

ASSIGNMENT AND SECURITY AGREEMENT (Agreement), Made as of the last date set opposite the signatures of Assignor, between Laverne L. Hankins and Christine Y. Hankins, husband and wife, individually and doing business as Morning Star Charalais, which are herein called "Debtor," and INTERSTATE PRODUCTION CREDIT ASSOCIATION, a corporation existing under the Farm Credit Act of 1971, as amended, which is herein called "Secured Party":

1. Assignment of Contract and Conveyance of Real Property: Debtor grants, bargains, sells, assigns, and sets over unto Secured Party, its successors and assigns, all of Debtor's right, title and interest in and to that certain contract for the sale of real estate dated April 1, 1986, between Debtor, as seller, and Candice Webb, as buyer, which is herein called "Contract", a memorandum of which, herein called "Memorandum of Contract", is recorded in Records of Klamath County, Oregon, in Vol. M-86 at Page 5591 (reference to said recorded Memorandum of Contract hereby being expressly made), together with all the right, title and interest of Debtor in and to all moneys due or to become due thereon, which Contract and moneys due or to become due thereon are herein called "Collateral." In addition, Debtor also grants, bargains, sells, and conveys to Secured Party, its successors or assigns, all of Debtor's right, title, and interest, in and to the following described property, which is herein referred to as "Real Property," situate in Klamath County, Oregon, subject to the Contract, to wit:

Township 39, South Range 11, East of the Willamette Meridian:

Section 7: All that portion of the SE $\frac{1}{4}$ SE $\frac{1}{4}$  lying Southerly of the centerline of Casebeer Road, a County Road

Section 8: All that portion of the S $\frac{1}{2}$  lying Southerly of the centerline of Casebeer Road, a County Road

Section 17: The N $\frac{1}{2}$  lying Northerly and Westerly of the centerline of Lost River

Section 18: The E $\frac{1}{2}$ E $\frac{1}{2}$  lying Easterly of the centerline of Bergdorff Road, a County Road

SAVING AND EXCEPTING FROM Section 17 and 18 hereinabove described the following parcel:

Beginning at the section corner common to Sections 17, 18, 19, and 20, in Township 39 South, Range 11 East, Willamette Meridian, and running thence Westerly along the Section line marking the Southerly boundary of said Section 18, 1320 feet more or less to a point in the center line of the County Road along the Westerly boundary of the said E $\frac{1}{2}$ E $\frac{1}{2}$  of Section 18; thence North along the said center line of said County Road, 5027.5 feet, more or less, to the center line of Buck Creek Channel, as the same is now located and constructed; thence following the said center line of the Buck Creek Channel as the same is now located and constructed, North 89°31' East, 116.9 feet; thence South 57°29' East, 2632 feet; thence South 58°16' East, 1000 feet, more or less, to a point in the center line of the present channel of Buck Creek; thence following the said center line of the present channel of Buck Creek, South-easterly 650 feet, more or less; to its intersection with the Northwesterly or right bank of Lost River, thence following said Northwesterly or right bank of Lost River; Southwesterly down stream 3650 feet, more or less, to its intersection with the section line marking the southerly boundary of the said Section 17; thence Westerly along the said section line, 220 feet, more or less, to the point of beginning.

2. Grant of Security Interest: Debtor grants Secured Party a security interest in the Collateral and the Real Property as security for the payment of each and every one of the following:

- (a) The Indebtedness: The Indebtedness defined in this Agreement.
- (b) All Obligations of Debtor: The payment and performance of all existing and future obligations of Debtor to Secured Party, including those arising under this Agreement.
- (c) Expense: All expenses, including reasonable attorney fees (both at trial and on appeal) incurred or paid by Secured Party in the preservation or enforcement of Secured Party's rights, or obligations of Debtor hereunder, including such expenses incurred by Secured Party in performing, on behalf of Debtor, any obligations of Debtor. Without limiting the generality of the foregoing, expenses shall include any one or more of the following: Payment (voluntary or otherwise) of taxes, liens, insurance, or conflicting security rights; appearance by Secured Party in any proceeding (in law, in equity, or in bankruptcy) affecting Secured Party's security rights in the Collateral or the Real Property; and costs, charges, and expenses of evidence of title or validity or priority of Secured Party's security interest in the Collateral or the Real Property. Nothing contained in this provision shall be construed as obligating Secured Party to incur any such expense for the benefit of Debtor and the incurring of any such expense shall be at the sole option and discretion of Secured Party.

3. Declaration of Agreement: This Agreement is irrevocable and shall remain in full force and effect until and unless it is released in writing by Secured Party or there is payment in full of the following obligations of Debtor which are herein called "Indebtedness":

- (a) Promissory Note dated September 3, 1986, in the face amount of \$74,011.00, maturing September 1, 1991, executed by Debtor and held by Secured Party.
- (b) All future advances or loans hereafter made to or for the Debtor.
- (c) All loan extensions or renewals.
- (d) Debtor's obligations to acquire Secured Party's class "B" capital stock and/or any capital equity in Secured Party required by any commitment of Debtor to Secured Party.
- (e) All sums hereafter expended by Secured Party for the maintenance and preservation of the Collateral or the Real Property.
- (f) Any other liability of Debtor to Secured Party now existing or hereafter incurred.
- (g) Interest on all such sums, advances, loans, expenditures or liability from the date thereof at the variable rate Secured Party shall, from time to time, prescribe as its rate of interest on its loans.

4. Debtor's Warranties and Covenants: Debtor warrants and covenants as follows:

- (a) Title: Debtor is the owner of the Collateral and the Real Property free from any adverse lien, security interest, or encumbrance except as set forth in this Agreement.
- (b) No Prior Assignment: Debtor has not made any prior assignment of the Collateral or conveyance of the Real Property other than by the Contract.

- (c) No Future Assignment: Debtor will not assign any other interest in the Collateral or the Real Property.
- (d) Location of Collateral: The Collateral will be kept at the office of Mountain Title Company, 407 Main Street, Klamath Falls, Oregon 97601, herein called "Installment Collector."
- (e) No Chance of Installment Collector: Debtor will not change the Installment Collector of the Collateral without the written consent of Secured Party.
- (f) Debtor Instruct Installment Collector To Remit Jointly To Debtor and Secured Party: Debtor shall irrevocably instruct the Installment Collector to remit all proceeds received by it from the Collateral in such form of payment as will show the payee to be Debtor and Secured Party and not to remit all such proceeds to Debtor solely.
- (g) Debtor Transmit Directly Received Payments to Secured Party: In the event any payment under the Collateral is made to Debtor, Debtor will promptly transmit such payment to Secured Party in the same form as it is received by Debtor except that Debtor will endorse checks or drafts which are payable to Debtor.
- (h) Sale Prohibited: Debtor will not sell, or offer to sell, or otherwise transfer, the Collateral, or any interest therein, without the written consent of Secured Party, but, in case of any such sale or transfer, Secured Party shall have a security interest in the proceeds.
- (i) Protect Collateral from Liens: Debtor will keep the Collateral free from any adverse lien, security interest, or encumbrance, and will defend the Collateral against all claims and demands of all other persons at any time claiming the same, or any interest therein.
- (j) Perfection of Security Interest: Debtor agrees to execute and file financing statements and do whatever may be necessary under applicable law to perfect and continue Secured Party's security interest in the Collateral; all at Debtor's expense.
- (k) Further Assurances: Debtor will do, execute, and deliver whatever further acts, documents, or instruments as Secured Party reasonably shall require for preserving, confirming, and assuring to Secured Party, all and singular, and the security rights in the Collateral herein described.
- (l) Duties and Obligations of Debtor Joint and Several: If more than one Debtor, the duties and obligations of Debtor shall be joint and several.

5. Rights of Secured Party to Collect Proceeds and Enforce Debtor's Rights in the Collateral: Debtor hereby grants to Secured Party the following powers and rights:

- (a) Power of Attorney Coupled with Interest: Debtor hereby appoints Secured Party its true, lawful, and irrevocable attorney-in-fact to perform the acts consented to by Debtor in this Agreement, including, without limiting the generality of the foregoing, to demand, receive, and enforce payment, to give receipts, releases, and satisfactions, to grant graces, extensions and indulgences, and to sue, either in the name of Debtor or in the name of Secured Party, for all sums payable under the Collateral. This power of attorney is a power coupled with an interest.

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- (b) Notices and Right of Secured Party to Receive Payments and Proceeds: Secured Party may, at any time, give notice to any obligor under the Collateral, of Secured Party's right to receive all payments and proceeds from the Collateral and to require any obligor, under the Collateral, to make any payment jointly to Debtor and Secured Party. Secured Party, at its option, may hold such payment in trust as security, or apply the whole, or any part thereof, toward the Indebtedness in such order as Secured Party, in its sole discretion, may elect.
- (c) Secured Party May Grant Extensions: Debtor consents that Secured Party may, at Secured Party's discretion, without further notice and without releasing the liability of Debtor, give grace or indulgence in the collection of all sums due or to become due under the Collateral and to grant extensions of time for the payment of the same before, at, or after maturity.
- (d) Right of Secured Party to Proceed Against Debtor Independent of Obligor of Collateral: Debtor agrees that Secured Party may proceed against Debtor directly or independently of any obligor under the Collateral.
- (e) Non-Assumption of Debtor's Underlying Duty to Obligor of Collateral: Secured Party does not assume any of Debtor's obligations under the Contract and Debtor agrees to keep and perform all obligations of Debtor under the Contract and to save Secured Party harmless from the consequences of any failure to do so (including, without limiting the generality of the foregoing, reasonable attorney fees at trial or on appeal); and no provision of this Agreement shall be construed to provide otherwise.

6. Default of Obligor of Collateral: In the event that any obligor under the Collateral should fail to make any payments when due or to perform any of its obligations to Debtor contained in the Collateral, Secured Party, without being or becoming obligated therefor, may enforce the Collateral or require Debtor to enforce it. Any cost incurred by Secured Party in enforcing the Collateral against any obligor under the Collateral (including without limiting the generality of the foregoing, any reasonable attorney fees at trial or on appeal) shall be added to the Indebtedness.

7. Events of Default: Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

- (a) Failure to Perform: Default in the performance of any terms, covenants or provisions contained or referred to in this Agreement or any other agreement between Debtor and Secured Party.
- (b) False Warranty, Etc.: If any warranty, representation, or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished.
- (c) Acceleration of Debtors to Third Parties: Any event which results in the acceleration of the maturity of the Indebtedness of Debtor to others under any indenture, agreement, or undertaking.
- (d) Unauthorized Disposition of Collateral: Sale or encumbrance of all, or any part of, the Collateral, or the making of any levy, seizure or attachment thereof.

(e) Insolvency, Etc.: Termination of Debtor's business, insolvency of Debtor, business failure of Debtor, appointment of a receiver of any part of the Collateral, assignment by Debtor for the benefit of Debtor's creditors of any of the Collateral, or the commencement of any proceeding under any bankruptcy or insolvency law by or against Debtor, or entry of any judgment against Debtor, or any one or more of the foregoing.

8. Remedies of Secured Party: In the event Debtor fails to pay when due the Indebtedness secured hereby, or any part thereof, or fails to keep, observe or perform any warranty, covenant or agreement contained in this Agreement or any other agreement between the parties, Secured Party, at its option, may declare all Indebtedness secured hereby immediately due and payable. To enforce payment thereof, Secured Party may treat this Assignment either as an absolute assignment subject only to accounting for any surplus, or as a security agreement, or both, in which event Secured Party shall have all the rights and remedies of a secured party under applicable laws and may be a purchaser at any foreclosure sale. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right and a waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All of Secured Party's rights and remedies, regardless of how evidenced, shall be cumulative and may be exercised singularly or concurrently at the sole discretion and option of Secured Party.

9. Attorney Fees: In any suit or action between the parties arising out of, or in connection with, any of the terms, covenants, or provisions of this Agreement, the prevailing party in such suit or action shall be awarded, in addition to any equitable relief, or damages, or both and costs as provided by law, reasonable attorney fees at trial and on appeal. This provision shall extend to and apply to any suit or action in which the issue may be whether the terms, covenants, and provisions of this Agreement are enforceable or null and void. This provision shall, therefore, be and is hereby expressly declared by the parties hereto to be severable from all other terms, covenants, and provisions of this Agreement.

10. Notice: Any notice to Debtor required by this Agreement shall be deemed to have been fully given when written and deposited in a sealed envelope with the United States Postal Service with postage prepaid as Certified Mail addressed to Debtor at the address shown as Debtor's address on the records of Secured Party.

11. Construction: All agreements and covenants contained herein are severable and, in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as though such invalid agreements or covenants were not contained herein. Pronouns shall be construed in accordance with the appropriate gender or neuter, and as either singular or plural as the context requires. This Agreement shall not be construed against the party paying for its preparation, but shall be construed as though all parties prepared it. The headings contained in this Agreement are for convenience only and are not to be construed as part of this Agreement.

12. Binding Effect and Assignment: This Agreement shall be binding upon the parties, their heirs, executors, administrators, successor in interest, pledgees, encumbrances, or assigns (both voluntary and by operation of law); provided however, that this Agreement may not be pledged, encumbered, or assigned by Debtor without the written consent of any of the Indebtedness and may transfer, in whole or in part any of the Secured Party's rights acquired under this Agreement and the transferee shall be vested with all of the rights, duties, and powers of Secured Party hereunder with respect to the Indebtedness or the Collateral.

THIS DOCUMENT CONSTITUTES A BINDING CONTRACT. THE PARTIES HAVE READ IT.

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DATE

12-8-86

12-10-86

SIGNATURE

Laverne L. Hankins  
LAVERNE L. HANKINS Debtor

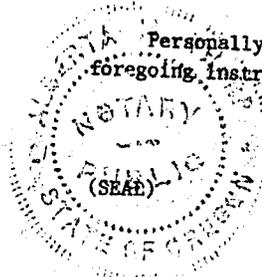
Christine Y. Hankins  
CHRISTINE Y. HANKINS Debtor

dba MORNING STAR CHAR <sup>LAIS</sup> L.H.

STATE OF OREGON )  
                          ) ss.  
County of Klamath )

December 8 and 10, 1986

Personally appeared before me LAVERNE L. HANKINS and CHRISTINE Y. HANKINS and acknowledged the foregoing instrument to be their voluntary act and deed.



[Signature]  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: Oct. 30, 1988

WHEN RECORDED MAIL TO:

MTC

STATE OF OREGON )  
                          ) ss:  
County of Klamath )

I certify that the within instrument was received for record on the 16th day of December, 19 86, at 8:50 o'clock AM., and recorded in Book M86 on Page 23089 or as filing fee number 69338. Record of Deeds of said County. Witness my hand and seal of County affixed.

Evelyn Biehn,

Klamath County Clerk Title

BY: [Signature] Deputy

Fee: \$25.00