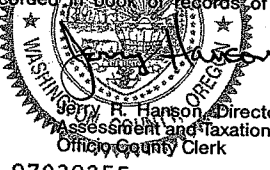


I, Jerry R. Hanson, Director of Assessment and Taxation and Ex-Officio County Clerk for said County, do hereby certify that the within instrument of writing was received and recorded in book of records of said county.



Jerry R. Hanson, Director of Assessment and Taxation, Ex-Officio County Clerk

Doc : 97039255
Rect: 185288 28.00
04/29/1997 10:19:44am

WARRANTY DEED

Until a change is requested, all tax statements should be sent to: After recording return to:

CITY OF SHERWOOD
20 NW WASHINGTON STREET
SHERWOOD, OR 97140

CITY OF SHERWOOD
20 NW WASHINGTON
SHERWOOD, OR 97140

The true consideration for this transfer is \$385,000.00.

VERNON CARL MELZER, MYRNA MELZER, WAYNE MELZER, ALLAN MELZER, BRUCE MELZER, and DOUGLAS MELZER, Grantors, convey and warrant to CITY OF SHERWOOD, a municipal subdivision of the State of Oregon, Grantee, the following described real property in the County of Washington, State of Oregon, free of encumbrances except as specifically set forth herein:

Beginning at the one-quarter section corner on the Westline of Section 29, Township 2 South, Range 1 West of the Willamette Meridian, and running thence North 80 rods and thence West 53 and 1/3 rods for a beginning point of the land hereby conveyed; thence West 13 and 1/3 rods; thence South on a line parallel with the East line of said one-quarter section 48 rods; thence East 13 and 1/3 rods; thence North 48 rods to the place of beginning; EXCEPTING THEREFROM such portion of said land as is included in the County road.

SUBJECT TO:

1. Rights of the public in streets and roads.
2. As disclosed by the tax rolls, the premises herein described have been zoned or classified as small woodlands. At any time that said land is disqualified for such use, the property may be subject to additional taxes or penalties and interest pursuant to the provisions of ORS Chapter 321.

* * * *

1 - WARRANTY DEED

Recorded By TICOR TITLE

657931

DUNN, TOOLE, COATS & CARTER
ATTORNEYS AT LAW
112 West Fourth Street
THE DALLES, OREGON 97068
(503) 296-5424

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3. The premises herein described are subject to the easements and the statutory powers, including the power of assessment, of The Unified Sewerage Agency of Washington County. (No unpaid assessments as of the date hereof.)

THIS INSTRUMENT WILL 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 APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

Dated this 28th day of April, 1997.

Vernon Carl Melzer
VERNON CARL MELZER

Myrna Melzer
MYRNA MELZER

Wayne Melzer
WAYNE MELZER

Allan Melzer
ALLAN MELZER

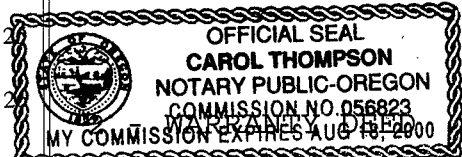
Bruce Melzer
BRUCE MELZER

Douglas Melzer
DOUGLAS MELZER

STATE OF OREGON)
County of Sherman) ss

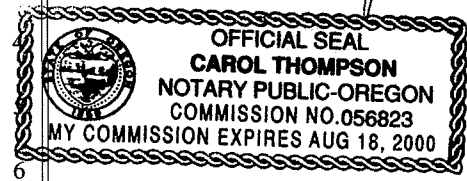
The foregoing instrument was acknowledged before me this 28th day of April, 1997, by Vernon Carl Melzer.

Carol Thompson
Notary Public for Oregon
My Commission Expires: Aug 18, 2000



1 STATE OF OREGON)
County of Shuman) ss

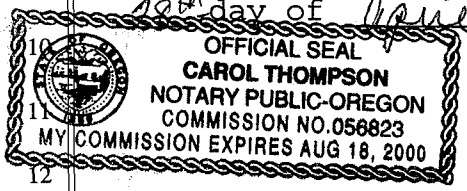
2 The foregoing instrument was acknowledged before me this
3 28th day of April, 1997, by Myrna Melzer. ✓



Carol Thompson
Notary Public for Oregon
My Commission Expires: Aug 18, 2000

7 STATE OF OREGON)
8 County of Shuman) ss

9 The foregoing instrument was acknowledged before me this
10 28th day of April, 1997, by Wayne Melzer. ✓



Carol Thompson
Notary Public for Oregon
My Commission Expires: Aug 18, 2000

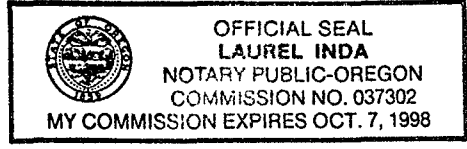
13 STATE OF OREGON)
14 County of WASHINGTON) ss



16 The foregoing instrument was acknowledged before me this
17 25TH day of APRIL, 1997, by Allan Melzer.

Laurel Inda
Notary Public for Oregon
My Commission Expires: 10/07/98

20 STATE OF OREGON)
21 County of WASHINGTON) ss



23 The foregoing instrument was acknowledged before me this
24 24TH day of APRIL, 1997, by Bruce Melzer.

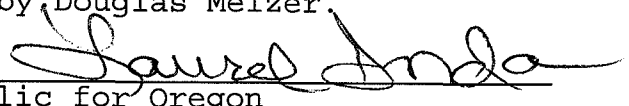
Laurel Inda
Notary Public for Oregon
My Commission Expires: 10/07/98

26 3 - WARRANTY DEED

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STATE OF OREGON)
) SS
County of WASHINGTON)

The foregoing instrument was acknowledged before me this
24TH day of APRIL, 1997, by Douglas Melzer.



Notary Public for Oregon
My Commission Expires: 10/07/98



4

Recorded Document

1997-039255

Dedication ROW - Section 29

T2S R1W - Melzer to City

Reference pages

Chicago Title Insurance

Company Policy # 185576

Not a part of record. For reference use only.



POLICY OF TITLE INSURANCE

CHICAGO TITLE INSURANCE COMPANY OF OREGON

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, CHICAGO TITLE INSURANCE COMPANY OF OREGON, an Oregon corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

CHICAGO TITLE INSURANCE COMPANY OF OREGON

Issued by:
CHICAGO TITLE INSURANCE COMPANY
OF OREGON
10001 S.E. SUNNYSIDE RD.
CLACKAMAS, OREGON 97015
(503) 653-7300

By:

Bradley J. Londo

President

By:

Thomas J. Adams

Secretary



Norman Lee

Authorized Signature

ALTA OWNER'S POLICY (10-17-92)

EXCLUSIONS FROM COVERAGE

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 which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
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; or
 - (e) attaching in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.
- (b) "insured claimant": an insured claiming loss or damage.
- (c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.
- (d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.
- (e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a) (iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.
- (g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable.

If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

SCHEDULE A

Date of Policy: June 1, 1998 at 1:30 p.m. Policy No.: 185576

Amount of Insurance: \$120,000.00 Premium: \$500.00

1. Name of Insured:

CITY OF SHERWOOD

2. The estate or interest in the land which is covered by this policy is:

FEE SIMPLE

3. Title to the estate or interest in the land is vested in:

CITY OF SHERWOOD

4. The land referred to in this policy is described as follows:

(Continued)

LEGAL DESCRIPTION

A tract of land situated in the Northeast one-quarter of Section 30, Township 2 South, Range 1 West of the Willamette Meridian, City of Sherwood, in the County of Washington and State of Oregon, being a portion of those tracts described in Fee No.'s 94070470 and 9739255 Washington County Deed Records, being more particularly described as follows:

BEGINNING at the Southwest corner of Lot 10, Wildflower Village a duly recorded plat in Book 98, Pages 18 and 19, Washington County Plat Records; said point being on the Northerly right-of-way of S.W. Lynnly Way (bearing North $89^{\circ}51'23''$ East); thence South $89^{\circ}51'23''$ West, 181.25 feet; thence along the arc of a 275.00 foot radius curve to the left, through a central angle of $10^{\circ}20'45''$ (chord bears South $84^{\circ}41'01''$ West, 49.59 feet) an arc length of 49.66 feet; thence South $79^{\circ}30'38''$ West, 16.10 feet; thence along the arc of a 225.00 foot radius curve to the right, through a central angle of $09^{\circ}57'22''$ (chord bears South $84^{\circ}29'09''$ West, 39.05 feet) an arc length of 39.10 feet; thence South $89^{\circ}28'00''$ West, 3.71 feet; thence along the arc of a 17.00 foot radius curve to the right, through a central angle of $90^{\circ}23'02''$ (chord bears North $45^{\circ}20'29''$ West, 24.12 feet) an arc length of 26.82 feet; thence North $00^{\circ}08'58''$ West, 47.99 feet; thence along the arc of a 179.00 foot radius curve to the right, through a central angle of $11^{\circ}12'19''$ (chord bears North $05^{\circ}27'11''$ East, 34.95 feet) an arc length of 35.01 feet; thence along the arc of a 221.00 foot radius curve to the left, through a central angle of $11^{\circ}12'19''$ (chord bears North $05^{\circ}27'11''$ East, 43.15 feet) an arc length of 43.22 feet; thence North $00^{\circ}08'58''$ West, 250.47 feet; thence South $89^{\circ}51'02''$ West, 133.76 feet; thence North $40^{\circ}00'00''$ East, 30.61 feet; thence North $00^{\circ}08'58''$ West, 61.71 feet to the Southerly right-of-way of S.W. Scholls Sherwood Road, being 30.00 feet from centerline when measured at right angles; thence along said Southerly right-of-way, parallel with said centerline, North $89^{\circ}24'38''$ East, 436.75 feet to the Westerly line of said plat; thence along said Westerly line, South $00^{\circ}08'27''$ East, 470.45 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within the following:

BEGINNING at the one-quarter Section corner on the West line of Section 29, Township 2 South, Range 1 West of the Willamette Meridian, in the County of Washington and State of Oregon; and running thence North 80 rods and thence West 53 and $\frac{1}{3}$ rods for a beginning point of the land hereby conveyed; thence West 13 and $\frac{1}{3}$ rods; thence South on a line parallel with the East line of said one-quarter Section, 48 rods; thence East 13 and $\frac{1}{3}$ rods; thence North 48 rods to the place of beginning; EXCEPTING THEREFROM such portion of said land as is included in the County Road.

AND FURTHER EXCEPTING that portion lying West of the following described line:

BEGINNING at the Northeast corner of that tract of land conveyed to Mark H. Seaman, Jr. and Lynn Seaman by Warranty Deed recorded July 28, 1994, Recorder's Fee No. 94-070470, said corner also being the Northwest corner of that tract of land

(Continued)

Policy No. 185576

LEGAL DESCRIPTION

conveyed to City of Sherwood by Warranty Deed recorded April 29, 1997, Recorder's Fee No. 97039255; thence from said point of beginning, South 89°24'38" West, 194.33 feet to the true point of beginning of the line to be described; thence South 00°08'58" East, 61.71 feet; thence South 40°00'00" West 37.37 feet to the terminus of said line.

Policy No. 185576

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

GENERAL EXCEPTIONS

1. a. 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.
b. 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. a. Easements, liens, encumbrances, interests or claims thereof which are not shown by the public records.
b. Any 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. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
4. a. Unpatented mining claims;
b. Reservations or exceptions in patents or in Acts authorizing the issuance thereof;
c. Water rights, claims or title to water;
whether or not the matters excepted under (a), (b), or (c) are shown by the public records.
5. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

Policy No. 185576

SCHEDULE B - continued

SPECIAL EXCEPTIONS:

6. The premises herein described are within and subject to the statutory powers including the power of assessment of the Unified Sewerage Agency.
(There are no assessments of record as of the date of this policy.)
7. The rights of the public in and to that portion lying within the limits of Scholls-Sherwood Road.

End of Policy

2800-10112-ms

07/04/98

rjl

OWNER'S INFLATION PROTECTION ENDORSEMENT

Attached to Policy No. 185576
Issued by

CHICAGO TITLE INSURANCE COMPANY OF OREGON

Dated: June 1, 1998

at 1:30 p.m.

Premium: No Charge

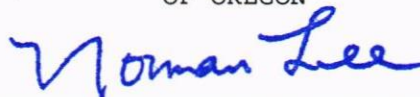
The Company, recognizing the current effect of inflation on real property valuation and intending to provide additional monetary protection to the insured owner named in the policy, hereby modifies the policy, as follows:

1. notwithstanding anything contained in the policy to the contrary, the amount of insurance provided by the policy, as stated in Schedule A thereof, is subject to cumulative annual upward adjustments in the manner and to the extent hereinafter specified;
2. 'adjustment date' is defined, for the purpose of this endorsement, to be 12:01 a.m. on the first January 1 which occurs more than six months after the Date of Policy, as shown in Schedule A of the policy to which this endorsement is attached and on each succeeding January 1;
3. an upward adjustment will be made on each of the adjustment dates, as defined above, by increasing the maximum of insurance provided by the policy by 10% (ten percent) per year for 5 (five) years; provided, however, that the maximum amount of insurance in force shall never exceed 150% of the amount of insurance stated in Schedule A of the policy, less the amount of any claim paid under the policy which, under the terms of the conditions and stipulations, reduces the amount of insurance in force;
4. in the settlement of any claim against the Company under the policy, the amount of insurance in force shall be deemed to be the amount which is in force as of the date on which the insured claimant first learned of the assertion or possible assertion of such claim, or as the date of receipt by the Company of the first notice of the claim, whichever shall first occur.

This endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

CHICAGO TITLE INSURANCE COMPANY
OF OREGON

BY:



Authorized Signature

Endorsement No. 78

5. PROOF OF LOSS OR DAMAGE

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or,

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the

amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT

If the land described in Schedule A consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against Non-insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at:

**Chicago Title Insurance Company of Oregon
Claims Department
P.O. Box 218
Portland, Oregon 97207**