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Vol M04 Page 13885

After recording, return to:
Sterling Savings Bank
540 Main Street
Klamath Falls, OR 97601
Attn: Angalee Barry

State of Oregon, County of Klamath
Recorded 03/11/2004 9:35 A.m.
Vol M04 Pg 13885-906
Linda Smith, County Clerk
Fee \$ 136.00 # of Pgs 22

TRUST DEED, SECURITY AGREEMENT, AND ASSIGNMENT OF RENTS

GRANTOR: AMERICAN EXCHANGE SERVICES, INC., an Oregon corporation
(Grantor)
320 Church Street N.E.
Salem, OR 97301

TRUSTEE: WILL FORSYTH (Trustee)

BENEFICIARY: STERLING SAVINGS BANK (Lender)
540 Main Street
Klamath Falls, OR 97601

TAX ACCOUNT # OF SUBJECT PROPERTY: R476318 and R476327

MAXIMUM AMOUNT: The maximum amount to be advanced pursuant to the Construction Loan (as defined below) is One Million Two-Hundred Seventy-Five Thousand Dollars (\$1,275,000). The Construction Loan may be converted to the Permanent Loan (as defined below) subject to the terms and conditions of the Loan Agreement (as defined below).

MATURITY DATE: The maturity date of the Construction Loan, exclusive of any option to renew or extend such maturity date, is one (1) year from the date of this Trust Deed. The maturity date for the Permanent Loan is ten (10) years following the date the Construction Loan is converted. Provided, however, that the maturity date of one or more of the loans may be modified by agreement of the parties.

RECITALS:

A. The Loan Agreement evidences certain construction credit financing provided by Lender to Borrower (as defined below). The outstanding principal balance of the Loans will vary from time to time as advances are made and payments are received pursuant to the Loan Agreement.

B. The amount stated above as the maximum amount to be advanced pursuant to the Loans is not the maximum amount which may be secured by this Trust Deed. Specifically, but without limitation, the additional obligations set forth in the section entitled OBLIGATIONS SECURED are also secured by this Trust Deed.

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AGREEMENTS:

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1. DEFINITIONS. As used in this Trust Deed:

- 1.1 "Borrower" means Grantor and Nash Properties, LLC; individually and jointly.
- 1.2 "Construction Loan" means the Construction Loan described in the Loan Agreement.
- 1.3 "Loan Agreement" means that certain Loan Agreement, of the same date as this Trust Deed, between Borrower and Lender as amended from time to time.
- 1.4 "Loans" means the Construction Loan and the Permanent Loan.
- 1.5 "Permanent Loan" means the Permanent Loan described in the Loan Agreement.

2. CONVEYANCE. Grantor, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants, conveys and assigns to Trustee, in trust for the benefit and security of Lender, with power of sale, the real property located in Klamath County, State of Oregon, that is described on the attached Exhibit A, together with all of the following described property, whether now or hereafter existing and in which the Grantor now or hereafter has any right, title or interest:

- 2.1 All buildings and improvements on the property;
- 2.2 All vacated alleys and streets abutting the property;
- 2.3 All easements, appurtenances, rents, profits, royalties, timber, water rights, mineral rights, oil and gas rights, and other rights and interests appurtenant to the property; and
- 2.4 All fixtures, machinery, equipment and appliances on the property, including, but not limited to, those for the purposes of supplying heating, cooling, electricity, gas, water, air and light, and all electrical fixtures, plumbing fixtures, communications equipment, attached floor and wall coverings, elevators and escalators, fire prevention and extinguishing equipment and security equipment;

all of which, including replacements and additions thereto, shall be deemed to be a part of the real property covered by this Trust Deed; and all of the foregoing, together with that real property are herein referred to as the "Real Property."

3. SECURITY INTEREST. Grantor also hereby grants to Lender a security interest in all of the following described property, whether now or hereafter existing, and in which the Grantor, now or hereafter has any right, title or interest (the "Personal Property"):

3.1 All goods located on the Real Property and used in the operation or occupancy of the Real Property or in any construction on the Real Property, but which is not effectively made real property under the paragraph entitled CONVEYANCE, including, but not limited to, all appliances, furniture and furnishings, building service equipment and building materials, supplies and equipment;

3.2 All accounts, contract rights, instruments, documents, chattel paper and general intangibles relating to the development or use of the Real Property, including, but not limited to:

a. All plans and specifications relating to development of or construction on the Real Property;

b. All governmental permits relating to development of, construction on, or operation of the Real Property;

c. All other permits, licenses, franchises, certificates and other rights and privileges relating to the Real Property or its operation;

d. All contracts, subcontracts, leases and subleases relating to the Real Property or its operation;

e. All names under or by which the Real Property may at any time be operated or known, and all rights to carry on business under any such names or any variant thereof; and

f. All trademarks and goodwill in any way relating to the Real Property.

3.3 The proceeds and products of the Real Property and the Personal Property. The Real Property and the Personal Property are sometimes collectively referred to herein as the Property.

4. OBLIGATIONS SECURED. This Trust Deed secures:

4.1 Payment of the indebtedness evidenced by that certain promissory note in which Borrower is the maker, of the same date as this Trust Deed, in the principal amount of One Million Two-Hundred Seventy-Five Thousand Dollars (\$1,275,000), with interest thereon (the "Construction Note");

4.2 Payment of the indebtedness evidenced by that certain promissory note in which Borrower is the maker, of the same date as the Construction Loan is converted to the Permanent Loan, in a principal amount to be determined pursuant to the terms and conditions of the Loan Agreement, with the balance of the indebtedness, if not sooner paid, due and payable ten (10) years following the date the Construction Loan is converted to the Permanent Loan (the "Permanent Note");

- 4.3 Payment and performance of all obligations under the Loan Agreement;
- 4.4 Performance of the covenants and agreements of Grantor contained in this Trust Deed;
- 4.5 Payment of all other sums, with interest thereon, advanced to protect the security of this Trust Deed;
- 4.6 Payment of principal and interest on all other future loans or advances that Lender, in Lender's sole discretion, may make to the Borrower, when the promissory note or other agreement evidencing the loan or advance specifically states that it is secured by this Trust Deed (the "Future Advances");
- 4.7 Payment and performance of all obligations under all other present and future agreements executed by the Borrower in favor of the Lender and relating to the obligations secured by this Trust Deed; and
- 4.8 Payment and performance of all extensions, renewals or other modifications of any obligation secured by this Trust Deed.

As used in this Trust Deed, the term "Notes" means one or more of the promissory notes described in Sections 4.1 and 4.2., and any promissory note substituted for either of them, and any document evidencing a renewal, extension or modification of either of them.

The interest rate, payment terms or balance due on the obligations secured hereby may be indexed, adjusted, renewed, or renegotiated from time to time upon agreement between Borrower and Lender.

5. COVENANTS OF TITLE. Grantor covenants that Grantor is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the Property, that the Property is unencumbered except as otherwise stated in this Trust Deed, and that Grantor will warrant and defend generally the title to the Property against all claims and demands. The Grantor will execute or procure such further assurance of Grantor's title to the Property as may be reasonably requested by the Lender to protect the Lender's interest under this Trust Deed.

6. PAYMENT OF PRINCIPAL AND INTEREST. Grantor shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Notes, any prepayment and other charges provided in the Notes and this Trust Deed, and all other obligations secured by this Trust Deed.

7. TAXES; CHARGES; LIENS. Grantor will pay when due (a) all taxes, assessments and other governmental rates and charges against the Property (including those heretofore due) and (b) all other taxes, charges, premiums, assessments and impositions in connection with Borrower or the Property which Lender reasonably deems necessary to protect Lender's interest (the "Other Impositions"). Upon request, Grantor shall promptly furnish to Lender all notices of amounts due under this paragraph, and all receipts evidencing payment of those amounts. Grantor shall promptly discharge any lien which has, or may have, priority over or equality with, the lien of this Trust Deed, and Grantor shall pay, when due, the claims of all

persons supplying labor or materials to or in connection with the Property. Without Lender's prior written permission, Grantor shall not allow any lien inferior to this Trust Deed to be perfected against all or any portion of the Property. Lender reserves the right at any time to require Grantor to establish a Tax Escrow Fund with Lender for the purpose of escrowing funds to pay taxes. If established, Grantor shall pay to Lender on a monthly basis one-twelfth of the annual taxes that Lender estimates, unless actual amounts are available, will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such taxes at least thirty (30) days prior to their respective due dates.

8. INSURANCE.

8.1 MAINTENANCE OF INSURANCE. Grantor shall maintain in force with respect to the Property hazard insurance, liability insurance, course of construction insurance and any other insurance required by law or the Loan Agreement. Without limitation:

a. Hazard insurance shall insure against loss by fire, hazards included within the term "extended coverage," broad form, and rent loss; shall be for the full replacement cost of the Property; shall avoid application of any co-insurance clause; and shall include a standard mortgagee clause in favor of and in a form acceptable to Lender. On Lender's request, Grantor shall have an independent appraiser satisfactory to Lender determine the current replacement cost of the Property.

b. With respect to liability insurance, Lender shall be named as an additional insured, and as to Lender that insurance shall be primary and noncontributing in the event of loss with any other insurance Lender may carry.

Lender reserves the right at any time to require Grantor to establish an Insurance Escrow Fund with Lender for the purpose of escrowing funds to pay insurance premiums. If established, Grantor shall pay to Lender on a monthly basis one-twelfth of the annual insurance premiums that Lender estimates, unless actual amounts are available, will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such premiums at least thirty (30) days prior to their respective due dates.

8.2 APPROVAL OF INSURANCE; POLICY TERMS. Insurance policies must be approved by the Lender as to amount, form, deductibles, term and insurer, and must cover all risks the Lender requires. The approval of any insurance by Lender will not be a representation of the solvency of any insurer or the sufficiency of any amount of insurance. All policies shall provide that coverage cannot be modified or cancelled without prior written notice to Lender of not less than thirty (30) days. At least thirty (30) days prior to the expiration date of any policy, Grantor shall deliver to Lender a renewal policy in a form satisfactory to Lender. Grantor shall furnish Lender a certified true copy of all policies, renewal notices, renewal policies and receipts of paid premiums if the original thereof may not be supplied by Grantor to Lender.

8.3 ASSIGNMENT OF INSURANCE PROCEEDS. Grantor assigns, and will pay to Lender, all insurance proceeds and all causes of action, claims, compensation, awards and recoveries for any damage or injury to all or any portion of the Property or for any loss or

diminution in value of that Property. In the event of loss, Grantor shall give immediate written notice to the insurance carrier and to Lender. Grantor hereby authorizes and empowers Lender as attorney-in-fact for Grantor to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's expenses incurred in the collection of such proceeds; provided however, that nothing contained in this section shall require Lender to incur any expense or take any action hereunder. Grantor further authorizes Lender, at Lender's option, (a) to apply the balance of such proceeds to the payment of the obligations secured by this Trust Deed, whether or not then due, or (b) to hold the balance of such proceeds to be used to reimburse Grantor for the cost of reconstruction or repair of the Property.

8.4 RESTORATION OF PROPERTY. If the insurance proceeds are held by Lender to reimburse Grantor for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Lender may approve in writing. If the insurance proceeds are applied to the payment of the obligations secured by this Trust Deed, any such application of proceeds shall not extend or postpone the due dates of the installments under the Notes change the amounts of such installments. If the Property is sold pursuant to the paragraph of this Trust Deed entitled RIGHTS AND REMEDIES ON DEFAULT or if Lender acquires title to the Property, Lender shall have all of the right, title and interest of Grantor in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

9. PRESERVATION AND MAINTENANCE OF PROPERTY. Grantor (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair, (e) shall be responsible for any damage or injury to property or person resulting from the condition of the Property and the activities of the Grantor, the Grantor's agents and employees, any independent contractor hired by Grantor, any tenant of Grantor and any person upon the Property with the express or implied consent of Grantor, and Grantor shall indemnify and save Lender harmless from any and all loss, liability or expense arising out of such condition or activities, (f) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property, (g) shall comply with all easements, reservations, restrictions, conditions and other private regulations applicable to the Property, and (h) shall give notice in writing to Lender of and, unless otherwise directed in writing by Lender, appear in and defend any action or proceeding purporting to affect the Property, the security of this Trust Deed or the rights or powers of Lender. Neither Grantor nor any tenant or other person, without the written approval of Lender, shall remove, demolish or alter any improvement now existing or hereafter erected on the Real Property, or any fixture, equipment, machinery, appliance or Personal Property except when incident to the replacement of fixtures, equipment, machinery, appliances

or Personal Property with items of like kind and at least equivalent value on which Lender will immediately have a valid first lien and security interest.

10. **USE OF PROPERTY.** Unless required by applicable law or unless Lender has otherwise agreed in writing, Grantor shall not allow changes in the use for which all or any part of the Property was intended at the time this Trust Deed was executed. Grantor will not initiate, join in or consent to any change in any private restrictive covenant or condition, zoning ordinance, or other public or private restriction, limiting or defining the uses which may be made of the Property or any portion thereof, without the prior written consent of the Lender. Grantor warrants that this Instrument is not, and will at no time constitute, a residential trust deed, as defined under Oregon law.

11. **PROTECTION OF LENDER'S SECURITY INTEREST.** Upon any default, or if any action or proceeding is commenced which affects the Property or the interest of Lender, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender, at Lender's option, and without waiver of any default, may make such appearances, disburse such sums and take such action as Lender deems necessary, in its sole discretion, to protect Lender's interest, including, but not limited to, (i) disbursement of attorneys' fees, (ii) entry upon the Property to make repairs, (iii) payment of rates, rents, taxes, assessments, premiums and Other Impositions attributable to the Property, and (iv) procurement of satisfactory insurance as provided in the paragraph entitled **INSURANCE**. Any amounts disbursed by Lender pursuant to this paragraph, with interest thereon, shall become additional indebtedness of Grantor secured by this Trust Deed. Unless Grantor and Lender agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the then-current rate under the Notes, but in no event exceeding the highest lawful rate. Lender may, at Lender's option, sue to collect all or any part of such amounts without foreclosing this Trust Deed and without affecting the Lender's right to foreclose this Trust Deed at any future time. Grantor hereby covenants and agrees that Lender shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the obligations secured hereby. Nothing contained in this section shall require Lender to incur any expense or take any action hereunder, and Lender shall not incur any liability because of Lender's acts or omissions hereunder.

12. **INSPECTION.** Lender and persons authorized by Lender shall have the right to enter and inspect the Property at all reasonable times.

13. **BOOKS AND RECORDS.** Grantor shall keep and maintain at all times at Grantor's address stated above, or such other place as Lender may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Lender. In addition to the items required to be provided to Lender pursuant to the Loan Agreement, Grantor shall furnish to Lender such other items relating to Borrower and the Property that Lender reasonably requests.

14. **CONDEMNATION.**

14.1 Grantor shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or any part thereof, and Grantor shall appear in and prosecute any such action or proceedings unless otherwise directed by Lender in writing. Grantor authorizes Lender, at Lender's option, as attorney-in-fact for Grantor, to commence, appear in and prosecute, in Lender's or Grantor's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender.

14.2 Grantor authorizes Lender, after the deduction of Lender's expenses incurred in the collection of such proceeds, at Lender's option, (a) to apply the balance of such proceeds to the payment of the obligations secured by this Trust Deed, whether or not then due, or (b) to hold the balance of such proceeds to be used to reimburse Grantor for the cost of reconstruction or repair of the Property. If the proceeds are held by Lender to reimburse Grantor for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Lender may approve in writing. If the proceeds are applied to the payment of the obligations secured by this Trust Deed, any such application of proceeds shall not extend or postpone the due dates of the installments under the Notes or change the amounts of such installments. Grantor agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Lender may require.

15. GRANTOR AND LIEN NOT RELEASED. From time to time, Lender may, at Lender's option, without giving notice to or obtaining the consent of Grantor, Grantor's successors or assigns or of any junior lienholder or guarantors, without liability on Lender's part and notwithstanding Grantor's breach of any covenant or agreement of Grantor in this Trust Deed, extend the time for payment or performance of any obligation secured hereby or any part thereof, reduce the payments thereon, release anyone liable on any of said obligations, accept an extension or modification or renewal of said obligations, modify the terms and time of payment or performance of said obligations, release from the lien of this Trust Deed any part of the Property, take or release any other or additional security, reconvey any part of the Property, consent to any rezoning of any part of the Property, consent to any map or plat of the Property, consent to any encumbrance on any part of the Property, join in any subordination or other agreement affecting the Property or this Trust Deed, or agree in writing with Grantor to modify the rate of interest or period of amortization of the Notes or change the amount of the installments payable thereunder. Any actions taken by Lender pursuant to the terms of this paragraph shall not affect the obligation of Grantor or Grantor's successors or assigns to pay the obligations secured by this Trust Deed and to observe the covenants of Grantor contained herein, shall not affect the guaranty of any person, corporation, partnership, limited liability company or other entity for payment of the obligations secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Grantor shall pay Lender a service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Grantor's request.

16. **FORBEARANCE BY LENDER NOT A WAIVER.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or remedy. The acceptance by Lender of payment of any sum secured by this Trust Deed after the due date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Trust Deed, nor shall Lender's receipt of any awards, proceeds or damages under the sections entitled **INSURANCE** and **CONDEMNATION** operate to cure or waive any default in payment or performance of obligations secured by this Trust Deed.

17. **UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.** This Trust Deed is intended to be a security agreement pursuant to the Uniform Commercial Code for any portion of the Property which, under applicable law, may be subject to a security interest, and Grantor hereby grants Lender a security interest in that Property. This Trust Deed is further intended to be a financing statement pursuant to the Uniform Commercial Code. Grantor agrees that Lender may file this Trust Deed, or a reproduction thereof, in the Real Estate Records, with the Secretary of State, or in any other appropriate index, as a financing statement with respect to that Property. In addition, Grantor agrees to execute and deliver to Lender, upon Lender's request, and Grantor irrevocably constitutes and appoints the Lender the attorney-in-fact of the Grantor, to execute, deliver, and if appropriate, to file with the appropriate filing officer or offices any security agreements, financing statements, continuation statements, or other instruments that the Lender may request or require to impose, perfect or continue the perfection of, the lien or security interest created by this Trust Deed. Grantor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases, and shall pay all costs and expenses of any record searches for financing statements Lender may require. Grantor hereby authorizes Lender to file such financing statements, continuation statements, extensions, renewals, amendments, releases, or other instruments. Grantor and Nash Properties, LLC hereby represent, warrant, and covenant to Lender that each of their names is exactly as they appear on the signature page of this Trust Deed, that both Grantor and Nash Properties, LLC are entities organized in the State of Oregon, and that each will immediately notify Lender if either their name or state of organization changes. Without the prior written consent of Lender, Grantor shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interests in the Property, including replacements and additions thereto. Upon Grantor's breach of any covenant or agreement of Grantor contained in this Trust Deed, including the covenants to pay when due all obligations secured by this Trust Deed, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in the section of this Trust Deed entitled **RIGHTS AND REMEDIES ON DEFAULT**. In exercising any of said remedies, Lender may proceed against the items of Real Property and any items of Personal Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or of the remedies provided in the section of this Trust Deed entitled **RIGHTS AND REMEDIES ON DEFAULT**. Any disposition may be conducted by an employee or agent of the Lender or the Trustee. Any person, including both the Grantor and Lender, shall be eligible to purchase any part of such Property at that disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall be borne by the Grantor and shall

include the Lender's and the Trustee's attorneys' fees and legal expenses. The Grantor, upon demand of the Lender, shall assemble the Personal Property and make it available to the Lender at a place designated by Lender. The Lender shall give the Grantor at least ten (10) days prior written notice of the time and place of any public sale or other disposition, or of the time of, or after which, any private sale or other disposition is to be made.

18. **LEASES OF THE PROPERTY.** For purposes of this section and the section entitled **ASSIGNMENT OF RENTS AND PROFITS**, the term "Lease" means any one or more of any leases giving rise to any lessor's interest of Grantor in all or any portion of the Property, whether now existing or hereafter arising, and any lease substituted for one or more of them, and any document evidencing a renewal, extension or modification of one or more of them. Grantor shall comply with and observe Grantor's obligations as lessor under all Leases. Grantor shall furnish Lender with executed copies of all Leases, and all Leases will be in form and substance subject to the approval of Lender. Without the prior written consent of the Lender, the Grantor shall not modify or amend any Lease, permit an assignment or sublease of any Lease, or in any manner impair the Lender's interest, or any rents, royalties, income and profits of the Property. Upon the Lender's request the Grantor will execute and deliver to the Lender for recordation an assignment of Leases on the Lender's form. All Leases of the Property shall specifically provide that such Leases are subordinate to this Trust Deed; that the tenant attorns to Lender, such attornment to be effective upon Lender's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Lender may from time to time request; that the attornment of the tenant shall not be terminated by foreclosure; and that Lender may, at Lender's option, accept or reject such attornments. Grantor shall not, without Lender's written consent, request or consent to the subordination of any Lease of all or any part of the Property to any lien subordinate to this Trust Deed. If Grantor becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of set-off against rent, Grantor shall (i) take such steps as shall be reasonably calculated to prevent the accrual of any right to set-off against rent, (ii) notify Lender thereof and of the amount of said set-offs, and (iii) within ten (10) days after such accrual, reimburse the tenant who shall have acquired such right to set-off or take such other steps as shall effectively discharge such set-off and as shall assure that rents thereafter due shall continue to be payable without set-off or deduction.

19. **ASSIGNMENT OF LEASES, RENTS, AND PROFITS.** The Grantor assigns to Lender all Leases and all existing and future rents, issues, profits and revenues from the Property. However, until the Grantor is in default under this Trust Deed or any obligations secured hereby, the Grantor shall have a license to collect and receive (but not more than one (1) month prior to accrual) those rents, issues, profits and revenues, and to retain, use and enjoy the same. Upon any default, Lender may, at Lender's election, without notice to the Grantor, and as agent for the Grantor, take and maintain full control of the Property; oust tenants for nonpayment of rents; lease all or any portion of the Property, in the name of the Grantor, on such terms as Lender may deem advisable; make alterations or repairs Lender may deem advisable and deduct the cost thereof from the rent; receive all rents and income therefrom and issue receipts therefor; and out of the amount or amounts so received to pay the necessary operating expenses and retain or pay the customary charges for thus managing the Property; pay the Lender any amount due upon the obligations secured by this Trust Deed; pay rates, rents, taxes, assessments, premiums and Other Impositions; pay amounts necessary to carry out any covenant in this Trust Deed; the Lender to determine which items are to be met first, but to pay any excess so collected to the

Grantor, and those exercising this authority shall be liable to the owner only for the amount collected hereunder and the accounting thereof, and as to all others, persons exercising this authority are acting only as agent of the owner in the protection of the Lender's security interest. In no event is the right to such management and collection of such rents and income to affect or restrict the rights and remedies of the Lender upon default. If the rents, issues, profits and revenues from the Property are insufficient to meet the costs, if any, of taking control of and managing the Property, any funds expended by Lender for such purposes shall become obligations of Grantor to Lender secured by this Trust Deed.

20. **TRANSFERS OF THE PROPERTY OR BENEFICIAL INTERESTS IN GRANTOR; ASSUMPTION.** On sale or transfer of (i) all or any part of the Property, or any interest therein, or (ii) any beneficial or ownership interest in Grantor (if Grantor is not a natural person or persons but is a corporation, partnership, limited liability company, trust or other legal entity) Lender may, at Lender's option, declare all of the sums secured by this Trust Deed to be immediately due and payable, and Lender may invoke any remedies permitted by the paragraph of this Trust Deed entitled **RIGHTS AND REMEDIES ON DEFAULT**. This option shall not apply (i) to a transfer from Grantor to Nash Properties, LLC; or (2) to sales or transfers when the transferee's creditworthiness and management ability are satisfactory to Lender, Lender has consented in writing, and the transferee has executed, prior to the sale or transfer, a written assumption agreement containing such terms as Lender may require, including, if required by Lender, the imposition of an assumption fee, an increase in the rate of interest payable under the Note, and an increase in the periodic installments payable under the Note. Consent by Lender to one transfer of the Property shall not constitute consent to subsequent transfers or waiver of the provisions of this paragraph. Subject to the limitations specified in Section 26.2 of this Trust Deed, no transfer by Grantor shall relieve Grantor of liability for payment and performance of the obligations secured by this Trust Deed.

21. **CONSTRUCTION.** If the obligations secured by this Trust Deed or any part thereof are being obtained for the purpose of financing construction of improvements on the Real Property, or if insurance or condemnation proceeds are held by Lender to reimburse Grantor for the cost of restoration and repair of the Property, then Lender may, at Lender's option, condition any disbursement on Lender's approval of such plans and specifications, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as are set forth in the Loan Agreement and otherwise as Lender may reasonably require. If Lender chooses to hold any insurance or condemnation proceeds for the restoration or repair of the Property, Lender will be entitled to an administration fee of one percent (1%) of the costs of such restoration or repair.

22. **NOTICE.** Any notices required or permitted to be given under the terms of this Trust Deed shall be in writing and may be given by personal delivery; first class mail; certified mail, return receipt requested; or nationally recognized overnight courier; directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

GRANTOR:

American Exchange Services, Inc.

320 Church Street N.E.
Salem, OR 97301
Attn: Paula

NASH PROPERTIES, LLC: Nash Properties, LLC
1125 Adams #A
Klamath Falls, OR 97601
Attn: William C. Nash

TRUSTEE: Will Forsyth
Hershner Hunter LLP
180 East 11th Avenue
Eugene, OR 97401

LENDER: Sterling Savings Bank
540 Main Street
Klamath Falls, OR 97601
Attn: Angalee Barry

Any notice given shall be effective when actually received; or if given by certified mail, then forty-eight (48) hours after deposit of such notice in the United States mail with postage prepaid; or if given by overnight courier, then twenty-four (24) hours after the deposit of such notice with the overnight courier with delivery charges prepaid.

23. **SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; AGENTS; CAPTIONS.** The covenants and agreements herein contained shall bind and the rights hereunder shall inure to, the respective successors and assigns of Lender and Grantor, subject to the provisions of the section of this Trust Deed entitled TRANSFERS OF THE PROPERTY OR BENEFICIAL INTERESTS IN THE PROPERTY; ASSUMPTION. Without limiting the foregoing, Nash Properties, LLC hereby agrees to assume all of covenants and agreements of Grantor contained in this Trust Deed if and when it assumes title to the Property from Grantor. All covenants and agreements of Grantor shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender. The captions and headings of the sections of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions hereof.

24. **WAIVER OF MARSHALLING.** Notwithstanding the existence of any other security interests in the Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Lender shall have the right to determine the order in which any or all portions of the obligations secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Grantor, any party who consents to this Trust Deed, and any party who now or hereafter acquires a security interest in the Property hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

25. DEFAULT. Time is of the essence of this Trust Deed. The occurrence of any of the following shall constitute an event of default:

25.1 Failure to pay or cause to be paid any portion of any installment under the Notes when such installment is due.

25.2 Any failure (other than as specified in subparagraph 25.1.) by Grantor to perform or comply with any term of this Trust Deed within fifteen (15) days after written notice by Lender to Grantor specifying the nature of the nonperformance with reasonable particularity.

25.3 Other than a transfer from Grantor to Nash Properties, LLC, the transfer or agreement to transfer any part or interest in the Property in any manner whatsoever, including, but not limited to, allowing any lien inferior to this Trust Deed, or any lease of any portion of the Property, without the prior written consent of Lender, as required under any section of this Trust Deed.

25.4 Dissolution, termination of existence, insolvency on a balance sheet basis or business failure of Borrower; the commencement by Borrower of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Borrower in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Borrower to the appointment of a receiver, trustee, or custodian of Borrower or of any of Borrower's property; an assignment for the benefit of creditors by Borrower; the making or suffering by Borrower of a fraudulent transfer under applicable federal or state law; concealment by Borrower of any of its property in fraud of creditors; the making or suffering by Borrower of a preference within the meaning of the federal bankruptcy law; the imposition of a lien through legal proceedings or distraint upon any of the property of Borrower which is not discharged in the manner permitted by this Trust Deed; or Borrower's failure generally to pay its debts as such debts become due. The events of default in this section shall apply and refer to Borrower and to each of the individuals or entities which are collectively referred to as "Borrower."

25.5 Failure of Grantor to make any payment or perform any obligation under any superior liens or encumbrances, within the time required thereunder.

25.6 Commencement of any suit or other action to foreclose or enforce any lien, charge or encumbrance on all or any part of the Property.

25.7 Any default under the provisions of the Loan Agreement, any agreement that guarantees any part of the obligations secured by this Trust Deed, or any other present or future agreements relating to this Trust Deed or the obligations secured by this Trust Deed.

25.8 Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor under this Trust Deed is false or misleading in any material respect, either now or at the time made or furnished.

25.9 This Trust Deed ceases to be in full force and effect (including failure of this Trust Deed to create a valid and perfected security interest or lien) at any time and for any reason.

26. RIGHTS AND REMEDIES ON DEFAULT.

26.1 REMEDIES. Subject to the limitation described in Section 26.2 below, upon the occurrence of any event of default and at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

a. Lender may declare all sums secured by this Trust Deed immediately due and payable, including any prepayment penalty which Borrower would be required to pay.

b. The Trustee shall have the right to foreclose by notice and sale, or Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.

c. If this Trust Deed is foreclosed by judicial procedure, Lender will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this Trust Deed exceeds the net sale proceeds payable to Lender.

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

e. Lender shall have the right to take possession of the Property and collect all the rents and revenues of the Property.

f. Lender shall have 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, to operate the Property preceding foreclosure or sale, to collect all the rents and revenues from the Property and apply the proceeds, over and above costs of the receivership, against the sums due under this Trust Deed. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the sums due under this Trust Deed by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

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

h. Lender may apply toward the payment of any obligations secured by this Trust Deed such sums or any part thereof held by the Lender under the provisions of this Trust Deed, or any indebtedness of the Lender to the Borrower.

i. Trustee and Lender shall have any other right or remedy provided in this Trust Deed, the Notes, the Loan Agreement, or any other present or future agreements delivered in connection therewith, or available at law, in equity or otherwise.

26.2 NON-RECOURSE AS TO AMERICAN EXCHANGE. Notwithstanding any language to the contrary in this Trust Deed, the Loan Agreement, or any of the Related Documents, all obligations to perform the covenants contained herein, and to pay the sums coming due hereunder and under the Notes secured by this Trust Deed, are non-recourse obligations as to American Exchange, and American Exchange shall not be liable for any deficiency. Lender hereby waives, releases, and discharges American Exchange from all liability for any such deficiency, including interest which may accrue thereon.

26.3 RIGHTS OF RECEIVER OR LENDER-IN-POSSESSION. Upon taking possession of all or any part of the Property, the Lender or any receiver has all the rights and remedies outlined in the section of this Trust Deed entitled ASSIGNMENT OF LEASES, RENTS, AND PROFITS; and/or in any other assignment of rents and profits.

26.4 SALE OF THE PROPERTY. In exercising its rights and remedies, the Trustee or Lender may, at Lender's sole discretion, cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Lender may bid at any public sale on all or any portion of the Property.

26.5 WAIVER; ELECTION OF REMEDIES. A waiver by Lender of a breach of a provision of this Trust Deed shall not constitute a waiver or prejudice the Lender's right otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Lender under this Trust Deed are cumulative and nonexclusive, and may be exercised concurrently, independently, or successively, in any order whatsoever. An election to make expenditures or take action to perform an obligation of Borrower shall not affect Lender's right to declare a default and exercise its remedies under this Trust Deed.

27. HAZARDOUS SUBSTANCES.

27.1 Except as previously disclosed to Lender in writing, Grantor represents and warrants to Lender that the following representations are true, and shall remain true:

a. All conditions on the Property, the use of the Property, and all activities upon the Property have conformed and shall conform at all times to all applicable Environmental Laws and other restrictions governing the condition of the Property, the use thereof or any activities thereon. Specifically, but not by way of limitation, no Hazardous Substance has been or shall be released or discharged from the Property, spilled or permanently stored on the Property, or otherwise present in the soil or water of the Property. All hazardous wastes at any time generated at the Property, or in connection with the business of Grantor, have been and shall be transported in compliance with applicable law to storage, treatment and disposal facilities permitted or authorized to handle such substances by the governmental agency with jurisdiction thereof. All underground tanks present on the Property or utilized in the operation of the business of Grantor have been and shall be properly registered with applicable

state or federal authorities and monitored in accordance with the applicable requirements of state and federal law. No notification of release of a Hazardous Substance has been, or is required to have been, filed pursuant to any Environmental Law. No wastes generated at the Property or in connection with the business of Grantor have been or shall be sent, directly or indirectly, to any site listed or formally proposed for listing on the National Priority List promulgated pursuant to CERCLA or to any site listed on any state list of Hazardous Substance sites requiring investigation or cleanup. Neither Grantor nor any predecessor-in-interest of Grantor has received from any governmental authority or third party any request for information, notice of claim, demand letter, or other notification that, in connection with the Property or the conduct of the business of Grantor or such predecessor, it is or may be potentially responsible with respect to any investigation or cleanup of Hazardous Substance releases at any site.

b. 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 any adjacent property prior to Grantor's ownership, possession or control of the Property.

c. 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.

27.2 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 (i) an event of default, or an event which with notice or passage of time or both would constitute an event of default, exists at the time Bank arranges to have the audit performed, or (ii) the audit reveals an event of default or an event which with notice or passage of time or both would constitute an event of default. 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.

27.3 Grantor will indemnify and hold Lender harmless from and against any and all claims, demands, damages, cleanup 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 Notes; (ii) any release onto or under the Property of any Hazardous Substance, regardless of the time or cause of the release; and (iii) any release onto or under other property of any Hazardous Substance which occurs as a direct or indirect result of the acts or omissions of Grantor or Grantor's predecessors-in-interest, or their respective directors, officers, employees, agents or independent contractors.

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

27.5 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 all or any portion of the Property from Lender and resume ownership shall survive foreclosure of this Trust Deed or acceptance by Lender of a deed in lieu of foreclosure.

27.6 For purposes of this Trust Deed:

a. "Environmental Laws" means all local, state and federal laws, rules, regulations and ordinances pertaining to human health or the environmental, including, without limitation, the federal statutes commonly known as CERCLA and RCRA and any other federal or state environmental cleanup statutes now or at any time hereafter in effect.

b. "Hazardous Substances" means all materials that, because of their quantity, concentration, or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment, and specifically includes, but is not limited to, any and all hazardous, toxic or infectious substances, materials or wastes as defined or listed under any Environmental Laws.

28. ACCESS LAWS.

28.1 Grantor agrees that Grantor and the Property shall at all times strictly comply with the requirements of the Americans with Disabilities Act of 1990; the Fair Housing Amendments Act of 1988; any other federal, state or local laws or ordinances related to disabled access; any statute, rule, regulation, ordinance, order of governmental bodies and regulatory agencies; and any order or decree of any court adopted or enacted with respect thereto; as now existing or hereafter amended or adopted (collectively, the "Access Laws"). At any time, Lender may require a certificate of compliance with the Access Laws and indemnification agreement in a form reasonably acceptable to Lender. Lender may also require a certificate of compliance with the Access Laws from an architect, engineer, or other third party acceptable to Lender.

28.2 Notwithstanding any provisions set forth herein or in any other document, Grantor shall not alter or permit any tenant or other person to alter the Property in any manner which would increase Grantor's responsibilities for compliance with the Access Laws without the prior written approval of Lender. In connection with such approval, Lender may require a certificate of compliance with the Access Laws from an architect, engineer, or other person acceptable to Lender.

28.3 Grantor agrees to give prompt written notice to Lender of the receipt by Grantor of any claims of violation of any of the Access Laws and of the commencement of any proceedings or investigations which relate to compliance with any of the Access Laws.

28.4 Grantor shall indemnify and hold harmless Lender from and against any and all claims, demands, costs, expenses, losses, liabilities, penalties, fines, and other proceedings, including, without limitation, reasonable attorney fees and expenses, arising directly or indirectly from or out of or in any way connected with any failure of the Property to comply with any of the Access Laws. The obligations and liabilities of Grantor under this section shall survive any termination, satisfaction, assignment, judicial or nonjudicial foreclosure proceeding, or delivery of a deed in lieu of foreclosure.

29. RECONVEYANCE. Upon payment and performance of all obligations secured by this Trust Deed, Lender shall (a) request Trustee to reconvey the Real Property and shall surrender this Trust Deed and all notes evidencing indebtedness secured by this Trust Deed to Trustee, and (b) execute such documents as are reasonably required to terminate Lender's security interest in the Personal Property. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay Trustee's costs incurred in so reconveying the Property.

30. SUBSTITUTE TRUSTEE. In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

31. ACCEPTANCE OF TRUST. Trustee accepts this trust when this Trust Deed, fully executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of a pending sale under any other trust deed or of any action or proceeding in which Borrower, Lender or Trustee shall be a party unless such action or proceeding is brought by Trustee.

32. ESTOPPEL CERTIFICATE. Grantor will promptly furnish, within ten (10) calendar days of Lender's request, a duly acknowledged written statement setting forth all amounts due on the obligations secured by this Trust Deed, stating whether any offsets or defenses exist, and containing any other matters that the Lender may reasonably require.

33. LEGAL EXPENSES. If Grantor shall be in default as specified above, or if Lender seeks adequate protection of Lender's interest under the Bankruptcy Code, the Grantor shall pay to the Trustee and the Lender all reasonable expenses incurred by the Trustee and/or the Lender, at any time necessary in the Trustee's or Lender's opinion for the protection of the Lender's interest or the enforcement of the Trustee's or Lender's rights, including, but not limited to, the cost of searching records, obtaining title reports, surveyor's reports, attorney's opinions or title insurance, whether or not in connection with any legal proceeding; and the amount of such expense, with interest thereon from the date incurred at the then-current rate of the Notes (but in no event exceeding the highest lawful rate), shall be secured by this Trust Deed. If any legal proceeding is commenced to foreclose this Trust Deed or which concerns this Trust Deed in any way or arises from the execution hereof, including appeals, the prevailing party shall be entitled

to recover reasonable attorney's fees. If this Trust Deed is foreclosed by judicial procedure, the Lender shall, in addition, be entitled to recover at the time the judgment of foreclosure is entered an amount equal to the reasonable attorney's fees and legal expenses which Lender reasonably anticipates will be incurred in enforcing and collecting such judgment.

34. **GOVERNING LAW; SEVERABILITY.** This Trust Deed shall be governed by the law of the State of Oregon. In the event that any provision or clause of this Trust Deed or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Trust Deed or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Trust Deed and the Notes are declared to be severable.

35. **CHANGES IN WRITING.** This Trust Deed and any of its terms may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Grantor or Lender relating to this Trust Deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

36. **STATUTORY DISCLOSURE.** As required by Oregon statute (ORS 746.201(2)), the following disclosure is made:

WARNING

UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR CONTRACT OR LOAN BALANCE. IF THE COST IS ADDED TO YOUR CONTRACT OR LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING CONTRACT OR LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE

13904

**COVERAGE OR ANY MANDATORY LIABILITY INSURANCE
REQUIREMENTS IMPOSED BY APPLICABLE LAW.**

DATED: March ____, 2004.

AMERICAN EXCHANGE SERVICES, INC.

By *Paula M. Frey*
Print Name *Paula M. Frey*
Title *Asst. Secretary*

NASH PROPERTIES, LLC

By *William C. Nash* *member*
William C. Nash, Member
By *Lois Dian Nash* *member*
Lois Dian Nash, Member

STATE OF OREGON)
) ss.
County of Marion)

This instrument was acknowledged before me on March 9, 2004, by Paula M. Frey as Asst. Secretary of American Exchange Services, Inc.



Teri Due
Notary Public for ~~Connecticut~~ Oregon
My Commission Expires: 11-17-05

13905

STATE OF OREGON)
) ss.
County of Klamath)

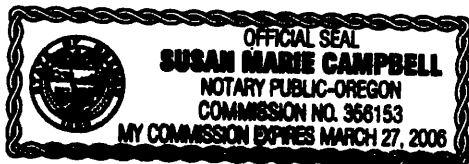
This instrument was acknowledged before me on March 8, 2004, 2004, by William C. Nash as a Member of Nash Properties, LLC.



Susan Marie Campbell
Notary Public for ~~Connecticut~~ Oregon
My Commission Expires: 3-27-06

STATE OF OREGON)
) ss.
County of Klamath)

This instrument was acknowledged before me on March 8,, 2004, by Lois Dian Nash as a Member of Nash Properties, LLC.



Susan Marie Campbell
Notary Public for ~~Connecticut~~ Oregon
My Commission Expires: 3-27-06

EXHIBIT A

13906

Main Building Site:

Parcel 1:

Lot 5 Block 36, ORIGINAL TOWN OF KLAMATH FALLS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. EXCEPTING THEREFROM the Southeasterly 8 feet for alley.

Parcel 2:

One foot strip off of the easterly side of Lot 5, all of the Westerly half of Lot 6, the West half of the East half of Lot 6, and being 50 feet and 10 ½ inches on Main Street and 120 feet deep in Block 36 in the City of Klamath Falls (being the Original Town of Linkville), as shown on the duly recorded Plat thereof (said grant being further described in Vol. 37, Deed records, at page 131); also an undivided one-half (1/2) interest in and to a seventeen (17) inches off of the Westerly side of the East Half of the East Half (E. ½ of E. ½) of Lot 6, Block 36, Town of Linkville (now the City of Klamath Falls), and also the right to the use of that certain stairway which now leads to the second floor of the building located and situated on the East ½ of the East ½ of said Lot 6, in Block 36 (described in Vol. 36, Deed records, at page 213.)

Off-Site Parking Lot:

Lots 6, 7, and 8 in Block 85 Klamath 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.