

TRUST DEED

Grantor's Name & Address

Hosanna Christian School, Inc.
5000 Hosanna Way
Klamath Falls OR 97603

Beneficiary's Name & Address

City of Klamath Falls
500 Klamath Avenue
Klamath Falls, OR 97601
Attn: Chief Finance Officer

After Recording Return To:

City Recorder
City of Klamath Falls
500 Klamath Avenue

STATE OF OREGON)

:SS

State of Oregon, County of Klamath

Recorded 10/14/2002 12:02 p m.Vol M02, Pg 58556-60

Linda Smith, County Clerk

Fee \$ 41.00 # of Pgs 5

Deputy

Fixed.

THIS TRUST DEED, made this 11th day of October, 2002, between Hosanna Christian School, Inc., an Oregon Non-profit Corporation as Grantor, Rick Whitlock, City Attorney for Klamath Falls, as Trustee, and City of Klamath Falls, a municipal corporation, as Beneficiary.

Grantor irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, the property in Klamath County, Oregon, described as:

(SEE ATTACHED EXHIBIT "A," Hereinafter referred to as "Subject Property")

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in any wise now or hereafter attached to or used in connection with the said real estate.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of \$60,000.00 Dollars, with interest thereon according to the terms of a Promissory Note and Loan Agreement of even date herewith, payable to Beneficiary and made by Grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable upon any sale or transfer of the Subject Property or on April 11, 2003, whichever shall first occur.

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 of all (or any part) of Grantor's interest in it without first obtaining 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 execution by Grantor of an earnest money agreement does not constitute a sale, conveyance or assignment.

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

1. To protect, preserve and maintain Subject 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 Subject Property, including all applicable building codes.
4. To provide and continuously maintain insurance on the buildings now or hereafter erected on the Subject Property against loss or damage by fire and such other hazards as the Beneficiary may require, in an amount not less than the evaluated assessment of the house including the renovation costs with Beneficiary designated on said policies. Such beneficiary policies of insurance shall be delivered to the Beneficiary to insert in Grantor's file; if Grantor shall fail for any reason to procure any such insurance and to deliver the policies to the Beneficiary at least within fifteen (15) days of signing this TRUST DEED, 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 the 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 the Subject 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 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 paragraph 6 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 Subject Property, 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 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 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 attorney fees of Beneficiary or Trustee; the amount of attorney fees mentioned in this paragraph 6 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 sums the appellate court shall adjudge reasonable as the attorney fees of Beneficiary or Trustee on such appeal.

It is mutually agreed that:

7. In the event that any portion or all Subject 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 for 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.
8. 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 Subject Property and 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 operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as Beneficiary may determine.
9. 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 an 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 Subject 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.

10. 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 of 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 for the trust deed together with Trustee's fees and attorney fees not exceeding the amounts provided by law.

11. 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 Subject 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.

12. 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 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.

13. 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 in which the property is situated, shall be conclusive proof of proper appointment of the Successor Trustee.

14. 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 those claiming under him, that he is lawfully seized in fee simple of Subject Property and has a valid, unencumbered title thereto, and that he will warrant and forever defend the same against all persons whomsoever.

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 exclusively for payment of Federal tax arrearages incurred by Grantor.

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 pledges, or the contract secured hereby, whether or not named as a Beneficiary herein. In construing this deed and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular number includes 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.

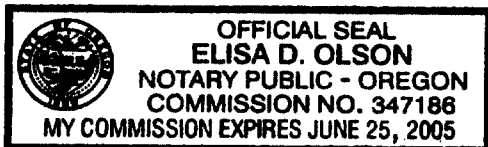
IN WITNESS WHEREOF, said Grantor has hereunto set his hand the day and year first above written.

Grantor: Hosanna Christian Schools, Inc.

By: David L. Loser
Title: Co-Chair Board of Directors

STATE OF OREGON)
)ss.
County of Klamath)

This instrument was acknowledged before me on 11th of Oct., 2002, by DAVID Loser as Co-Chair of Hosanna Christian Schools, Inc.



Notary Public for Oregon: Elisa D. Olson
My Commission Expires: 6-25-05

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

To: City Attorney Rick Whitlock, 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 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 reconveyance and documents to: _____

DATED: _____

CITY OF KLAMATH FALLS, Beneficiary

By: _____
Title: _____

EXHIBIT "A"
LEGAL DESCRIPTION

That portion of the NE1/4 NW1/4 and the SE1/4 of the NW1/4 lying Southeast of the U.S.B.R. A-3 Lateral Canal Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

EXCEPTING THEREFROM that portion lying within the SE1/4 of the NW1/4 and NE1/4 NW1/4 described as follows:

A tract of land situated in the NE1/4 NW1/4, SE1/4 NW1/4, SW1/4 NE1/4 Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point marking the Southwest corner of Block 6, Tract 1035, GATEWOOD, a duly recorded subdivision, said point being North 00 degrees 14' 05" West 30.00 feet from the center 1/16 corner of said Section 14; thence North 89 degrees 58' 56" West parallel to and 30 feet Northerly of the Southerly line of the NE1/4 NW1/4, said Section 14, 484.88 feet; thence South 00 degrees 01' 04" East 358.74 feet; thence South 30 degrees 55' 12" East 324.33 feet; thence South 01 degrees 44' 41" East 428.54 feet; thence North 88 degrees 15' 19" East 20.00 feet; thence South 01 degrees 44' 41" East 170.00 feet to the Northerly right of way line of the 1-C-7 U.S.B.R. drain; thence along said right of way line, North 88 degrees 15' 19" East 120.00 feet to the centerline of Glenwood Drive extended Northerly, continuing along said right of way line, North 88 degrees 15' 19" East 540.01 feet, North 10 degrees 46' 25" East 1175.49 feet, North 01 degrees 17' 15" West 29.44 feet to the Northerly line of the SW1/4 NE1/4, said Section 14; thence leaving said right of way line, North 89 degrees 58' 56" West 598.53 feet to the center 1/16 corner of said Section 14; thence North 00 degrees 14' 05" West 30.00 feet to the point of beginning, with bearings based on said Tract 1035, Gatewood.

AND EXCEPTING THEREFROM all that portion thereof lying within the SE1/4 NW1/4.

PROMISSORY NOTE & LOAN AGREEMENT**Owner/Promisor:** HOSANNA CHRISTIAN SCHOOL, INC.**City:** CITY OF KLAMATH FALLS**Purpose of Note/Loan:** Exclusively for Payment of Owner/Promisor's Federal Tax Arrearages**Subject Property:** Southside City Park (See Trust Deed for Legal Description)**RECITALS**

- A. City is in the process of purchasing a 13.4 acre parcel ($\pm$) from Owner/Promisor for the purpose of developing a public park. Finalization of the purchase/sale has been delayed pending receipt of a grant by City to partially defray the cost of the purchase.
- B. A preliminary title report covering the proposed park property indicates the existence of an IRS Federal Tax Lien in the amount of \$52,956.46 as of July 29, 2002. Owner/Promisor needs to pay the Tax Lien to avoid further action by IRS.
- C. City has agreed to loan Owner/Promisor the sum of \$60,000.00 to be used primarily for payment, satisfaction and release of the Federal Tax Lien. Owner/Promisor agrees to use the proceeds of the loan from the City to satisfy/release the Federal Tax Lien.
- D. City and Owner/Promisor intend that the accumulated principal and interest from this loan shall be credited against the purchase price for the park property.

IN CONSIDERATION of the foregoing Recitals and the promises and covenants herein contained, Owner/Promisor acknowledges the terms and conditions of this Promissory Note and deferred payment Loan.

1. The undersigned Owner/Promisor promise(s) to pay to the order of City, or its successors, the sum of Sixty Thousand and no/100 Dollars (\$60,000.00) ("Loan Proceeds"). The Loan Proceeds shall also include the fees City will pay to Klamath County for recording this agreement and the Trust Deed per §4 below.
2. Loan Proceeds shall be first used to pay that certain Federal Tax Lien filed in the Microfilm Records of Klamath County, Oregon, at M02, page 42308 on July 29, 2002. Owner/Promisor agrees to provide city with written proof that said Tax Lien has been paid, satisfied and released not later than forty-five (45) days following execution of this Note and Agreement and the accompanying Trust Deed securing this obligation. Once said Lien has been fully satisfied and released, Owner/Promisor may apply the balance of the proceeds, if any, toward any other appropriate expenditure.
3. This loan shall bear interest at 6% per annum (simple interest) and shall be due and payable in full upon the earlier of: a) closing of the sale/purchase of the approximately 13.4 acre park parcel to City (said parcel being the security for this Note and Agreement); or b) April 11, 2003. If the park property sale is consummated, City and Owner/Promisor intend that the accumulated principal and interest from this Loan shall be credited against the purchase price paid by the City. The Owner/Promisor reserves the right to repay at any time all or any portion of

the principal amount of this Note and Loan Agreement in a single payment without the payment of penalties, discount or premiums.

4. Owner/Promisor has executed on the same date as this Note and Loan Agreement a Trust Deed in favor of the City to secure performance of the obligations set forth herein. Owner/Promisor has provided City with certified copies of the resolution of the Board of Directors voted on at a duly called meeting of the Board and authorizing the conveyance and encumbrance. Owner/Promisor acknowledges that the Trust Deed will be recorded by City, and that City may also record this Agreement. This Agreement shall be binding upon the successors and assigns of the parties. Owner/Promisor shall not assign this Agreement.

5. Demand, protest and notice of demand and protest are hereby waived, and the Owner/Promisor hereby waives, to the extent authorized by law, any and all homestead and other exemption rights which otherwise would apply to the debt evidenced by this Note and Loan Agreement.

6. In the event a legal suit or action, including any appeals therefrom, is brought by either party against the other to enforce any of the obligations of this Agreement, the losing party shall pay the prevailing party such reasonable amount for investigation costs, attorney's fees, court costs and expert witness fees, as may be set by the court. This Agreement shall be enforceable in Klamath County, Oregon, and if legal action is necessary by either party with respect to the enforcement of any or all of the terms or conditions herein, exclusive venue for the enforcement of same shall lie in Klamath County, Oregon.

7. Owner/Promisor acknowledges receiving a copy of this note and agreement.

IN WITNESS WHEREOF, this Promissory Note and Loan Agreement has been duly executed by the undersigned, as of the date indicated below.

HOSANNA CHRISTIAN SCHOOL, INC.

Owner/Promisor

By:

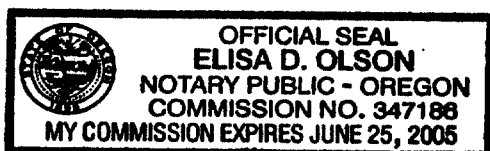
Title:

STATE OF OREGON)

)ss.

County of Klamath)

This instrument was acknowledged before me on Oct. 11, 2002,
by David Loser,
as Co Chair,
of Hosanna Christian School, Inc.



Elisa D. Olson

Notary Public for Oregon

My Commission Expires: 6-25-05