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ASSIGNMENT OF LESSOR'S INTEREST IN LEASE

THIS ASSIGNMENT, made this 12th day of May, 1978, by Dale M. Zerull and Lesley M. Zerull (hereinafter called "Assignor") to FIRST NATIONAL BANK OF OREGON, a national banking association (hereinafter called "Assignee");

WITNESSETH:

FOR VALUE RECEIVED, Assignor hereby grants, transfers and assigns to Assignee, its heirs, representatives and assigns, all of the right, title and interest of Assignor in and to any and all leases now or hereafter existing covering all or a portion of the real property (hereinafter called "Premises") described in Exhibit A, which is attached hereto and made a part hereof including but not limited to that certain lease executed on or about April 15, 1978 between Assignor, as lessor, and Home Fabrics, Inc., an Oregon Corporation, as lessee. Any and all leases assigned hereunder are hereinafter called "the lease."

This assignment is made as security for the payment of a promissory note from Assignor to Assignee, dated May 12, 1978, in the face amount of \$99,338.00 and as security for the performance of a certain Mortgage made by Assignor to Assignee on the Premises dated May 12, 1978.

THE ASSIGNEE AGREES that:

(a) So long as there shall exist no default by Assignor in the payment of any indebtedness secured hereby or in the performance of any obligation of Assignor herein or in the Mortgage or other instrument securing said indebtedness, Assignor shall have the right to collect, but not more than 30 days prior to accrual, all rents, issues and profits from the Premises and to retain, use and enjoy the same.

(b) Upon payment in full of all indebtedness secured hereby as evidenced by the recording or filing of an instrument of satisfaction or full release of the Mortgage without the recording of another Mortgage in favor of Assignee affecting the Premises, this assignment shall become and be void and of no effect.

THE ASSIGNOR AGREES with respect to the lease that:

(1) Assignor will fulfill or perform each and every condition and covenant of the lease to be fulfilled or performed by Assignor; give prompt notice to Assignee of any notice of default by Assignor under the lease; at the sole cost and expense of Assignor enforce, short of termination of the lease, the performance or observance of each and every covenant and condition of the lease by lessee to be kept and performed; not to modify nor in any way alter the terms of the lease; nor terminate the term of the lease nor accept the surrender thereof unless required to do so by the terms of the lease; nor anticipate the rents thereunder for more than 30 days prior to accrual; and not waive nor release the lessee from any obligations or conditions of the lease to be performed.

(2) The rights assigned hereunder include all of Assignor's right and power to modify the lease or to terminate the term or to accept a surrender thereof or to waive or release the lessee from the performance or observance by the lessee of any obligation or condition thereof or to anticipate rents thereunder for more than 30 days prior to accrual.

(3) At Assignor's sole cost and expense, the Assignor will appear in and defend any action growing out of or in any manner connected with the lease or the obligations or liabilities of Assignor, lessee or any guarantor thereunder.

(4) Should Assignor fail to make any payment or to do any act as herein provided then Assignee, but without any obligation so to do, and without notice to or demand on the Assignor and without releasing the Assignor

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from any obligation hereunder, may make or do the same including specifically without limiting the general powers, appearing in and defending any action purporting to affect the security hereof or the rights or powers of the Assignee and performing any obligation of the Assignor in the lease contained and in exercising any such powers, paying necessary costs and expenses, employing counsel and incurring and paying reasonable attorney's fees and Assignor will pay immediately upon demand all sums expended by Assignee under the authority hereof, together with interest thereon at 10% per annum and the same shall be added to said indebtedness and shall be secured hereby and by the Mortgage.

(5) After any default by Assignor in the payment of said indebtedness or in the performance of any obligation of Assignor herein or in the Mortgage or any other instruments securing said indebtedness, Assignee, at its option, without notice, irrespective of whether notice has been given to Assignor and without regard to the adequacy of security for the indebtedness hereby secured, either in person or by agent, with or without bringing any action or proceeding or by a receiver to be appointed by a court, may enter upon, take possession of and operate the premises; make, enforce, modify and accept the surrender of the lease; obtain and evict tenants; fix or modify rents; and do any acts which Assignee deems proper to protect the security thereof until all indebtedness secured hereby is paid in full and either with or without taking possession of the premises in its own name, sue for or collect and receive all rents, issues and profits including those past due and unpaid and apply the same, less cost and expenses of operation and collecting, including reasonable attorney's fees, upon any indebtedness secured hereby, in such order as Assignee may determine. Any income received from the premises by Assignee in excess of the amounts necessary to meet all obligations of Assignor secured hereby, including any accelerated indebtedness, and of the amount estimated by Assignee to be necessary to meet such obligations for the subsequent six-month period shall be paid over by Assignee to Assignor promptly after the expiration of each six-month period following the date of such entry. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid shall not cure or waive any default or waive, modify or affect any notice of default under the Mortgage or invalidate any act done pursuant to such notice.

(6) (a) Assignor has not executed any prior assignment of any of its rights under the lease; (b) Assignor has not done anything which might prevent Assignee from or limit Assignee in operating under any of the provisions hereof; (c) Assignor has not accepted rent under the lease more than 30 days in advance of its due date; (d) So far as Assignor knows, there is no present default by the lessee under the lease; and (e) The lease is in full force and effect.

(7) Assignee shall not be obligated to perform or discharge any obligation under the lease or under or by reason of this assignment and Assignor hereby agrees to indemnify Assignee against and hold it harmless from any and all liability, loss or damage which it may or might incur under the lease or under or by reason of this assignment and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligation or undertaking on their part to perform or discharge any of the terms of the lease; should Assignee incur any such liability, loss or damage under the lease or under or by reason of this assignment or in defense against any such claims or demands, the amount thereof, including costs, expenses and reasonable attorney's fees, together with interest thereon at the rate of 10% per annum shall be secured hereby and by the Mortgage and Assignor shall reimburse Assignee therefor immediately upon demand.

(8) This assignment shall inure to the benefit of the successors and assigns of Assignee and shall bind Assignor's successors and assigns.

The parties agree that all notices, demands or documents which are required or permitted to be given or served hereunder shall be in writing and shall be deemed given when sent by registered or certified mail addressed to Assignor at 3585 Agate Street, Eugene, Oregon 97404 and to Assignee at Administration Headquarters, Real Estate Loan Division T-8, P.O. Box 3131, Portland, Oregon 97208, and that such addresses may be changed from time to

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time by either party serving notice as above provided.

IN WITNESS WHEREOF, Assignor has caused this assignment to be executed the day and year first hereinabove written.

Dale M. Zerull  
Dale M. Zerull

Lesley M. Zerull  
Lesley M. Zerull

STATE OF OREGON )  
County of Klamath ) ss.

May 11, 1976

Personally appeared the above named Dale M. Zerull and  
Lesley M. Zerull  
and acknowledged the foregoing instrument to be their voluntary act  
and deed. Before me:

[Signature]  
Notary Public for Oregon  
My commission expires: 11-30-81

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Parcels of land in the NW $\frac{1}{4}$  of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows:

PARCEL 7. Starting at the Northwest corner of Section 3, Township 39 South, Range 9 East, W.M., Oregon, and running thence South 00°00 $\frac{1}{2}$ ' East along the Westerly boundary of Section 3, 977.8 feet, more or less, to its intersection with a line parallel with and 50 feet distant at right angles Southwesterly from the center line of the Dalles-California State Highway, also known as South Sixth Street as the same is now located.

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Parcels of land in the NW $\frac{1}{4}$  of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows:

PARCEL 7. Starting at the Northwest corner of Section 3, Township 39 South, Range 9 East, W.M., Oregon, and running thence South 00°00 $\frac{1}{2}$ ' East along the Westerly boundary of Section 3, 977.8 feet, more or less, to its intersection with a line parallel with and 50 feet distant at right angles Southwesterly from the center line of the Dalles-California State Highway, also known as South Sixth Street as the same is now located and constructed; thence South 55°52 $\frac{1}{2}$ ' East along said parallel line 2322.07 feet; thence at right angles to South Sixth Street South 34°07 $\frac{1}{2}$ ' West 58 feet to Point F, the true beginning point of this description from which a cross chiseled in the sidewalk bears North 34°07 $\frac{1}{2}$ ' East 70 feet; thence North 55°52 $\frac{1}{2}$ ' West 61 feet to Point G, from which a cross chiseled in the sidewalk bears North 34°07 $\frac{1}{2}$ ' East 70 feet; thence South 34°07 $\frac{1}{2}$ ' West 119.61 feet to Point H; thence South 66°57 $\frac{1}{2}$ ' East 62.15 feet to Point E; thence North 34°07 $\frac{1}{2}$ ' East 107.65 feet to the point of beginning.

PARCEL 8: Beginning at said Point A; thence North 55°52 $\frac{1}{2}$ ' West 121 feet to Point G; thence North 34°07 $\frac{1}{2}$ ' East 68 feet to the South line of South Sixth Street; thence South 55°52 $\frac{1}{2}$ ' East along said line 121 feet; thence South 34°07 $\frac{1}{2}$ ' West 68 feet to the point of beginning.

PARCEL 9. Beginning at said Point G; thence South 34°07 $\frac{1}{2}$ ' West 119.61 feet to Point H; thence North 66°57 $\frac{1}{2}$ ' West 102.51 feet; thence North 34°07 $\frac{1}{2}$ ' East 139.34 feet; thence South 55°52 $\frac{1}{2}$ ' East 100.59 feet to the point of beginning.

PARCEL 10. Beginning at said Point G; thence North 55°52 $\frac{1}{2}$ ' West 100.59 feet, thence North 34°07 $\frac{1}{2}$ ' East 68 feet to the South line of South Sixth Street; thence South 55°52 $\frac{1}{2}$ ' East 100.59 feet; thence South 34°07 $\frac{1}{2}$ ' West 68 feet to the point of beginning.

PARCEL 11. Beginning at said Point D; thence North 66°57 $\frac{1}{2}$ ' West 225.80 feet; thence South 34°07 $\frac{1}{2}$ ' West 30.57 feet to the Northerly right of way line of the Oregon California and Eastern Railway Company; thence South 66°57 $\frac{1}{2}$ ' East along said line 225.80 feet; thence North 34°07 $\frac{1}{2}$ ' East 30.57 feet to point of beginning.

*Return 1st Nat'l Bank*

*P.O. Box 3131  
Portland Or.*



STATE OF OREGON; COUNTY OF KLAMATH; ss..

I hereby certify that the within instrument was received and filed for record on the 16 day of May A.D., 1978 at 10:37 o'clock A. M., and duly recorded in Vol. M 78 of Mortgages on Page 10185.

FEE \$12.00

WM. D. MILNE, County Clerk

By Bernetha A. Helsch Deputy