

HYPOTHECATION AGREEMENT

Brookings, Oregon
February 7, 1990

To: Chetco Federal Credit Union
P O Box 1197
Brookings, OR 97415

In consideration of and to induce (a) your making, renewing or extending a loan or loans or otherwise affording financial accommodations to or at the request of Robert L. Dunn & Associates, DBA Mory's, (hereinafter whether one or more called "Borrower"), or (b) your nonexercise for any period of your right to accelerate or declare immediately due and payable any existing loan or loans or financial arrangements to or with or made at the request of Borrower, the undersigned hereby:

1. Pledges with you and grants you a security interest in the property described below belonging to the undersigned, together with the proceeds thereof ("Collateral"), as security for every loan or financial accommodation made by you to Borrower, and of any other liability or indebtedness of Borrower to you, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several or joint and several, and no matter how the same may be evidenced or shall arise (all of which are hereinafter collectively called "Obligations"); and
2. Warrants and represents to you that the undersigned has Title to the property described below, free of all liens and encumbrances, and has full power and authority to execute this Agreement and to subject such property to this security interest; and
3. To the extent that the Collateral may consist of securities, agrees that, if any securities or property will be deemed an increment to the Collateral and will -- to the extent received by or placed under the control of the undersigned -- be held or controlled in trust for you and will be promptly delivered to you (in form for transfer) to be held hereunder.

Description of property pledged:

Lots 5 and 6 of Block 10, ORIGINAL TOWN OF LINKVILLE 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.

(a) You are hereby fully authorized and empowered, upon the death, insolvency, bankruptcy or failure in business of Borrower,

90 MAR 7 AM 9 38

or upon the nonperformance by Borrower of any of the covenants or agreements set forth in any of the documents creating or evidencing the Obligations, or when you or any officer acting in your behalf deems the Collateral to be insufficient to fully secure payment of the Obligations by reason of the decline in the market value of any part thereof, or at any time or times thereafter, to declare any or all of the Obligations to be instantly due and payable as though they had actually matured, and at your option, whether the Obligations are due or not, to demand, sue for, collect, make any compromise or settlement you deem desirable with reference to the Collateral held hereunder and/or the Obligations and/or to sell, assign and deliver any or all of the Collateral or any substitute therefor or any additions thereto, at any broker's board, or at public or private sale, without notice, advertisement, or demand of any kind to anyone (except as the same may be required by law), and you may purchase any of the Collateral at any such sale at the best price obtainable without being liable to account to the undersigned by reason thereof. In connection with the foregoing, you shall have all of the rights and remedies of a secured party under the Uniform Commercial Code and/or any other applicable law.

(b) Right is expressly granted to you at your option to transfer at any time to yourself or to your nominee any Collateral held hereunder and to receive the income thereon and hold the same as security hereunder or apply it on the principal or interest due on any Obligations.

(c) You shall have no duty as to the collection or protection of the Collateral held hereunder or any income thereon, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof. You shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if you comply with the undersigned's requests in such regard made to you in writing, but your failure to comply with any such request shall not in and of itself be deemed a failure to exercise reasonable care in such custody and preservation of the Collateral. You may exercise your rights with respect to the Collateral held hereunder without first or simultaneously resorting to any other collateral or sources of reimbursement or proceeding against Borrower or any other person or persons primarily or secondarily liable for any such Obligations, and without your being obligated to consider or take notice of any right of contribution, reimbursement, subrogation or marshaling of assets which the undersigned may have or claim to have against any person or persons or with respect to any other collateral; and you may release Borrower or any other person or persons primarily or secondarily liable for any such Obligations and release any and all other collateral for such Obligations, all without affecting or impairing your rights as pledgee of the Collateral.

(d) All of your rights and remedies hereunder are cumulative and not alternative. Indulgence by you with respect to any of the terms and conditions herein contained or your failure to exercise

any of your rights hereunder shall not constitute a waiver thereof. No provision hereof may be waived or modified orally, but all such waivers or modifications shall be in writing.

(e) This Agreement shall remain in full force and effect until all Obligations hereby secured have been performed or paid in full and until written notice of its termination shall have been delivered by the undersigned to you at any of your offices in Brookings, Oregon; provided, however, that such revocation shall not affect or impair any of your then existing rights, powers or authority with respect to the Collateral as to any Obligations incurred or contracted prior to such termination.

(f) Irrespective of words herein denoting the singular number, this Agreement (1) shall, if signed by two or more persons, be binding upon such persons jointly and severally, and (2) shall, if Borrower consists of two or more persons, apply to the obligations and liabilities of any one or more of such persons whether joint, several or joint and several.

(g) Any and all payments received by you on account of the Obligations, and the proceeds of the Collateral or other security therefor, may be applied by you (after deduction of all expenses of sale including your reasonable attorneys' fees) against any item or items of the Obligations secured hereby as you, in your sole discretion, may determine, whether the same shall be then due or not.

(h) This Agreement shall be governed in all respects by the laws of the State of Oregon and shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

FIRSTMARK, INC.
BY: Robert L. Dunn
Robert L. Dunn, President/Secretary

Reflexion
Chetco Federal Credit Union
P.O. Box 30003
Harbor Oreg 97415

STATE OF OREGON,)
County of Curry) ss.

February 8, 1990.

Personally appeared the above named Robert L. Dunn and acknowledged that he executed the foregoing instrument freely and voluntarily.

Before Me:

Vera L. Stoll
VERA L. STOLL
NOTARY PUBLIC - OREGON
My Commission Expires 10-12-93

Notary Public for Oregon My Commission Expires: _____

Hypothecation Agreement -
page 3

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co. the 7th day of March A.D. 19 90 at 9:38 o'clock AM., and duly recorded in Vol. M90 of Mortgages on Page 4264

FEE \$18.00

Evelyn Biehn County Clerk
By Pauline Mueller