2014-000811
Klamath County, Oregon
01/29/2014 12:12:04 PM
Fee: $82.00

AmeriTitle
MTC 100044

AFTER RECORDING RETURN TO:
Gallic & Johnson Financial
146 E. 12th Avenue
Eugene, OR 97401

Kevin E. Haney
Kathy L. Haney
No change

Grantor

MNLCO, LLC
c/o Gallic & Johnson Financial
146 E. 12th Avenue
Eugene, OR 97401
Beneficiary

Tax Lot: 2309-002a0-3600-000
Tax Acct. 699444

TRUST DEED

THIS TRUST DEED is made as of the 23rd day of January, 2014 by KEVIN E. HANEY AND KATHY L. HANEY, AS TENANTS BY ENTIRETY ("Grantor"), to ROBERT A. SMEJKAL, ATTORNEY AT LAW, having his office at PO Box 1758, Eugene, OR 97440 ("Trustee"), for the benefit of MNLCO, LLC, AN ARIZONA LIMITED LIABILITY COMPANY ("Beneficiary").

The Grantor(s) owe the Beneficiary the principal sum of $84,500.00, which is evidenced by a promissory note (the Note) of even date herewith. The Note, if not sooner paid, is due and payable in full on January 24, 2015.

For the purpose of securing the Obligations below, Grantor irrevocably grants and conveys to Trustee, in trust, for the benefit and security of Beneficiary, with power of sale, the real property located in KLAMATH County, Oregon, and more particularly described as:

Lot 19 in Block 4, PLAT NO. 1204, LITTLE RIVER RANCH, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

together with all buildings, other improvements and fixtures now or hereafter located thereon or attached thereto, all easements, appurtenances and other rights relating thereto, all awards for any taking of all or any portion thereof, and all insurance proceeds for any damage thereto (collectively, the "Property").

Provided, however, that if all the Obligations shall be paid, performed, and satisfied in full, then the lien and

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estate hereby granted shall be reconveyed to Grantor.

TO PROTECT THE SECURITY OF THIS TRUST DEED, GRANTOR AGREES:

1.01 Obligations Secured. This Trust Deed secures the payment of all indebtedness, including, but not limited to, principal and interest, and the performance of all covenants and obligations of Grantor under the Note and this Trust Deed, including any extensions or modifications of either (collectively, the "Obligations").

1.02 Payment and Performance. Grantor shall pay and perform all of the Obligations when due.

1.03 Good Title. Grantor warrants that it holds good title to the Property, free and clear of all liens, encumbrances, restrictions, easements, and adverse claims except those items shown on Exhibit B, if any, attached hereto and incorporated herein. Grantor covenants that it shall forever defend Beneficiary's and Trustee's rights hereunder and the priority of this Trust Deed against the adverse claims and demands of all persons.

1.04 Compliance with Laws. Grantor covenants that the Property will at all times be maintained in material compliance with all applicable laws, and all covenants, conditions, easements, and restrictions affecting the Property.

1.05 Environmental Compliance

(1) For purposes of this section, "Environmental Law" means any federal, state, or local law or regulation now or hereafter in effect pertaining to Hazardous Substances or environmental conditions. "Hazardous Substance" includes, without limitation, any substance that is or becomes classified as hazardous, dangerous, or toxic under any federal, state, or local law or regulation.

(2) Grantor will not use, generate, store, release, discharge, or dispose of any Hazardous Substance on, under, or about the Property, and will not permit any other person to do so, except for storage and use of such Hazardous Substances (and in such quantities) as are commonly used for residential or household purposes. Grantor shall store and use such substances, and keep and maintain the Property, in compliance with all Environmental Laws.

1.06 Maintenance and Improvements. Grantor shall not permit the Property or any improvement thereon to be removed, demolished, or materially altered without Beneficiary's prior written consent. Grantor shall maintain the Property, and every portion thereof, including landscaping, in good repair and condition, except for reasonable wear and tear, and shall at Beneficiary's election restore, replace, or rebuild the Property or any part thereof now or hereafter damaged or destroyed by any casualty. Grantor shall not commit or permit any waste or strip of the Property.

1.07 Liens. Grantor shall pay when due all claims for labor and materials that, if unpaid, might become a lien on the Property. Grantor shall not create or permit any lien, security interest or encumbrance on the Property that may be prior to the lien of this Trust Deed, except for the lien of property taxes which are not yet due, and as otherwise provided herein.

1.08 Taxes. Grantor shall pay when due all taxes, assessments, fees, and other charges of every nature now or hereafter assessed against any part of the Property (collectively, the "Impositions"); provided, however, that if by law any such Imposition may be paid in installments, Grantor may pay the same in installments, together with interest on the unpaid balance thereof, as they become due. Grantor shall furnish to Beneficiary satisfactory evidence of the payment of all Impositions promptly after payment.

1.09 Limitations on Use. Grantor shall not initiate or consent to any rezoning of the Property or any change in any covenant or other public or private restrictions limiting or defining the uses that may be made of the Property without the prior written consent of Beneficiary.

1.10 Insurance

(1) Grantor shall obtain, and continuously maintain during the term of this Trust Deed, all-risk property insurance in an amount not less than the full remaining principal balance of the Note or, if greater, in the amount of the full replacement cost of all improvements on the Property, without reduction for coinsurance.

(2) All insurance shall be written by a company or companies reasonably acceptable to Beneficiary; shall contain a mortgagee endorsement in favor of Beneficiary with proceeds under any policy payable to Beneficiary, subject to the terms of this Trust Deed; and shall require at least 10 days' prior written notice to Beneficiary of cancellation or reduction in coverage. Grantor shall furnish to Beneficiary a certificate evidencing the coverage required under this Trust Deed and a copy of each policy promptly when issued and at least fifteen days prior to the expiration of any policy now or hereafter in effect.

(3) ORS 746.201 WARNING: UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE OF INSURANCE COVERAGE AS REQUIRED BY THIS TRUST DEED, BENEFICIARY MAY PURCHASE INSURANCE AT GRANTOR'S EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT GRANTOR'S INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE PURCHASED BY BENEFICIARY MAY NOT PAY ANY CLAIM MADE BY OR AGAINST GRANTOR. GRANTOR MAY LATER CANCEL THE COVERAGE BY PROVIDING EVIDENCE THAT GRANTOR HAS OBTAINED PROPERTY COVERAGE ELSEWHERE. GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE COVERAGE PURCHASED BY BENEFICIARY, WHICH COST MAY BE ADDED TO GRANTOR'S NOTE BALANCE. IF IT IS SO ADDED, THE INTEREST RATE ON THE UNDERLYING NOTE WILL APPLY TO IT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE GRANTOR'S PRIOR COVERAGE LAPSED OR THE DATE GRANTOR FAILED TO PROVIDE PROOF OF COVERAGE. THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE GRANTOR MIGHT OTHERWISE OBTAIN ALONE AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

1.11 Casualty/Loss Restoration

(1) After the occurrence of any casualty to the Property, whether or not covered by insurance, Grantor shall give prompt written notice thereof to Beneficiary. Beneficiary may make proof of loss if it is not made promptly and to Beneficiary's satisfaction by Grantor.

(2) All insurance proceeds with respect to the Property shall be payable to Beneficiary. At Grantor's election, insurance proceeds may be applied to the Obligations or may be used, on such reasonable terms and

conditions as Beneficiary elects, for restoration of the Property.

1.12 Actions to Protect Trust Property. If Grantor shall fail to pay, perform, or observe any of its covenants hereunder, Beneficiary may, but shall not be required to, take such actions as it deems appropriate to remedy such failure. All sums, including reasonable attorney fees, so expended, or expended to protect or enforce any of Beneficiary's rights hereunder, shall be secured by this Trust Deed, and shall be paid by Grantor on demand, together with interest thereon at the rate provided in the Note. No payment or other action by Beneficiary under this section shall impair any other right or remedy available to Beneficiary or constitute a waiver of any event of Default.

1.13 Assignment of Rents/Appointment of Receiver. Upon any default by Grantor hereunder, Beneficiary may, at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the property or any part thereof, in its own name, sue or otherwise collect the rents, issues and profits, including those past due and unpaid and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees upon any indebtedness secured thereby, in such order as Beneficiary may determine. The entering upon and taking possession of the property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder, or invalidate any act done pursuant to such notice.

2.01 Condemnation. Should the Property or any part thereof be taken by reason of any right of eminent domain or condemnation proceeding, or should Grantor receive any notice or other information regarding such action, Grantor shall give immediate notice thereof to Beneficiary. Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefore up to the full amount of the Obligations. Beneficiary may, at its option, apply the condemnation proceeds to the Obligations or release the proceeds to Grantor, on such terms and conditions as Beneficiary elects, for restoration of the Property.

3.01 Security Agreement. To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in all fixtures located on the Property and in any manufactured home or other personal property expressly described above or in Exhibit A. This Trust Deed shall constitute a security agreement under the Uniform Commercial Code (UCC) of the state of Oregon. Grantor shall execute such financing statement(s) or other title documents as are necessary to perfect said security interest, and pay the cost for filing or issuance.

4.01 Events of Default. Each of the following shall constitute an Event of Default under this Trust Deed:

(1) Nonpayment. Failure of Grantor to pay any of the Obligations on or within 5 days after the due date.

(2) Breach of Other Covenants. Failure of Grantor to perform or abide by any other covenant included in the Obligations.

(3) Other Indebtedness, Secondary Financing. Grantor's default beyond applicable grace periods in the payment of any other indebtedness secured by all or any portion of the Property.

(4) Transfer; Due-on-Sale. The occurrence of any sale, gift, conveyance, formation of any contract for sale of, or option to purchase, the Property, or any part thereof or any interest therein~~, without Beneficiary's prior written consent~~ (except for any earnest money agreement expressly conditioned on Beneficiary's written consent before closing, and any conveyance to Grantor's heirs or devisees after Grantor's death)~~, at the beneficiary's option~~, will cause all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, to become immediately due and payable. Beneficiary may attach such conditions to its consent as Beneficiary may determine in its sole discretion, including without limitation, an increase in the interest rate or the payment of transfer or assumption fees, and the payment of legal fees and costs incurred by Beneficiary in connection with such consent and transfer.

4.02 Remedies in Case of Default. If an Event of Default shall occur, Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other remedies that may be available by law, in equity, or otherwise:

(1) Acceleration. Beneficiary may declare all or any portion of the Obligations immediately due and payable.

(2) Power of Sale. Beneficiary may direct Trustee to foreclose this Trust Deed by advertisement and sale pursuant to ORS 86.735 to 86.795, subject to Grantor's right to cure the default as provided by ORS 86.753.

(3) Foreclosure. Beneficiary may judicially foreclose this Trust Deed and obtain a judgment foreclosing Grantor's interest in all or any part of the Property.

(4) Fixtures and Personal Property. With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.

4.03 Sale. In any sale under this Trust Deed or pursuant to any judgment, the Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect. Any person, including Beneficiary, may purchase at any such sale.

4.04 Cumulative Remedies. All remedies under this Trust Deed are cumulative. Any election to pursue one remedy shall not preclude the exercise of any other remedy.

4.05 Application of Proceeds. All proceeds from the exercise of the foregoing rights and remedies shall be applied to the costs of exercising such rights and remedies; then to the Obligations, in such order as Beneficiary shall determine in its sole discretion; and the surplus, if any, shall be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled thereto.

5.01 Time is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Trust Deed.

5.02 Reconveyance by Trustee. At any time on the request of Beneficiary, payment of Trustee's fees, and presentation of this Trust Deed, without affecting the liability of any person for payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

5.03 Notice. All notices under this Trust Deed shall be effective when actually delivered in writing, or when mailed by registered or certified mail to the address of the party stated herein or such other address as either party may designate by written notice to the other party.

5.04 Successor Trustee. From time to time Beneficiary may appoint one or more successor trustees to execute the trust hereby created, and the new trustee shall succeed to all the powers and duties of the prior trustee(s).

5.05 Successors and Assigns. This Trust Deed shall be binding on and inure to the benefit of the heirs, devisees, personal representatives, successors, and assigns of Grantor and Beneficiary.

5.06 Expenses and Attorney Fees. If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default, if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations, or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit, or proceeding in connection with any of the Obligations or the Property (including but not limited to foreclosure, bankruptcy, eminent domain, or probate proceedings), and an attorney is employed by Beneficiary to appear in any such proceeding or seek relief from a judicial or statutory stay, or otherwise enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs and expenses incurred by Beneficiary in connection with the above mentioned events and any appeals, including the cost of any foreclosure or title report, trustee's fees, surveyors' reports and appraisal fees. Such amounts shall be secured by this Trust Deed and, if not paid upon demand, shall bear interest at the rate specified in the Note.

5.07 Uses. MAKER REPRESENTS AND WARRANTS TO THE BENEFICIARY(S)THAT THE SUMS BORROWED PURSUANT TO THE TERMS OF THE NOTE ARE BEING USED FOR BUSINESS, INVESTMENT, COMMERCIAL OR AGRICULTURAL PURPOSES AND NOT FOR FAMILY, HOUSEHOLD OR PERSONAL PURPOSES.

5.08 "Person" Defined. As used in this Trust Deed, the word "person" shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

See Exhibit "A" Rider to Deed of Trust, attached hereto and made a part hereof by this reference.

KEVIN E. HANEY

KATHY L. HANEY

STATE OF OREGON, COUNTY OF Deschutes) SS.

This instrument was acknowledged before me on 1 - 27 - 14, by KEVIN E. HANEY AND KATHY L. HANEY as his/her/their voluntary act and deed.

C Beith

(Notary Public for Oregon)

My commission expires 3-2-15

OFFICIAL SEAL
COURTNEY R BEITH
NOTARY PUBLIC-OREGON
COMMISSION NO. A455901
MY COMMISSION EXPIRES MARCH 02, 2015

Exhibit "A"
Rider to Deed of Trust
Assignment of Leases and Rents

(1) **Absolute Assignment**: Grantor hereby absolutely and unconditionally grants, transfers, conveys, sells, sets over and assigns to Lender all of Grantor's right, title and interest now existing and hereafter arising in and to the leases, subleases, concessions, licenses, franchises, occupancy agreements, tenancies, subtenancies and other agreements, either oral or written, now existing and hereafter arising which affect the Property, Grantor's interest therein or any improvements located thereon, together with any and all security deposits, guaranties of the lessees' or tenants' obligations (including any and all security therefore) and other security under any such leases, subleases, concessions, licenses, franchises, occupancy agreements, tenancies, subtenancies and other agreements (all of the foregoing, and any and all extensions, modifications and renewals thereof, shall be referred to, collectively, as the "Leases"), and hereby gives to and confers upon Lender the right to collect all the income, rents, issues, profits, royalties and proceeds from the Leases and any business conducted on the Property and any and all prepaid rent and security deposits thereunder (collectively, the "Rents"). This Security Instrument is intended by Lender and Grantor to create and shall be construed to create an absolute assignment to Lender of all Grantor's right, title and interest in and to the Leases and the Rents and shall not be deemed merely to create a security interest there in for the payment of any indebtedness or the performance of any obligations under the Promissory Note and/or Security Instrument. Grantor irrevocably appoints Lender its true and lawful attorney at the option of Lender at any time to demand, receive and enforce payment, to give receipts, releases and satisfactions and to sue, either in the name of Grantor or in the name of Lender, for all such Rents and apply the same to the obligations secured by this Security Instrument.
In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

(2) **Revocable License to Collect**: Notwithstanding the foregoing assignment of Rents, so long as no Event of Default (as defined in the Security Agreement) remains uncured, Grantor shall have a revocable license, to collect all rents, and to retain the same. Upon any Event of Default, Grantor's license to collect and retain Rents shall terminate automatically and without the necessity for any notice.

(3) **Duties of Grantor:** Grantor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Grantor will not collect in advance any Rents due in future lease periods, unless Grantor first obtains Lender's written consent. Amounts collected will be applied at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Grantor agrees that this Security Instrument is immediately effective between Grantor and Lender. This Security Instrument will remain effective during any statutory redemption period until the Secured Debts are satisfied.

(4) **Warranties Given to Lender by Grantor:** As long as this Assignment is in effect, Grantor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, license and landlords and tenants. Grantor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the

Leases and any applicable law. If Grantor or any party to the Lease defaults or fails to observe any applicable law, Grantor will promptly notify lender. If Grantor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance. Grantor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Grantor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Grantor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases.

(5) **Collection and Application of Rents by Lender:** While any Event of Default remains uncured: a) Lender may at any time, without notice, in person, by agent or by court-appointed receiver, and without regard to the adequacy of any security for the obligations secured by this Security Instrument, enter upon any portion of the Property and/or, with our without taking possession thereof, in its own name sue for or otherwise collect Rents (including past due amounts); and (b) without demand by Lender therefore, Borrower shall promptly deliver to Lender all prepaid rents, deposits relating to Leases or Rents, and all other Rents then held by or thereafter collected by Grantor, whether prior to or during the continuance of any Event of Default. Any Rents collected by or deliver to Lender may be applied by Lender against the obligations secured by this Security Instrument, less all expenses, including attorneys' fees and disbursements, in such order as Lender shall determine in its sole and absolute discretion. No application of Rents against any obligation secured by this Security Instrument or other action taken by Lender under this Assignment of Leases and Rents shall be deemed or construed to cure or waive any Event of Default, or to invalidate any other action taken in response to such Event of Default, or to make Lender a mortgagee-in-possession of the Property.

(6) **Direction to Tenants:** Grantor hereby irrevocably authorizes and directs the tenants under all Leases to pay all amounts owing to Grantor thereunder to Lender following receipt of any written notice from Lender that states that an Event of Default remains uncured and that all such amounts are to be paid to Lender. Grantor further authorizes and directs all such tenants to pay all such amounts to Lender without any right or obligation to inquire as to the validity of Lender's notice and regardless of the fact that Borrower has notified any such tenants that Lender's notice is invalid or has directed any such tenants not to pay such amounts to Lender.

KEVIN E. HANEY

KATHY L. HANEY

EXHIBIT "B"
Exceptions from Title Report

An easement created by instrument, subject to the terms and provisions thereof,

Dated:	May 29, 1963
Recorded:	July 31, 1963
Volume:	347, page 76, Deed Records of Klamath County, Oregon
From:	Harold D. Barclay and Dorothy Barclay
To:	Fred L. Mahn

The effects, if any, of an Easement Termination, subject to the terms and provisions thereof;

Recorded:	July 25, 2002
Volume:	M02-41920, Microfilm Records of Klamath County, Oregon

Covenants, conditions and restrictions as shown on recorded plat of Tract No. 1204, Little River Ranch. Reference is made to said plat for particulars.

Subject to Restrictions as contained in instrument recorded in M81 at page 9485, Microfilm Records of Klamath County, Oregon.

Covenants, conditions and restrictions, but omitting restrictions, if any, based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons, subject to the terms and provisions thereof,

Recorded:	May 28, 1981
Volume:	M81 at page 9488, Microfilm Records of Klamath County, Oregon.

Said covenants, conditions and restrictions contain among other things provisions for levies and assessments of the Little River Ranch Homeowners Association.

Reservations and restrictions as contained in Contract of Sale; subject to the terms and provisions thereof;

Dated:	August 24, 1973
Recorded:	February 22, 1982
Volume:	M82, page 2182, Microfilm Records of Klamath County, Oregon
Vendor:	Kenneth D. Stevens and Louie Alacano
Vendee:	D. D. S. a professional corporation as to an undivided 1/2 interest and Ronald D. Rohlfing and Twilla M. Rohlfing, as to an undivided 1/2 interest

Agreement RE Line Extensions, subject to the terms and provisions thereof;

Dated:	April 16, 1981
Recorded:	May 1, 1984
Volume:	M84, page 7181, Microfilm Records of Klamath County, Oregon
Between:	Midstate Electric Cooperative, Inc. and Little River Ranch

The By-Laws, subject to the terms and provisions thereof, of Little River Ranch;

Recorded:	June 26, 2003
Volume:	M03, page 43829, Microfilm Records of Klamath County, Oregon