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1984

DEED OF TRUST

OREGON

Vol. 92

Page

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August 29

1990

Todd L. Kellstrom and Scott C. Kellstrom
1416 Main Street, Klamath Falls, Oregon 97601
United States National Bank of Oregon/Southern Oregon Commercial Banking Center
100 Main Street E., Suite B/P.O. Box 729, Medford, Oregon 97501
U.S. Bank of Washington, National Association
P.O. Box 3347, Portland, Oregon 97208

Grantor
Address
Beneficiary ("Lender")
Address
Trustee
Address
(Borrower)

The Lender has loaned money or extended credit to Kellstrom Bros., Inc.

which is repayable with interest according to the terms of the following described promissory note(s):

Note Date
August 29, 1990

Principal Balance
\$15,000.00

Date Final Payment is Due
February 15, 1995

The term "Indebtedness" as used in this Deed of Trust shall mean (a) the principal and interest payable under the note(s) and under any number of extensions and renewals of the note(s), (b) any future amounts, together with interest, that the Lender may in its discretion loan to Borrower or Grantor under this Deed of Trust and any number of extensions and renewals, and (c) any sums paid or advanced by the Lender to discharge obligations of Grantor as permitted under this Deed of Trust, with interest. The interest rate, payment terms and balance due under the note(s) may be indexed, adjusted, renewed or renegotiated in accordance with the terms of the note(s) and on account of any extensions and renewals of the note(s).

To secure payment of the Indebtedness and performance of all obligations of Grantor under this Deed of Trust, Grantor irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property, located in Klamath County, State of Oregon:

The Southerly 79.7 feet of Lots 10, 11, 12 and 13 in Block 9 of Railroad Addition to the City of Klamath Falls.

which currently has the address of N.E. corner intersection of Klamath Avenue and Broad Street
Tax Account No. 001-3809-3388-1900

Together with all appurtenances, all existing or subsequently erected or affixed improvements or fixtures, and, unless this Deed of Trust is being given to secure an extension of consumer credit requiring disclosures under the Federal Truth-in-Lending Act, Grantor also hereby grants to Lender a Uniform Commercial Code security interest in all fixtures, equipment, furnishings and other articles of personal property now or subsequently located on or used in connection with the property; all of the foregoing is collectively referred to as the Property. Grantor hereby assigns to Lender as additional security for the Indebtedness all present and future rents, leases, and profits from the Property.

1. Maintenance of the Property.

1.1 The Property shall be maintained in good condition at all times. Grantor shall promptly make all necessary repairs, replacements and renewals so that the value of the Property shall be maintained, and Grantor shall not commit or permit any waste on the Property. Grantor shall comply with all laws, ordinances, regulations and private restrictions affecting the Property.

1.2 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.

1.3 Grantor shall not demolish or remove any improvements from the Property without the written consent of Lender.

2. Completion of Construction.

If some or all of the proceeds of the loan creating the Indebtedness are to be used to construct or complete construction of any improvement on the Property, Grantor agrees:

2.1 To commence construction promptly and in any event within 30 days from the date of this instrument, and complete the same in accordance with any agreements relating to construction and plans and specifications satisfactory to Lender within 8 months of the date of this instrument;

2.2 To allow Lender to inspect the Property at all times during construction;

2.3 To replace any work or materials unsatisfactory to Lender within 15 calendar days after written notice to the Grantor of such fact;

2.4 That work shall not cease on the construction of such improvements for any reason whatsoever for a period of 15 consecutive days.

3. Taxes and Liens.

3.1 Grantor shall pay before they become delinquent all taxes and assessments levied against or on account of the Property, and shall pay as due all claims for work done on or for services rendered or material furnished to the Property. Special assessments shall be paid currently, without deferral, unless the lien for deferred assessments is subordinate to the interest of Lender under this Deed of Trust, or Lender gives its prior written consent to the deferral. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of the Lender under this Deed of Trust except for "Permitted Encumbrances" as defined in 8.1, the lien of taxes and assessments not delinquent, and except as otherwise provided in 3.2.

3.2 Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as the Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within 15 days after the lien arises or, if a lien is filed, within 15 days after Grantor has notice of the filing, secure the discharge of the lien or deposit with the Lender cash or a sufficient corporate surety bond or other security satisfactory to the Lender 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.

3.3 The assessor or tax collector of the county in which the Property is located is authorized to deliver to the Lender a written statement of the property taxes assessed or owing at any time.

4. Insurance.

4.1 Grantor shall carry such insurance as the Lender 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 the Lender, including without limitation flood and war risks. Insurance on the Property shall be carried in companies and under policies approved by the Lender and shall be for an amount equal to the remaining unpaid portion of the Indebtedness or the full insurable value of the Property, whichever is less, and an amount sufficient to comply with any co-insurance provision in any policy.

4.2 All policies of insurance on the Property shall bear an endorsement in a form satisfactory to the Lender making loss payable to the Lender and shall be deposited with the Lender. In the event of loss, Grantor shall immediately notify the Lender, who may make proof of loss if it is not made promptly by Grantor. Proceeds shall be paid directly to the Lender who may compromise with any insurance company and make a final settlement which shall be binding upon Grantor. The Lender may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration or repair of the Property.

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

5. Reserves; Mortgage Insurance Premiums.

5.1 If allowed by law, and if Grantor and Lender do not otherwise expressly agree in writing, Lender may 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 property insurance or both. The reserves shall be created by payment each month to the Lender of an amount determined by the Lender to be sufficient to produce by the date they are due amounts equal to the estimated taxes and insurance premiums to be paid. If at the time that payments are to be made the reserve for either taxes or insurance premiums is insufficient, Grantor shall upon demand pay such additional sum as the Lender shall determine to be necessary to cover the required payment.

5.2 If the Lender carries mortgage (default) insurance covering the repayment of all or any part of the Indebtedness, the premiums for such insurance shall be paid by the Grantor, and if allowed by law, the Lender may require Grantor to maintain a reserve for such purposes in the same manner as for taxes and property insurance, and subject to the same agreements.

5.3 If Grantor desires to carry a package plan of insurance that includes coverage in addition to that required under this Deed of Trust, the Lender, if allowed by law, 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 the Lender may permit Grantor to furnish a certificate of insurance rather than deposit the policy as required in 4.2. If at any time the Lender holds an insufficient amount in the insurance reserve to cover the premium for the entire package policy, the Lender may, at its discretion, pay only that portion of the premium attributable to the required insurance coverage. If the blanket policy does not permit such partial payment, the Lender may use the reserve funds for the premium on a new, separate policy providing the required insurance coverage and allow the package policy to lapse.

5.4 Lender shall not charge a service charge for collecting reserves and paying taxes and insurance premiums. The reserves shall not constitute a trust. Grantor agrees that Lender may commingle reserve funds with other funds of Lender, and need not

*Insert "Grantor" or the name of the Borrower if different from the Grantor.

invest them for the benefit of Grantor. Grantor agrees that Lender need not pay Grantor interest on reserves, unless applicable statutes require payment of interest notwithstanding any contrary agreement.

6. Expenditures by Lender.

If Grantor shall fail to comply with any provision of this Deed of Trust, the Lender may, at its option, on Grantor's behalf 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 at the same rate as provided in the note from the date of expenditure. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which the Lender may be entitled on account of the default, and the Lender shall not be taking the required action cure the default so as to bar it from any remedy that it otherwise would have had.

7. Late Payment Charges.

To cover the extra expenses involved in handling delinquent payments, Lender may charge a late charge on any scheduled payment which Lender does not receive within 15 days after the due date, or by the next business day, if the 15-day period ends on a Saturday, Sunday, or legal holiday. The amount of the late charge shall be as specified in the note or, if the note specifies no late charge, N/A percent of the payment of principal and interest, or portion of such payment, which Lender does not receive within the 15-day period. The late charge under the note or under this Deed of Trust shall in no event exceed the maximum charge, if any, specified under applicable law. Collection of a late charge shall not constitute a waiver of or prejudice the Lender's right to pursue any other right or remedy available on account of the delinquency.

8. Warranty; Defense of Title.

8.1 Grantor warrants that he holds merchantable title to the Property in fee simple, free of all encumbrances other than (a) those enumerated in the title policy, if any, issued for the benefit of the Lender in connection with this transaction and accepted by the Lender; and (b) the encumbrances described as: None

(hereinafter referred to as "Permitted Encumbrances").

8.2 Grantor warrants and will forever defend the title against the lawful claims, other than Permitted Encumbrances, of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of the Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense.

8.3 If any Permitted Encumbrance is a lien, Grantor shall pay any sums and do any other acts necessary to prevent a default or prevent any action or condition which with the lapse of time, the giving of notice, or any other action of a creditor, would be a default or enable any creditor to declare a default or foreclose any Permitted Encumbrance which is a lien.

9. Hazardous Substances.

9.1 Except as previously disclosed to Lender in writing, Grantor represents and warrants to Lender as follows:

9.1.1. no hazardous substances are stored, located, used or produced on the Property;

9.1.2. to the best of Grantor's knowledge after due and diligent inquiry no hazardous substances are stored, located, used or produced on any adjacent property nor have any hazardous substances been stored, located, used, produced, or released on the Property or any adjacent property prior to Grantor's ownership, possession or control of the Property.

9.2 Grantor will not cause nor permit any activities on the Property which directly or indirectly could result in the release of any hazardous substance onto or under the Property or any other property. Grantor agrees to provide written notice to Lender immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been subject to a release of any hazardous substance.

9.3 Lender and its representatives may enter the Property at any time for the purpose of conducting an environmental audit, committing only such injury to the Property as may be necessary to conduct the environmental audit. Lender shall not be required to remedy any such injury or compensate Grantor therefor. Grantor shall cooperate in all respects in the performance of the audit. Grantor shall pay the costs of any environmental audit if either a default exists under this Deed of Trust at the time Lender arranges to have the audit performed or the audit reveals a default pertaining to hazardous substances. If Grantor refuses to permit Lender or its representatives to conduct an environmental audit on the Property, Lender may specifically enforce performance of this provision.

9.4 Grantor will indemnify and hold Lender harmless from and against any and all claims, demands, damages, clean-up and other costs, expenses, losses, liens, liabilities, penalties, fines, lawsuits and other proceedings (including attorneys' fees) arising directly or indirectly from or out of, or in any way connected with (i) the breach of any representation, warranty, covenant or agreement concerning hazardous substances contained herein or in any other document executed by Grantor in connection with the loan evidenced by the note(s); (ii) any release onto or under the Property or other property of any hazardous substance which occurs as a direct or indirect result of the acts or omissions of Grantor, its directors, officers, employees, agents, and independent contractors; and (iii) any release onto or under the Property of any hazardous substance which occurs during Grantor's ownership, possession, or control of the Property.

9.5 If Lender shall at any time, through the exercise of any of its remedies under this Deed of Trust, or by taking a deed in lieu of foreclosure, hold title to or own the Property in Lender's own right and Lender discovers that any hazardous substance has been stored, located, used, produced or released onto or under the Property, Lender may, at its option, convey the Property to Grantor. Grantor covenants and agrees that it shall accept delivery of any instrument of conveyance and resume ownership of the Property in the event Lender exercises its option hereunder to convey the Property to Grantor. Lender, at Lender's sole discretion, shall have the right to record any instrument conveying the Property to Grantor and such recordation shall be deemed acceptance of the instrument and conveyance by Grantor.

9.6 All Grantor's representations, warranties, covenants and agreements contained herein regarding hazardous substances, including but not limited to Grantor's agreement to accept conveyance of the Property from Lender and resume ownership shall survive foreclosure of this Deed of Trust or acceptance by Lender of a deed in lieu of foreclosure.

9.7 For purposes of this Deed of Trust, the term "hazardous substances" means any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, or a hazardous, toxic or radioactive substance (or designated by any other similar term) by any applicable federal, state or local statute, regulation or ordinance now in effect or in effect at any time during either the term of this Deed of Trust or however long Grantor remains in possession, custody, or control of the Property following either foreclosure of this Deed of Trust or acceptance by Lender of a deed in lieu of foreclosure.

Condemnation.

10.1 If all or any part of the Property is condemned, the Lender may at its election require that all or any portion of the net proceeds of the award be applied on the indebtedness. 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 and the Lender in connection with the condemnation.

10.2 If any proceeding in condemnation is filed, Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor hereby assigns to Lender the net proceeds of any condemnation award.

11. Imposition of Tax.

11.1 The following shall constitute taxes to which this paragraph applies:

(a) A specific tax upon trust deeds or upon all or any part of the Indebtedness secured by a deed of trust.

(b) A specific tax on the owner of property covered by a deed of trust which the taxpayer is authorized or required to deduct from payments on the deed of trust.

(c) A tax on premises covered by a deed of trust chargeable against the Beneficiary under the deed of trust or the holder of the note secured.

(d) A specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by a Grantor under a deed of trust.

11.2 If any federal, state or local 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 the Lender may exercise any or all of the remedies available to it in the event of a default unless the following conditions are met:

(a) Grantor may lawfully pay the tax or charge imposed, and

(b) Grantor pays or offers to pay the tax or charge within 30 days after notice from the Lender that the tax law has been enacted.

12. Due on Sale Clause.

Grantor agrees that Lender may, at Lender's option, declare the entire Indebtedness immediately due and payable if all or any part of the Property, or an interest therein, is sold, transferred, further encumbered, or alienated. If Lender exercises the option to accelerate Grantor agrees that Lender may use any default remedies permitted under this Deed of Trust and under applicable law. Grantor agrees that Lender may exercise Lender's rights under this Due-On-Sale provision each time all or any part of the Property, or an interest in the Property, is sold, transferred, further encumbered, or alienated whether or not Lender previously exercised Lender's rights under this or any other Due-On-Sale provision.

13. Security Agreement; Financing Statements.

13.1 In addition to its status as a Deed of Trust this instrument shall also constitute a security agreement with respect to any personal property and fixtures included within the description of the Property. It shall also be effective as a financing statement filed as a fixture filing from the date of its recording and shall remain effective as a fixture filing until it is released or satisfied of record. If Grantor does not have an interest of record in the real property the name of the record owner is N/A. For the purposes of this instrument being effective as a financing statement, Grantor is the "debtor" and Lender is the "secured party".

13.2 Grantor shall join with the Lender in executing one or more financing statements under the Uniform Commercial Code and shall file the statement at Grantor's expense in all public offices where filing is required to perfect the security interest of the Lender in any personal property and fixtures under the Uniform Commercial Code.

14. Default.

The following shall constitute events of default:

14.1 Any portion of the Indebtedness is not paid when it is due.

14.2 Grantor fails within the time required by this Deed of Trust to make any payment for taxes, insurance, or mortgage insurance premiums or for reserves for such payments, or any payment necessary to prevent filing of or discharge any lien.

14.3 Grantor breaches any representations or warranties contained in this Deed of Trust.

14.4 Grantor breaches any covenant or agreement contained in this Deed of Trust regarding hazardous substances.

14.5 Grantor fails to perform any other covenant or agreement contained in this Deed of Trust within 20 days after receipt of written notice from Lender specifying the failure.

14.6 If this Deed of Trust secures a construction loan; any failure of Grantor or builder or any other person or entity to comply with or perform any provision of any construction loan agreement executed in connection with the loan within 20 days after receipt of written notice from Lender specifying the failure.

14.7 Default in any obligation secured by a lien which has or may have priority over this Deed of Trust, or the commencement of any action to foreclose any prior lien.

14.8 Either Grantor or Borrower become insolvent, file a voluntary petition in bankruptcy, become subject of an involuntary petition in bankruptcy, make an assignment for the benefit of creditors, or consent to the appointment of a receiver or trustee for any portion of the Property or all or a substantial part of Grantor's or Borrower's assets.

14.9 Default by Grantor or any predecessors in title of Grantor, as lessee or sublessee, under the terms of any lease or sublease of the Property to which Grantor is a party or through which Grantor's interest in the Property is derived.

15. Release on Full Performance.

When all sums secured by this Deed of Trust are paid Lender shall request Trustee to reconvey the above described real property. Trustee shall, without warranty, reconvey the real property to the person legally entitled thereto. Such person shall pay all fees for filing the reconveyance and shall pay Trustee a reasonable fee for preparation and execution of the reconveyance instrument.

16. Rights and Remedies on Default.

16.1 Upon the occurrence of any event of default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to Borrower to declare the entire Indebtedness immediately due and payable.

(b) With respect to all or any part of the Property that constitutes realty, the right to foreclose by judicial foreclosure in accordance with applicable law.

(c) The right to have the Trustee sell the Property in accordance with the Deed of Trust Act of the State of Oregon and the Uniform Commercial Code of the State of Oregon where applicable, at public auction to the highest bidder. Any person except Trustee may bid at the Trustee's sale. The power of sale conferred by this Deed of Trust and the law is not an exclusive remedy and when not exercised, Lender may foreclose this Deed of Trust as a mortgage. The Trustee is not obligated to notify any party hereto of a pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee, or Lender shall be a party, unless such action or proceeding is brought by the Trustee.

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

(e) The right, without notice to Grantor, to take possession of the Property and collect all rents and profits, including those past due and unpaid, and apply the net proceeds, over and above the Lender's costs, against the Indebtedness. In furtherance of this right the Lender may require any tenant or other user to make payments of rent or use fees directly to the Lender, and payments by such tenant or user to the Lender in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

(f) The right 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. The Lender'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.

(g) Subject to any limitations imposed by law, the right to obtain a deficiency judgment in the event the net sale proceeds of any foreclosure sale are insufficient to pay the entire unpaid Indebtedness.

(h) Any other right or remedy provided in this Deed of Trust, the promissory note(s) evidencing the Indebtedness, any construction loan agreement, any other security document, or under law.

16.2 In exercising its rights and remedies, the Lender and Trustee 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. The Lender shall be entitled to bid at any public sale on all or any portion of the Property.

16.3 The Lender 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 the Property is to be made. Reasonable notice shall mean notice given at least ten days before the time of the sale or disposition.

16.4 A waiver by either party of a breach of a provision of this agreement 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 the Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Deed of Trust after failure of Grantor to perform shall not affect the Lender's right to declare a default and exercise its remedies under this paragraph 16.

16.5 In the event suit or action is instituted to enforce any of the terms of this Deed of Trust the Lender shall be entitled to recover from Grantor such sum as the court may adjudge reasonable as attorney's fees at trial and on any appeal. All reasonable expenses incurred by the Lender that are necessary at any time in the Lender'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, whether or not any court action is involved, shall become a part of the Indebtedness payable on demand and shall bear interest at the same rate as provided in the note from the date of expenditure until paid.

17. Notice.

Any notice under this Deed of Trust 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 of Trust. Either party may change the address for notices by written notice to the other party.

18. Succession; Terms.

18.1 Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns.

18.2 In construing this Deed of Trust the term Deed of Trust or Trust Deed shall encompass the term security agreement when the instrument is being construed with respect to any personal property or fixtures.

18.3 Attorneys' fees. "Attorneys' fees," as that term is used in the note and in this Deed of Trust, shall include attorneys' fees, if any, which may be awarded by an appellate court.

Todd L. Kellstrom

Todd L. Kellstrom

Scott C. Kellstrom

Scott C. Kellstrom

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON

County of Klamath } ss.

August 31, 19 90

Personally appeared the above-named Todd L. Kellstrom and Scott C. Kellstrom and acknowledged the foregoing instrument to be their voluntary act.

Before me:

Frank X. Hernandez
Notary Public for Oregon
My commission expires: 5-13-93

CORPORATE ACKNOWLEDGEMENT

STATE OF OREGON

County of _____ } ss.

19 _____

Personally appeared _____, and _____, who, being sworn, stated that he, the said _____, is a _____ and he, the said _____, is a _____

of Grantor corporation and that the seal affixed hereto is its seal and that this Deed of Trust was voluntarily signed and sealed on behalf of the corporation by Authority of its Board of Directors.

Before me:

Notary Public for Oregon
My commission expires: _____

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF OREGON

County of _____ } ss.

Personally appeared _____ of the partnership of _____ who, being sworn, state that he executed the foregoing instrument and acknowledged that he executed said instrument freely and voluntarily on behalf of said partnership.

Before me:

Notary Public for Oregon
My commission expires: _____

REQUEST FOR RECONVEYANCE

To Trustee:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Date _____

