

After recording return to: Steven L. Philpott, Centennial Bank, P.O. Box 1560, Eugene, Oregon 97440

ABSOLUTE ASSIGNMENT IN LIEU OF FORECLOSURE

Dated: June 5, 1996

Parties: Centennial Bank, an Oregon banking corporation ("Bank")

Klamath Investment Management Co. ("KIMCO")

Damar Holding Company ("Damar")

RECITALS

- A. On or about November 4, 1991, KIMCO and Money Nelson Partnership executed and delivered to Bank a Commercial Pledge Agreement (the "Pledge Agreement") whereby KIMCO granted a security interest to Bank in a Promissory Note dated August 31, 1991 in the original principal amount of \$200,000.00 payable by Gregrey L. Baker and Denise V. Baker to KIMCO, and a Promissory Note dated August 31, 1991 in the original principal amount of \$150,000.00 payable by Gregrey L. Baker and Denise V. Baker to the order of KIMCO (collectively referred to herein as the "Baker Notes").
- B. The originals of the Baker Notes were delivered to Bank and KIMCO has previously instructed the Bakers to make all payments under the Baker Notes directly to Bank.
- C. On or about September 1, 1989, Damar executed and delivered to Bank an Assignment of Rents, which document was recorded September 15, 1989 at Volume M89, Page 17415, Official Records of Klamath County, Oregon (the "Assignment of Rents"). Pursuant to the Assignment of Rents, Damar assigned to Bank, for security purposes, Damar's interest as Landlord under that certain lease dated August 1, 1988 between Damar as Lessor and MDM Investment, Inc. as Lessee regarding the sublease of the business premises at 3267 Washburn Way, Klamath Falls, Oregon (the "Damar Sublease"), together with Damar's interest as Lessee under that certain lease dated June 16, 1988 between Frank V. Surroz, Jr. and Connie J. Surroz as Lessor and Damar as Lessee (the "Surroz Lease"). The property subject to the Surroz Lease and the Damar Sublease, is described on Exhibit "A" attached hereto.

- D. Bank obtained a judgment in Lane County Circuit Court Case #16-94-05521 foreclosing the Pledge Agreement and KIMCO's interest in the Baker Notes and foreclosing the Assignment of Rents and Damar's interest in the Damar Sublease and the Surroz Lease. KIMCO and Damar acknowledge that the Money Nelson Partnership is unable to pay the judgment awarded to Plaintiff in the foreclosure action and that David C. Money, Marvin D. Nelson and Emilou Nelson have discharged in bankruptcy their personal liability on that judgment.
- E. For valuable consideration, and in order to avoid the additional expense of concluding the judicial foreclosure of the Baker Notes, the Damar Sublease and the Surroz Lease by sheriff's sale, KIMCO and Damar are willing to make an absolute assignment of that collateral to the Bank on the terms and conditions stated below.

AGREEMENTS

In consideration of the foregoing Recitals, which are incorporated herein by this reference, and the terms and conditions stated below, the Parties agree as follows:


1. **Assignment of Baker Notes.** KIMCO hereby negotiates, assigns, transfers and sets over to Centennial Bank all of KIMCO's right, title and interest in and to the Baker Notes, and each of them, including, without limitation, the right to receive any and all payments hereafter coming due on the Baker Notes. KIMCO hereby releases to Bank any and all claims to payments received by Bank under the Baker Notes prior to the date of this Assignment.
2. **Assignment of Leases.** Damar hereby assigns, transfers and sets over to Bank all of Damar's right, title and interest as Lessor under the Damar Sublease including, without limitation, the right to receive all payments hereafter coming due on the Damar Sublease. Damar warrants and represents that there have been no amendments to the Damar Sublease except the Amendment to Lease dated August 31, 1991. Damar hereby assigns, transfers and sets over to Bank all of Damar's right, title and interest as Lessee under the Surroz Lease. Damar warrants and represents that there are no amendments, addenda or other modifications to the Surroz Lease.
3. **No Merger.** This Assignment in Lieu of Foreclosure shall not effect a merger of the holder's interest in the Baker Notes, the Lessor's interest in the Damar Sublease or the Lessee's interest in the Surroz Lease and the Bank's security interest in said collateral with respect to the claims or interest in that collateral held by third parties. The Bank's security interest shall retain such priority as it had over the liens, claims and interest of third parties prior to the Bank's acceptance of this Assignment.
4. **Absolute Conveyance.** This Assignment is intended as an absolute conveyance of all of KIMCO's and Damar's interest in the Baker Notes, the Surroz Lease and the Damar Sublease, and a conveyance of all statutory rights of redemption and equity of redemption which Damar or KIMCO may have therein. This instrument is not intended as a security device of any kind. Bank shall be entitled to all of KIMCO's and Damar's interest in the described collateral upon Bank's acceptance of this Assignment. However, Bank does not hereby assume Damar's obligations under the Surroz Lease or the Damar Sublease.

5. **Acceptance by Bank.** Bank shall be deemed to have accepted this Assignment only upon Bank's execution of the acceptance set forth below and Bank's recording of this Assignment.
6. **Miscellaneous.** This Assignment shall benefit and be binding upon the Parties, their heirs, successors and assigns. As used herein, the singular shall include plural and the plural include singular, as the contracts required. This Agreement and the rights of the Parties hereunder shall be governed by the laws of the State of Oregon.

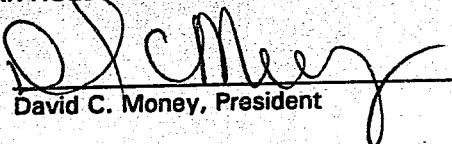
IN WITNESS WHEREOF, the Parties have executed this Agreement effective the day and year first above written.

KLAMATH INVESTMENT MANAGEMENT CO.

By: 
David C. Money, General Partner

By: 
Marvin D. Nelson, General Partner

DAMAR HOLDING CO.

By: 
David C. Money, President

THE FORGOING ASSIGNMENT IS HEREBY ACCEPTED upon the terms and conditions set forth herein, with such acceptance to be effective upon recording of this Assignment.

Dated, June 5, 1996

CENTENNIAL BANK

By: 
Steven L. Philpott, General Counsel

State of Oregon

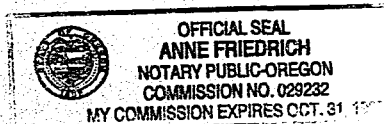
17585

County of Lane

On this day before me, the undersigned Notary Public, personally appeared David C. Money, General Partner of Klamath Investment Management Co. described in and who executed this instrument and acknowledged that he signed this instrument as his free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 28th day of May, 1996.

Anne Friedrich
Notary Public Signature
My commission expires 10/31/99



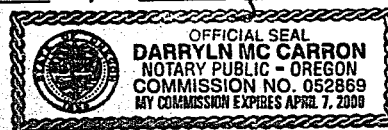
State of Oregon

County of Lane

On this day before me, the undersigned Notary Public, personally appeared Marvin D. Nelson, General Partner of Klamath Investment Management Co. described in and who executed this instrument and acknowledged that he signed this instrument as his free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 13th day of May, 1996.

Darryln McCarron
Notary Public Signature
My commission expires 4-7-00



State of _____

County of _____

On this day before me, the undersigned Notary Public, personally appeared David C. Money, President of Damar Holding Co. described in and who executed this instrument and acknowledged that he signed this instrument as his free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this _____ day of _____, 1996.

Notary Public Signature
My commission expires _____

EXHIBIT "A"

Real Property Legal Description:

A tract of land situated in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 10, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, said tract being a portion of Parcel 1 as shown on the recorded Major Land Partition No. 79-37, said tract being more particularly described as follows:

Beginning at a 5/8 inch iron pin with cap at the intersection of the Southerly right of way line of Hilyard Avenue and the Easterly right of way line of Washburn Way, said iron pin being South 89 degrees 06' 00" East 64.11 feet and South 00 degrees 02' 42" East 30.00 feet from the Northwest corner of said Section 10; thence South 89 degrees 06' 00" East, along the said Southerly right of way line of Hilyard Avenue, 534.46 feet more or less to the West right of way line of Broadmore Street, as described in Volume M87 at page 18488, Microfilm records of Klamath County, Oregon, thence along said West line of Broadmore Street South 00 degrees 09' 48" West 560.42 feet to a point on the North line of that tract of land described in Volume M86 at page 6690, Microfilm Records of Klamath County, Oregon, thence North 89 degrees 33' 43" West along said North line and the North line of Deed Volume M73 at page 10206, Microfilm Records of Klamath County, Oregon, to a 5/8 inch iron pin with cap on the Easterly right of way line of Washburn Way; thence North 00 degrees 02' 42" West along said Easterly right of way line, 564.75 feet to the point of beginning, with bearings based on the recorded map of survey of said Major Land Partition 79-37,

Lease Information:

Lease Dated: 6-16-88

Lessor: Frank V. Surroz, Jr. and Connie J. Surroz
Lessee: Damar Holding Company

Sub-Lease Dated: 8-1-88

Lessor: Damar Holding Company
Lessee: M.D.M. Investment, Inc.

Property Address: 3267 Washburn Way
Klamath Falls, OR 97603

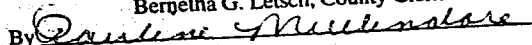
DAMAR HOLDING COMPANY

By: 
David C. Money, President

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Centennial Bank the 13th day
of June A.D., 19 96 at 11:57 o'clock A M., and duly recorded in Vol. M96
of Deeds on Page 17582

Bergetha G. Letsch, County Clerk

By: 

FEE \$50.00