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## SECURITY AGREEMENT AND ASSIGNMENT OF LEASE

September 13, 1988

1.0 Vivian S. Dickey and Vivian S. Dickey, as Trustee for Tony Ray Dickey  
(Name)P.O. Box 216, 2834 Pine Grove Rd. Klamath Falls Klamath OR  
(No. and Street) (City) (County) (State)(Borrower) grants to the UNITED STATES NATIONAL BANK OF OREGON, (Bank), 740 Main Street, Klamath Falls, OR  
a security interest in the following-described personal property (Collateral): (Street Address)

## MAKE

## DESCRIPTION

## MODEL

## SERIAL NO.

Borrower's interest in that certain lease dated December 8, 1980 from Bill P. Dickey to Thomas J. Barbano, as evidenced by memorandum recorded January 2, 1981 in book M-81, Page 81 in the official records of Klamath County, Oregon.

including all equipment and accessories thereon, or which may be added thereto, and all substitutions and replacements, added thereto.

The Borrower sells, assigns and transfers to the Bank, its successors and assigns, the lease dated December 8, 1981, wherein Borrower as Lessor leased to Thomas J. Barbano as Lessee the collateral; together with all moneys due and to become due thereunder.

2.0 The security interest is granted and the lease is assigned to secure payment of \$ 50,000, with interest and attorneys' fees in accordance with the terms of borrower's promissory note dated the 13th day of September 19 88, payable to the order of Bank, any renewals or extensions thereof, AND all other liabilities and obligations of borrower to Bank of every kind and description, direct or indirect, absolute or contingent, due or to become due, now or existing or hereafter arising.

3.0 Borrower represents, warrants, and agrees as follows:

3.1 Borrower owns the Collateral, free from any adverse lien, security interest or encumbrance except the assigned lease and has the right to assign the lease and to grant a security interest in the Collateral subject only to the rights of the lessee.

3.2 The lease is a valid and original lease, the lessee has capacity to contract, the signatures thereto are genuine signatures of the parties whose signatures they purport to be, the lessee (or his assignee) is not in default and any insurance required by the lease has been effected and is now in full force and effect.

3.3 The Borrower shall continue to perform all the obligations imposed upon it as Lessor and Bank shall be under no duty or liability for such performance.

3.4 The Collateral will be insured at all times against risks of fire (including extended coverage), theft, and such form, for such periods and written by such companies as may be satisfactory to Bank. All policies of insurance shall have endorsed thereon Bank's standard loss payable clause and such other endorsements as Bank may from time to time request, and Borrower will promptly provide Bank with evidence of such insurance.

3.5 Borrower shall not modify any term or provision of the lease without the prior written consent of Bank.

## 4.0 Events of Default:

4.1 default in the performance of any covenant, condition, or agreement contained herein or in the payment of any note secured hereby:

4.2 any warranty, representation or statement made or furnished to Bank or on behalf of Borrower proves to have been false or misleading in any material respect when made or furnished:

4.3 default in the payment of any rental or other money required to be paid by lessee under the provisions of the lease for a period of 30 days, or default in the performance of any other obligation imposed upon lessee under the lease for a period of 30 days, or the lease is terminated for any reason:

4.4 any event which results in the acceleration of the maturity of the indebtedness of Borrower to others under any note, indenture, agreement, undertaking or obligation of any kind:

4.5 loss, theft, damage, destruction, sale or encumbrance to or of the Collateral, or the making of any levy, seizure or attachment thereof or thereon, or removal of Collateral from this state without prior written consent of the Bank.

4.6 death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against them, or failure of any guarantor or surety for Borrower to provide Bank with financial information promptly when requested.

## 5.0 Rights and Remedies:

5.1 Any and all obligations and liabilities of Borrower shall, at option of Bank, notwithstanding any time or credit allowed by any instrument, become immediately due and payable without notice of demand.

5.2 Upon the occurrence of any such event of default, and at any time thereafter, Bank shall have the rights and remedies of a secured party under the Uniform Commercial Code in addition to the rights and remedies provided herein or in any other agreement executed by Borrower.

5.3 If the lessor is entitled to take possession of collateral from lessee, Bank may require Borrower to take possession of collateral and make it available to Bank at a place to be designated by Bank.

5.4 The requirement of reasonable notice for any sale of the Collateral

shall be met if thirteen (13) day's notice of such sale is mailed, postage prepaid, to the Borrower. The proceeds of any sale shall be applied in the following order (a) to expenses incident to the sale, including but not limited to the cost of retaking, repairing and storing the Collateral, (b) to taxes, liens and insurance payments then unpaid by the Borrower, (c) to a reasonable attorneys' fee if an attorney shall be employed, (d) to the Borrower's indebtedness to the Bank. If the proceeds of the sale are insufficient to pay all said sums, the Borrower agrees to pay such deficiency in full upon demand by the Bank.

5.5 At its option Bank may discharge taxes, liens, security interests, or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance, preservation and insurance of the Collateral, and any amounts so paid shall be secured hereby and shall be payable by Borrower upon demand with fifteen (15%) percent per annum interest thereon from the date of such payment.

5.6 If Borrower is in default under paragraph 4.3 of this Agreement Bank may exercise any and all rights and remedies with regard to such lease which Borrower could exercise. Bank may exercise such rights and remedies on behalf of Borrower and in the name of Borrower. Bank shall apply amounts realized in exercising such rights as required or permitted by the terms of the lease and applicable law and then in accordance with paragraph 5.4 of this agreement.

5.7 The lessee shall be permitted to retain possession and use the Collateral in accordance with the provisions of the lease so long as the same is not in default.

#### 6.0 General Provisions.

6.1 Bank may at any time notify lessee that the lease has been assigned to Bank and that lease payments shall be paid to Bank. Upon request of Bank, Borrower will so notify lessee and will indicate in all billings that the lease is payable to Bank.

#### 7.0 Special Provisions. (If none, write "None")

None.

6.2 A carbon, photographic or other reproduction of this security agreement or any financing statement shall be sufficient as a financing statement.

6.3 Borrower will at all reasonable times allow Bank by or through any of its representatives, attorneys or accountants, to examine and inspect and make extracts from Borrower's books and other records relating to the lease and the Collateral.

6.4 Bank shall have no duty to preserve rights against prior parties.

6.5 Bank shall not be deemed to have waived any of Bank's rights hereunder or under any other agreement, unless such waiver is in writing and signed by Bank. No delay or omission on the part of Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar or waiver of any right or remedy on any future occasion.

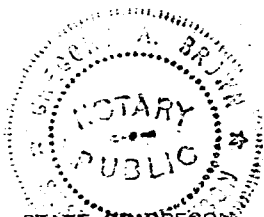
6.6 All Bank's rights and remedies, whether evidenced hereby or by any other agreement, shall be cumulative and may be exercised singularly or concurrently.

6.7 Any demand upon or notice to Borrower that Bank may give shall be effective when addressed and mailed to Borrower's address at which Bank customarily communicates with Borrower.

6.8 This agreement and all rights and liabilities hereunder and in and to any and all Obligations and Collateral or other security shall inure to the benefit of the Bank and its successors and assigns, and shall be binding upon the Borrower and its successors and assigns.

6.9 This agreement and all rights and Obligations hereunder, including matters of construction, validity and performance, shall be governed by the law of Oregon.

6.10 If anything in this agreement is held to be illegal, then only that portion is void and not the entire agreement.



STATE OF OREGON }  
COUNTY OF KLAMATH }  
SUBSCRIBED AND SWORN TO BEFORE ME

THIS December 22, 1988

Gregory O. Brown  
NOTARY PUBLIC

My Commission expires 3/15/91

Vivian S. Dickey  
Signature of Borrower Vivian S. Dickey

Vivian S. Dickey, Trustee  
Vivian S. Dickey, as Trustee for Tony Ray Dickey

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co. the 4th day  
of Jan. A.D., 19 89 at 11:41 o'clock A M., and duly recorded in Vol. M89  
of Mortgages on Page 124

Evelyn Biehn County Clerk

By D. Audine Mullendare

FEE \$13.00

Return: A.T.C.