

**RESOLUTION 2014-20**

**A RESOLUTION OF THE GARIBALDI CITY COUNCIL TO PURCHASE REAL PROPERTY AND TO BORROW THE SUM OF \$165,000 FROM OREGON COAST BANK OF NEWPORT, OREGON, FOR THE PURPOSE OF PURCHASING REAL PROPERTY**

**WHEREAS**, the City of Garibaldi (City) desires to purchase real property known as 605 Acacia Avenue and 112 S. Seventh Street in Garibaldi, Oregon, also known as tax lots 10900 and 11200 of Tillamook County Tax Assessor's Map Number 1N 10 21 AC; and

**WHEREAS**, the City has made an offer to the seller for the amount of \$209,900, and the seller has accepted said offer per the conditions of the sales and earnest money agreement attached to and made part of this resolution as **Exhibit A**; and

**WHEREAS**, the City has accepted a loan proposal from Oregon Coast Bank of Newport, Oregon for financing of the purchase of real property described in this resolution in the amount of \$165,000 as described in loan documents attached and made part of this resolution as **Exhibit B**; and

**WHEREAS**, the Garibaldi City Council has budgeted for the purchase of property described in this resolution, as well as made appropriations of funds for the purpose of debt service, in the FY 2014-2015 municipal budget; and,

**WHEREAS**, the Garibaldi City Council finds that the purchase of real property as described in this resolution is in the best interests of the City and will serve the for the purpose of public parking and future space for public facilities; and

**WHEREAS**, the Garibaldi City Council has reviewed the terms of the exhibits attached and made part of this resolution and finds that they offer the best value to the City;

**NOW, THEREFOR, THE COMMON COUNCIL OF THE CITY OF GARIBALDI RESOLVES AS FOLLOWS:**

**Section 1.** The Garibaldi City Council hereby incorporates and makes part the above recitals, findings and exhibits into this resolution.

**Section 2.** The Garibaldi City Council hereby authorizes the purchase of real property as described in this resolution by the City.

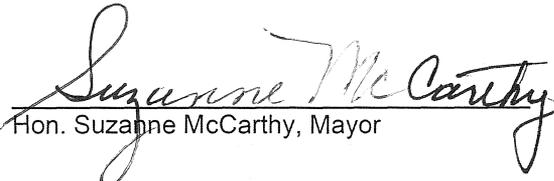
**Section 3.** The Garibaldi City Council hereby authorizes the City Manager and the Mayor to sign loan documents attached to this resolution as **Exhibit B**, prepared by Oregon Coast Bank, and for the purchase of real property described in this resolution.

**Section 4.** The Garibaldi City Council hereby authorizes indebtedness of the City in the amount of \$165,000 for the purpose of financing the purchase of real property as described in this resolution.

**Section 5.** The Garibaldi City Council hereby authorizes the City Manager to sign and execute all documents necessary for the purpose of purchasing real property as described in this resolution, and to report to the city council on the closing of said property at a later date.

**Section 6.** This resolution is effective upon passage by the Garibaldi City Council.

**PASSED BY THE COMMON COUNCIL AND APPROVED BY THE MAYOR**, this 25<sup>th</sup> Day of August, 2014.

  
Hon. Suzanne McCarthy, Mayor

ATTEST:

  
John O'Leary, City Manager

**Exhibit A** – Sale Agreement # GV112605, initially dated July 7, 2014, and includes executed counter offer by seller. (27 pages)

**Exhibit B** – Draft Loan Documents to be executed on or after September 10, 2014, and prepared by Oregon Coast Bank of Newport, Oregon. (19 pages)



FINAL AGENCY ACKNOWLEDGMENT

Both Buyer and Seller acknowledge having received the Oregon Real Estate Agency Disclosure Pamphlet, and hereby acknowledge and consent to the following agency relationships in this transaction:

(1) Valerie Schumann (Name of Selling Licensee) of BHHSNW (Name of Real Estate Firm) is the agent of (check one): [X] Buyer exclusively ("Buyer Agency"). [ ] Seller exclusively ("Seller Agency"). [ ] Both Buyer and Seller ("Disclosed Limited Agency").

(2) Jill Blaser Sagar (Name of Listing Licensee) of RE/MAX (Name of Real Estate Firm) is the agent of (check one): [X] Seller exclusively ("Seller Agency"). [ ] Both Buyer and Seller ("Disclosed Limited Agency").

(3) If both parties are each represented by one or more Licensees in the same Real Estate Firm, and Licensees are supervised by the same principal broker in that Real Estate Firm, Buyer and Seller acknowledge that said principal broker shall become the disclosed limited agent for both Buyer and Seller as more fully explained in the Disclosed Limited Agency Agreements that have been reviewed and signed by Buyer, Seller and Licensee(s).

Buyer shall sign this acknowledgment at the time of signing this Agreement before submission to Seller. Seller shall sign this acknowledgment at the time this Agreement is first submitted to Seller, even if this Agreement will be rejected or a counter offer will be made. Seller's signature to this Final Agency Acknowledgment shall not constitute acceptance of this Agreement or any terms therein.

Buyer [Signature] Print City of Garibaldi Date 7/2/2014
Buyer [Signature] Print Date 7/7/2014
Seller [Signature] Print Lorraine Vandecoevering Date
Seller [Signature] Print Date

COMMERCIAL REAL ESTATE SALE AGREEMENT

This Agreement is intended to be a legal and binding contract. If it is not understood, seek competent legal advice before signing. Time is of the essence of this Agreement.

1. DEFINITIONS: All references in this Agreement to "Licensee" and "Firm" shall refer to Buyer's and Seller's real estate agents licensed in the State of Oregon and the respective real estate companies with which they are affiliated. Licensee(s) and Firm(s) identified in the Final Agency Acknowledgment Section above are not parties to this Agreement, except as may be expressly applicable. Unless otherwise provided herein: (1) Time calculated in days after the date Buyer and Seller have signed this Agreement shall start on the first full business day after the date of Seller's signature indicating acceptance of Buyer's offer or counteroffer, or Buyer's signature indicating acceptance of Seller's counteroffer; (2) Written notices required or permitted under this Agreement to be delivered to Buyer or Seller may be delivered to their respective Licensee with the same effect as if delivered to that Buyer or Seller; (3) A "business day" shall mean Monday through Friday, except recognized legal holidays as enumerated in ORS 187.010 and 187.020.

2.1 PRICE/PROPERTY DESCRIPTION: Buyer (print name(s)) City of Garibaldi offers to purchase from Seller (print name(s)) Lorraine Vandecoevering

the following described property and all improvements thereon (hereinafter "the Property") situated in the State of Oregon, County of Tillamook and commonly known or identified as (insert street address, city, zip code, tax identification number, lot/block description, etc.) 605 Acacia Ave. Garibaldi, OR 1N1021-AC-11200 and 112 S. 7th St. Garibaldi, OR 1N1021-AC-10900

(Buyer and Seller agree that if it is not provided herein, a complete legal description as provided by the title insurance company in accordance with Section 8, below, shall, where necessary, be used for purposes of legal identification and conveyance of title.)

for the Purchase Price (in U.S. currency) of A \$ 209,000.00 on the following terms: earnest money herein received for B \$ 1,000.00 on C \$ as additional earnest money, the sum of D \$ 19,900.00 at or before Closing, the balance of down payment E \$ 189,100.00 at Closing and upon delivery of [X] DEED [ ] CONTRACT the balance of the Purchase Price (Lines B, C, D and E should equal Line A)

Buyer Initials [Signature] Date 7/2/14

Seller Initials [Signature] Date 7/7/14

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LINES WITH THIS SYMBOL ← REQUIRE A SIGNATURE OF BUYER AND/OR SELLER AND DATE

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Handwritten initials and date: 7-7-14 JD

142 fully understood, Buyer should immediately contact the title insurance company for further information or seek competent legal advice. Neither  
143 Listing nor Selling Licensee is qualified to advise on specific legal or title issues.) Upon signature and acceptance of this Agreement by Buyer and  
144 Seller, Seller will, at Seller's sole expense, promptly order the Report from an Oregon title insurance company and furnish it to Buyer together with complete  
145 and legible copies of all exceptions noted in the Report. Upon receipt of the Report, Buyer shall have \_\_\_ business days (five [5] if not filed in) thereafter  
146 within which to notify Seller, in writing, of any matter(s) disclosed in the report which is/are unacceptable to Buyer ("the Objections"). Buyer's failure to timely  
147 object, in writing, to any exceptions disclosed in the Report shall constitute acceptance of those exceptions. However, Buyer's failure to timely object shall not  
148 relieve Seller of the duty to convey marketable title pursuant to Section 9 below. If, within \_\_\_ business days (five [5] if not filed in) following receipt of Buyer's  
149 Objection(s), if any, Seller fails to remove or correct them, or does not give written assurances reasonably satisfactory to Buyer that they will be removed or  
150 corrected, all earnest money shall be promptly refunded to Buyer and this transaction shall be terminated. This contingency is solely for Buyer's benefit and  
151 may be waived by Buyer in writing. Within thirty (30) days after Closing, Seller shall furnish to Buyer an owner's standard form policy of title insurance insuring  
152 marketable title in the Property to Buyer in the amount of the purchase price, free and clear of the Objections and all other title exceptions agreed to be  
153 removed as part of this transaction. So long as doing so shall be at no additional expense to Seller, Seller shall cooperate in all reasonable respects with the  
154 delivery to Buyer of an ALTA extended form policy of title insurance and any endorsements requested by Buyer.

155 9. DEED: Seller shall convey marketable title to the Property by (check one):  statutory warranty deed or  \_\_\_\_\_

156  
157 (if neither box is checked a statutory warranty deed shall be used) free and clear of all liens of record, except property taxes which are a lien but not yet  
158 payable, zoning ordinances, building and use restrictions, reservations in Federal patents, easements of record which affect the Property, covenants,  
159 conditions and restrictions of record, and those matters accepted by Buyer pursuant to Section 8 above.

160 10. ADDITIONAL LAND SALE CONTRACT/TRUST DEED/MORTGAGE/OPTION AGREEMENTS: If this transaction is to include a land sale  
161 contract, trust deed, mortgage, or option agreement between Buyer and Seller, the parties shall agree upon the terms and conditions of such document not  
162 later than \_\_\_ business days (ten [10] if not filed in) after the date Buyer and Seller have signed and accepted this Sale Agreement. Upon failure of Buyer and  
163 Seller to reach agreement as to the terms and conditions of the document within said time period, this transaction shall automatically terminate, all parties shall  
164 cooperate in signing such documentation reasonably necessary to effect a termination of this transaction and a refund of all deposits, if any, to Buyer. Caveat:  
165 The additional documents identified in this Section 10 can have legally binding consequences, and Buyer and Seller are strongly encouraged to  
166 secure competent legal advice before entering into such agreements. If Escrow (as defined in Section 18) is instructed to prepare the note and  
167 trust deed or mortgage to be used in this transaction, state statute requires that Buyer and Seller receive from Escrow, at least three (3) days prior  
168 to Closing (as defined in Section 20), a statutory notice and a copy of the proposed documents. This requirement cannot be waived by Buyer or  
169 Seller without the approval of both of their respective Oregon-licensed attorneys.

170 11. FIXTURES AND PERSONAL PROPERTY: Except as provided in this Section 11, all fixtures, including trade fixtures, are to be left upon the Property  
171 as part of the Property being purchased, and all personal property is excluded from this transaction.  
172 The following fixtures and/or trade fixtures are excluded from the Property being purchased: n/a

173  
174  
175 The following personal property, in "AS-IS" condition is included as a part of the Property being purchased: n/a

176  
177  
178 (Attach inventory if necessary.) If certain personal property which is to be included as a part of this sale is to have a separately stated value in addition to the  
179 purchase price, the parties agree to attach a separate exhibit, jointly signed, identifying the stated value(s) of such property within \_\_\_ business days (five [5] if  
180 not filed in) following the date both parties have signed this Agreement.

181 12. EXISTING LEASES: The Property (check one):  is  is not subject to one or more existing leasehold interests, which Seller represents and  
182 warrants are current and free from default. If applicable, Seller agrees to deliver complete and legible copies of the written lease(s) to Buyer for review within  
183 \_\_\_ business days (three [3] if not filed in) following the date Buyer and Seller have signed this Agreement. Buyer and Seller shall have \_\_\_ business days  
184 (five [5] if not filed in) following Buyer's receipt of all lease(s) within which to reach a signed written agreement with Seller regarding Buyer's approval of the  
185 lease(s) and the conditions, if any, under which they will be assumed and/or assigned. In the event such written agreement is not reached within the time  
186 provided herein, all earnest money shall be refunded to Buyer and this transaction shall be terminated. This condition is for the benefit of both Buyer and  
187 Seller, and may not be waived by either party without the other's written consent.

188 13. SELLER'S DOCUMENTS: (check one):  Seller has previously delivered to Buyer copies of all documents containing material information about the  
189 Property that Seller has in Seller's possession or control including but not limited to documents and records relating to the ownership, operation and  
190 maintenance of the Property (hereinafter "Relevant Business Documents").  Seller agrees that within \_\_\_ business days (ten [10] if not filed in) following

Buyer Initials: [Signature] Date: 7/2/14

Seller Initials: [Signature] Date: 7/2/14

240 the Inspection Period, Seller shall not be required to modify any terms of this Agreement already reached with Buyer. Unless a written and signed modification  
241 is reached, at any time during the Inspection Period, Buyer may notify Seller or Listing Licensee, in writing, of Buyer's unconditional disapproval of the Property  
242 based on any inspection report(s), in which case, all earnest money deposits shall be promptly refunded and this transaction shall be terminated. Buyer shall  
243 indemnify, hold harmless, and defend Seller from all liens, costs, and expenses, including reasonable attorneys' fees and experts' fees, arising from or relating  
244 to Buyer's entry on and inspection of the Property. This agreement to indemnify, hold harmless, and defend Seller shall survive Closing or any termination of  
245 this transaction. Buyer shall promptly provide a copy of all reports to Seller only if requested by Seller. If Buyer fails to provide Seller or Listing  
246 Licensee with written unconditional disapproval of any inspection report(s) by Midnight of the final day of the Inspection Period, Buyer  
247 shall be deemed to have accepted the condition of the Property. Note that if, prior to expiration of the Inspection Period, written  
248 agreement is reached with Seller regarding ALL Buyer's requested repairs, the Inspection Period shall automatically terminate, unless  
249 the parties agree otherwise in writing.

250  **BUYER'S WAIVER OF INSPECTION CONTINGENCY:** Buyer represents to Seller and all Licensees and Firms that Buyer is fully satisfied with the  
251 condition of the Property and all elements and systems thereof and knowingly and voluntarily elects to waive the right to have any inspections performed as  
252 a contingency to the Closing of this transaction. Buyer's election to waive the right of inspection is solely Buyer's decision and at Buyer's own risk.

253 **17. LEAD BASED PAINT CONTINGENCY PERIOD:** If the Property consists of or includes any type of residential housing, including single, multi-family or  
254 public housing, which Buyer (or Buyer's family) intend(s) to occupy and was constructed before 1978, a Lead-Based Paint Disclosure Addendum (hereinafter  
255 "the Disclosure Addendum") shall be promptly signed by Buyer, Seller and Listing and Selling Licensees, and become a part of this Agreement. Buyer shall  
256 also be provided with a pamphlet entitled "Protect Your Family From Lead in Your Home." Buyer shall have \_\_\_ calendar days (ten [10] unless a greater  
257 number is filled in.) within which to conduct a lead-based paint assessment or inspection (hereinafter referred to as "the Lead-Based Paint Contingency  
258 Period"), which shall commence immediately when Buyer and Seller sign the Disclosure Addendum. Unless the opportunity to conduct a risk assessment or  
259 inspection is expressly waived in the Disclosure Addendum, Buyer may, in writing, unconditionally cancel this transaction during the Lead-Based Paint  
260 Contingency Period and receive a prompt return of all earnest money deposits. Buyer understands that the failure to give timely written notice of cancellation  
261 prior to Midnight on the last day of the Lead-Based Paint Contingency Period shall constitute acceptance of the condition of the Property as it relates to the  
262 presence of lead-based paint or lead-based paint hazards.

263  **OREF-021 Lead-Based Paint Disclosure Addendum is attached to this Agreement.**

264 **18. ESCROW:** This transaction shall be Closed at First American Title ("Escrow"),  
265 a neutral escrow located in the State of Oregon. Costs of Escrow shall be shared equally between Buyer and Seller, unless otherwise provided herein. Unless  
266 otherwise provided herein, the parties agree as follows: Seller authorizes Listing Firm to order a preliminary title report and owner's title policy at Seller's  
267 expense and further authorizes Escrow to pay out of the cash proceeds of sale the expense of furnishing such policy, Seller's recording fees, Seller's Closing  
268 costs and any encumbrances on the Property payable by Seller on or before Closing. Buyer shall deposit with Escrow sufficient funds necessary to pay  
269 Buyer's recording fees, Buyer's Closing costs, and lender's fees, if any. Real estate fees, commissions or other compensation for professional real estate  
270 services provided by Listing and/or Selling Firms shall be paid at Closing in accordance with the listing agreement, buyer service agreement or other written  
271 agreement for compensation.

272 **19. ESCROW DEPOSIT:** Escrow is hereby instructed by Buyer and Seller as follows: (1) Upon your receipt of a copy of this Agreement marked "rejected" by  
273 Seller or upon Listing Firm's written advice that the offer is "rejected" by Seller, you are to refund all earnest money to Buyer. (2) Upon your receipt of a copy of  
274 this Agreement signed by Buyer and Seller set up an escrow account and proceed with Closing in accordance with the terms of this Agreement. If you  
275 determine that the transaction cannot be Closed for any reason (whether or not there is then a dispute between Buyer and Seller) subject only to Section 36  
276 below, you are to hold all earnest money deposits until you receive written instructions from Buyer and Seller, or a final ruling from a court or arbitrator, as to  
277 disposition of such deposits.

278 **20. CLOSING:** Closing shall occur on a date mutually agreed upon by Buyer and Seller, but in no event later than Sept. 30, 2014  
279 ("the Closing Deadline"). The terms "Closed", "Closing" or "Closing Date" shall mean when the deed or contract is recorded and funds are  
280 available to Seller. Buyer and Seller acknowledge that for Closing to occur by the Closing Deadline, it may be necessary to execute documents  
281 and deposit funds in Escrow prior to that date. Caveat: Section 10 above requires three (3) days prior to the Closing Deadline if Escrow is to  
282 prepare a note and a deed of trust or mortgage.

283 **21. POSSESSION:** Seller shall remove all personal property (including trash and debris) that is not a part of this transaction, and deliver possession of the  
284 Property to Buyer (select one):

- 285 (1)  by 5:00 p.m. on Closing;
- 286 (2)  by \_\_\_\_\_ a.m.  p.m. \_\_\_\_\_ days after Closing;
- 287 (3)  by \_\_\_\_\_ a.m.  p.m. on the \_\_\_\_\_ day of \_\_\_\_\_.

288 If a tenant is currently in possession of the Property (check one):  Buyer will accept tenant at Closing;  Seller shall have full responsibility for removal of  
289 tenant prior to Closing.

Buyer Initials [Signature] Date 7/2/14

Seller Initials [Signature] Date 7/2/14

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290 22. PRORATIONS: Prorates for rents, current year's real and personal property taxes, interest on assumed obligations, and other prepaid expenses  
291 attributable to the Property shall be prorated as of (check one):  the Closing Date;  date Buyer is entitled to possession; or  See Addendum  
292 A-1

293 23. UTILITIES: Seller shall pay all utility bills accrued to date Buyer is entitled to possession. Buyer shall pay Seller for heating fuel then on premises, at  
294 Seller's supplier's rate on the possession date. Payment shall be handled between Buyer and Seller outside of Escrow.

295 24. PROPERTY TO REMAIN INSURED: Seller shall keep the Property fully insured through Closing.

296 25. BINDING EFFECT/ASSIGNMENT: Subject to the following sentence, this Agreement is binding upon the heirs, personal representatives,  
297 successors and assigns of Buyer and Seller. Buyer's interest in this Agreement or in the Property (check one):  are assignable without prior written  
298 consent of Seller,  are not assignable without prior written consent of Seller,  are assignable only to an affiliated entity owned or controlled by  
299 Buyer without prior written consent of Seller.

300 26.1 SELLER ADVISORY: OREGON STATE TAX WITHHOLDING OBLIGATIONS. Subject to certain exceptions, Escrow is required to withhold a  
301 portion of Seller's proceeds if they are a non-resident individual or corporation as defined under Oregon law. Buyer and Seller agree to execute and deliver, as  
302 appropriate, any instrument, affidavit or statement, and to perform any acts reasonable or necessary to carry out the provisions of Oregon law.

303 26.2 SELLER/BUYER ADVISORY: FIRPTA TAX WITHHOLDING OBLIGATIONS Seller is advised that upon Closing, Federal law, known as the  
304 Foreign Investment in Real Property Tax Act ("FIRPTA"), allows an escrow company, if they agree, to withhold a portion of Seller's proceeds if the real  
305 property is located within the United States and Seller is a "foreign person." A "foreign person" includes a non-resident alien individual, foreign corporation,  
306 foreign partnership, foreign trust and foreign estate. The amount deducted from Seller's proceeds is ten percent (10%) of the gross sales price and is required  
307 to be delivered over to the Internal Revenue Service ("IRS") within twenty (20) days of the closing of the transaction. Buyer may become responsible for  
308 payment if FIRPTA applies and Escrow is not instructed to withhold the funds. FIRPTA will not apply to this transaction so long as: (a) The sale price is  
309 \$300,000 or less; (b) The Property is to be used by Buyer as a residence; and, (c) Buyer is an individual. Where applicable, Buyer and Seller agree to execute  
310 and deliver, as appropriate, any instrument, affidavit or statement, reasonably requested by Escrow to carry out the provisions of FIRPTA. NOTE: AT SECTION  
311 14 OF THIS AGREEMENT, SELLER REPRESENTS THAT SELLER IS NOT A "FOREIGN PERSON" (HEREINAFTER "SELLER'S NON-FIRPTA STATUS"). IF SELLER IS  
312 UNSURE, SELLER SHOULD FIRST CONFER WITH SELLER'S TAX COUNSEL OR CPA BEFORE ENTERING INTO THIS TRANSACTION. IN SUBMITTING THIS OFFER, BUYER  
313 REPRESENTS THAT BUYER HAS NO KNOWLEDGE, INFORMATION, OR BELIEF THAT SELLER IS A FOREIGN PERSON OR THAT THIS TRANSACTION IS SUBJECT TO FIRPTA.  
314 SELLER ACKNOWLEDGES THAT BUYER, LISTING AND SELLING LICENSEES, THEIR RESPECTIVE FIRMS, AND ESCROW, ITS AGENTS, EMPLOYEES AND  
315 REPRESENTATIVES, SHALL HAVE THE ABSOLUTE RIGHT TO RELY UPON SELLER'S REPRESENTATION OF SELLER'S NON-FIRPTA STATUS AT SECTION 14, ABOVE.  
316 THIS RIGHT OF RELIANCE SHALL CONTINUE THROUGH THE CLOSING DATE AND THEREAFTER, UNLESS SELLER HAS DISCLOSED OTHERWISE IN A WRITTEN COUNTER-  
317 OFFER OR ADDENDUM TO THIS SALE AGREEMENT. IF AT ANY TIME DURING THIS TRANSACTION, IT IS DETERMINED THAT SELLER'S REPRESENTATION OF SELLER'S  
318 NON-FIRPTA STATUS WAS INCORRECT, FOR ANY REASON, SELLER AND BUYER HEREBY APPOINT AND INSTRUCT ESCROW TO ACT AS THE QUALIFIED SUBSTITUTE  
319 FOR BUYER AS DEFINED BY THE IRS, FOR PURPOSES OF PREPARING THE NECESSARY PAPERWORK, WITHHOLDING THE NECESSARY FUNDS, AND REMITTING THE  
320 SAME TO THE IRS. IF FOR ANY REASON, ESCROW DECLINES TO ACT AS A QUALIFIED SUBSTITUTE, ESCROW IS REQUESTED TO PROMPTLY NOTIFY SELLER AND  
321 BUYER IN A TIMELY MANNER SO THEY MAY MAKE OTHER ARRANGEMENTS PRIOR TO THE SCHEDULED CLOSING. SELLER AND BUYER ACKNOWLEDGE THAT IF  
322 FIRPTA APPLIES TO THIS TRANSACTION, ESCROW'S ROLE AS A QUALIFIED SUBSTITUTE MAY RESULT IN A DELAY IN CLOSING THIS TRANSACTION. UNLESS  
323 OTHERWISE PROVIDED IN THIS SALE AGREEMENT OR ANY SUBSEQUENT SIGNED WRITTEN AGREEMENT BETWEEN SELLER AND BUYER, CONFIRMATION OF SELLER'S  
324 NON-FIRPTA STATUS IS NOT A CONTINGENCY IN THIS TRANSACTION.

325 27. APPROVED USES: "THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING  
326 STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT  
327 AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS  
328 DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE  
329 SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11,  
330 CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8,  
331 OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FREE TITLE TO THE PROPERTY  
332 SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING  
333 TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF  
334 THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF  
335 NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424,  
336 OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS  
337 2010."

338 28. IRC 1031 EXCHANGE: In the event Buyer or Seller elects to complete an IRC 1031 exchange in this transaction, the other party agrees to  
339 cooperate with them, and the accommodator, if any, in a manner necessary to complete the exchange, so long as it will not delay the Close of escrow

Buyer Initials [Signature] Date 11/19

Seller Initials [Signature] Date 11/19

340 or cause additional expense or liability to the cooperating party. Unless otherwise provided herein, this provision shall not become a contingency to the  
341 Closing of this transaction.

342 **29.1 LEVY OF ADDITIONAL PROPERTY TAXES:** The Property (check one):  is  is not specially assessed for property taxes (e.g., farm,  
343 forest, tax abatement or other) in a way which may result in levy of additional taxes in the future. If it is specially assessed, Seller represents that the  
344 Property is current as to income or other conditions required to preserve its deferred/abated tax status. If, as a result of Buyer's actions or the Closing  
345 of this transaction, the Property either is disqualified from special use assessment or loses its deferred/abated property tax status, unless otherwise  
346 specifically provided in this Agreement, Buyer shall be responsible for and shall pay when due, any deferred and/or additional taxes and interest which  
347 may be levied against the Property and shall hold Seller completely harmless therefrom. However, if as a result of Seller's actions prior to Closing, the  
348 Property either is disqualified from its entitlement to special use assessment or loses its deferred/abated property tax status, Buyer may, at Buyer's sole  
349 option, promptly terminate this transaction and receive a refund of all deposits paid by Buyer in anticipation of Closing; or Close this transaction and  
350 hold Seller responsible to pay into Escrow all deferred and/or additional taxes and interest which may be levied or recaptured against the Property and  
351 hold Buyer completely harmless therefrom. The preceding shall not be construed to limit Buyer's or Seller's available remedies or damages arising  
352 from a breach of this Section 29.

353 **29.2 HISTORIC PROPERTY DESIGNATION:** If the Property described in this instrument is subject to special assessment under ORS 358, Seller to provide  
354 OREF-D45 Historic Property Addendum.

**DISPUTE RESOLUTION INVOLVING BUYER AND SELLER ONLY**

355 **30. DISPUTE RESOLUTION:** Any dispute between Buyer and Seller relating to the interpretation or enforcement of this Agreement (check one)  
356  shall  shall not, be subject to the arbitration provisions of Section 33. Failure to check a box in this Section 30 shall constitute an election  
357 NOT to arbitrate. Buyer and Seller agree that all claims, controversies and disputes between them, including those for rescission (hereinafter collectively  
358 referred to as "Claims"), relating directly or indirectly to this transaction, shall be resolved in accordance with the procedures set forth herein, which shall  
359 expressly survive Closing or earlier termination of this Agreement. Provided, however, the following matters shall not constitute Claims: (1) any proceeding to  
360 collect, interpret or enforce any mortgage, trust deed, land sale contract or recorded construction lien or (2) a forcible entry and detainer action (eviction). The  
361 filing in court for the issuance of any provisional process or similar remedy described in the Oregon or Federal Rules of Civil Procedure shall not constitute a  
362 waiver of the right or duty to utilize the dispute resolution procedures specified herein. In the event of any suit, action or arbitration relating to the enforcement  
363 or interpretation of this Agreement, the matter shall be governed exclusively by Oregon law, and venue shall be placed in the State of Oregon for all purposes.

364 **31. SMALL CLAIMS BETWEEN BUYER AND SELLER:** Notwithstanding the following Sections, Buyer and Seller agree that all Claims that are within  
365 the jurisdiction of the Small Claims Court shall be brought and decided there, in lieu of mediation, arbitration or litigation in any other forum.

366 **32. MEDIATION BETWEEN BUYER AND SELLER:** If Buyer or Seller were represented in this transaction by a Licensee whose principal broker is a  
367 member of the National Association of REALTORS®, all Claims shall be submitted to mediation in accordance with the procedures of the Home Seller/Home  
368 Buyer Dispute Resolution System of the National Association of REALTORS® or other organization-adopted mediation program (collectively "the System").  
369 Provided, however, if Licensee's principal broker is not a member of the National Association of REALTORS® or the System is not available through the  
370 principal broker's Association of REALTORS®, then all Claims shall be submitted to mediation either through: (1) the special mediation program administered  
371 by Arbitration Service of Portland ("ASP") or (2) any other impartial private mediator(s) or program(s), so long as such services are available in the county  
372 where the Property is located, as selected by the party first filing for mediation.

373 **33. ARBITRATION BETWEEN BUYER AND SELLER:** All Claims between Buyer and Seller that have not been resolved by mediation, or otherwise,  
374 shall be submitted to final and binding private arbitration in accordance with Oregon laws. Filing for arbitration shall be treated the same as filing in court for  
375 purposes of meeting any applicable statutes of limitation or for purposes of filing a lis pendens. Buyer or Seller may file Claims either with ASP or, alternatively,  
376 with any other professional arbitration service that has existing rules of arbitration, provided that the selected alternative service also uses arbitrators who are in  
377 good standing with the Oregon State Bar, with expertise in real estate law and who can conduct the hearing in the county where the Property is located. The  
378 arbitration service in which the Claim is first filed shall handle the case to its conclusion. BY CONSENTING TO THIS PROVISION BUYER AND SELLER  
379 ARE AGREEING THAT DISPUTES ARISING UNDER THIS AGREEMENT SHALL BE HEARD AND DECIDED BY ONE OR MORE NEUTRAL  
380 ARBITRATORS AND BUYER AND SELLER ARE GIVING UP THE RIGHT TO HAVE THE MATTER TRIED BY A JUDGE OR JURY. THE RIGHT TO  
381 APPEAL AN ARBITRATION DECISION IS LIMITED UNDER OREGON LAW.

382 **34. ATTORNEY FEES IN CLAIMS BETWEEN BUYER AND SELLER:** The prevailing party in any suit, action or arbitration (excluding those Claims filed  
383 in Small Claims Court) shall be entitled to recovery of all reasonable attorney fees and costs and disbursements as defined in ORCP 68 including all filing and  
384 mediator fees paid in mediation). Provided, however, if a mediation service was available to the Buyer or Seller when the Claim arose the prevailing party shall  
385 not be entitled to any award of attorney fees unless it is established to the satisfaction of the arbitrator(s) or judge that the prevailing party offered or agreed in  
386 writing to participate in mediation prior to, or promptly upon, the filing in arbitration or court.

Buyer Initials [Signature] Date 7/2/14

Seller Initials [Signature] Date 7/2/14

This form has been licensed for use solely by authorized licensed users under a License Agreement between Oregon Real Estate Forms, LLC and Prudential NW Properties, Inc.

LINES WITH THIS SYMBOL ← REQUIRE A SIGNATURE OF BUYER AND/OR SELLER AND DATE  
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7-7-14  
JD

**DISPUTE RESOLUTION INVOLVING LICENSEES OR FIRMS**

387 **35. SMALL CLAIMS COURT AND ARBITRATION:** All claims, controversies or disputes relating to this transaction, including those for rescission, in  
 388 which a Licensee or Firm identified in the Final Agency Acknowledgment Section above is named or included as a party, shall be resolved exclusively as  
 389 follows: (1) If within the jurisdictional limit of Small Claims Court, the matter shall be brought and decided there, in lieu of arbitration or litigation in any other  
 390 forum. (2) All other claims, controversies or disputes involving such Licensee or Firm shall be resolved through final and binding arbitration using the  
 391 arbitration selection process described in Section 34, above. Filing for arbitration shall be treated the same as filing in court for purposes of meeting any  
 392 applicable statutes of limitation or for purposes of filing a lis pendens. This Section 35 shall be in lieu of litigation involving such Licensee or Firm in any other  
 393 forum. Such Licensee or Firm may voluntarily participate in formal or informal mediation at any time, but shall not be required to do so under this Section 35.  
 394 This Section 35 shall not apply to those matters in which: (a) The claim, controversy or dispute is exclusively between REALTORS® and is otherwise required  
 395 to be resolved under the Professional Standards Arbitration provisions of the National Association of REALTORS®; (b) Licensee or Firm has agreed to  
 396 participate in alternative dispute resolution in a prior written listing, service or fee agreement with Buyer or Seller, or (c) Licensee or Firm is Buyer or Seller in  
 397 this transaction (in which case, Sections 30-34 shall apply). This Section 35 shall expressly survive Closing or earlier termination of this Agreement. In the  
 398 event of any suit, action or arbitration relating to the enforcement or interpretation of this Agreement, the matter shall be governed exclusively by Oregon law,  
 399 and venue shall be placed in the State of Oregon for all purposes. In the event that one or more Licensees and/or Firms have been named or included  
 400 in any claims, controversies or disputes that also include Buyer and/or Seller, the alternative dispute resolution and attorney fee provisions of  
 401 Sections 30-34 above, shall continue to apply as between Buyer and/or Seller, and this Section 35 shall apply exclusively to Licensees and/or  
 402 Firms.

403 **36. PROPERTY DISCLOSURE LAW:** Buyer and Seller acknowledge that if this transaction is subject to Oregon's Seller Property Disclosure Law, unless  
 404 otherwise waived in writing, Buyer shall have a right to revoke Buyer's offer within five (5) business days from Seller's delivery of the Seller's Property  
 405 Disclosure Statement.

406 **37. COUNTERPARTS/DELIVERY:** This Agreement may be signed in multiple counterparts with the same legal effect as if all parties signed the same  
 407 document. This shall mean that delivery (e.g., transmissions manually, by facsimile, electronic mail, overnight mail, first-class regular mail, or certified mail, etc.)  
 408 of a legible true copy of a signed original of this Agreement, including but not limited to all addenda, counter offers, and legal notices required thereunder, shall  
 409 be treated the same as delivery of the original document.

410 **38. AGREEMENT TO PURCHASE:** Buyer agrees to purchase the Property upon the terms and conditions set forth in this Agreement. Buyer  
 411 acknowledges receipt of a completely filled-in copy of this Agreement which Buyer has fully read and understands. Buyer acknowledges that  
 412 Buyer has not relied upon any oral or written statements, made by Seller or any Licensees, which are not expressly contained in this Agreement.  
 413 Neither Seller nor any Licensee(s) warrant the square footage of any structure or the size of any land being purchased. If square footage or land  
 414 size is a material consideration, all structures and land should be measured by Buyer prior to signing, or should be made an express contingency  
 415 in this Agreement.

416 Deed or contract shall be prepared in the name of City of Garibaldi  
 417 This offer shall automatically expire on (insert date) July 7 2014 at 3:00  a.m.  p.m., (the "Offer Deadline"), if not  
 418 accepted by that time.

419 Buyer may withdraw this offer before the Offer Deadline any time prior to Seller's acceptance. If Seller accepts this offer after the Offer Deadline, it shall not be  
 420 binding upon Buyer unless accepted by Buyer in writing within      business days (five [5] if not filled in) after the date of Seller's acceptance by so indicating  
 421 at Section 41 below. This offer may be accepted by Seller only in writing.

422 Buyer [Signature] Date 7/2/2014 X a.m.      p.m. ←  
 423 Buyer      Date      a.m.      p.m. ←  
 424 Address 107 6th St Garibaldi OR Zip 97118  
 425 Phone Home 503-322-3327 Work      E-mail John@ci.garibaldi.or.us Fax     

**NO CHANGES OR ALTERATIONS ARE PERMITTED TO ANY PORTION OF THE PRE-PRINTED FORMAT OR TEXT OF THIS FORM. ANY SUCH PROPOSED CHANGES OR ALTERATIONS SHOULD BE MADE ON A SEPARATE DOCUMENT. CHANGES BY SELLER OR LISTING LICENSEE TO THE TERMS OR PROVISIONS ABOVE BUYER'S SIGNATURE SHOULD ALSO BE ON A SEPARATE DOCUMENT.**

426 This offer was submitted to Seller for signature on the 10<sup>th</sup> day of July 2014 at 9:00 a.m.      p.m.

Buyer Initials [Signature] Date 7/2/14 Seller Initials [Signature] Date 7/7/2014

Sale Agreement# GV112605  
(Licensee(s) presenting offer)

427 By Juli Blaser Sagar

428 39. AGREEMENT TO SELL / ACKNOWLEDGEMENTS / DISPOSITION OF EARNEST MONEY: Seller accepts Buyer's offer. Seller  
429 acknowledges receipt of a completely filled-in copy of this Agreement, which Seller has fully read and understands. Seller acknowledges that  
430 Seller has not relied upon any oral or written statements of Buyer or of any Licensee(s) which are not expressly contained in this Agreement.  
431 Seller instructs that all earnest money distributable to Seller pursuant to Section 6 above, shall be disbursed as follows after deduction of any title  
432 insurance and Escrow cancellation charges: (check one)  First to Listing Firm to the extent of the agreed commission just as if the transaction  
433 had been Closed, with residue to Seller,  or 100% to Seller

434 Seller \_\_\_\_\_ Date \_\_\_\_\_ a.m. \_\_\_\_\_ p.m. ⚡  
435 Seller \_\_\_\_\_ Date \_\_\_\_\_ a.m. \_\_\_\_\_ p.m. ⚡  
436 Address 606 Acacia Ave. Garibaldi, OR 97118 Zip \_\_\_\_\_  
437 Phone Home \_\_\_\_\_ Work \_\_\_\_\_ E-mail \_\_\_\_\_ Fax \_\_\_\_\_

438 40. REJECTION/COUNTER OFFER: SELECT ONE  Seller does not accept the above offer, but makes the attached counter offer.  Seller rejects  
439 Buyer's offer.

440 Seller Blaser Sagar Date 7/7/14 a.m. \_\_\_\_\_ p.m. ⚡  
441 Seller \_\_\_\_\_ Date \_\_\_\_\_ a.m. \_\_\_\_\_ p.m. ⚡  
442 Address 606 Acacia Ave. Garibaldi, OR 97118 Zip \_\_\_\_\_  
443 Phone Home \_\_\_\_\_ Work \_\_\_\_\_ E-mail \_\_\_\_\_ Fax \_\_\_\_\_

444 41. BUYER'S ACKNOWLEDGMENT: Buyer acknowledges receipt of a copy of Seller's written response to this Agreement. If Seller's response is an  
445 acceptance of Buyer's offer that occurred after the Offer Deadline identified at Section 38 above, Buyer (select only one)  agrees  does not agree, to be  
446 bound thereby. (The failure to check either box shall constitute rejection of Seller's acceptance after the Offer Deadline.)

447 Buyer John O'Leary Date Jul-08-2014 | 1:32 PM PT a.m. \_\_\_\_\_ p.m. ⚡  
448 Buyer \_\_\_\_\_ Date \_\_\_\_\_ a.m. \_\_\_\_\_ p.m. ⚡

449 42. FIRMS/LICENSEES:  
450 Selling Licensee Valerie Schumann Listing Licensee Juli Blaser Sagar  
451 Selling Firm BHHSNW Listing Firm RE/Max - Tillamook  
452 Selling Firm Office Address 406 Garibaldi Ave Listing Firm Office Address \_\_\_\_\_  
453 Phone 503.812.8423 FAX 503.842.6183 Phone 503.842.2800 FAX \_\_\_\_\_

Buyer Initials JS Date 7/2/14

Principal Broker's Initials \_\_\_\_\_ Date \_\_\_\_\_  
Seller Initials JBS Date 7/7/14



ADDENDUM TO REAL ESTATE SALE AGREEMENT

1 This is an Addendum to: [X] Real Estate Sale Agreement [ ] Seller's Counter Offer [ ] Buyer's Counter Offer
2 Re: Real Estate Sale Agreement No. GV112605 Dated July 2, 2014 Addendum No. A-1
3 Buyer: City of Garibaldi
4 Seller: Lorraine Vandecoevering

5 The real property described as: 1N1021-AC-11200 and 1N1021-AC-10900

6 SELLER AND BUYER HEREBY AGREE THE FOLLOWING SHALL BE A PART OF THE REAL ESTATE SALE AGREEMENT REFERENCED ABOVE.

7 1). Purchase is subject to approval of this Purchase and Sale Agreement by the City of Garibaldi Council at the City Council
8 meeting on July 21, 2014.

9 2). Seller shall, upon removal of contingencies (City Council and financing approvals), and prior to the Close of Escrow:

10 a). Remove any tenants from the Properties.

11 b). Remove the manufactured home, carport, shed and patio cover from the 605 Acacla Avenue parcel.

12 c). Remove or have the 112 7th Street home removed (disassembled, moved or burned) prior to the Close of Escrow.

13 Should Seller be unable to remove the structure prior to the Close of Escrow, the Parties shall execute an Agreement confirming
14 the date certain for removal. Buyer shall forward all purchase funds to Seller except for \$15,000. Delivery of the \$15,000

15 (balance of purchase price) funds and transfer of title shall occur upon the completion of the removal of the building and all debris
16 left from the removal. Buyer shall contribute up to \$4,000 for any and all costs to complete the necessary environmental

17 inspections/evaluations, preparation of the property and the removal of debris.

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28 Buyer Signature [Signature] Date 7/2/2014 K a.m. p.m. <

29 Buyer Signature [Signature] Date a.m. p.m. <

30 Seller Signature [Signature] Date 7/7/14 a.m. p.m. <

31 Seller Signature [Signature] Date a.m. p.m. <

32 Selling Licensee Valerie Schumann Listing Licensee Juli Blaser Sagar

33
34 Page \_\_\_ of \_\_\_

Handwritten initials and date: 7-7-14



Sale Agreement # GV112605

**SELLER'S COUNTER OFFER No. 1**

1 This is a counter offer to  Sale Agreement or  Buyer's Counter Offer  
 2 Seller: Lorraine Vandecoevering  
 3 Buyer: City of Garibaldi  
 4 The real property described as: 605 Acacia Ave and 112 S. 7th St., Garibaldi, OR 97110

5 **AGREEMENT TO SELL:**  
 6 Seller agrees to sell the real and personal property upon the terms and conditions set forth in the Sale Agreement and subsequent counter offers  
 7 where applicable, ~~except~~ as modified as follows: 1. Sales price to be \$209,900. 2. Earnest Deposit to be \$2000.00  
 8 3. Closing date to be on or before September 10, 2014. 3. Buyer will be responsible for all  
 9 costs & diligence associated w/ the removal of the manufactured home, carport, sheds & patio  
 10 cover at 605 Acacia Ave. & the dwelling at 112 7th Street. Structures will be removed after the  
 11 close of escrow by the buyer. 4. See Add A-2 For additional provisions, see Addendum \_\_\_\_\_

12 All remaining terms and conditions of the Sale Agreement (and other counter offer(s), where applicable), not otherwise modified, are  
 13 approved and accepted by Seller. Time is of the essence. This Seller's Counter Offer shall automatically expire on July 11, 2014 at  
 14 5:00  a.m.  p.m. ("the Counter Offer Deadline"), if not accepted within that time. If Buyer accepts this Seller's Counter Offer after the Counter  
 15 Offer Deadline, it shall not be binding upon Seller unless agreed to by Seller in writing within \_\_\_\_\_ business days (two [2] if not filled in) thereafter  
 16 by so indicating at the Seller's Acknowledgement Section below. This Seller's Counter Offer may be accepted by Buyer only in writing. However,  
 17 Seller may withdraw this counter offer any time prior to Buyer's written acceptance.

18 Seller acknowledges receipt of a completely filled in copy of Buyer's Offer and Seller's Counter Offer, and all subsequent counter offers where  
 19 applicable, which Seller has fully read and understands. Seller acknowledges that Seller has not relied on any oral or written statements of any  
 20 Buyer or of any Licensee(s) which are not expressly contained in the Sale Agreement as amended. Seller instructs that all earnest money  
 21 distributable to Seller pursuant to the Sale Agreement shall be disbursed as follows after deduction of any title insurance and Escrow cancellation  
 22 charges: (check one)  First to Listing Firm, to the extent of the agreed commission just as if the transaction had been consummated, with  
 23 residue to Seller; or  \_\_\_\_\_

25 Seller Signature Lorraine Vandecoevering Date 7/7/14  a.m.  p.m.  
 26 Seller Signature \_\_\_\_\_ Date \_\_\_\_\_ a.m.  p.m.

27 **BUYER'S RESPONSE (select only one):**  
 28  Buyer accepts Seller's Counter Offer.  
 29  Buyer does not accept Seller's Counter Offer AND submits the attached Buyer's Counter Offer.  
 30  Buyer rejects Seller's Counter Offer.

31 Buyer acknowledges receipt of signed copies of the Sale Agreement and all subsequent counter offers including this Seller's Counter Offer, where  
 32 applicable, which Buyer has fully read and understands.  
 33 Buyer Signature John O'Leary Date Jul-08-2014 | 1:32 PM PT a.m.  p.m.  
 34 Buyer Signature \_\_\_\_\_ Date \_\_\_\_\_ a.m.  p.m.

35 **SELLER'S ACKNOWLEDGMENT:**  
 36 Seller acknowledges receipt of copies of the Sale Agreement and all subsequent counter offers, including this Seller's Counter Offer, which Seller  
 37 has fully read and understands. If Buyer's response to Seller's Counter Offer is an acceptance that has occurred after the Counter Offer Deadline  
 38 identified in the Agreement to Sell Section above, Seller (select only one)  agrees  does not agree, to be bound thereby. (The failure to  
 39 check either box shall constitute a rejection by Seller of Buyer's acceptance of Seller's Counter Offer after said deadline.)

40 Seller Signature Lorraine Vandecoevering Date 7/11/14 a.m.  p.m.  
 41 Seller Signature \_\_\_\_\_ Date \_\_\_\_\_ a.m.  p.m.

42 **RECEIPT OF EARNEST MONEY**  
 43 (Use only if amount of earnest money is modified).  
 44 Selling Firm acknowledges receipt of earnest money from Buyer NOT previously received for in the sum of \$ 1,000.00 evidenced  by cash,  
 45  check,  promissory note payable on or before \_\_\_\_\_ as agreed \_\_\_\_\_, which Selling Firm agrees to handle as provided in the Agreement.  
 46 Selling Licensee's signature Valerie Schumann  
 47 Selling Licensee Valerie Schumann Listing Licensee Jull Blaser Sagar

7-7-14  
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ADDENDUM TO REAL ESTATE SALE AGREEMENT

1 This is an Addendum to:  Real Estate Sale Agreement  Seller's Counter Offer  Buyer's Counter Offer
2 Re: Real Estate Sale Agreement No. 07112605 Dated July 2, 2014 Addendum No. A-2
3 Buyer: City of Garibaldi
4 Seller: Lorraine Vandecoevering

5 The real property described as: 605 Acacia Ave and 112 S. 7th St., Garibaldi, OR 97118
6 SELLER AND BUYER HEREBY AGREE THE FOLLOWING SHALL BE A PART OF THE REAL ESTATE SALE AGREEMENT REFERENCED
7 ABOVE.

8 1. Parties acknowledge that this parcel is subject to the "Grant of Perpetual Easement" dated
9 March 15, 2002. Any monetary consideration or otherwise associated with the removal or transfer
10 of this easement and the Grantee's rights will be the responsibility of the buyer.

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12 2. All other terms & conditions remain the same.
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28 Buyer Signature [Signature: John O'Leary] Date Jul-08-2014 | 1:32 PM PT a.m. p.m.
29 Buyer Signature \_\_\_\_\_ Date \_\_\_\_\_ a.m. p.m.
30 Seller Signature [Signature: Lorraine Vandecoevering] Date 7/7/14 a.m. p.m.
31 Seller Signature \_\_\_\_\_ Date \_\_\_\_\_ a.m. p.m.
32 Selling Licensee Valerie Schumann Listing Licensee Juli Blaser Sagar

Handwritten notes: 7-7-14 CD



Sale Agreement # GV112805  
Addendum P-1

**PROMISSORY NOTE FOR EARNEST MONEY**

1 Buyer(s) City of Garibaldi  
2 Seller(s) Lorraine Vandenoevering  
3 Property Address 1N1021-AC-11200 and 1N1021-AC-10980

4 Buyer(s): City of Garibaldi  
5 **Jointly and severally promise to pay to (select only one payee):**

6  Real Estate Firm: BHNSNW  
7  Seller(s): Lorraine Vandenoevering  
8 the sum of \$ ~~XXXXXX~~ 2,000.00

9 1) **Upon redemption of this promissory note, funds shall be made payable to (select only one):**  
10  Real Estate Firm Trust Account: \_\_\_\_\_  
11  Seller(s): \_\_\_\_\_  
12  Escrow / Title Company: 1st American Title Company

13 2) **This Note is due and payable (select only one due date):**  
14  three  business  calendar (Select one) days after mutual acceptance of the Real Estate Sale Agreement;  
15  on or before \_\_\_\_\_

16 3) **If this Note is not paid when due, Buyer(s) shall pay interest at the rate of ten percent (10%) per annum on the unpaid balance from the due date until it is paid in full. BUYER(S) UNDERSTAND(S) THAT TIME IS OF THE ESSENCE, AND THAT THE FAILURE TO PAY THIS NOTE WHEN DUE, MAY CONSTITUTE A DEFAULT UNDER THE REAL ESTATE SALE AGREEMENT WITH SELLER.**

19 4) **If Real Estate Firm is named as the payee of this Note, and Note is not paid when due, Buyer(s) hereby consent(s) to Real Estate Firm assigning and transferring it to Seller(s) for all purposes including collection.**

21 5) **This Note is hereby incorporated into and made a part of the Real Estate Sale Agreement between Seller(s) and Buyer(s). In the event of any dispute between said parties, the mediation, arbitration and attorney fee provisions therein shall expressly apply.**

23 6) **If payment is not made on or before the due date, Buyer(s) understand that Principal Broker is instructed by Seller(s) to promptly assign and transfer this Note to Seller(s), without recourse, and for all purposes, including collection. It is expressly understood and agreed that neither Principal Broker nor Principal Broker's Firm, its owners, officers or directors, licensees, employees or representatives shall have any duty (fiduciary or otherwise), responsibility or liability to Seller(s) to enforce collection of the Note, nor for any fees or costs associated therewith.**

27 Buyer John O'Leary Date JUL-03-2014 8:38 AM PT  
28 Buyer 76D03FFB038E40F... Date \_\_\_\_\_ Seller Lorraine Vandenoevering  
29 Selling Licensee Valerie Schumann Listing Licensee Jull Blaser Sagar  
30 Selling Firm BHNSNW Listing Firm RE/MAX

7-7-14  
UD



**First American**

**First American Title Company of Oregon**  
802 Main Avenue  
Tillamook, OR 97141  
Phn - (800)772-3424 (503)842-5556  
Fax - (866)521-2390

Order No.: 7051-2286231  
July 15, 2014

**FOR QUESTIONS REGARDING YOUR CLOSING, PLEASE CONTACT:**

**JILL MILLER**, Escrow Officer/Closer  
Phone: (503)842-5556 - Fax: (866)521-2389 - Email: jimiller@firstam.com  
First American Title Company of Oregon  
802 Main Avenue, Tillamook, OR 97141

**FOR ALL QUESTIONS REGARDING THIS PRELIMINARY REPORT, PLEASE CONTACT:**

**Tom Petit**, Title Officer  
Phone: (800)772-3424 - Fax: (866)521-2390 - Email: tpetit@firstam.com

**Preliminary Title Report**

2006 ALTA Owners Standard Coverage	Liability \$	209,900.00	Premium \$	725.00
2006 ALTA Owners Extended Coverage	Liability \$		Premium \$	
2006 ALTA Lenders Standard Coverage	Liability \$		Premium \$	
2006 ALTA Lenders Extended Coverage	Liability \$	TBD	Premium \$	TBD
Endorsement 9, 22 & 8.1			Premium \$	100.00
Govt Service Charge			Cost \$	15.00
Other			Cost \$	

We are prepared to issue Title Insurance Policy or Policies of First American Title Insurance Company, a Nebraska Corporation in the form and amount shown above, insuring title to the following described land:

The land referred to in this report is described in Exhibit A attached hereto.

and as of July 10, 2014 at 8:00 a.m., title to the fee simple estate is vested in:

Lorraine W. Vandecoevering, Trustee of the Restated Trust of Lorraine W. Vandecoevering, dated December 1, 2004

Subject to the exceptions, exclusions, and stipulations which are ordinarily part of such Policy form and the following:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records; proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.

This report is for the exclusive use of the parties herein shown and is preliminary to the issuance of a title insurance policy and shall become void unless a policy is issued, and the full premium paid.

3. Easements, or claims of easement, not shown by the public records; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
4. Any encroachment (of existing improvements located on the subject land onto adjoining land or of existing improvements located on adjoining land onto the subject land), encumbrance, violation, variation, or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the subject land.
5. Any lien, or right to a lien, for services, labor, material, equipment rental or workers compensation heretofore or hereafter furnished, imposed by law and not shown by the public records.
6. Water rights, claims to water or title to water, whether or not such rights are a matter of public record.

**The exceptions to coverage 1-5 inclusive as set forth above will remain on any subsequently issued Standard Coverage Title Insurance Policy.**

**In order to remove these exceptions to coverage in the issuance of an Extended Coverage Policy the following items are required to be furnished to the Company; additional exceptions to coverage may be added upon review of such information:**

- A. Survey or alternative acceptable to the company
  - B. Affidavit regarding possession
  - C. Proof that there is no new construction or remodeling of any improvement located on the premises. In the event of new construction or remodeling the following is required:
    - i. Satisfactory evidence that no construction liens will be filed; or
    - ii. Adequate security to protect against actual or potential construction liens;
    - iii. Payment of additional premiums as required by the Industry Rate Filing approved by the Insurance Division of the State of Oregon
7. City liens, if any, of the City of Garibaldi.
- Note: There are no liens as of July 10, 2014. All outstanding utility and user fees are not liens and therefore are excluded from coverage.
8. The county tax roll discloses a mobile home on the herein described premises which is not included in title insurance coverage. Subject to requirements and provisions of O.R.S. 311.280 pertaining to mobile home taxes becoming liens on real property.
- Affects: Tract II
9. The rights of the public in and to that portion of the premises herein described lying within the limits of streets, roads and highways.
10. Water rights reserved under that certain deed from Francis Large and Zuriah Large to Iola I. Handley, including terms and provisions thereof.
- Recorded: Book G, Page 443, Records of Tillamook County, Oregon

11. Easement, including terms and provisions contained therein:  
Recording Information: March 15, 2002 in Book 434, Page 424, Records of Tillamook County, Oregon  
In Favor of: J.R. Zukin Corp., dba Meadow Outdoor Advertising, a California corporation  
For: advertising sign structure
  
12. City of Garibaldi, Oregon Urban Renewal Plan, including terms and provisions thereof.  
Recorded: September 6, 2006, Instrument No. 2006-007795, Records of Tillamook County, Oregon
  
13. In order to insure a transaction involving the herein named trust, we will need to be provided a Certification of Trust pursuant to ORS 130.800 through ORS 130.910.

- END OF EXCEPTIONS -

NOTE: We find no judgments or United States Internal Revenue liens against City of Garibaldi

NOTE: Taxes for the year 2013-2014 PAID IN FULL

Tax Amount: \$2,109.58  
Map No.: 1N1021-AC-10900  
Property ID: 5933  
Tax Code No.: 5614

NOTE: Taxes for the year 2013-2014 PAID IN FULL

Tax Amount: \$636.60  
Map No.: 1N1021-AC-11200  
Property ID: 5960  
Tax Code No.: 5614

NOTE: According to the public record, the following deed(s) affecting the property herein described have been recorded within 24 months of the effective date of this report: NONE

Situs Address as disclosed on Tillamook County Tax Roll:

605 Acacia Ave. & 112 S 7th St., Garibaldi, OR 97118

**THANK YOU FOR CHOOSING FIRST AMERICAN TITLE!  
WE KNOW YOU HAVE A CHOICE!**

**RECORDING INFORMATION**

Filing Address: **First American Title Recorder for Tillamook County**  
802 Main Street  
Tillamook, OR 97141

Recording Fees: \$ **47.00** 1 Page Deed  
\$ **47.00** 1 Page Mortgage  
\$ **32.00** 1 Page Lien  
\$ **5.00** Each additional page

NOTE: Reconveyance Fees which include recording costs when First American Title Company of Oregon is the Trustee are \$ **120.00**.

NOTE: Additional fees will be imposed by the County Clerk if any document presented for recording fails to meet the requirements set out by ORS Chapter 205.

cc: City of Garibaldi

cc: Restated Trust of Lorraine W. Vandecoeve

cc: Juli Blaser-Sagar, RE/MAX HomeSource

1812 3rd ST, Tillamook, OR 97141

cc: Valerie Schumann, Berkshire Hathaway HomeServicesNorthwest Real Estate

PO BOX 193, Netarts, OR 97143

**EXHIBIT A  
LEGAL DESCRIPTION**

Tract I:

Parcel 1

Lot 2, Block G, East Garibaldi, Tillamook County, Oregon, EXCEPT any portion lying within streets, roads and highways.

Parcel 2

West 75 feet of Lot 2, Block 8, Bayview Addition to East Garibaldi, Tillamook County, Oregon, and all of Lot 5 and the West 25 feet of Lot 6, Block G, East Garibaldi, Tillamook County, Oregon.

Parcel 3

The South 50 feet of even width of the East half of Lot 6 and the South 50 feet of even width of the West half of Lot 7, Block G, East Garibaldi, Tillamook County, Oregon.

Tract II:

Parcel 1

The West 25 feet of Lot 1 and the East 25 feet of Lot 2, Block 8, Bayview Addition to East Garibaldi, in Tillamook County, Oregon.

Parcel 2

The North half of the East half of Lot 6, Block G and the North Half of the West half of Lot 7, Block G, East Garibaldi, in Tillamook County, Oregon.



## First American Title Insurance Company

### SCHEDULE OF EXCLUSIONS FROM COVERAGE

#### ALTA LOAN POLICY (06/17/06)

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

#### ALTA OWNER'S POLICY (06/17/06)

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
  - (a) a fraudulent conveyance or fraudulent transfer; or
  - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

#### SCHEDULE OF STANDARD EXCEPTIONS

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records; proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, or claims of easement, not shown by the public records; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
4. Any encroachment (of existing improvements located on the subject land onto adjoining land or of existing improvements located on adjoining land onto the subject land), encumbrance, violation, variation, or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the subject land.
5. Any lien" or right to a lien, for services, labor, material, equipment rental or workers compensation heretofore or hereafter furnished, imposed by law and not shown by the public records.

NOTE: A SPECIMEN COPY OF THE POLICY FORM (OR FORMS) WILL BE FURNISHED UPON REQUEST

TI 149 Rev. 7-22-08



*First American Title*

**Privacy Information**

**We Are Committed to Safeguarding Customer Information**

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

**Applicability**

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

**Types of Information**

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

**Use of Information**

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

**Former Customers**

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

**Confidentiality and Security**

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

**Information Obtained Through Our Web Site**

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet. In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site. There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

**Business Relationships**

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

**Cookies**

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

[FirstAm.com](http://FirstAm.com) uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

**Fair Information Values**

**Fairness** We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

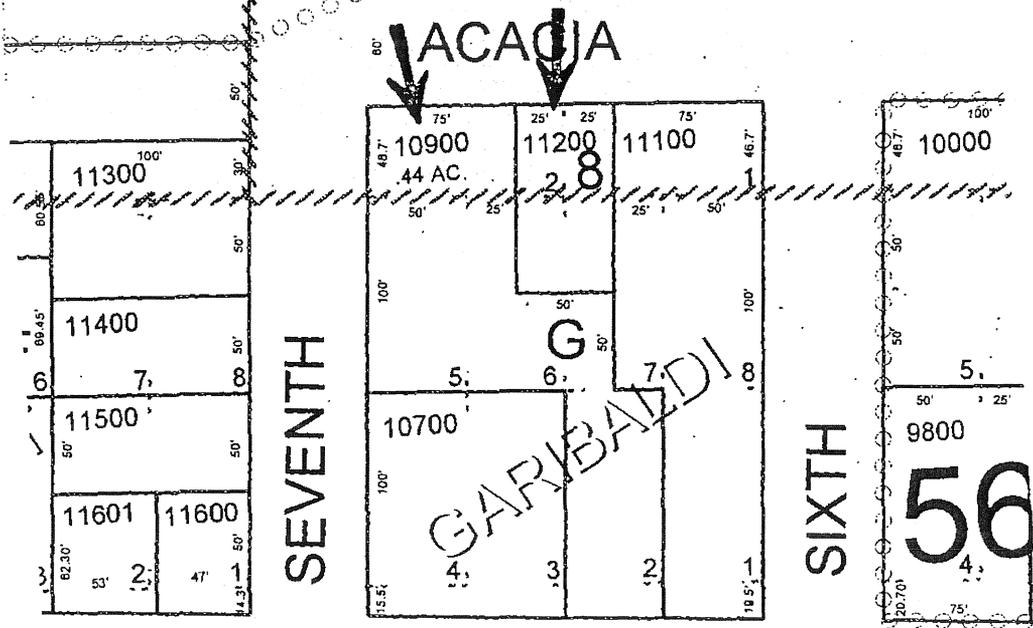
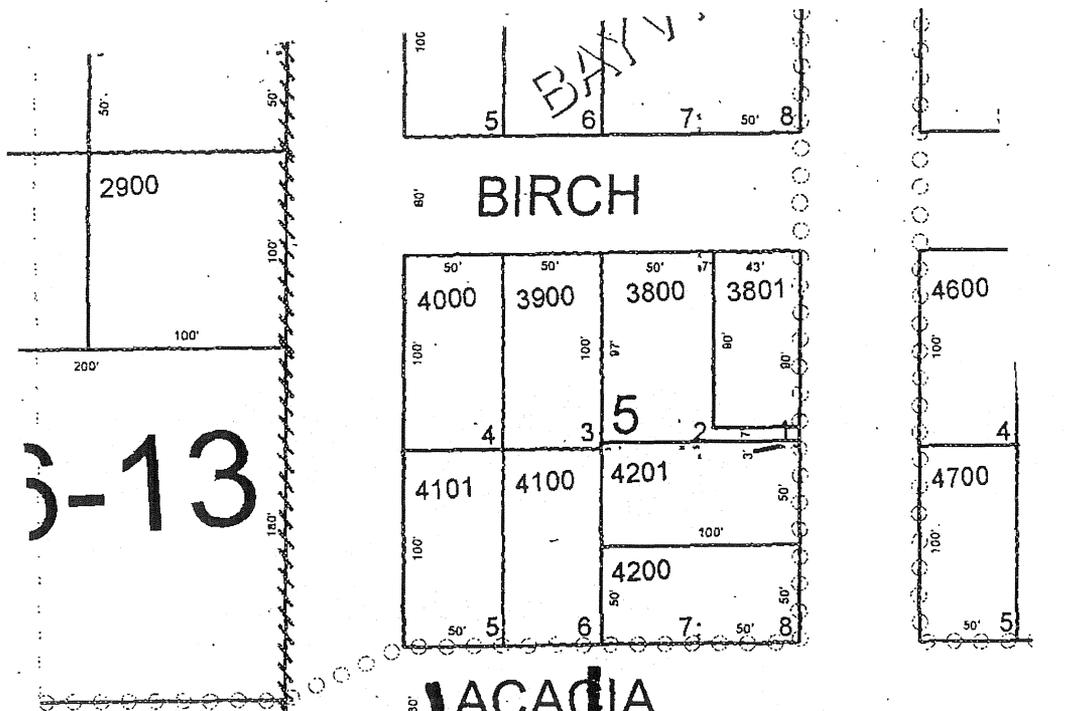
**Public Record** We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

**Use** We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

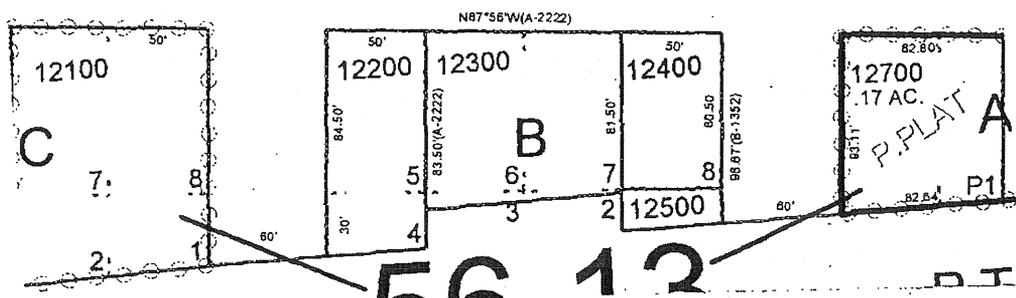
**Accuracy** We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

**Education** We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

**Security** We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.



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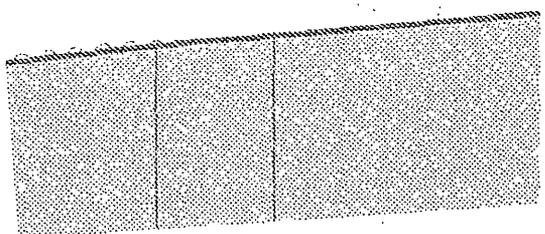


FIRST  
AMERICAN  
TITLE



THIS SKETCH IS MADE SOLELY FOR THE PURPOSE OF ASSISTING IN LOCATING SAID PREMISES, AND THE COMPANY ASSUMES NO LIABILITY FOR VARIATION, IF ANY, IN DIMENSIONS AND LOCATIONS ASCERTAINED BY ACTUAL SURVEY.

IN 10.21 AC



**After Recording Return To:**

John Lehman  
Meadow Outdoor Advertising  
P.O. Box 331  
The Dalles, Oregon 97054

**GRANT OF PERPETUAL EASEMENT**

This agreement is made this 5th day of March, 2002, by and between LORRAINE W. VANDECOEVERING, Trustee of the Revocable Living Trust Agreement of Lawrence S. Vandecoevering ("Grantor") and J. R. ZUKIN CORP., dba MEADOW OUTDOOR ADVERTISING, a California corporation ("Grantee").

Grantor is the owner of certain real property legally described in Exhibit "A", which is attached hereto and incorporated herein by reference, located in Tillamook County, Oregon, hereinafter referred to as the "Grantor Property".

For valuable consideration receipt of which is hereby acknowledged, Grantor hereby grants to Grantee and Grantee=s heirs, executors, administrators, successors, and assigns, an exclusive perpetual easement on that portion of the Grantor Property described in Exhibit "B" hereto (the "Easement Area") to construct, install, maintain, repair, relocate, replace, reconstruct, enlarge, illuminate, re-illuminate and otherwise deal with an off-premise advertising sign structure with necessary and appropriate supporting underfootings, fixtures, power poles, light fixtures, lines, devices, illuminations, connections, and other appropriate materials or structures (collectively the "Sign"), along with other easement rights all as described hereinafter. Although said easement is exclusive to Grantee, Grantor shall have the right to use the Easement Area in any manner which does not, in the determination of Grantee exercising its sole and exclusive discretion, interfere with the use of the easement granted herein.

The easement granted herein is a gross easement, and is fully assignable by Grantee at any time.

The easement shall include all air space over and above the Easement Area to a height of 100 feet.

The easement granted herein includes additional rights as follows:

1. A perpetual easement for the unobstructed view of the Sign and any off-premise advertising sign structure or billboard owned by Grantee and its assigns and located on the

Easement Area by persons traveling on U.S. Highway 101 (the "Roadway") or any successor roadway. Such perpetual easement of unobstructed view includes, without limitation, the right of Grantee to trim or remove vegetation or any other obstructions on the Grantor Property without notice to Grantor, and the duty of Grantor not to place, install, plant, erect or construct any structure, vegetation or any other thing which may, in the determination of Grantee exercising its sole and exclusive discretion, obstruct the view of the Sign from the Roadway.

2. The right of ingress and egress to and from the Easement Area and the right to remain upon said Grantor Property for the purpose of painting the Sign structure, posting and/or painting of advertising materials, installing, maintaining, repairing, replacing, relocating, and otherwise dealing with the Grantee's Sign structure and/or appropriate supporting underfootings, fixtures, power poles, lines, devices, illuminations, connections, and other appropriate materials or structures, from time to time. Such ingress and egress shall include, without limitation, heavy duty trucks and equipment.

3. The right to transfer, sell, encumber, lease, sublease, assign, or otherwise convey Grantee's rights herein, from time to time during the duration of this easement, for monetary consideration or otherwise.

4. The right to relocate the Easement Area to another location within the Grantor Property if the view of any Sign located in the Easement Area becomes obstructed from the Roadway as determined by Grantee in the exercise of its sole and exclusive discretion.

Grantor does also hereby agree not to petition, seek, support, or undertake any zone change of the Grantor Property which would cause the off-premise sign structure to become non-conforming with regard to city, county, state, or federal regulations, codes, ordinances, or laws concerning off-premise sign structures, nor to allow, permit, use or grant any lease, easement, license or any other right to use all or any portion of the Grantor Property for off-premise, outdoor advertising purposes by anyone other than Grantee; provided, however, that Grantor reserves the right to construct or install a sign or signs identifying its own business activities on the Grantor Property, which sign or signs shall conform to all applicable laws, codes, ordinances and regulations, and which shall not, in the exclusive judgment of Grantee, obstruct or interfere with the view of the Sign from the Roadway.

The easement granted herein runs with the land of the Grantor Property, and the terms and provisions hereof shall be binding upon and inure to the benefit of the respective heirs, personal representatives, successors, shareholders, directors, and assigns of the parties hereto.

This instrument contains the entire agreement between the parties relating to the rights granted and the obligations herein assumed.

In the event litigation is filed to interpret or enforce the provisions hereof, including arbitrations and actions pursuant to bankruptcy laws, the prevailing party shall be entitled to an award of attorneys' fees and costs of action in addition to all other relief that may be available at trial and on appeal and review.

GRANTOR:

GRANTEE:

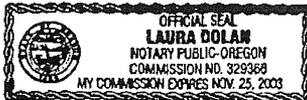
J. R. ZUKIN CORP., dba  
MEADOW OUTDOOR ADVERTISING,  
a California corporation

By Lorraine W. Vandecoevering  
Lorraine W. Vandecoevering, Trustee  
of the Revocable Living Trust Agreement  
of Lawrence S. Vandecoevering

By John Lee Lehman, V.P.

STATE OF OREGON        )  
  ) ss  
County of Tillamook )

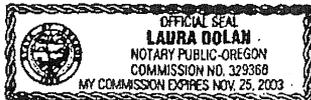
This instrument was acknowledged before me on this 15 day of March, 2002, by Lorraine W Vandecoevering, in her capacity as Trustee of the Revocable Living Trust Agreement of Lawrence S. Vandecoevering.



Laura Dolan  
NOTARY PUBLIC for Oregon  
My commission expires: 11-25-03

STATE OF OREGON        )  
  ) ss  
County of Tillamook )

This instrument was acknowledged before me on this 15 day of March, 2002, by John Lee Lehman, as Vice President, and on behalf of J.R. Zukin Corporation, a California corporation dba Meadow Outdoor Advertising.



Laura Dolan  
NOTARY PUBLIC for Oregon  
My commission expires: 11-25-03

EXHIBIT "A"

PARCEL NO. 1:

Lot 2, Block G, EAST GARIBALDI, in Tillamook County, Oregon, except any portions lying within streets, roads and highways.

TOGETHER WITH that portion of vacated Bishop Street which by law inures.

PARCEL NO. 2:

The West 75 feet of Lot 2, Block 8, BAYVIEW ADDITION TO EAST GARIBALDI, in Tillamook County, Oregon.

PARCEL NO. 3:

Lot 5, and the West 25 feet of Lot 6, Block G, EAST GARIBALDI, in Tillamook County, Oregon.

PARCEL NO. 4:

South 50 feet of even width of the East one-half of Lot 6, and South 50 feet of even width of the West one-half of Lot 7, Block G, EAST GARIBALDI, in Tillamook County, Oregon.

EXHIBIT "B"  
Description of Easement Area

That portion of the Grantor Property which is more particularly described as follows:

Beginning at a point on the easterly boundary line of the Grantor Property, where the same is intersected by the northerly line of U.S. Highway 101; running thence in a westerly direction along the northerly line of U.S. Highway 101 a distance of 20 feet to a point; running thence in a northerly direction on a boundary line of the Grantor Property a distance of 40 feet to a point; running thence in a easterly direction on a line parallel to the northerly line of U.S. Highway 101, a distance of 20 feet to a point on the easterly boundary line of the Grantor Property; thence in a southerly direction along the easterly line of the Grantor Property, a distance of 40 feet to the point and place of beginning.

02407279

I hereby certify that the within instrument was  
received for record and recorded in the  
County of Tillamook, State of Oregon.

MAR. 15 1 30 PM '02

BOOK 434 PAGE 424

Witness by hand and seal affixed.

TASSI O'NEAL



DEPUTY

5- PERPETUAL EASEMENT  
ofPerpetual Easement(031102).doc

ESMAT	25.00
R&T	10.00
ADMIN	1.00
OLISF	1.00
PLCP	9.00

## AMORTIZATION SCHEDULE

<b>Principal</b> \$165,000.00	<b>Loan Date</b> 09-10-2014	<b>Maturity</b> 01-31-2019	<b>Loan No</b> 10044007	<b>Call / Coll</b> 105	<b>Account</b>	<b>Officer</b> 200	<b>Initials</b>
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

Disbursement Date: September 10, 2014  
Interest Rate: 5.000

Repayment Schedule: Balloon  
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	01-31-2015	20,814.22	3,277.08	17,537.14	147,462.86
2	01-31-2016	20,814.22	7,475.55	13,338.67	134,124.19
3	01-31-2017	20,814.22	6,817.98	13,996.24	120,127.95
4	01-31-2018	20,814.22	6,089.82	14,724.40	105,403.55
5	01-31-2019	110,746.92	5,343.37	105,403.55	0.00
<b>TOTALS:</b>		<b>194,003.80</b>	<b>29,003.80</b>	<b>165,000.00</b>	

**NOTICE:** This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

# GOVERNMENTAL CERTIFICATE

Principal <b>\$165,000.00</b>	Loan Date <b>09-10-2014</b>	Maturity <b>01-31-2019</b>	Loan No <b>10044007</b>	Call / Coll <b>105</b>	Account	Officer <b>200</b>	Initials
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

**Entity:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

**WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:**

**THE ENTITY'S EXISTENCE.** The complete and correct name of the governmental entity is CITY OF GARIBALDI ("Entity"). The Entity is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws and regulations of the State of Oregon. The Entity has the full power and authority to own its properties and to transact the business and activities in which it is presently engaged or presently proposes to engage. The Entity maintains an office at PO BOX 708, GARIBALDI, OR 97118. The Entity shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of the Entity and any other governmental or quasi-governmental authority or court applicable to the Entity and the Entity's business activities.

**CERTIFICATES ADOPTED.** At a meeting of the appropriate governing body of the Entity, duly called and held on **August 25, 2014**, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Certificate were adopted.

**OFFICIALS.** The following named persons is an Officials of CITY OF GARIBALDI:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
SUZANNE MCCARTHY	MAYOR	Y	X _____
JOHN O'LEARY	CITY MANAGER	Y	X _____

**ACTIONS AUTHORIZED.** Any two (2) of the authorized persons listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Entity. Specifically, but without limitation, any two (2) of such authorized persons is authorized, empowered, and directed to do the following for and on behalf of the Entity:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Entity and Lender, such sum or sums of money as in their judgment should be borrowed; however, not exceeding at any one time the amount of **One Hundred Sixty-five Thousand & 00/100 Dollars (\$165,000.00)**, in addition to such sum or sums of money as may be currently borrowed by the Entity from Lender.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Entity's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Entity's indebtedness to Lender, and also to execute, and deliver to Lender, one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Entity or in which the Entity now or hereafter may have an interest, including without limitation all of the Entity's real property and all of the Entity's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Entity to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Entity or in which the Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Entity's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines; and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the Officials may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Certificate.

**ASSUMED BUSINESS NAMES.** The Entity has filed or recorded all documents or filings required by law relating to all assumed business names used by the Entity. Excluding the name of the Entity, the following is a complete list of all assumed business names under which the Entity does business: **None.**

**NOTICES TO LENDER.** The Entity will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Entity's name; (B) change in the Entity's assumed business name(s); (C) change in the structure of the Entity; (D) change in the authorized signer(s); (E) change in the Entity's principal office address; (F) change in the Entity's principal residence; or (G) change in any other aspect of the Entity that directly or indirectly relates to any agreements between the Entity and Lender.

**CERTIFICATION CONCERNING OFFICIALS AND CERTIFICATES.** The Officials named above is duly elected, appointed, or employed by or for the Entity, as the case may be, and occupy the positions set opposite their respective names. This Certificate now stands of record on the books of the Entity, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Certificate and performed prior to the passage of this Certificate are hereby ratified and approved. This Certificate shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Entity's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** we have hereunto set our hand and attest that the signatures set opposite the names listed above is their genuine signatures.

We each have read all the provisions of this Certificate, and we each personally and on behalf of the Entity certify that all statements and representations made in this Certificate are true and correct. This Governmental Certificate is dated **September 10, 2014**.

CERTIFIED TO AND ATTESTED BY:

X  
SUZANNE MCCARTHY, MAYOR of CITY OF  
GARIBALDI

X  
JOHN O'LEARY, CITY MANAGER of CITY OF  
GARIBALDI

NOTE: If the Officials signing this Certificate is designated by the foregoing document as one of the officials authorized to act on the Entity's behalf, it is advisable to have this Certificate signed by at least one non-authorized official of the Entity.

DRAFT

## BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$165,000.00	09-10-2014	01-31-2019	10044007	105		200	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

THIS BUSINESS LOAN AGREEMENT dated September 10, 2014, is made and executed between CITY OF GARIBALDI ("Borrower") and Oregon Coast Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

**TERM.** This Agreement shall be effective as of September 10, 2014, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until January 31, 2019.

**CONDITIONS PRECEDENT TO EACH ADVANCE.** Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

**Loan Documents.** Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

**Borrower's Authorization.** Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

**Payment of Fees and Expenses.** Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

**Representations and Warranties.** The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

**No Event of Default.** There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

**REPRESENTATIONS AND WARRANTIES.** Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

**Organization.** Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Oregon. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at PO BOX 708, GARIBALDI, OR 97118. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

**Assumed Business Names.** Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: **None.**

**Authorization.** Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

**Financial Information.** Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

**Legal Effect.** This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

**Properties.** Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

**Hazardous Substances.** Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral, and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral, or as a result of a violation of any Environmental Laws. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

**Litigation and Claims.** No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes)

**BUSINESS LOAN AGREEMENT  
(Continued)**

Loan No: 10044007

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against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

**Taxes.** To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

**Lien Priority.** Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

**Binding Effect.** This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

**AFFIRMATIVE COVENANTS.** Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

**Notices of Claims and Litigation.** Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

**Financial Records.** Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

**Financial Statements.** Furnish Lender with such financial statements and other related information at such frequencies and in such detail as Lender may reasonably request.

**Additional Information.** Furnish such additional information and statements, as Lender may request from time to time.

**Insurance.** Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

**Insurance Reports.** Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

**Other Agreements.** Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

**Loan Proceeds.** Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

**Taxes, Charges and Liens.** Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

**Performance.** Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

**Operations.** Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

**Environmental Studies.** Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

**Compliance with Governmental Requirements.** Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

**Inspection.** Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

**Environmental Compliance and Reports.** Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

**Additional Assurances.** Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

**NEGATIVE COVENANTS.** Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

**BUSINESS LOAN AGREEMENT  
(Continued)**

Loan No: 10044007

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**Indebtedness and Liens.** (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

**Continuity of Operations.** (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) make any distribution with respect to any capital account, whether by reduction of capital or otherwise.

**Loans, Acquisitions and Guaranties.** (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

**Agreements.** Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

**CESSATION OF ADVANCES.** If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Borrower fails to make any payment when due under the Loan.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

**Right to Cure.** If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**EFFECT OF AN EVENT OF DEFAULT.** If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Consent to Loan Participation.** Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower

**BUSINESS LOAN AGREEMENT  
(Continued)**

Loan No: 10044007

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further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Oregon without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Oregon.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Subsidiaries and Affiliates of Borrower.** To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

**Successors and Assigns.** All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

**Survival of Representations and Warranties.** Borrower understands and agrees that in making the Loan, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the making of the Loan and delivery to Lender of the Related Documents, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**Waive Jury.** All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

**Advance.** The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

**Agreement.** The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

**Borrower.** The word "Borrower" means CITY OF GARIBALDI and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto or intended to protect human health or the environment.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**GAAP.** The word "GAAP" means generally accepted accounting principles.

**Grantor.** The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

**Guarantor.** The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

**Guaranty.** The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

**Lender.** The word "Lender" means Oregon Coast Bank, its successors and assigns.

**Loan.** The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

**Note.** The word "Note" means the Note dated September 10, 2014 and executed by CITY OF GARIBALDI in the principal amount of \$165,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

BUSINESS LOAN AGREEMENT  
(Continued)

Loan No: 10044007

Page 5

**Permitted Liens.** The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

**Security Agreement.** The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

**Security Interest.** The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

**UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (LENDER) CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.**

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED SEPTEMBER 10, 2014.

BORROWER:

CITY OF GARIBALDI

By: SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI

By: JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI

LENDER:

OREGON COAST BANK

By: Authorized Officer

## PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$165,000.00	09-10-2014	01-31-2019	10044007	105		200	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

**Principal Amount: \$165,000.00**

**Date of Note: September 10, 2014**

**PROMISE TO PAY.** CITY OF GARIBALDI ("Borrower") promises to pay to Oregon Coast Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Sixty-five Thousand & 00/100 Dollars (\$165,000.00), together with interest on the unpaid principal balance from September 10, 2014, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 5.000% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, Borrower will pay this loan in 4 regular payments of \$20,814.22 each and one irregular last payment estimated at \$110,746.92. Borrower's first payment is due January 31, 2015, and all subsequent payments are due on the same day of each year after that. Borrower's final payment will be due on January 31, 2019, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT; MINIMUM INTEREST CHARGE.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$150.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Oregon Coast Bank, Main Office, 909 SE Bay Blvd, P.O. Box 2280, Newport, OR 97365.

**LATE CHARGE.** If a payment is 16 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is less.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 3.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Oregon without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Oregon.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether

PROMISSORY NOTE  
(Continued)

Loan No: 10044007

Page 2

checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**GENERAL PROVISIONS.** This Note is payable on demand. The inclusion of specific default provisions or rights of Lender shall not preclude Lender's right to declare payment of this Note on its demand. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

**UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (LENDER) CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.**

**PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER:**

CITY OF GARIBALDI

By: SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI

By: JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI

**RECORDATION REQUESTED BY:**

Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365

**WHEN RECORDED MAIL TO:**

Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST**

THIS DEED OF TRUST is dated September 10, 2014, among CITY OF GARIBALDI, whose address is PO BOX 708, GARIBALDI, OR 97118 ("Grantor"); Oregon Coast Bank, whose address is Main Office, 909 SE Bay Blvd, P.O. Box 2280, Newport, OR 97365 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and First American Title Insurance of Oregon, whose address is 802 MAIN AVENUE, TILLAMOOK, OR 97141 (referred to below as "Trustee").

**CONVEYANCE AND GRANT.** For valuable consideration, represented in the Note dated September 10, 2014, in the original principal amount of \$165,000.00, from Grantor to Lender, Grantor conveys to Trustee for the benefit of Lender as Beneficiary all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in TILLAMOOK County, State of Oregon:

See EXHIBIT "A", which is attached to this Deed of Trust and made a part of this Deed of Trust as if fully set forth herein.

The Real Property or its address is commonly known as 605 ACACIA AVE. & 112 S 7TH ST., GARIBALDI, OR 97118. The Real Property tax identification number is 1N1021-AC-10900 PROPERTY ID 5933 & 1N1021-AC-11200 PROPERTY ID 5960.

Grantor presently assigns to Lender (also known as Beneficiary in this Deed of Trust) all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

**PAYMENT AND PERFORMANCE.** Except as otherwise provided in this Deed of Trust, Grantor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall strictly and in a timely manner perform all of Grantor's obligations under the Note, this Deed of Trust, and the Related Documents.

**POSSESSION AND MAINTENANCE OF THE PROPERTY.** Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

**Possession and Use.** Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property. The following provisions relate to the use of the Property or to other limitations on the Property: BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. 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 THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

**Duty to Maintain.** Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

**Compliance With Environmental Laws.** Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Deed of Trust, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the satisfaction and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

**Nuisance, Waste.** Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior

written consent.

**Removal of Improvements.** Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

**Lender's Right to Enter.** Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

**Compliance with Governmental Requirements.** Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

**Duty to Protect.** Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

**DUE ON SALE - CONSENT BY LENDER.** Lender may, at Lender's option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property, whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Oregon law.

**TAXES AND LIENS.** The following provisions relating to the taxes and liens on the Property are part of this Deed of Trust:

**Payment.** Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

**Right to Contest.** Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

**Evidence of Payment.** Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

**Notice of Construction.** Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

**PROPERTY DAMAGE INSURANCE.** The following provisions relating to insuring the Property are a part of this Deed of Trust.

**Maintenance of Insurance.** Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property be located in an area designated by the Administrator of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

**Application of Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

**Grantor's Report on Insurance.** Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Deed of Trust or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Deed of Trust or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Deed of Trust also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**WARRANTY; DEFENSE OF TITLE.** The following provisions relating to ownership of the Property are a part of this Deed of Trust:

**Title.** Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion

issued in favor of, and accepted by, Lender in connection with this Deed of Trust, and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

**Defense of Title.** Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

**Compliance With Laws.** Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

**CONDEMNATION.** The following provisions relating to condemnation proceedings are a part of this Deed of Trust:

**Proceedings.** If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

**Application of Net Proceeds.** If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation.

**IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES.** The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

**Current Taxes, Fees and Charges.** Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

**Taxes.** The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Deed of Trust or upon all or any part of the indebtedness secured by this Deed of Trust; (2) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the indebtedness secured by this type of Deed of Trust; (3) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Grantor.

**Subsequent Taxes.** If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

**SECURITY AGREEMENT; FINANCING STATEMENTS.** The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

**Security Agreement.** This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

**Security Interest.** Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

**Addresses.** The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Deed of Trust.

**FURTHER ASSURANCES; ATTORNEY-IN-FACT.** The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust:

**Further Assurances.** At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Grantor's obligations under the Note, this Deed of Trust, and the Related Documents, and (2) the liens and security interests created by this Deed of Trust as first and prior liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

**Attorney-in-Fact.** If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

**FULL PERFORMANCE.** If Grantor pays all the indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Any reconveyance fee required by law shall be paid by Grantor, if permitted by applicable law.

**EVENTS OF DEFAULT.** Each of the following, at Lender's option, shall constitute an Event of Default under this Deed of Trust:

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Deed of Trust or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Compliance Default.** Failure to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

**Default on Other Payments.** Failure of Grantor within the time required by this Deed of Trust to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

**Default in Favor of Third Parties.** Should Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or Grantor's ability to repay the Indebtedness or Grantor's ability to perform Grantor's obligations under this Deed of Trust or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Deed of Trust or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or

becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Death or Insolvency.** The death of Grantor, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Breach of Other Agreement.** Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Grantor to Lender, whether existing now or later.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Right to Cure.** If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Deed of Trust within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Deed of Trust, at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

**Election of Remedies.** Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Deed of Trust, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**Accelerate Indebtedness.** Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

**Foreclosure.** With respect to all or any part of the Real Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law. If this Deed of Trust is foreclosed by judicial foreclosure, Lender will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for the amount of the unpaid balance of the judgment.

**UCC Remedies.** With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

**Collect Rents.** Lender shall have the right, without notice to Grantor to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Tenancy at Sufferance.** If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

**Other Remedies.** Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or available at law or in equity.

**Notice of Sale.** Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least fifteen (15) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

**Sale of the Property.** To the extent permitted by applicable law, Grantor hereby waives any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

**Attorneys' Fees; Expenses.** If Lender institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

**Rights of Trustee.** Trustee shall have all of the rights and duties of Lender as set forth in this section.

**POWERS AND OBLIGATIONS OF TRUSTEE.** The following provisions relating to the powers and obligations of Trustee are part of this Deed of Trust:

**Powers of Trustee.** In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the written request of Lender and Grantor: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Deed of Trust or the interest of Lender under this Deed of Trust.

**Obligations to Notify.** Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Lender, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

**Trustee.** Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

**Successor Trustee.** Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed under this Deed of Trust by an instrument executed and acknowledged by Lender and recorded in the office of the recorder of TILLAMOOK County, State of Oregon. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Grantor, the book and page where this Deed of Trust is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Deed of Trust and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

**NOTICES.** Any notice required to be given under this Deed of Trust, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. All copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Deed of Trust:

**Amendments.** This Deed of Trust, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No alteration of or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Annual Reports.** If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

**Caption Headings.** Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

**Merger.** There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

**Governing Law.** This Deed of Trust will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Oregon without regard to its conflicts of law provisions. This Deed of Trust has been accepted by Lender in the State of Oregon.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Severability.** If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Deed of Trust. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Deed of Trust shall not affect the legality, validity or enforceability of any other provision of this Deed of Trust.

**Successors and Assigns.** Subject to any limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Deed of Trust and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the indebtedness.

**Time is of the Essence.** Time is of the essence in the performance of this Deed of Trust.

**Waiver of Homestead Exemption.** Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all indebtedness secured by this Deed of Trust.

**Commercial Deed of Trust.** Grantor agrees with Lender that this Deed of Trust is a commercial deed of trust and that Grantor will not change the use of the Property without Lender's prior written consent.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Deed of Trust. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Beneficiary.** The word "Beneficiary" means Oregon Coast Bank, and its successors and assigns.

**Borrower.** The word "Borrower" means CITY OF GARIBALDI and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Deed of Trust.** The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

**Default.** The word "Default" means the Default set forth in this Deed of Trust in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto or intended to protect human health or the environment.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Deed of Trust in the events of default section of this Deed of Trust.

**Grantor.** The word "Grantor" means CITY OF GARIBALDI.

**Guaranty.** The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum, including crude oil and any fraction thereof and asbestos.

**Improvements.** The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the

DEED OF TRUST  
(Continued)

Loan No: 10044007

Page 6

Real Property, facilities, additions, replacements and other construction on the Real Property.

**Indebtedness.** The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Trustee or Lender to enforce Grantor's obligations under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust.

**Lender.** The word "Lender" means Oregon Coast Bank, its successors and assigns.

**Note.** The word "Note" means the promissory note dated September 10, 2014, in the original principal amount of **\$165,000.00** from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. The maturity date of the Note is January 31, 2019.

**Personal Property.** The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

**Property.** The word "Property" means collectively the Real Property and the Personal Property.

**Real Property.** The words "Real Property" mean the real property, interests and rights, as further described in this Deed of Trust.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**Rents.** The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

**Trustee.** The word "Trustee" means First American Title Insurance of Oregon, whose address is 802 MAIN AVENUE, TILLAMOOK, OR 97141 and any substitute or successor trustees.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:

CITY OF GARIBALDI

By: SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI

By: JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI

GOVERNMENT ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )

) SS

COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned Notary Public, personally appeared SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI and JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI, and known to me to be authorized agents of the governmental entity that executed the Deed of Trust and acknowledged the Deed of Trust to be the free and voluntary act and deed of the governmental entity, by authority of its enabling laws or by resolution of its governing body, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Deed of Trust and in fact executed the Deed of Trust on behalf of the governmental entity.

By \_\_\_\_\_ Residing at \_\_\_\_\_

Notary Public in and for the State of \_\_\_\_\_ My commission expires \_\_\_\_\_

REQUEST FOR FULL RECONVEYANCE

(To be used only when obligations have been paid in full)

To: \_\_\_\_\_, Trustee

The undersigned is the legal owner and holder of all Indebtedness secured by this Deed of Trust. All sums secured by this Deed of Trust have been fully paid and satisfied. You are hereby directed, upon payment to you of any sums owing to you under the terms of this Deed of Trust or pursuant to any applicable statute, to cancel the Note secured by this Deed of Trust (which is delivered to you together with this Deed of Trust), and to reconvey, without warranty, to the parties designated by the terms of this Deed of Trust, the estate now held by you under this Deed of Trust. Please mail the reconveyance and Related Documents to:

Date: \_\_\_\_\_

Beneficiary: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

## OREGON COAST BANK E-STATEMENT DISCLOSURE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$165,000.00	09-10-2014	01-31-2019	10044007	105		200	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

I give my consent to Oregon Coast Bank to provide all present and future loan statements in electronic form, unless specifically stated otherwise. I will notify Oregon Coast Bank of all updated contact information such as a change in my email address.

I understand that I have the right to withdraw my consent at any time. In order to withdraw my consent I will notify Oregon Coast Bank in writing. I may request a paper copy of an electronic record at any time and understand that I may be charged a monthly service fee.

The requirements to use Oregon Coast Bank E-Statements are:

Internet access and an internet e-mail account and address

Online Banking through Oregon Coast Bank website at [oregoncoastbank.com](http://oregoncoastbank.com)

One of the following programs to access your E-Statements online:

- a. Microsoft Internet Explorer 4.0 or higher; or
- b. Netscape Communicator; or
- c. Navigator 4.06 or higher with 128-bit encryption

Adobe Acrobat Reader 6.0 or higher

Access to a printer or the ability to download information in order to keep paper copies of your E-Statements for your records, if you so choose.

By signing this agreement I agree to opt in to electronic statements by Oregon Coast Bank.

\_\_\_\_\_  
Email Address

\_\_\_\_\_  
Email Address

**BORROWER:**

CITY OF GARIBALDI

By: \_\_\_\_\_  
SUZANNE MCCARTHY, MAYOR of CITY OF  
GARIBALDI

By: \_\_\_\_\_  
JOHN O'LEARY, CITY MANAGER of CITY OF  
GARIBALDI

## DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$165,000.00	09-10-2014	01-31-2019	10044007	105		200	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** CITY OF GARIBALDI  
PO BOX 708  
GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
Main Office  
909 SE Bay Blvd  
P.O. Box 2280  
Newport, OR 97365  
(541) 265-9000

**LOAN TYPE.** This is a Fixed Rate (5.000%) Nondisclosable Loan to a Government Entity for \$165,000.00 due on January 31, 2019.

**PRIMARY PURPOSE OF LOAN.** The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.  
 Business (Including Real Estate Investment).

**SPECIFIC PURPOSE.** The specific purpose of this loan is: PURCHASE BARE LOT FOR A PUBLIC PARKING AREA

**FLOOD INSURANCE.** As reflected on Flood Map No. 410280-0001A dated 04-17-1978, for the community of CITY OF GARIBALDI, the property that will secure the loan is not located in an area that has been identified by the Administrator of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance protecting property not located in an area having special flood hazards is required by law for this loan at this time.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$165,000.00 as follows:

Amount paid to Borrower directly:	\$165,000.00
\$165,000.00 Lender's Check # CASHIERS CHECK TO FIRST AMERICAN TITLE	

Note Principal:	\$165,000.00
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**CHARGES PAID IN CASH.** Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash:	\$1,694.00
\$1,650.00 Loan Fee	
\$44.00 Flood Determination Fee	
Other Charges Paid in Cash:	\$77.00
\$77.00 Recording Fees paid to First American Title	
<b>Total Charges Paid in Cash:</b>	<b>\$1,771.00</b>

**LIEN RELEASE FEES.** In addition to all other charges, Borrower agrees, to the extent not prohibited by law, to pay all governmental fees for release of Lender's security interests in collateral securing this loan. Borrower will pay these fees at the time the lien or liens are released. The estimated amount of these future lien release fees is \$150.00

**FINANCIAL CONDITION.** BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED SEPTEMBER 10, 2014.

**BORROWER:**

CITY OF GARIBALDI

By: SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI

By: JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI

## NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$165,000.00	09-10-2014	01-31-2019	10044007	105		200	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** CITY OF GARIBALDI  
 PO BOX 708  
 GARIBALDI, OR 97118

**Lender:** Oregon Coast Bank  
 Main Office  
 909 SE Bay Blvd  
 P.O. Box 2280  
 Newport, OR 97365  
 (541) 265-9000

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (LENDER) CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

By signing this document each Party represents and agrees that: (a) The written Loan Agreement represents the final agreement between the Parties, (b) There are no unwritten oral agreements between the Parties, and (c) The written Loan Agreement may not be contradicted by evidence of any prior, contemporaneous, or subsequent oral agreements or understandings of the Parties.

As used in this Notice, the following terms have the following meanings:

**Loan.** The term "Loan" means the following described loan: a Fixed Rate (5.000%) Nondisclosable Loan to a Government Entity for \$165,000.00 due on January 31, 2019.

**Loan Agreement.** The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

### LOAN DOCUMENTS

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>Amortization Schedule</li> <li>Business Loan Agreement</li> <li>OR Deed of Trust for Real Property located at 605 ACACIA AVE. &amp; 112 S 7TH ST., GARIBALDI, OR 97118</li> <li>Agreement to Provide Insurance: Real Property located at 605 ACACIA AVE. &amp; 112 S 7TH ST., GARIBALDI, OR 97118; owned by CITY OF GARIBALDI</li> <li>OR Optional Credit Insurance Letter</li> <li>Notice of Final Agreement</li> </ul> | <ul style="list-style-type: none"> <li>Governmental Certificate: CITY OF GARIBALDI</li> <li>Promissory Note</li> <li>OR Assignment of Rents</li> <li>E-STATEMENTS - OREGON COAST BANK E-STATEMENT DISCLOSURE</li> <li>Notice of Insurance Requirements: Real Property located at 605 ACACIA AVE. &amp; 112 S 7TH ST., GARIBALDI, OR 97118</li> <li>Disbursement Request and Authorization</li> <li>Model Privacy Notice: CITY OF GARIBALDI</li> </ul> |
|---|---|

**Parties.** The term "Parties" means Oregon Coast Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

**Borrower:** CITY OF GARIBALDI  
**Grantor(s):** CITY OF GARIBALDI

Each Party who signs below, other than Oregon Coast Bank, acknowledges, represents, and warrants to Oregon Coast Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated September 10, 2014.

**BORROWER:**

CITY OF GARIBALDI

By: SUZANNE MCCARTHY, MAYOR of CITY OF GARIBALDI

By: JOHN O'LEARY, CITY MANAGER of CITY OF GARIBALDI

**LENDER:**

OREGON COAST BANK

X \_\_\_\_\_  
 Authorized Officer