

303 MAY 30 PM3:36

MTC- 60941

Vol M03 Page 36920

After recording return to:
Bendich, Stobaugh & Strong, P.C.
900 Fourth Avenue, Suite 3800
Seattle, WA 98164

State of Oregon, County of Klamath
Recorded 05/30/2003 3:36 p m.
Vol M03 Pg 36920-25
Linda Smith, County Clerk
Fee \$ 46.00 # of Pgs 6

DEED OF TRUST

(Participation)

This DEED OF TRUST, made this 21st day of May, 2003, by and between David J. Bettencourt, hereinafter referred to as "Grantor," whose address is 510 South 6th Street, Klamath Falls, OR 97601, United States Small Business Administration, hereinafter referred to as "Trustee," whose address is 1515 S.W. Fifth Avenue-Suite 1050, Portland OR 97201-5494, Oregon Certified Business Development Corporation hereinafter referred to as "Beneficiary," who maintains an office and place of business at 2363 SW Glacier Place, Redmond OR 97756, in participation with the Small Business Administration, an agency of the United States.

WITNESSETH, that for and in consideration of \$1.00 and other good and valuable consideration, receipt of which is hereby acknowledged, the Grantor does hereby bargain, sell, grant, assign, and convey unto the Trustee, his successors and assigns, all of the property ("Property"), including water rights, which Property is situated and being in the County of Klamath, State of Oregon, described as:

See attached Exhibit A.

Together with all leases for the Property, and together with and including all buildings, all fixtures, including but not limited to all plumbing, heating, lighting, ventilating, refrigerating, incinerating, air conditioning apparatus, and elevators (the Grantor hereby declaring that it is intended that the items herein enumerated shall be deemed to have been permanently installed as part of the realty), and all improvements now or hereafter existing thereon; the hereditaments and appurtenances and all other rights thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, and the rents, issues, and profits of the Property. To have and to hold the same unto the Trustee, and the successors in interest of the Trustee, forever, in fee simple or such other estate, if any, as is stated herein, to secure the payment of a promissory note of this date, in the principal sum of \$260,000 signed by Grantor and payable to Beneficiary.

The note's maturity date will be based on the date of the debenture sale, which is estimated to be July 16, 2003. The estimated maturity date of the note is July 1, 2023.

1. This conveyance is made upon and subject to the further trust that the said Grantor shall remain in quiet and peaceable possession of the above granted and described premises and take the

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Trustee's duty to sell the Property (and in case of any default of any purchaser, to resell) at public auction, to the highest bidder, in accordance with the law of this state. The Trustee is hereby authorized to execute and deliver to the purchaser at such sale a sufficient conveyance of the Property, which conveyance shall contain recitals as to the happening of default upon which the execution of the power of sale herein granted depends; and the said Grantor hereby constitutes and appoints the Trustee as his agent and attorney in fact to make such recitals and to execute said conveyance and hereby covenants and agrees that the recitals so made shall be binding and conclusive upon the Grantor. In the event of a sale as hereinabove provided, the Grantor, or any person in possession under the Grantor, shall then become and be tenants holding over and shall forthwith deliver possession to the purchaser at such sale or be summarily dispossessed, in accordance with the provisions of law applicable to tenants holding over. The power and agency hereby granted are coupled with an interest and are irrevocable by death or otherwise, and are granted as cumulative to all other remedies for the collection of said indebtedness. The Beneficiary or Assigns may take any other appropriate action pursuant to state or Federal statute either in state or Federal court or otherwise for the disposition of the Property.

6. In the event of a sale as provided in paragraph 5, the Trustee shall be paid a fee by the Beneficiary. The amount of such fee shall be approved by the Beneficiary as to reasonableness. Said fee shall be in addition to the costs and expenses incurred by the Trustee in conducting such sale. The Trustee's fee, costs and expenses shall be deducted and paid from the sale's proceeds. It is further agreed that if the Property shall be advertised for sale as herein provided and not sold, the Trustee shall be entitled to a reasonable fee, in an amount acceptable to the Beneficiary for the services rendered. The Trustee shall also be reimbursed by the Beneficiary for all costs and expenses incurred in connection with the advertising of the Property for sale if the sale is not consummated.

7. The proceeds of any sale of the Property in accordance with paragraph 5 shall be applied first to payments of fees, costs, and expenses of said sale, the expenses incurred by the Beneficiary for the purpose of protecting or maintaining the Property and reasonable attorneys' fees; secondly, to payment of the indebtedness secured hereby; and thirdly, to pay any surplus or excess to the person or persons legally entitled thereto.

8. To the extent allowed by law, in the event the Property is sold pursuant to the authorization contained in this instrument or at a judicial foreclosure sale and the proceeds are not sufficient to pay the total indebtedness secured by this instrument, the Beneficiary will be entitled to a deficiency judgment for the amount of the deficiency.

9. The Grantor covenants and agrees as follows:

a. He will promptly pay the indebtedness evidenced by said promissory note at the times and in the manner therein provided.

b. He will pay all taxes, assessments, water rates, and other governmental or municipal charges, fines or impositions, for which provision has not been made hereinbefore, and will promptly deliver the official receipts therefor to the Beneficiary.

c. He will pay such expenses and fees as may be incurred in the protection and maintenance of the Property, including the fees of any attorney employed by the Beneficiary for the collection of any or all of the indebtedness hereby secured, of such

expenses and fees as may be incurred in any foreclosure sale by the Trustee, or court proceedings or in any other litigation or proceeding affecting the Property, and attorney's fees reasonably incurred in any other way.

d. The rights created by this conveyance shall remain in full force and effect during any postponement or extension of the time of the payment of the indebtedness evidenced by said note or any part thereof secured hereby.

e. He will continuously maintain hazard insurance of such type or types and in such amounts as the Beneficiary may from time to time require, on the improvements now or hereafter on the Property, and will pay promptly when due any premiums therefor. All insurance shall be carried in companies acceptable to Beneficiary and the policies and renewals thereof shall be held by Beneficiary and have attached thereto loss payable clauses in favor of and in form acceptable to the Beneficiary. In the event of loss, Grantor will give immediate notice in writing to Beneficiary and Beneficiary may make proof of loss if not made promptly by Grantor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Beneficiary instead of to Grantor and Beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by Beneficiary at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the Property damaged. In the event of a Trustee's sale or other transfer of title to the Property in extinguishment of the indebtedness secured hereby, all right, title, and interest of the Grantor in and to any insurance policies then in force shall pass at the option of the Beneficiary to the purchaser or Beneficiary.

f. He will keep the said premises in as good order and condition as they are now and will not commit or permit any waste thereof, reasonable wear and tear excepted, and in the event of the failure of the Grantor to keep the buildings on said premises and those to be erected on said premises, or improvements thereon, in good repair, the Beneficiary may make such repairs as in the Beneficiary's discretion it may deem necessary for the proper preservation thereof, and any sums paid for such repairs shall bear interest from the date of payment at the rate specified in the note, shall be due and payable on demand and shall be fully secured by this Deed of Trust.

g. He will not without the prior written consent of the Beneficiary voluntarily create or permit to be created against the Property subject to this Deed of Trust any liens inferior or superior to the lien of this Deed of Trust and further that he will keep and maintain the same free from the claim of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises.

h. He will not rent or assign any part of the rent of the Property or demolish, remove, or substantially alter any building without the written consent of the Beneficiary.

10. In the event the Grantor fails to pay any Federal, state, or local tax assessment, income tax or other tax lien, charge, fee, or other expense charged to the Property hereinabove described, the Beneficiary is hereby authorized to pay the same and any sum so paid by the Beneficiary shall be added to and become a part of the principal amount of the indebtedness evidenced by said promissory note.

If the Grantor shall pay and discharge the indebtedness evidenced by said promissory note, and shall pay such sums and shall discharge all taxes and liens and the costs, fees, and expenses of making, enforcing and executing this Deed of Trust, then this Deed of Trust shall be canceled and surrendered.

11. The Grantor covenants that he is lawfully seized and possessed of and has the right to sell and convey the Property; that the same is free from all encumbrances except as hereinabove recited; and that he hereby binds himself and his successors in interest to warrant and defend the title aforesaid thereto and every part thereof against the lawful claims of all persons whomsoever.

12. For better security of the indebtedness hereby secured the Grantor, upon the request of the Beneficiary, its successors or assigns, shall execute and deliver a supplemental mortgage or mortgages covering any additions, improvements, or betterments made to the Property hereinabove described and all property acquired after the date hereof (all in form satisfactory to Grantee). Furthermore, should Grantor fail to cure any default in the payment of a prior or inferior encumbrance on the Property described by this instrument, Grantor hereby agrees to permit Beneficiary to cure such default, but Beneficiary is not obligated to do so; and such advances shall become part of the indebtedness secured by this instrument, subject to the same terms and conditions.

13. That all awards of damages in connection with any condemnation for public use of or injury to any of the Property are hereby assigned and shall be paid to Beneficiary, who may apply the same to payment of the installments last due under said note, and the Beneficiary is hereby authorized, in the name of the Grantor, to execute and deliver valid acquittances thereof and to appeal from any such award.

14. The irrevocable right to appoint a substitute trustee or trustees is hereby expressly granted to the Beneficiary, his successors or assigns, to be exercised at any time hereafter without notice and without specifying any reason therefor, by filing for record in the office where this instrument is recorded an instrument of appointment. The Grantor and the Trustee herein named or that may hereinafter be substituted hereunder expressly waive notice of the exercise of this right as well as any requirement or application to any court for the removal, appointment or substitution of any trustee hereunder.

15. Notice of the exercise of any option granted herein to the Beneficiary or to the holder of the note secured hereby is not required to be given the Grantor, the Grantor having hereby waived such notice.

16. If more than one person joins in the execution of this instrument as Grantor or if anyone so joined be of the feminine sex, the pronouns and relative words used herein shall be read as if written in the plural or feminine, respectively, and the term "Beneficiary" shall include any payee of the indebtedness hereby secured or any assignee or transferee thereof whether by operation of law or otherwise. The covenants herein contained shall bind and the rights herein granted or conveyed shall inure to the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

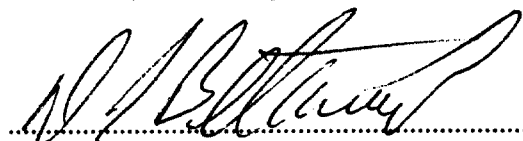
17. The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

- a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.
- b) CDC or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

18. A judicial decree, order, or judgment holding any provision or portion of this instrument invalid or unenforceable shall not in any way impair or preclude the enforcement of the remaining provisions or portions of this instrument.

IN WITNESS WHEREOF, the Grantor has executed this instrument and the Trustee and Beneficiary have accepted the delivery of this instrument as of the day and year aforesaid.



David J. Bettencourt

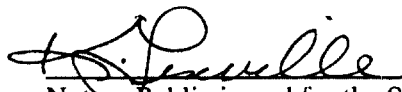
State of Oregon)

County of Clatsop)

ss.

This instrument was acknowledged before me on May 21, 2003 by David J. Bettencourt.





Notary Public in and for the State of Oregon

My commission expires: 2-9-07

EXHIBIT "A"
LEGAL DESCRIPTION

A tract of land situated in the SW1/4 NW1/4 of Section 10, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the Southwest corner of that certain tract of land conveyed to Fremont Glass & Millwork Co., recorded in Book M70 at page 1756, Klamath County Deed Records: thence South 00° 02' 15" East along the Easterly right of way line of Washburn Way a distance of 325.00 feet to the True Point of Beginning of this description; thence South 00° 02' 15" East along the Easterly right of way line of Washburn Way a distance of 158.76 feet to a 5/8 inch iron pin; thence South 89° 30' 00" East parallel with the South line of said Fremont Glass & Millwork Co. tract a distance of 175.00 feet to a 5/8 inch iron pin; thence North 00° 02' 15" West parallel with Washburn Way a distance of 158.76 feet to a 5/8 inch iron pin; thence North 89° 30' 00" West a distance of 175.00 feet to the true point of beginning of this description.

SAVING AND EXCEPTING THEREFROM the Southerly 30 feet thereof.

AND EXCEPTING THEREFROM that portion thereof conveyed to the State of Oregon, by and through its Department of Transportation by Deed dated November 14, 1995, recorded November 28, 1995 in Volume M95, Page 32345, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.