

CONDITIONAL ASSIGNMENT OF RENTALS

THIS AGREEMENT, Entered into this 31st day of May, 19 89, between
Harold A. Sturgeon and Hazel L. Sturgeon

hereinafter referred to as Owner, and KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION, A
Federal Corporation, hereinafter referred to as Mortgagee.

WITNESSETH:

WHEREAS, Owner is the present owner in fee simple of property described as:

Please see attachment exhibit A for legal description

in Klamath County, State of Oregon, and the mortgagee is owner and holder of a first mortgage
covering said premises, which said mortgage is in the original principal sum of \$ 72,800.00,
made by owner to mortgagee under the date of May 31, 1989; and

WHEREAS, Mortgagee, as a condition to making said loan and accepting said mortgage has
required the execution of this assignment of the rentals of the mortgage premises by owner.

NOW, THEREFORE, in order further to secure the payment of the indebtedness of the owner
to mortgagee and in consideration of the accepting of the aforesaid mortgage and the note
secured thereby, and in further consideration of the sum of One Dollar paid by mortgagee to
owner, receipt of which is hereby acknowledged, the said owner does hereby sell, assign,
transfer and set over unto mortgagee all of the rents, issues and profits of the aforesaid
mortgaged premises, this assignment to become operative upon any default being made by the
owner (mortgagor) under the terms of the aforesaid mortgage or the note secured thereby, and
to remain in full force and effect so long as any default continues to exist in the matter of
the making of any of the payments or the performance of any of the covenants set forth in the
aforesaid mortgage or the notes secured thereby.

1. In furtherance of the foregoing assignment, the owner hereby authorizes the mortgagee
its employees or agents, at its option, after the occurrence of a default as aforesaid to enter
upon the mortgaged premises and to collect, in the name of the owner, or in thier own name as
assignee, the rents accrued but unpaid and in arrears at the date of such default, as well as
the rents thereafter accrued but unpaid and in arrears at the date of such default, as well as
the rents thereafter accruing and becoming payable during the period of the continuance of the
said or any other default; and to this end, the owners further agree they will facilitate in
all reasonable ways the mortgagee's collection of said rents and will upon request by mortgagee
execute a written notice to the tenant directing the tenant to pay rent to the said mortgagee.

2. The owner also hereby authorizes the mortgagee upon such entry, at its option, to
take over and assume the management, operation and maintenance of the said mortgaged premises
and to perform all acts necessary and proper and to expend such sums out of the income of the
mortgaged premises as may be needful in connection therewith, in the same manner and to the
same extent as the owner theretofore might do, including the right to effect new leases, to
cancel or surrender existing leases, to alter or amend the terms of existing leases, to make
concessions to tenants, the owner hereby releasing all claims against mortgagee arising out of
such management, operation and maintenance excepting the liability of the mortgagee to
account as hereinafter set forth.

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3. The mortgagee shall, after payment of all proper charges and expenses, including reasonable compensation to such Managing Agent as it shall select and employ and after the accumulation of a reserve to meet taxes, assessments, water rents and fire and liability insurance in requisite amounts, credit the net amount of income received by it from the mortgaged premises by virtue of this assignment, to any amounts due and owing to it by the owners under the terms of the mortgage and the note secured thereby but the manner of the application of such net income and what items shall be credited, shall be determined in the sole discretion of the mortgagee. The mortgagee shall not be accountable for more moneys than it actually received from the mortgaged premises; nor shall it be liable for failure to collect rents. The mortgagee shall make reasonable effort to collect rents, reserving, however, within its own discretion, the right to determine the method of collection and the extent to which enforcement of collection of delinquent rents shall be prosecuted.

4. In the event, however, that the owner shall reinstate the mortgage loan completely in good standing, having complied with all the terms, covenants and conditions of the said mortgage and the note secured thereby, then the mortgagee within one month after demand in writing shall re-deliver possession of the mortgaged premises to owner, who shall remain in possession unless and until another default occurs, at which time the mortgagee may, at its option, again take possession of the mortgaged premises under authority of this instrument.

5. The owner hereby covenants and warrants to the mortgagee that neither it, nor any previous owner, have executed any prior assignment or pledge of the rentals of the mortgaged premises, nor any prior assignment or pledge of its landlords' interest in any lease of the whole or any part of the mortgaged premises. The owner also hereby covenants and agrees not to collect the rents of the said mortgaged premises in advance, other than as required to be paid in advance by the terms of any rental agreement, and further agrees not to do any other act which would destroy or impair the benefits to the mortgagee of this assignment.

6. It is not the intention of the parties hereto that an entry by the mortgagee upon the mortgaged premises under the terms of the instrument shall constitute the said mortgagee a "mortgagee in possession" in contemplation of law, except at the option of the mortgagee.

7. This assignment shall remain in full force and effect as long as the mortgage debt to the mortgagee remains unpaid in whole or in part.

8. The provisions of this instrument shall be binding upon the owner, its successors or assigns, and upon the mortgagee and its successors or assigns. The word "Owner" shall be construed to mean any one or more persons or parties who are holders of the legal title or equity of redemption to or in the aforesaid mortgaged premises. The word "note" shall be construed to mean the instrument, whether note or bond, given to evidence the indebtedness held by the mortgagee against the mortgaged premises; and the word "mortgage" shall be construed to mean, the instrument securing the said indebtedness owned and held by the mortgagee, whether such instrument be mortgage, loan deed, trust deed, vendor's lien or otherwise.

It is understood and agreed that a full and complete release of the aforesaid mortgage shall operate as a full and complete release of all the mortgagee's rights and interests hereunder, and that after said mortgage has been fully released, this instrument shall be void and of no further effect.

Dated at Klamath Falls, Oregon, this 31st day of May, 19 89.

Harold A. Sturgeon
(Seal) Harold A. Sturgeon

Hazel L. Sturgeon
(Seal) Hazel L. Sturgeon

STATE OF Oregon)
COUNTY OF Klamath) ss.

THIS CERTIFIES, that on this 31st day of May, 19 89, before me, the undersigned, a Notary Public for said state, personally appeared the within named Harold A. Sturgeon and Hazel L. Sturgeon

to me known to be the identical persons described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily for the purpose therein expressed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

Judith L. Morgado
Notary Public for the State of Oregon
My commission expires: 8-31-91

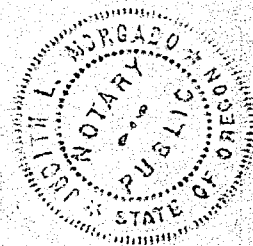


EXHIBIT "A"

PARCEL 1:

A parcel of land in Block 242, MILLS SECOND ADDITION TO THE CITY OF KLAMATH FALLS, in the County of Klamath, State of Oregon, more particularly described as follows:

Beginning at the intersect point of the Easterly line of said property and the Southerly right of way line of the relocated Klamath Falls-Lakeview Highway, which is 40 feet distant Southerly from (when measured at right angles to) the centerline of the said relocated highway; said point also being North 55 degrees 50' 30" West 201.20 feet from the intersection of the Southerly right of way line of said Highway and the Northerly right of way line of Shasta Way; thence North 55 degrees 50' 30" West along said relocated right of way line 94.53 feet more or less to the East line of Lot 2, Block 2 of the Re-subdivision of Block 242, Mills Second Addition; thence South 0 degrees 19' 30" East along said East line of said Subdivision 167.14 feet more or less to the Northerly line of Shasta Way; thence North 89 degrees 40' 30" East 30.51 feet along said Northerly line of Shasta Way to an iron pin; thence North 22 degrees 19' 30" East 123.12 feet more or less to the point of beginning.

PARCEL 2:

The Westerly 80.42 feet of Lots 4 and 5 and the Westerly 80.42 feet of the South 20 feet of Lot 3, Block 2, Resubdivision of Block 242, MILLS SECOND ADDITION TO THE CITY OF KLAMATH FALLS, in the County of Klamath, State of Oregon.

AND ALSO Lot 1, Block 2; ALSO the following described portion of Lots 2 and 3, Block 2: Beginning at a point on the West line of said Lot 3 which point is North 0 degrees 05' East a distance of 20 feet from the Southwest corner of said Lot; running thence East along the North line of the S 1/2 of said Lot 3, a distance of 80.42 feet, more or less, to a point 27.58 feet West of the East line of said Lot 3; thence North 98.24 feet, more or less, to a point on the Southwesterly side of South 6th Street; thence North 55 degrees 15' West along the Southwesterly side of South 6th Street, a distance of 48.89 feet, more or less, to the Northwest corner of said Lot 2; thence South along the West line of Lot 2, 106.1 feet, to the Southwest corner of Lot 2; thence West along the line between Lots 1 and 3, 40 feet to the Southwest corner of Lot 1; thence South along the East line of Martin Street 20 feet to the point of beginning.

All lying in Block 242 of Mills Second Addition to the City of Klamath Falls, Oregon, according to the Supplemental Plat of the Westerly portion of Block 242 Mills Second Addition to the City of Klamath Falls, Oregon.

EXCEPTING AND RESERVING from the above described property that portion thereof conveyed by Frank Ferrari, et ux., to the State of Oregon by Deed recorded in Book 148 at Page 201, Deed Records of Klamath County, Oregon.

PARCEL 3:

The Easterly 27.58 feet of Lots 2, 3, 4 and 5, Block 2 of the Supplemental Plat of the Westerly portion of Block 242, MILLS SECOND ADDITION, in the County of Klamath, State of Oregon.

EXCEPTING THEREFROM the Northeasterly strip deeded to State of Oregon for the widening of South Sixth Street.
STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co.
of May A.D., 1989 at 3:54 o'clock P.M., and duly recorded in Vol. M89
of Mortgages on Page 9523

FEE \$23.00

Evelyn Biehn - County Clerk

By Pauline Muelenbaker