall immediately notify Beneficiary, which may make proof of loss if it is not made promptly by Grantor.

- (iv) Insurance Proceeds. Insurance proceeds shall be paid directly to Beneficiary which may deal directly with any insurance company. If Beneficiary by reason of such insurance receives any money for loss or damage, such amount may, at the option of Beneficiary, either: be retained and applied by Beneficiary toward payment of all or part of the indebtedness secured by this Trust Deed in such order as Beneficiary may determine, without regard to whether or not the security of Beneficiary is impaired, or be paid over wholly or in part to the Grantor upon such conditions as Beneficiary may determine for the repair of buildings or improvements located on the Trust Property or for the erection of new buildings or improvements in their place, or for any other purpose or object satisfactory to Beneficiary. If Beneficiary elects to pay all or a portion of the insurance proceeds to Grantor, Beneficiary shall not be obligated to see to the proper application of any amount paid to Grantor.
- (f) Use, Maintenance, and Alterations.
- (i) Duty to Maintain. Grantor shall maintain the Trust Property in good condition and repair and promptly perform all repairs and maintenance necessary to preserve its value.
- (ii) Waste; Nuisance. Grantor shall not conduct or permit any nuisance on the Trust Property nor commit or suffer any strip or waste thereof.
- (iii) Removal of Improvements. Grantor shall not demolish or remove any improvements on the Trust Property without the prior written consent of Beneficiary, but Grantor may make alterations which it deems necessary for the purpose of renting the Trust Property.
- (iv) Beneficiary's Right to Enter and Inspect. Grantor will permit Beneficiary and its agents to enter upon the Trust Property at all reasonable times to inspect the Trust Property.
- (v) Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations of all governmental authorities applicable to the use or occupancy of the Trust Property, Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Beneficiary's and Trustee's interests in the Trust Property are not jeopardized.
- (g) Eminent Domain.
- (i) Notice of Taking or Condemnation Proceeding. If the Trust Property, or any part thereof or interest therein, should be taken or damaged by reasons of any public improvement or condemnation proceeding, or if Grantor should receive any notice or other information regarding a condemnation proceeding or similar type of proceeding, Grantor shall immediately notify Beneficiary.

- (ii) **Condemnation Proceeds.** Beneficiary shall be entitled to all compensation, awards, and other payment or relief related to condemnation, and shall be entitled at its sole option to commence, appear in, and prosecute in its own name any such action or proceeding. Beneficiary shall also be entitled to make any compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action, and proceeds awarded to Grantor (Condemnation Proceeds) are hereby assigned to Beneficiary and Grantor agrees to execute such further assignments of the Condemnation Proceeds as Beneficiary may require. Beneficiary shall have the option, in its sole and absolute discretion, to either: apply such Condemnation Proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including attorney fees incurred by Beneficiary in connection with such Condemnation Proceeds, upon all or part of the indebtedness secured by this Trust Deed in such order as Beneficiary may determine, without regard to whether or not the security of Beneficiary is impaired; or apply all of such Condemnation Proceeds, after deducting all of Beneficiary's costs and expenses, to the restoration of the Trust Property upon such conditions as Beneficiary may determine.
- (h) **Report.**
- (i) **Default.** Grantor shall furnish to Beneficiary notice of any default on its part under any lease affecting the Trust Property.
- (ii) **Leases.** Grantor will furnish to Beneficiary, upon request, copies of leases covering any portion of the Trust Property entered into after the date hereof.
- (i) **Security Agreement.** This instrument shall constitute a security agreement with respect to any fixtures attached to the Trust Property to secure all indebtedness and obligations secured by this Trust Deed and all future advances and all future indebtedness and obligations of Grantor to Beneficiary. This instrument shall also constitute a financing statement and shall be filed for recording in the real estate records of the county where the Trust Property is located.

2. Events of Default.

The following shall constitute events of default:

- (a) **Nonpayment.** Failure of Grantor to make any payment for taxes, insurance premiums, or for reserves for such payments, or any other payment necessary to prevent filing of or discharge of any lien within 10 days after written notice by Beneficiary (or Beneficiary's agents) of any such nonpayment. No notice by Beneficiary shall be required for nonpayment if during the preceding 12 calendar months Beneficiary has sent notice to Grantor concerning nonpayment hereunder.
- (b) **Breach of Other Covenant.** Failure of Grantor to perform any obligation contained in this Trust Deed within 30 days after notice from Beneficiary (or Beneficiary's representative) specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue with reasonable diligence curative action. No notice of default and opportunity to cure shall be required if during the preceding 12 calendar months Beneficiary has already sent a notice to Grantor concerning default in performance of the same obligation.

- (c) Misinformation. Falsity in any material respect of the warranty in paragraph 1(a) or any representation, warranty, or information furnished to Beneficiary in connection with the Contract or this Trust Deed.
- (d) Other Obligation. Failure of Grantor to perform any obligation required by any other instrument (i.e., other than the Contract or this Trust Deed) evidencing or securing any indebtedness of Grantor to Beneficiary.
- (e) Sale or Transfer to Possession. The sale or transfer of possession of the Trust Property or any part thereof in any manner by Grantor, whether by deed, contract of sale, lease, or similar agreement, without the prior written consent of Beneficiary. The execution and delivery by the Grantor of any joint venture agreement, partnership agreement, declaration of trust, option agreement, or other instrument whereunder any other person may become entitled, directly or indirectly to the possession or enjoyment of the Trust Property, or the income or other benefits derived or to be derived therefrom, shall in each case be deemed to be a sale or transfer of Grantor's interest in the Trust Property for the purposes of this section.
- (f) Certain Taxes. This subsection shall apply to the following state taxes:

A specific tax on mortgages, trust deeds, secured indebtedness, or any part of the indebtedness secured by this Trust Deed; A specific tax on the Grantor of property subject to a trust deed which the taxpayer is authorized or required to deduct from payments on the trust deed; A tax on property chargeable against the beneficiary or trustee under a trust deed or holder of the Contract secured thereby; A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Grantor. If any state tax to which this subsection applies is enacted after the date of this Trust Deed, enactment of the tax shall constitute an event of default unless the following conditions are met: Grantor may lawfully pay the tax or charge imposed by the state tax without causing any resulting economic disadvantage or increase of tax to Beneficiary or Trustee, and Grantor pays or agrees to pay the tax or charge within 30 days after notice from Beneficiary or Trustee that the tax law has been enacted.

3. Remedies in Case of Default.

If any event of default shall occur, Beneficiary or Trustee, as the case may be, may exercise any of the following rights and remedies, in addition to any other remedies which may be available at law, in equity, or otherwise.

- (a) Books and Records. Beneficiary may examine all books, records, and contracts of Grantor pertaining to the Trust Property and of any guarantors and make such memoranda thereof as may be desired.
- (b) Receiver. Beneficiary may have a receiver of the Trust Property appointed. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Trust Property exceeds the amount of indebtedness secured by this Trust Deed. Employment by Trustee or Beneficiary shall not disqualify a person from serving as receiver. Grantor waives all defenses and consents to the appointment of a receiver at Beneficiary's option.
- (c) Possession. Beneficiary may, either through itself or through a receiver, take possession of all or any part of the Trust Property, and Grantor shall peaceably surrender the same.

- (d) **Rents and Revenues.** Beneficiary may revoke Grantor's right to collect the rents and revenues from the Trust Property, and may, either itself or through a receiver, collect the same. To facilitate collection, Beneficiary may notify Grantor's tenants to pay rents directly to it. Beneficiary shall not be deemed to be in possession of the Trust Property solely by reason of exercise of the rights contained in this paragraph 3(d). If rents are collected by Beneficiary under this paragraph 3(d), Grantor hereby irrevocably designates Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment of rent, in respect of any part of the Trust Property, in the name of Grantor and to negotiate such instruments and collect the proceeds thereof.
- (e) **Foreclosure.** Beneficiary may obtain a decree foreclosing Grantor's interest in all or any part of the Trust Property.
- (f) **Fixtures and Personal Property.** With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.
- (g) **Abandon Security.** Beneficiary may abandon any security afforded by this Trust Deed or any other security instrument by notifying Grantor of Beneficiary's election to do so.
- (h) **Power of Sale.** Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law.
- (i) **Sale of Collateral; Bid at Public Sale.** In exercising its rights and remedies, Beneficiary shall be free to sell all or any part of the collateral together or separately, or to sell certain portions of its collateral and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale on all or any portion of its collateral.
- (j) **Cumulative Remedies.** Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Trust Deed are cumulative and not exclusive. An election to cure under paragraph 6(g) shall neither prejudice the right to declare a default nor constitute a waiver of the breached term or any of the remedies provided herein. No delay or omission in exercising any right or remedy shall impair that or any other right to remedy or shall be construed to be a waiver of the default.

4. Receiver or Trustee-in-Possession.

Upon taking possession of all or any part of the Trust Property, a receiver or Trustee or Beneficiary or Beneficiary's representative may:

- (a) **Management.** Use, operate, manage, control, and conduct business on the Trust Property and make expenditures for such purposes and for maintenance and improvements as in its judgment are necessary.
- (b) **Rents and Revenues.** Collect all rents, revenues, income, issues, and profits from the Trust Property and apply such sums to the expenses of use, operation, management, maintenance, and improvements.
- (c) **Construction.** At its option, complete any construction in progress on the Trust Property, and in that connection pay bills, borrow funds, employ contractors, and make any changes in plans and specifications as it deems appropriate.

5. Application of Proceeds.

All proceeds realized from the exercise of the rights and remedies under Section 3 and 4 shall be applied as follows:

- (a) **Costs and Expenses.** To pay the costs of exercising such rights and remedies, including the costs of any sale, the costs and expenses of any receiver, and the costs and expenses provided for in paragraph 6(f).
- (b) **Repayment of Grant Proceeds.** To repay all grant award amounts secured by this Trust Deed.
- (c) **Surplus.** The surplus, if any, shall be paid to the Clerk of the Court in the case of a foreclosure by judicial proceeding, otherwise to the person or persons legally entitled thereto.

6. General Provisions.

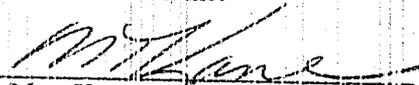
- (a) **Reconveyance Upon Payment.** Upon written request of Beneficiary stating that all sums and obligations secured hereby have been paid and performed, surrender of this Trust Deed and the Note to Trustee for cancellation and retention and payment of its fees. Trustee shall reconvey, without warranty, the Trust Property then held hereunder. The recitals in any reconveyance executed under this Trust Deed of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."
- (b) **Substitute Trustee.** In the event of dissolution or resignation of the Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all of the powers and duties of prior trustees.
- (c) **Trust Deed Binding on Successors and Assigns.** This Trust Deed shall be binding on and inure to the benefit of the successors and assigns of Grantor, Trustee, and Beneficiary.
- (d) **Indemnify.** Grantor shall hold Beneficiary and Trustee harmless from any and all loss and expenses, including but not limited to attorney fees and court costs, in any suit, action or proceeding or any appeal therefrom brought against Trustee or Beneficiary by a third party resulting from or attributable to Beneficiary's ownership of the Contract or Trustee's interest under this Trust Deed, except suits, actions, and proceeding based upon a claim that Beneficiary or Trustee improperly entered into this Trust Deed or Contract or granted money thereunder.
- (e) **Notice.** Any notice under this Trust Deed shall be in writing. Any notice to be given or document to be delivered under this Trust Deed, shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address first stated in this Trust Deed; provided that any notice pursuant to exercise of the Trustee's power of sale in the event of default shall be sufficient if such notice complies with all provisions of Oregon law applicable to exercise of such powers of sale. Any party may by notice to the others designate a different address.

- (f) Expenses and Attorney Fees. In the event that Beneficiary or Trustee shall take any action, judicial or otherwise, to enforce the Contract or any provision of this Trust Deed, or if Beneficiary or Trustee shall be required to appear in any proceedings to protect and maintain the priority of Trustee's title to the Trust Property, Trustee or Beneficiary (or both) shall be entitled to recover from Grantor all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and its attorney fees, whether incurred in a suit or action, or any appeals from a judgment or decree therein or in connection with nonjudicial action. Grantor shall reimburse Beneficiary or Trustee (or both) for expenses so incurred on demand with interest from the date of expenditure until repaid at a rate equal to the lesser of eight percent (8%) per annum or the highest rate permitted by applicable law.
- (g) Beneficiary's Right to Cure. If Grantor fails to perform any obligation required of it under this Trust Deed, Beneficiary may, without notice, take any steps necessary to remedy such failure. Grantor shall reimburse Beneficiary for all amounts expended, in so doing, on demand with interest at a rate equal to the lesser of eight percent (8%) per annum or the highest rate permitted by applicable law, from the date of expenditure until repaid. Such action by Beneficiary shall not constitute a waiver of the default or any other right or remedy which Beneficiary may have on account of Grantor's default.
- (h) Applicable Law. This Trust Deed shall be governed by the laws of the State of Oregon.
- (i) Time of Essence. Time is of the essence of this Trust Deed.
- (j) Headings. The headings to the sections and paragraphs of this Trust Deed are included only for the convenience of the parties and shall not have the effect of defining, diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Trust Deed.
- (k) Severability. If any provision of this Trust Deed shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Trust Deed, but this Trust Deed shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- (l) Entire Agreement. This Trust Deed and the Contract contain the entire agreement of the parties with respect to the matters covered, and no other previous agreements, statement, or promise made by any party to this Trust Deed which is not contained in its terms or in the terms of the Contract shall be binding or valid.

IN WITNESS WHEREOF, Grantor has caused the Trust Deed to be executed as of the day and year first above written.

GRANTOR: REACH, Inc.

By


 Marc Kane, Executive Director

ACKNOWLEDGMENT

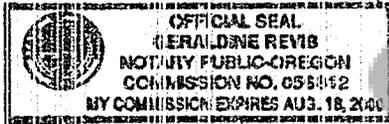
STATE OF OREGON)
) SS.
County of Klamath)

I certify that I know or have satisfactory evidence that Marc Kane, Executive Director, signed this instrument, on oath stated that he/she is authorized to execute this instrument, and acknowledged it as Grantor to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Before me: Marc Kane

Heraldine Revis
Notary Public for Oregon
My Commission Expires Aug-18, 2000

Place Seal Here



14393 Exhibit A

A 20-acre tract of land situated in the E1/2, Section 4, Township 39 S., R. 9 E., W. 4 N., including a portion of Lot 2, Block 2, Tract 1080, WASHBURN PARK, more particularly described as follows: Beginning at a point on the westerly line of an existing 10-foot South Suburban Sanitary District sewer easement, from which the SW corner of Lot 2, Block 2, said tract 1080, bears N 08°08'39" E. a distance of 270.55 feet and the E. quarter corner of said section 4 bears N. 77°03'46" E. a distance of 562.46 feet; thence N. 09°06'43" W. along the said W. easement line 973.79 feet to a point which is 230.00 feet from, measured at right angles to, the southerly right of way line of the O.C. & E. Railroad; thence N. 64°51'19" W. parallel to and 230.00 feet from the said southerly right of way line 973.79 feet; thence S. 00°06'43" W. parallel to said sewer easement 973.79 feet; thence S. 66°51'15" E. parallel to said southerly railroad right of way line 973.79 feet to the point of beginning, with bearings based on said tract 1080, Washburn Park.

TOGETHER WITH a non-exclusive right of way for ingress to and exit from the above-described real property along and upon a 60-foot wide strip of land, more particularly described as follows: Beginning at the SW corner of Block 2, Tract 1080, Washburn Park; thence along the arc of a curve to the right (radius point bears N. 00°04'50" W. 27.14 feet, central angle = 84°48'27") 42.54 feet to the easterly right of way line of a sewer easement; thence N. 09°06'43" W. along said easement 255.37 feet; thence S. 09°53'17" W. 10.00 feet to a 5/8 inch iron pin; thence N. 66°51'15" W. 51.42 feet; thence S. 09°06'43" E. 353.71 feet; thence S. 89°55'10" E. 85.89 feet to the NW corner of Block 6, said tract 1080; thence N. 00°04'50" E. 60.00 feet to the point of beginning, with bearings based on said tract 1080.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Anerititle, the 29th day of April, A.D. 19 98 at 3:40 o'clock P. M., and duly recorded in Vol. M98 of Mortgages on Page 14333

By Benjetha G. Lorsch, County Clerk
Kathleen Ross

FEES \$60.00 Return To: Karana Houser COIC
P. O. Box 575
REDmond, OR 97756