

RECORDATION REQUESTED BY

Klamath County
409 Pine Street
Klamath Falls, OR 97601

WHEN RECORDED MAIL TO:

Klamath County
409 Pine Street
Klamath Falls, OR 97601

SEND TAX NOTICE TO:

Klamath Community
Development Corporation
125 South 6th Street
Klamath Falls, OR 97601

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

ASSIGNMENT OF RENTS

THIS ASSIGNMENT OF RENTS IS DATED February 13, 1996, between Klamath Community Development Corporation, whose address is 126 South 6th Street, Klamath Falls, OR 97601 (referred to below as "KCDC") and Klamath County, whose address is 403 Pine Street, Klamath Falls, OR 97601 (referred to below as "Lender").

ASSIGNMENTS: For valuable consideration, KCDC assigns and conveys to Lender all of KCDC's right, title, and interest in and to the Rents from the following described Property located in Klamath County, State of Oregon:

Parcel 1 of Land Partition Number 32.95 on file in the Klamath County Clerk's Office.

The Real Property or its address is commonly known as 6450 Swan Court, Klamath Falls, Oregon 97603.

KCDC and Klamath County, the Grantor and Lender herein, specifically acknowledge that there is a previous Assignment of Rents on this property that was made by KCDC to South Valley State Bank on August 18, 1995, and recorded in Volume M95, page 28036 through 28038 in the records of Klamath County. It is further acknowledged that there is an Agreement in regard to the distribution of these two Assignments of Rents between Klamath County and South Valley State Bank.

DEFINITIONS. The following words shall have the following meanings when used in this Assignment. Terms not otherwise defined in this Assignment shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean

amounts in lawful money of the United States of America.

Assignment. The word "assignment" means this Assignment of Rents between KCDC and Lender, and includes without limitation all assignments and security interest provisions relating to the Rents.

Event of Default. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "Event of Default."

Indebtedness. The word "Indebtedness" means all principal and interest due Klamath County.

Lender. The word "Lender" means Klamath County, its successors and assigns.

Note. The word "Note" means the loan agreement and/or promissory note dated Feb 13, 1996, in the original principal amount of \$500,000.00 from KCDC to Klamath County, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the loan agreement and/or promissory note. "Note" will further incorporate the anticipated \$130,000.00 loan to KCDC by Klamath County from the Old Growth Diversification fund under the terms and conditions to be set forth in that promissory note and as approved by Klamath County.

Property. The word "Property" means the real property, and all improvements thereon, described above in the "Assignments" section.

Real Property. The words "Real Property" mean the property, interest and rights described above in the "Property Definition" section.

Rents. The words "Rents" means all rents, revenues, income, issues, profits and proceeds from the Property, whether due now or later, including without limitation all Rents under that certain lease with International Paper Company which was made on the following terms and conditions:

Date of Lease: July 6, 1995

Lease Terms: Lease begins on _____, 1995 and ends on _____, 1999.

Rental Amount(s):

(a) BASE RENT: Twenty Cents (\$.20) per square foot of space in the facility per month for the first sixty (60) months.

Tenant's Address: International Paper Company, 2 Manhattanville Road, Purchase, New York, 10577

THIS ASSIGNMENT IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF KCDC UNDER THE NOTE AND THIS ASSIGNMENT, AND THE RELATED DOCUMENTS. THIS ASSIGNMENT IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

KCDC'S WAIVERS AND RESPONSIBILITIES. Lender need not tell KCDC about any action or inaction Lender takes in connection with this Assignment. KCDC assumes the responsibility for being and keeping informed about the Property. KCDC waives any defenses that may arise because of any action or inaction of Lender, including without limitation any failure of Lender to realize upon the Property, or any delay by Lender in realizing upon the Property. KCDC agrees to remain liable under the Note with Lender no matter what action Lender takes or fails to take under this Assignment.

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Assignment, KCDC shall pay to Lender all amounts secured by this Assignment as they become due, and shall strictly perform all of KCDC's obligations under this Assignment. Unless and until Lender exercises its right to collect the Rents as provided below and so long as there is no default under this Assignment, KCDC may remain in possession and control of and operate and manage the Property and collect the Rents, provided that the granting of the right to collect the Rents shall not constitute consent to use of cash collateral in a bankruptcy proceeding.

KCDC'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE RENTS. With respect to the Rents, KCDC represents and warrants to Lender that:

Ownership. KCDC is entitled to receive the Rents free and clear of all rights, loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

Right to Assign. KCDC has the full right, power, and authority to enter into this Assignment and to assign and convey the Rents to Lender.

No Further Transfer. KCDC will not sell, assign, encumber, or otherwise dispose of any of KCDC's rights in the Rents except as provided in this Agreement.

LENDER'S RIGHT TO COLLECT RENT. Lender shall have the right at any time, and even though no default shall have occurred under this Assignment, to collect and receive the Rents. For this purpose Lender is hereby given and granted the following rights, powers and authority:

Notice to Tenants. Lender may send notices to any and all tenants of the Property advising them of this Assignment and directing all Rents to be paid directly to Lender or Lender's agent.

Enter the Property. Lender may enter upon and take possession of the Property; demand, collect and receive from the tenants or from any other persons liable therefor, all

of the Rents; institute and carry out all legal proceedings necessary for the protection of the Property, including such proceedings as may be necessary to recover possession of the Property; collect the Rents and remove any tenant or tenants or other persons from the Property.

Maintain the Property. Lender may enter upon the property to maintain the Property and keep the same in repair; to pay the costs thereof and of all services of all employees, including their equipment, and of all continuing costs and expenses of maintaining the Property in proper repair and condition, and also to pay all taxes, assessments and water utilities, and the premiums on fire and other insurance effected by Lender on the Property.

Compliance with Laws. Lender may do any and all things to execute and comply with the laws of the State of Oregon and also all other laws, rules, orders, ordinances and requirements of all other governmental agencies affecting the Property.

Lease the Property. Lender may rent or lease the whole or any part of the Property for such term or terms and on such conditions as Lender may deem appropriate.

Employ Agents. Lender may engage such agent or agents as Lender may deem appropriate, either in Lender's name or in KCDC's name, to rent and manage the Property, including the collection and application of Rents.

Other Acts. Lender may do all such other things and acts with respect to the Property as Lender may deem appropriate and may act exclusively and solely in the place and stead of KCDC and to have all of the powers of KCDC for the purposes stated above.

No Requirement to Act. Lender shall not be required to do any of the foregoing acts or things, and the fact that Lender shall have performed one or more of the foregoing acts or things shall not require Lender to do any other specific act or thing.

APPLICATION OF RENTS. All costs and expenses incurred by Lender in connection with the Property shall be for KCDC's account and Lender may pay such costs and expenses from the Rents. Lender, in its sole discretion, shall determine the application of any and all Rents received by it; however, any such Rents received by Lender which are not applied to such costs and expense shall be applied to the indebtedness. All expenditures made by Lender under this Assignment and not reimbursed from the Rents shall become a part of the indebtedness secured by this Assignment, and shall be payable on demand, with interest rate from date of expenditure until paid.

FULL PERFORMANCE. If KCDC pays all of the indebtedness when due and otherwise performs all the obligations imposed upon KCDC under this Assignment and the Note, Lender shall execute and deliver to KCDC a suitable satisfaction of this Assignment and suitable statements of termination of any financing statement on file evidencing Lender's security interest

in the Rents and the Property. Any termination fee required by law shall be paid by KCDC, if permitted by applicable law.

EXPENDITURES BY LENDER. If KCDC fails to comply with any provision of this Assignment, or if any action or proceeding is commenced that would materially affect Lender's interest in the Property, Lender on KCDC's behalf may, but shall not be required to, take any action that Lender deems appropriate. Any amount that Lender expends in so doing will bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by KCDC. All such expenses, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Assignment also will secure payment of these amounts. The rights provided for in this paragraph shall be in addition to any other rights or any remedies to which Lender may be entitled on account of the default. Any such action by Lender shall not be construed as curing the default so as to bar Lender from any remedy that it otherwise would have had.

DEFAULT. Each of the following, at the option of Lender, shall constitute an event of default ("Event of Default") under this Assignment:

Default on Indebtedness. Failure of KCDC to make any payment when due on the indebtedness.

Compliance Default. Failure to comply with any other term, obligation, covenant or condition contained in this Assignment, the Note or in any of the Related Documents. If such a failure is curable and if KCDC has not been given a notice of a breach of the same provision of this Assignment within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if KCDC, after Lender sends written notice demanding cure of such failure: (a) cures the failure within fifteen (15) days; or (b) if the cure requires more than fifteen (15) days, immediately initiates steps sufficient to cure the failure and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

Default in Favor of Third Parties. Should KCDC default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of KCDC's property or KCDC's ability to repay the Loans or perform their respective obligations under this Assignment.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of KCDC under this Assignment, or the Note is false or misleading in any material respect, either now or at the time made or furnished.

Other Defaults. Failure of KCDC to comply with any term, obligation, covenant, or condition in any other agreement between KCDC and Lender.

Death or Insolvency. The dissolution or termination of KCDC's existence as a going business, the insolvency of KCDC, the appointment of a receiver for any part of KCDC's property, an assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against KCDC.

Foreclosure, Forfeiture, etc. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of KCDC or by any governmental agency against any of the Property. However, this subsection shall not apply in the event of a good faith dispute by KCDC as to the validity or reasonableness of the claim which is the basis of the foreclosure or forfeiture proceeding, provided that KCDC give Lender written notice of such claim and furnishes reserves or a surety bond for the claim satisfactory to Lender.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the indebtedness. Lender, at its option, may, but shall not be required to, permit the KCDC's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default.

Adverse Change. A material adverse change occurs in KCDC's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

Insecurity. Lender in good faith deems itself insecure.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to KCDC to declare the entire indebtedness immediately due and payable, including any prepayment penalty which KCDC would be required to pay.

Collect Rents. Lender shall have the right, without notice to KCDC, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the indebtedness. In furtherance of this right, Lender shall have all the rights provided for in the Lender's Right to Collect section, above. If the Rents are collected by Lender, then KCDC irrevocably designates Lender as KCDC's attorney-in-fact to endorse instruments received in payment thereof in

the name of KCDC and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as receiver.

Other Remedies. Lender shall have all other rights and remedies provided in this Assignment or the Note or by law.

Waiver, Election of Remedies. A waiver by any party of a breach of a provision of this Assignment shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of KCDC under this Assignment after failure of KCDC to perform shall not affect Lender's right to declare a default and exercise its remedies under this Assignment.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Assignment, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Lender that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the rate provided for in the Note. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lenders' attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, and title insurance, to the extent permitted by applicable law. KCDC also will pay any court costs, in addition to all other sums provided by law.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Assignment:

Amendments. This Assignment, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Assignment. No alteration of or amendment to this Assignment shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Applicable Law. This Assignment has been delivered to Lender and accepted by Lender in the State of Oregon. This Assignment shall be governed by and construed in accordance with the laws of the State of Oregon.

No Modification. KCDC shall not enter into any agreement with the holder of any mortgage, deed of trust, or other security agreement which has priority over this Assignment by which that agreement is modified, amended, extended, or renewed without the prior written consent of Lender. KCDC shall neither request nor accept any future advances under any such security agreement without the prior written consent of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Assignment to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstance. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Assignment in all other respects shall remain valid and enforceable.

Successors and Assigns. Subject to the limitations stated in this Assignment on transfer of KCDC's interest, this Assignment shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than KCDC, Lender, without notice to KCDC, may deal with KCDC's successors, with reference to this Assignment and the indebtedness by way of forbearance or extension without releasing KCDC from the obligations of this Assignment or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Assignment.

Waivers and Consents. Lender shall not be deemed to have waived any rights under this Assignment unless such waiver is in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by any party of a provision of this Assignment shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. No prior waiver by Lender, nor any course of dealing

between Lender and KCDC, shall constitute a waiver of any of Lender's rights or any of KCDC's obligations as to any future transactions. Whenever consent by Lender is required in this Assignment, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required.

KCDC ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS ASSIGNMENT OF RENTS, AND KCDC AGREES TO ITS TERMS.

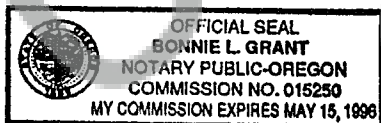
Klamath Community Development Corporation

By: *Dale Foresee*
Dale Foresee, President

CORPORATE ACKNOWLEDGMENT

STATE OF OREGON)
) ss.
County of Klamath)

On this 13th day of February, 1996, before me, the undersigned Notary Public, personally appeared Dale Foresee, President of Klamath Community Development Corporation, and known to me to be an authorized agent of the corporation that executed the Assignment of Rents and acknowledged the Assignment to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute this Assignment and in fact executed the Assignment on behalf of the Corporation.



Bonnie L. Grant
Notary Public of Oregon
My commission expires: May 15, 1996

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County the 16th day
of Feb A.D., 19 96 at 1:56 o'clock P M., and duly recorded in Vol. M96
of Mortgages on Page 4529

FEE NONE

RETURN: County Counsel

By *Bernetha G. Fetsch* Bernetha G. Fetsch, County Clerk