

LINE OF CREDIT MORTGAGE
(Multiple Credit Accommodations)



THIS DEED OF TRUST, Made this 26 day of April, 1989, between POWER TRANSMISSION PRODUCTS, INC. AN OREGON CORPORATION FORMERLY KNOWN AS GENERAL BEARING CO. dba CASCADE INDUSTRIAL SUPPLY, as Grantor(s),
1233 N.W. 12th, Portland, Oregon 97209, (Address),
FOUNTAIN TITLE COMPANY, as Trustee,
407 Main, Klamath Falls, Oregon 97601, (address),
and KEY BANK OF OREGON, a state banking corporation, as Beneficiary.

In order to secure to Beneficiary payment and performance of the Indebtedness, as defined below, Grantor irrevocably grants and conveys to Trustee in trust, with power of sale, the following property, not currently used for agricultural, timber or grazing purposes, in Klamath County, Oregon:
LOTS 21A, 21B, 21C, 22A, 22B, 23A, 23B and 24B all in Block 7 RAILROAD ADDITION TO THE CITY OF KLAMATH FALLS ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON. AKA 651 MARKET, KLAMATH FALLS, OREGON 97601
together with all appurtenances, and all existing or subsequently erected or affixed improvements or fixtures, all of which is collectively referred to as the "Property."

This Deed of Trust is given in consideration of a loan, extension of credit or other financial accommodation in or up to the principal amount of ONE MILLION THREE HUNDRED THOUSAND DOLLARS & NO/100's DOLLARS

(\$ 1,300,000.00) made or made available by Beneficiary to PORTLAND IRON WORKS, POWER TRANSMISSION PRODUCTS, INC. AND P.T.W. INDUSTRIES, INC. (the "Borrower").

The term "Indebtedness" as used in this Deed shall mean:

(a) (check as applicable)

- ☐ i. Construction loan up to the principal amount of \$ _____ evidenced by a note dated _____, 19 ____;
- ☒ ii. Term loan in the principal amount of \$ 1,300,000.00 evidenced by a note dated _____, 19 ____;
- ☐ iii. Line of credit or similar arrangement up to the principal amount of \$ _____ (in which case the estate hereby conveyed need not be reconveyed until such arrangement has been terminated);
- ☐ iv. A guaranty agreement dated _____, 19 _____, executed by _____ as Guarantor, in favor of Beneficiary in respect of certain indebtedness of _____;
- ☐ v. Other (describe): _____

(b) All extensions, renewals, amendments and modifications to all or any part of the foregoing, (c) the performance of the terms and conditions, representations and warranties of this Deed, and under all agreements executed in connection with the Indebtedness, (d) any future amounts not provided for in (a) which Beneficiary may hereafter loan to Grantor or Borrower, and (e) any sums paid or advanced by Beneficiary to discharge obligations of Grantor as permitted under this Deed pursuant to Paragraph 6.

The final maturity of the indebtedness is April 26, 1999

1. POSSESSION AND MAINTENANCE OF THE PROPERTY.

(a) Unless in default, Grantor shall remain in possession and control of the Property and, to the extent that the Property consists of commercial improvements, shall be free to operate and manage the Property and to receive the proceeds of operation. If the Property is used as a farm or orchard, Grantor shall cultivate or otherwise operate the Property according to good husbandry. Grantor shall maintain the Property in good condition at all times, and shall promptly make all necessary repairs, replacements and renewals so that the value of the Property shall be maintained, and shall not commit or permit any waste on the Property. Grantor shall not demolish or remove any improvements from the Property without the written consent of Beneficiary. Grantor shall comply with all laws, ordinances, regulations and private restrictions affecting the Property. Grantor shall indemnify, defend and save harmless Beneficiary from any liability to which Beneficiary may become subject arising from environmentally hazardous conditions existing upon the Property, including, without limitation, the manufacturing, use, processing, storage or disposal of environmentally hazardous substances while the Property is in Grantor's ownership.

(b) To the extent that the Property constitutes commercial property, Grantor shall operate the Property in such manner as to prevent deterioration of the land and improvements, including fences, except for reasonable wear and tear from proper use.

(c) Upon notice to Grantor, Beneficiary may make or cause to be made reasonable entries upon the Property for the purpose of inspecting it.

2. COMPLETION OF CONSTRUCTION.

If some or all of the proceeds of the Indebtedness are to be used to construct or complete construction of any improvement on the Property, the improvement shall be completed on or before the time specified in the written agreement relating to such construction or, if there is no such written agreement, then nine (9) months from the date of this Deed, and Grantor shall pay in full all costs and expenses in connection with such construction.

3. TAXES AND LIENS.

(a) Grantor shall pay, before they become delinquent, all taxes and assessments levied against or on account of the Property, and shall pay, as they become due, all claims for work done, services rendered, or material furnished to the Property, and shall, on written request of Beneficiary, evidence such payment by promptly furnishing Beneficiary with receipts therefor. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Beneficiary under this Deed, except for the lien of taxes and assessments not delinquent and except as next provided in Paragraph 3(b).

(b) Grantor may withhold payment of any tax, assessment, or claim in connection with a good-faith contest over the obligation to pay, so long as Beneficiary's interest in the Property is not jeopardized thereby. If, as a result of such a contest, a lien arises or is filed, or, if a lien arises or is filed because of nonpayment for any reason, Grantor, within fifteen (15) days after the lien arises or, if filed, within fifteen (15) days after Grantor has notice of the filing, shall secure the discharge of the lien, or deposit with Beneficiary cash or a corporate surety bond in an amount sufficient to discharge the lien plus any costs, attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien, or deposit with Beneficiary such other security as Beneficiary shall, in its sole discretion, deem satisfactory.

(c) The assessor or tax collector of the county in which the Property is located is authorized to deliver to Beneficiary a written statement of the property taxes assessed or owing at any time and any other charges or assessments collected by or through the office of the tax collector.

4. INSURANCE.

(a) Grantor shall carry such insurance as Beneficiary may reasonably require. This shall include insurance on the Property against fire, additional risks covered by a standard endorsement for extended coverage, and such other risks as may be specified by Beneficiary, including, without limitation, war risks. Insurance on the property shall be carried in companies and under policies approved by Beneficiary and shall be for an amount not less than the remaining unpaid portion of the Indebtedness and any further amount required to comply with any coinsurance provision of the policy.

(b) All policies of insurance on the Property shall bear a standard mortgagee's endorsement, in form satisfactory to Beneficiary, making loss payable to Beneficiary and shall be deposited with Beneficiary so long as any indebtedness remains due hereunder. In the event of loss, Grantor shall immediately notify Beneficiary, who may make proof of loss if it is not made promptly by Grantor. Proceeds shall be paid directly to Beneficiary, who may compromise with any insurance company and make a final settlement which shall be binding upon Grantor. Beneficiary may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration or repair of the Property. Any reductions of the Indebtedness arising from such application shall not extend or postpone the due date of any scheduled payment required pursuant to the Indebtedness nor change the amount of such payments.

(c) At least thirty (30) days prior to the expiration of any policy, a satisfactory renewal or substitute policy shall be secured by Grantor.

(d) In the event Beneficiary acquires the property pursuant to Paragraph 17 hereof, all right, title and interest of Grantor in and to any insurance policies and in and to the proceeds thereof resulting from damage to the property prior to the sale or acquisition shall pass to Beneficiary to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

(e) In the event the Property has been submitted to unit ownership pursuant to the Oregon Unit Ownership Law, or pursuant to any similar law of any other state, or is part of a planned unit development, the insurance described in Paragraph 4(a) may be carried by the association of unit owners in Grantor's behalf, and the proceeds of such insurance may be paid to the association of unit owners for the purpose of repairing or reconstructing the Property. If not so used by the association, such proceeds shall be paid to Beneficiary.

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5. RESERVES; MORTGAGE INSURANCE PREMIUMS.

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(a) Beneficiary may, from time to time as permitted by law, require Grantor to maintain reserves for payment of taxes (including special assessments and other charges against the Property by governmental or quasi-governmental bodies) or premiums on insurance or both. The reserves shall be created by payment each month to Beneficiary of an amount determined by Beneficiary to be sufficient to produce, at least thirty (30) days before they are due, amounts equal to or in excess of the taxes or insurance premiums to be paid. If, at the time payments are to be made and the reserve for either taxes or insurance premiums is insufficient, Grantor shall upon demand pay such additional sum as Beneficiary shall determine to be necessary to cover the required payment. Whenever Beneficiary shall require such reserves to be maintained, interest thereon shall be paid, if required by law, in the amount provided by such law.

(b) If Beneficiary carries insurance covering the repayment of all or any part of the Indebtedness, the premiums for such insurance shall be paid by Grantor, and Beneficiary may require Grantor to maintain a reserve for such purpose in the same manner as for taxes and insurance.

(c) If Grantor desires to carry a package plan of insurance that includes coverage in addition to that required under this Deed, Beneficiary may, at its option, establish and administer a reserve for that purpose. In such event, the premium attributable to the required insurance coverage shall be quoted separately, and Beneficiary may permit Grantor to furnish a certificate of insurance rather than deposit the policy as required in Paragraph 4(b). If, at any time Beneficiary holds an insufficient amount in the insurance reserve to cover the premium for the entire package policy, Beneficiary may, at its discretion, pay only that portion of the premium attributable to the required insurance coverage. Beneficiary may, from time to time, establish reasonable service charges for collection and disbursement of premiums on package plan insurance.

6. EXPENDITURES BY BENEFICIARY.

If Grantor shall fail to comply with any provision of this Deed, Beneficiary may, at its option, take the required action, and any amount that it expends in so doing shall be added to the Indebtedness. Amounts so added shall be payable on demand with interest from the date of expenditure at the rate on the loan, extension of credit or other financial accommodation specifically described adjacent to a check box above in the definition of the term "Indebtedness." The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Beneficiary may be entitled on account of the default, and Beneficiary shall not, by taking the required action, cure the default so as to bar it from any remedy that it otherwise would have had.

7. LATE PAYMENT PENALTY.

If any payment of any installment indebtedness secured hereby is late by fifteen (15) days or more, the Beneficiary may charge a penalty of up to five (5) cents for each dollar of payment of principal and interest so in arrears to cover the extra expense involved in handling delinquent payments. Collection of a late payment charge shall not constitute a waiver of or prejudice the Beneficiary's right to pursue any other right or remedy available on account of the delinquency.

8. EXTENSION OR RENEWAL OF INDEBTEDNESS.

Beneficiary may, in its sole discretion, extend or renew any of the Indebtedness on such terms and conditions as Beneficiary may, in its sole discretion, determine. In the event of any such extension or renewal, the Indebtedness shall continue to be secured by this Deed.

9. WARRANTY; DEFENSE OF TITLE.

Grantor warrants that Grantor holds title to the Property in fee simple free of all encumbrances other than those enumerated in the title policy, if any, issued for the benefit of Beneficiary in connection with this transaction and accepted by Beneficiary. Subject to the exceptions in such policy, Grantor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this Deed, Grantor shall defend the action at Grantor's expense.

10. CONDEMNATION.

If all or any part of the Property is condemned, Beneficiary may, at its election, apply all or any portion of the net proceeds of the award on the Indebtedness, and the proceeds of any award or claim for damages, direct or consequential, are hereby assigned to and shall be paid to Beneficiary for such purpose. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Grantor, Beneficiary and Trustee in connection with the condemnation. If proceedings in condemnation are filed covering all or any part of the Property, Grantor shall promptly notify Beneficiary thereof and take such steps as may be necessary to defend the action and obtain the highest legal award therefor. Unless Grantor and Beneficiary shall otherwise agree in writing, any application of proceeds or damages to principal pursuant to this paragraph shall not extend or postpone the due date of any scheduled payments required pursuant to the Indebtedness or change the amount thereof.

11. IMPOSITION OF TAX BY STATE.

(a) The following shall constitute state taxes to which this paragraph applies:

- (1) A specific tax upon deeds of trust or upon all or any part of an indebtedness secured by a deed of trust.
- (2) A specific tax on a grant or which the taxpayer is authorized or required to deduct from payments on an indebtedness secured by a deed of trust.
- (3) A tax on a deed of trust chargeable against a beneficiary or the holder of an indebtedness.
- (4) A specific tax on all or any portion of an indebtedness or on payments of principal and interest made by a grantor.

(b) If any state tax to which this paragraph applies is enacted subsequent to the date of this Deed of Trust, this shall have the same effect as a default, and Beneficiary may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

- (1) Grantor may lawfully pay the tax or charge imposed by the state tax, and
- (2) Grantor pays or offers to pay the tax or charge within thirty (30) days after notice from Beneficiary that the tax law has been enacted.

12. POWERS AND OBLIGATIONS OF TRUSTEE.

(a) In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following action with respect to the Property upon the request of Beneficiary and Grantor:

- (1) Joining in preparation and filing of a map or plat of the Property, including the dedication of streets or other rights in the public.
- (2) Joining in granting any easement or creating any restriction on the Property.
- (3) Joining in any subordination or other agreement affecting this Deed or the interest of Beneficiary under this Deed.
- (4) To sell the Property as provided in Paragraph 17(b) of this Deed.

(b) Trustee shall not be obligated to notify any other party of a pending sale under any other deed of trust or lien, or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

13. TRANSFER OF THE PROPERTY; ASSUMPTION.

If all or any part of the Property or an interest therein is sold or otherwise transferred without Beneficiary's prior written consent, Beneficiary may, at Beneficiary's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. A transfer includes (a) a conveyance by deed or contract, (b) the grant of any leasehold interest containing an option to purchase or the grant of any leasehold interest for a period exceeding three years (including all options for extension) regardless of whether an option to purchase is granted, (c) if the Property constitutes more than 25 percent of the assets of a corporation, partnership or joint venture, as measured in accordance with consistently applied and generally accepted accounting principles, any transfer of stock or partnership interests, whether by one or more persons, within any consecutive period of 365 days, constituting more than 10 percent of the ownership interests in such corporation, partnership or joint venture. A transfer does not include (a) the creation of a lien or encumbrance subordinate to this Deed of Trust, (b) the creation of a purchase money security interest for household appliances, (c) a transfer by devise, descent, intestate succession or by operation of law under principles of survivorship or (d) the grant of a leasehold interest of three years or less not containing an option to purchase.

If Beneficiary exercises such option to accelerate, Beneficiary shall mail notice of acceleration in accordance with Paragraph 19 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which the sums declared due may be paid. If such sums are not paid prior to the expiration of such period, Beneficiary may, without further notice or demand, invoke any remedies permitted by Paragraph 17 hereof.

14. SECURITY AGREEMENT; FINANCING STATEMENTS.

(a) Grantor hereby grants to Beneficiary a security interest in any personal property included within the description of the Property.

(b) Grantor shall, on request of Beneficiary, join with Beneficiary in executing one or more financing statements pursuant to the Uniform Commercial Code and shall file the statements at Grantor's expense in all public offices where filing thereof is required to perfect the security interest of Beneficiary in any personal property. A carbon, photographic or other reproduction of this Deed may be filed and shall suffice as a financing statement.

15. RECONVEYANCE ON FULL PERFORMANCE; PARTIAL RECONVEYANCE ON SERIAL COMPLETION OF IMPROVEMENTS.

(a) If Grantor pays and performs all the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this instrument, Beneficiary shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Beneficiary's security interest in personal property. Reconveyance fees and costs of recordation required by law shall be paid by Grantor.

(b) If a written agreement provides for construction of improvements consisting of multiple units or lots and makes provision for partial reconveyance of portions of the Property upon completion and payment for such improvements, Beneficiary will cause Trustee to effect such partial reconveyances of the Property upon full compliance by Grantor with the terms of such agreement.

16. DEFAULT.

The following shall constitute events of default:

(a) Nonpayment or nonperformance of any portion of the Indebtedness when it is due.

(b) Failure of Grantor within the time required by this Deed to make any payment for taxes, insurance, or mortgage insurance premiums or for reserves for such payments, or any other payment necessary to prevent the filing of or to secure the discharge of any lien.

(c) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor or Borrower.

(d) If the Property has been submitted to unit ownership pursuant to the Oregon Unit Ownership Law, or pursuant to any similar law of any other state, or is part of a planned unit development, failure of Grantor to perform any of the obligations imposed on him by the declaration submitting the Property to unit ownership or including it within the planned unit development, by the bylaws of the association of unit owners, or by any rules or regulations thereunder. If Grantor's interest in the Property is a leasehold interest and such property has been submitted to unit ownership or is part of a planned unit development, any failure of Grantor to perform any of the obligations imposed on him by the lease of the Property, any default under such lease which might result in termination of the lease as it pertains to the Property, or any failure of Grantor as a member of the association of unit owners to take any reasonable action within his power to prevent a default under such lease by the association of unit owners or by any member of the association, shall also constitute an event of default under this Deed.

(e) Failure of Grantor to perform any other obligation under this Deed within five (5) days after receipt of written notice from Beneficiary specifying the failure.

(f) Any guarantor of the Indebtedness revokes or attempts to revoke or otherwise avoid or diminish the obligation evidenced by the guaranty.

17. RIGHTS AND REMEDIES ON DEFAULT.

(a) Upon the occurrence of any event of default and at any time thereafter, Beneficiary may exercise any one or more of the following rights and remedies:

(1) The right at its option to declare the entire Indebtedness immediately due and payable.

(2) With respect to all or any part of the Property that constitutes realty, the right to foreclose by notice and sale by Trustee or by judicial foreclosure, in either case, in accordance with applicable law.

(3) With respect to all or any part of the Property that constitutes personalty, the rights and remedies of a secured party under the Uniform Commercial Code.

(4) The right in connection with any legal proceedings to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property and to operate the Property preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount.

(5) In the event Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay while in possession a reasonable rental for use of the Property.

(6) If the Property has been submitted to unit ownership, or is part of a planned unit development, as described in Paragraph 16(d) above, Grantor hereby grants to Beneficiary irrevocably a power of attorney to vote as it may see fit, if Beneficiary chooses to do so, on any matter which may come before the members of the association of unit owners. This power of attorney, although given contemporaneously herewith, may be exercised by Beneficiary only after default hereunder by Grantor.

(7) Any other right or remedy provided in this Deed or under the Indebtedness or under applicable law.

(b) In exercising its rights and remedies, Beneficiary shall be free to sell all or any part of the Property, together or separately or to sell certain portions of the Property and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale on all or any portion of the Property.

(c) Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of such property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

(d) A waiver by either party of a breach of a provision of this Deed shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform shall not affect Beneficiary's right to declare a default and to exercise its remedies under this Paragraph 17. All remedies are cumulative and may be exercised singularly, concurrently and repeatedly.

(e) In the event that any suit or action is instituted to enforce any of the terms of this Deed, Beneficiary shall be entitled to recover from Grantor such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. All reasonable expenses incurred by Beneficiary that are necessary at any time in Beneficiary's opinion for the protection of its interest or the enforcement of its rights, including, without limitation, the cost of searching records, obtaining title reports, surveyors' reports, attorneys' opinions or title insurance, and fees for Trustee, whether or not any court action is involved, shall become a part of the Indebtedness payable on demand and shall bear interest at the rate of fifteen percent (15%) per annum from the date of expenditure until repaid.

18. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; BENEFICIARY IN POSSESSION.

As additional security hereunder, Grantor hereby assigns to Beneficiary the rents of the Property, provided that Grantor shall, prior to acceleration under Paragraph 17 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable. Upon acceleration under Paragraph 17 hereof or abandonment of the Property, Beneficiary, in person, by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property, including those past due. All rents collected by Beneficiary or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Beneficiary and the receiver shall be liable to account only for those rents actually received.

19. NOTICE.

Any notice under this Deed shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this Deed. Any party may change the address for notices by written notice to the other parties.

20. ANNUAL OPERATING STATEMENTS.

In the event the Property is commercial property, Grantor shall furnish Beneficiary upon request:

(a) Acceptable reports for the past three (3) years of income and expenses incurred in the operation of the Property, or, in the case of new construction, a pro forma statement showing the anticipated income, expenses and cash flow.

(b) A certified annual operating statement for the Property and any improvements thereon within ninety (90) days following the end of each fiscal year. Said statements shall include, but not necessarily be limited to, gross income (itemized as to source), itemized operating expenses, depreciation charges, and the net income before and after federal income taxes.

(c) Annual audited financial statements within ninety (90) days following the end of Grantor's fiscal year. Such statements may be prepared by an independent certified public accountant in good standing or be certified to by Grantor and shall include a balance sheet, profit and loss statement and any supplemental schedules.

21. SUCCESSION; TERMS; RECEIPT OF COPY BY GRANTOR.

(a) Subject to the limitations stated in this Deed on transfer of Grantor's interest and subject to the provisions of applicable law with respect to successor trustees, this Deed shall be binding upon and shall inure to the benefit of the parties, their successors and assigns. All warranties and agreements of Grantor shall be joint and several.

