

199274AM

2017-012960

Klamath County, Oregon

11/09/2017 03:18:01 PM

Fee: \$92.00

NO CHANGE IN TAX STATEMENT

GRANTOR:

McKenzie Land and Timber, LLC

TRUSTEE:

Jeffrey A. Mornarich, Attorney at Law

BENEFICIARY:

Douglas County Forest Products

AFTER RECORDING, RETURN TO:

Jeffrey A. Mornarich

Attorney at Law

810 SE Douglas Ave.

Roseburg, OR 97470

**TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING**

THIS TRUST DEED is made on Nov 8, 2017, by McKenzie Land and Timber, LLC, whose address is PO Box 817, Pleasant Hill, OR 97495, ("Grantor"), Jeffrey A. Mornarich, Attorney at Law, whose address is 810 SE Douglas Avenue, Roseburg, Oregon 97470, ("Trustee"), and Douglas County Forest Products, whose address is PO Box 848, Winchester, OR 97495, ("Beneficiary").

WHEREAS, Beneficiary has made a loan to Grantor in the sum of \$151,500.00, which loan is to be evidenced by a Log Sale Agreement and Promissory Note the same date as this Trust Deed. The loan, if not sooner paid, is due and payable in full on February 10, 2018, (the Log Sale Agreement and Promissory Note, as they may be modified, extended, or replaced from time to time, are collectively referred to herein as the "Note" and the "Obligations"); and

WHEREAS, as a condition to making the loan to Grantor, Beneficiary has required, and Grantor has agreed to provide, this Trust Deed.

NOW, THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.1 below, Grantor hereby irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of Beneficiary, with power of sale, all Grantor's right, title, and interest in and to the real property located in Klamath County, Oregon, and more particularly described in Exhibit A attached hereto and incorporated herein, together with (1) all dwellings and other improvements now or hereafter located on the property, (2) all easements, tenements, hereditaments, and appurtenances relating to it, (3) all awards for any taking of all or any portion of it, (4) all insurance proceeds for any damage to it and (5) all timber, logs, poles, piling and other forest products lying or standing on the real property described in Exhibit A and the products and proceeds thereof (collectively, the "Trust Property").

TO HAVE AND TO HOLD the Trust Property to Trustee and its successors and assigns for the benefit of Beneficiary and its successors and assigns until all the Obligations are paid, performed, and satisfied in full, at which time the lien and estate hereby granted will be reconveyed.

This Trust Deed, the Note, and all other agreements executed at any time in connection with them, as they may be amended or supplemented from time to time, are sometimes collectively referred to as the "Loan Documents."

TO PROTECT THE SECURITY OF THIS TRUST DEED, GRANTOR COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I
PARTICULAR COVENANTS AND WARRANTIES OF GRANTOR

1.1 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, the Log Sale Agreement, this Trust Deed, and the other Loan Documents, whether payment and performance is now due or becomes due in the future (collectively, the "Obligations").

1.2 Payment and Performance. Grantor will pay and perform all the Obligations when due.

1.3 Property. Grantor warrants that it holds good and merchantable title to the Trust Property, free and clear of all liens, encumbrances, reservations, restrictions, easements, and adverse claims except those specifically listed in Exhibit B attached hereto. Grantor covenants that it will 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.

1.4 Further Assurances. Grantor will execute, acknowledge, and deliver, from time to time, any further instruments that Beneficiary or Trustee may require to accomplish the purposes of this Trust Deed.

1.5 Compliance with Laws. Grantor represents, warrants, and covenants that the Trust Property is currently in material compliance with, and will at all times be maintained in material compliance with, all applicable laws and all covenants, conditions, easements, and restrictions affecting the Trust Property.

1.6 Environmental Compliance

(1) For purposes of this section, *Environmental Law* means any federal, state, or local law or regulation now or hereafter at any time pertaining to Hazardous Substances or environmental conditions. For purposes of this section, *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 on, under, or about the Trust Property or the groundwater thereof any Hazardous Substance and will not permit any other person to do so, except for storage and use of Hazardous Substances (and in such quantities) as may commonly be used for household purposes, as long as those substances are stored and used in compliance with all Environmental Laws. Grantor will keep and maintain the Trust Property in compliance with all Environmental Laws.

(3) Beneficiary will have the rights to participate in any legal proceeding initiated with respect to the Trust Property in connection with any Environmental Law and to have its attorney fees paid by Grantor. If, at any time, Beneficiary has reason to believe that any violation of this Section 1.6 has occurred or is threatened, Beneficiary may require Grantor to obtain or may itself obtain, at Grantor's expense, an environmental assessment by a qualified environmental consultant. Grantor will promptly provide to Beneficiary a complete copy of any environmental assessment obtained by Grantor.

(4) If any investigation, monitoring, containment, cleanup, or other remedial work of any kind is required on the Trust Property under any applicable Environmental Law or by any governmental agency or person in connection with a release of a Hazardous Substance, Grantor will promptly complete all that work at Grantor's expense.

(5) All representations, warranties, and covenants in this Section 1.6 are to survive the satisfaction of the Obligations, the reconveyance of the Trust Property, or the foreclosure of this Trust Deed.

1.7 Maintenance and Improvements. Grantor will not permit the Trust Property or any part of it to be removed, demolished, or materially altered without Beneficiary's prior written consent. Grantor will maintain the Trust Property, and every portion of it, in good repair and condition, except for reasonable wear and tear, and will at Beneficiary's election restore, replace, or rebuild the Trust Property or any part of it now or hereafter damaged or destroyed by any casualty (whether or not insured against or insurable) or affected by any Condemnation (as defined in Section 2). Grantor will not commit or suffer any waste or strip of the Trust Property.

1.8 Liens. Grantor will pay when due all claims for labor and materials that, if unpaid, might become a lien on the Trust Property. Grantor will not create or suffer any lien, security interest, or encumbrance on the Trust Property that may be prior to, or on a parity with, the lien of this Trust Deed, except as specifically provided in Exhibit B attached hereto.

1.9 Impositions. Grantor will pay when due all taxes, assessments, fees, and other governmental and nongovernmental charges of every nature now or hereafter assessed against any part of the Trust Property or on the lien or estate of Beneficiary or Trustee therein (collectively, the "Impositions"); however, if by law any such Imposition may

be paid in installments, Grantor may pay the same in installments, together with accrued interest on the unpaid balance thereof, as they become due. Grantor will furnish to Beneficiary promptly on request satisfactory evidence of the payment of all Impositions. Beneficiary is hereby authorized to request and receive from the responsible governmental and nongovernmental personnel written statements with respect to the accrual and payment of all Impositions.

1.10 Limitations of Use. Grantor will not initiate or consent to any replatting, partitioning, or rezoning of the Trust Property or any change in any covenant or other public or private restrictions limiting or defining the uses that may be made of the Trust Property without the prior written consent of Beneficiary.

1.11 Insurance

(1) *Property and Other Insurance.* Grantor will obtain and maintain during the term of this Trust Deed Basic Form property insurance and flood insurance, unless waived by Beneficiary, 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 the Trust Property, without reduction for coinsurance.

(2) *Insurance Companies and Policies.* All insurance must (a) be written by a company or companies reasonably acceptable to Beneficiary, (b) contain a long-form mortgagee endorsement in favor of Beneficiary with proceeds under any policy payable to Beneficiary, subject to the terms of this Trust Deed, (c) require 10 days' prior written notice to Beneficiary of cancellation or reduction in coverage, and (d) contain a waiver of subrogation. Grantor will furnish to Beneficiary on request a certificate evidencing the coverage required under this Trust Deed and a copy of each policy.

1.12 Casualty/Loss Restoration

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

(2) All insurance proceeds with respect to the Trust Property must be payable to Beneficiary. At Beneficiary's discretion, insurance proceeds may be applied to the Obligations or may be released to Grantor, on any terms and conditions that Beneficiary elects, for restoration of the Trust Property.

1.13 Actions to Protect Trust Property; Reserves

(1) If Grantor fails to pay, perform, or observe any of its covenants hereunder, Beneficiary may, but will not be required to, take any actions it deems appropriate to remedy the failure. All sums, including reasonable attorney fees, so expended, or expended to maintain the lien or estate of this Trust Deed or its priority, or to protect or enforce any of Beneficiary's rights hereunder, will be a lien on the Trust Property, will be secured by this Trust Deed, and will 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 will impair any other right or remedy available to Beneficiary or constitute a waiver of any Event of Default. The following notice is provided pursuant to ORS 746.201(1):

WARNING:

Unless Grantor provides Beneficiary with evidence of the insurance coverage required by the Note, 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 Trust Property becomes damaged, the coverage Beneficiary purchases may not pay any claim Grantor makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained property coverage elsewhere.

Grantor is responsible for the cost of any insurance purchased by Beneficiary. The cost of this insurance may be added to Grantor's loan balance. If the cost is added to Grantor's loan balance, the interest rate on the underlying loan will apply to this added amount. 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 can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

(2) If Grantor fails to promptly perform any of its obligations under Section 1.9 or 1.11 of this Trust Deed, Beneficiary may require Grantor thereafter to pay and maintain with Beneficiary reserves for paying those obligations. In

that event, Grantor will pay to Beneficiary each month a sum estimated by Beneficiary to be sufficient to produce, at least 20 days before due, an amount equal to the Impositions, insurance premiums, or both. If the sums so paid are insufficient to satisfy any Imposition or insurance premium when due, Grantor will pay any deficiency to Beneficiary on demand. The reserves may be commingled with Beneficiary's other funds. Beneficiary will credit to Grantor interest on those reserves at the minimum rate required from time to time by applicable law. Beneficiary will not hold the reserves in trust for Grantor, and Beneficiary will not be the agent of Grantor for payment of the taxes and assessments required to be paid by Grantor.

1.14 Estoppel Certificates. Grantor, within five days of request therefor, will furnish to Trustee and Beneficiary a written statement, duly acknowledged, of the amount of the Obligations secured by this Trust Deed and whether any offsets or defenses exist against the Obligations secured hereby. If Grantor fails to furnish this statement within the time allowed, Beneficiary will be authorized, as Grantor's attorney-in-fact, to execute and deliver the statement.

ARTICLE II CONDEMNATION

If the Trust Property or any part of it is taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding, or in any other manner (a "Condemnation"), or if Grantor receives any notice or other information regarding such action, Grantor will give immediate notice thereof to Beneficiary. Beneficiary will be entitled to all compensation, awards, and other payments or relief therefor ("Condemnation Proceeds") up to the full amount of the Obligations, and may appear in any Condemnation proceeding in its own or Grantor's name and make any settlement in connection therewith. Beneficiary may, at its option, apply the Condemnation Proceeds to the Obligations or release the proceeds to Grantor, on any terms and conditions that Beneficiary elects, for restoration of the Trust Property.

ARTICLE III LEASES AND RENTS

3.1 Assignment of Leases and Rents. Grantor assigns to Beneficiary all leases, rental contracts, and other agreements now or hereafter relating to the Trust Property or any portion of it (the "Leases") and all rents and income derived from them (the "Rents"). Beneficiary will have the right, but will not be obligated, after the occurrence of an Event of Default, to notify any and all obligors under any of the Leases that the same have been assigned to Beneficiary; to discount, compromise, enforce, and collect the Leases and Rents; and to exercise any and all other rights and remedies of the lessor in connection with any of the Leases and Rents. Beneficiary will have the right to use and apply any Rents received (1) for any costs and expenses incurred in connection with enforcing this assignment and collecting Rents, (2) for maintaining the Trust Property, and (3) for reducing the Obligations in any order determined by Beneficiary. Beneficiary hereby gives Grantor a revocable license to collect and receive the Rents. This license may be revoked by Beneficiary, without notice to Grantor, on the occurrence of any Event of Default under this Trust Deed. Grantor agrees not to collect any Rents more than 30 days in advance. This assignment will not operate to place responsibility for the care, maintenance, or repair of the Trust Property on Beneficiary.

3.2 Attorney-in-Fact. Grantor irrevocably constitutes and appoints Beneficiary as its true and lawful attorney-in-fact, with power of substitution, to exercise any and all of the rights, powers, and authorities described in this Article III and to endorse any instruments given in payment of any Rents.

ARTICLE IV SECURITY AGREEMENT AND FIXTURE FILING

To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in all fixtures located on the Trust Property including all timber, logs, poles, piling and other forest products lying or standing on the real property described in Exhibit A and the products and proceeds thereof. This Trust Deed constitutes a security agreement and fixture filing under the Uniform Commercial Code statutes of the state of Oregon. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the cover sheet of this Trust Deed.

ARTICLE V
EVENTS OF DEFAULT AND REMEDIES

5.1 Events of Default. Each of the following events will constitute an Event of Default under this Trust Deed and under each of the other Loan Documents:

- (1) *Nonpayment.* Grantor's failure to pay any of the Obligations on or within 15 days after the due date.
- (2) *Breach of Other Covenants.* Grantor's failure to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in the Note, in this Trust Deed, or in any other Loan Document.
- (3) *Misinformation.* Falsity when made in any material respect of any representation, warranty, or information furnished by Grantor or its agents to Beneficiary in connection with any of the Obligations.
- (4) *Other Default.* The occurrence of any other event of default under the Note, the Loan Documents, or any of the other Obligations.
- (5) *Other Indebtedness, Secondary Financing.* Grantor's default beyond applicable grace periods in paying any other indebtedness secured by all or any portion of the Trust Property.
- (6) *Bankruptcy.* The occurrence of any of the following with respect to Grantor, any guarantor of the Obligations, or the then-owner of the Trust Property: (a) the appointment of a receiver, liquidator, or trustee for any such party or any of its properties, (b) adjudication as a bankrupt or insolvent, (c) the filing of any petition by or against any such party under any state or federal bankruptcy, reorganization, moratorium, or insolvency law, (d) inability to pay debts when due, or (e) any general assignment for the benefit of creditors.
- (7) *Transfer; Due-on-Sale.* Any sale, gift, conveyance, contract for conveyance, transfer, or assignment of the Trust Property, or any part of it or any interest in it, either voluntarily, involuntarily, or by the operation of law (a "Transfer"), without Beneficiary's prior written consent. Any lease for a term in excess of three years, and any lease containing an option to purchase the Trust Property or any portion of it, will be a Transfer. The provisions of this subsection (7) will apply to each and every Transfer, regardless of whether or not Beneficiary has consented or waived its rights in connection with any previous Transfer. Beneficiary may attach any conditions to its consent under this subsection that 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 administrative and legal fees and costs incurred by Beneficiary.

5.2 Remedies in Case of Default. If an Event of Default occurs, Beneficiary or Trustee, as the case may be, 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) *Rents.* Beneficiary may revoke Grantor's right to collect the Rents, and may collect the Rents. Beneficiary will not be deemed to be in possession of the Trust Property solely by reason of exercise of the rights contained in this subsection (2).
- (3) *Power of Sale.* Beneficiary may direct Trustee, and Trustee will be empowered, to foreclose this Trust Deed by advertisement and sale under applicable law.
- (4) *Foreclosure.* Beneficiary may judicially foreclose this Trust Deed and obtain a judgment foreclosing Grantor's interest in all or any part of the Trust Property.
- (5) *Fixtures and Personal Property.* With respect to any fixtures or other 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.
- (6) *Action on Note.* Beneficiary may elect to forgo its rights under this Trust Deed and to bring a legal action to obtain a judgment on the Note.

5.3 Sale. In any sale under this Trust Deed or pursuant to any judgment, the Trust Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in any order elected by Beneficiary. The purchaser at any such sale will take title to the Trust Property or the part of it so sold, free and clear of the estate of Grantor, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, may purchase at any such sale. Beneficiary is hereby irrevocably appointed Grantor's attorney-in-fact, with power of substitution, to make all appropriate transfers and deliveries of the Trust Property or any

portions of it so sold. Nevertheless, Grantor will ratify and confirm any such sale or sales by executing and delivering to Beneficiary or to such purchaser or purchasers all such instruments requested by Beneficiary for such purpose.

5.4 Cumulative Remedies. Except as provided by applicable law, all remedies under this Trust Deed are cumulative and any election to pursue one remedy will not preclude the exercise of any other remedy. No delay or omission in exercising any right or remedy will impair the full exercise of that or any other right or remedy or constitute a waiver of any Event of Default.

5.5 Application of Proceeds. All proceeds from the exercise of the rights and remedies under this Article V will be applied as follows: (1) to costs of exercising those rights and remedies, (2) to the Obligations, in any order determined by Beneficiary in its sole discretion, and (3) the surplus, if any, will be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled to it.

ARTICLE VI GENERAL PROVISIONS

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

6.2 Reconveyance by Trustee. At any time on the request of Beneficiary, payment of Trustee's fees, if any, 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 Trust Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts will be conclusive proof of the truthfulness of them.

6.3 Notice. Except as otherwise provided in this Trust Deed, all notices must be in writing and may be delivered by hand, or mailed by first-class certified mail, return receipt requested, postage prepaid, and addressed to the appropriate party at its address set forth at the outset of this Trust Deed. Any party may change its address for receiving notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph will be deemed to have been given on the date of mailing; notices given by hand will be deemed to have been given when actually received.

6.4 Substitute Trustee. Beneficiary may substitute at any time one or more trustees to execute the trust hereby created, and the new trustee(s) will succeed to all the powers and duties of the prior trustee(s).

6.5 Trust Deed Binding on Successors and Assigns. This Trust Deed is binding on and inures to the benefit of the heirs, legatees, personal representatives, successors, and assigns of Grantor, Trustee, and Beneficiary.

6.6 Indemnity. Grantor will, to the fullest extent allowed by law, hold Beneficiary and Trustee and, if either is a corporation or other legal entity, their respective directors, officers, employees, agents, and lawyers harmless from and indemnify them for any and all claims, demands, damages, liabilities, and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Trustee's or Beneficiary's interests and rights under this Trust Deed.

6.7 Expenses and Attorney Fees. Grantor will pay all fees, expenses, taxes, assessments, and charges arising out of or in connection with the execution, delivery, and recording of this Trust Deed. If Beneficiary refers any of the Obligations to a lawyer for collection or seeks legal advice after 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 Trust Property (including but not limited to bankruptcy, eminent domain, or probate proceedings), and Beneficiary employs a lawyer to appear in any such proceeding or to seek relief from a judicial or statutory stay, or otherwise to enforce Beneficiary's interests, then Grantor will pay reasonable attorney fees, costs, and expenses incurred by Beneficiary in connection with the above-mentioned events and any appeals. Those amounts will be secured by this Trust Deed and, if not paid on demand, will bear interest at the rate specified in the Note.

6.8 Applicable Law. This Trust Deed will be governed by the laws of the state of Oregon.

6.9 Person Defined. As used in this Trust Deed, the word *person* means any natural person, partnership, trust, corporation, or other legal entity of any nature.

6.10 Severability. If any provision of this Trust Deed is held to be invalid, illegal, or unenforceable, the other provisions of this Trust Deed will not be affected.

6.11 Entire Agreement. This Trust Deed contains the entire agreement of the parties with respect to the Trust Property. No prior agreement or promise made by any party to this Trust Deed that is not contained in this Trust Deed will be binding or valid.

6.12 Joint and Several Liability. If this Trust Deed is executed by two or more persons as Grantor, all those persons will be liable, jointly and severally, for paying all sums and performing all other covenants in this Trust Deed.

6.13 Standard for Discretion. If this Mortgage is silent on the standard for any consent, approval, determination, or similar discretionary action, the standard will be sole and unfettered discretion as opposed to any standard of good faith, fairness, or reasonableness.

GRANTOR
McKenzie Land and Timber, LLC

By: Cyfr
Title: Manager

STATE OF OREGON)
County of Clatsop) ss.

On 11-8, 2017, before me personally appeared Cacey L Jones Jr, who being duly sworn, stated that he is the Manager of McKenzie Land and Timber, LLC, an Oregon limited liability company, and acknowledged the foregoing instrument to be the voluntary act and deed of the corporation, executed by authority of its board of directors.



[Signature]
Notary Public for Oregon
My commission expires: 9-28-20

EXHIBIT "A"

NE1/4 of the SW1/4, N1/2 of the SE1/4, and SW1/4 of the SE1/4 of Section 4, Township 25 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.