

23276

RECORDATION REQUESTED BY:

96 AUG 15 P3:34

South Valley State Bank
5215 South Sixth Street
Klamath Falls, OR 97603

Vol. male Page 25224

WHEN RECORDED MAIL TO:

South Valley State Bank
5215 South Sixth Street
Klamath Falls, OR 97603

SEND TAX NOTICES TO:

South Valley State Bank
803 Main Street
Klamath Falls, OR 97601

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

ASSIGNMENT OF ESCROW ACCOUNT

THIS ASSIGNMENT OF ESCROW ACCOUNT is entered into among (referred to below as "Borrower"); and South Valley State Bank, whose address is 803 Main Street, Klamath Falls, OR 97601 (referred to below as "Grantor"); and ~~South Valley State Bank~~ Patricia L. Hubbard (referred to below as "Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor jointly and severally assigns and grants to ~~Patricia L. Hubbard~~ Patricia L. Hubbard a security interest in the Collateral to secure the indebtedness and agrees that ~~Patricia L. Hubbard~~ she shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which ~~Patricia L. Hubbard~~ she may have by law.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement 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.

Agreement. The word "Agreement" means this Assignment of Escrow Account, as this Assignment of Escrow Account may be amended or modified from time to time, together with all exhibits and schedules attached to this Assignment of Escrow Account from time to time.

Borrower. The word "Borrower" means each and every person or entity signing the Note, including without limitation.

Buyer. The word "Buyer" means Norman R. Ivie, whose address is P.O. Box 152, Fiddletown, Ca 95629.

Collateral. The word "Collateral" means all of the Grantor's right, title and interest in and to the Escrow. In addition, the word "Collateral" includes all of the following:

(a) All property held in the Escrow and all proceeds from the Escrow, including without limitation all property, whether real, personal or mixed; all money and money equivalents; all accounts and general intangibles; all checks, drafts, notes, chattel paper, securities and instruments, whether negotiable or non-negotiable; all deposits, certificates of deposits, and passbooks; all documents of title and warehouse receipts; all claims, rights to money, insurance proceeds, refunds, choses in action, and other things in action; together with all other things of value whatsoever, whether now existing or hereafter placed in the Escrow.

(b) All records relating to any of the property described in this Collateral section, whether in the form of a writing, microfilm, microfiche or electronic media.

Escrow. The word "Escrow" means: Escrow Number 28383/3292 with Amerititle established in connection with the sale of the Property from Patricia L. Hubbard to Norman R. Ivie.

Escrow Agent. The words "Escrow Agent" mean Amerititle, whose address is 222 S. 6th Street, Klamath Falls, Or 97601.

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 "Events of Default."

Grantor. The word "Grantor" means South Valley State Bank. Any Grantor who signs this Agreement, but does not sign the Note, is signing this Agreement only to grant a security interest in Grantor's interest in the Collateral to Lender and is not personally liable under the Note except as otherwise provided by contract or law (e.g., personal liability under a guaranty or as a surety).

Indebtedness. The word "Indebtedness" means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Lender to enforce obligations of Grantor under this Agreement, together with interest on such amounts as provided in this Agreement.

Lender. The word "Lender" means South Valley State Bank, its successors and assigns.

Note. The word "Note" means the promissory note or credit agreement dated July 24, 1996, in the original principal amount of \$33,677.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Property. The word "Property" means the following described real property, and all improvements thereon, located in Klamath County, State of Oregon:

See attached exhibit A

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

Related Documents. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Seller. The word "Seller" means Patricia L. Hubbard.

BORROWER'S WAIVERS AND RESPONSIBILITIES. Except as otherwise required under this Agreement or by applicable law, (a) Borrower agrees that Lender need not tell Borrower about any action or inaction Lender takes in connection with this Agreement; (b) Borrower assumes the responsibility for being and keeping informed about the Collateral; and (c) Borrower 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 Collateral or any delay by Lender in realizing upon the Collateral; and Borrower agrees to remain liable under the Note no matter what action Lender takes or fails to take under this Agreement.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Agreement is executed at Borrower's request and not at the request of Lender; (b) Grantor has the full right, power and authority to enter into this Agreement and to pledge the Collateral to Lender; (c) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (d) Lender has made no representation to Grantor about Borrower or Borrower's creditworthiness.

GRANTOR'S WAIVERS. Grantor waives all requirements of presentment, protest, demand, and notice of dishonor or non-payment to Grantor, Borrower, or any other party to the Indebtedness or the Collateral. Lender may do any of the following with respect to any obligation of any Borrower, without first obtaining the consent of Grantor: (a) grant any extension of time for any payment, (b) grant any renewal, (c) permit any modification of payment terms or other terms, or (d) exchange or release any Collateral or other security. No such act or failure to act shall affect Lender's rights against Grantor or the Collateral.

If now or hereafter (a) Borrower shall be or become insolvent, and (b) the Indebtedness shall not at all times until paid be fully secured by collateral pledged by Borrower, Grantor hereby forever waives and relinquishes in favor of Lender and Borrower, and their respective successors, any claim or

right to payment Grantor may now have or hereafter have or acquire against Borrower, by subrogation or otherwise, so that at no time shall Grantor be or become a "creditor" of Borrower within the meaning of 11 U.S.C. section 547(b), or any successor provision of the Federal bankruptcy laws.

RIGHT OF SETOFF. I grant to Lender a contractual possessory security interest in, and hereby assign, convey, deliver, pledge and transfer to Lender, all my right, title and interest in and to all my accounts with Lender (whether checking, savings, or some other account). This includes all accounts I hold jointly with someone else and all accounts I may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. I authorize Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants to Lender that:

Ownership. Grantor is the lawful owner of the Collateral, subject to no liens or encumbrances except as disclosed to and accepted by Lender in writing prior to execution of this Agreement. The Collateral represents a bona fide sale of the Property from Seller to Buyer. The Collateral reflects all the material terms and conditions of the sale. There are no oral or written agreements which vary the terms of the Collateral and which have not been placed in escrow.

Right to Assign. Grantor has the full right, power and authority to enter into this Agreement and to assign the Collateral.

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

No Defaults. There are no defaults existing under the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly perform each of the terms, conditions, covenants and agreements in the Collateral contained on Grantor's part to be performed, if any.

LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL. Lender may notify the Escrow Agent at any time of this Assignment. Grantor agrees that such Escrow Agent will not pay any amount owing to Grantor from the Escrow, other than to Lender, so long as this Agreement is in effect. This Agreement will remain in effect until (a) there is no longer any indebtedness owing to Lender, and (b) Grantor, in writing, has requested from Lender a release of this Assignment. Grantor hereby authorizes and directs the Escrow Agent to pay and deliver to Lender all sums of money and other Collateral payable to Grantor from the Escrow and to accept the receipt of Lender for any such payment or delivery of Collateral. The Escrow Agent shall be under no obligation to determine that any indebtedness secured by this Agreement is owing or to see to the application of any sums of money paid to Lender, and the receipt of Lender shall constitute a complete acquittance to the extent of any payment made to Lender by the Escrow Agent until Lender shall notify the Escrow Agent in writing that the indebtedness is no longer owing to Lender.

ATTORNEY-IN-FACT. Grantor hereby irrevocably appoints Lender as Grantor's true and lawful attorney-in-fact, with full power of substitution, (a) to demand, collect, receive, receipt for, sue and recover all sums of money and other Collateral, which may now or hereafter become due, owing or payable from the Escrow; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in connection with the Collateral and to settle or compromise any and all claims arising under the Collateral; (c) in the place and stead of Grantor, to execute and deliver its release and acquittance in connection with the Collateral; and (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

EXPENDITURES BY LENDER. If not discharged or paid when due, Lender may (but shall not be obligated to) discharge or pay any amounts required to be discharged or paid by Grantor under this Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. Lender also may (but shall not be obligated to) pay all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses shall become a part of the indebtedness and, 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 Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of an Event of Default.

LIMITATIONS ON OBLIGATIONS OF LENDER. Lender shall use ordinary reasonable care in the physical preservation and custody of any Collateral in its possession but shall have no other obligation to protect the Collateral or its value. In particular, but without limitation, Lender shall have no responsibility for the collection or protection of any Collateral or income from the Escrow; for the preservation of rights against the Buyer, the Escrow Agent or against any other persons; for ascertaining any amounts, exchanges, offers, lenders, or similar matters relating to the Escrow; nor for informing the Grantor about any of the above, whether or not Lender has or is deemed to have knowledge thereof.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

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

Other Defaults. Failure of Grantor or Borrower to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or failure of Borrower to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Should Borrower or any Grantor 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 Borrower's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

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

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The death of Grantor or Borrower or the dissolution or termination of Grantor or Borrower's existence as a going business, the insolvency of Grantor or Borrower, the appointment of a receiver for any part of Grantor or Borrower's property, any 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 Grantor or Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or Borrower or by any governmental agency against the Collateral or any other collateral securing the Indebtedness. This includes a garnishment of any of Grantor or Borrower's deposit accounts with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor or Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor or Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or such Guarantor dies or becomes incompetent.

Adverse Change. A material adverse change occurs in Borrower'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.

Right to Cure. If any default, other than a Default on Indebtedness, is curable and if Grantor or Borrower has not been given a prior notice of a breach of the same provision of this Agreement, it may be cured (and no Event of Default will have occurred) if Grantor or Borrower, after Lender sends written notice demanding cure of such default, (a) cures the default within fifteen (15) days; or (b), if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS IN EVENT OF DEFAULT. In the event of default under this Agreement, or if Lender reasonably deems itself insecure, Lender may do one or more of the following in addition to all other rights and remedies provided by law:

Accelerate Indebtedness. Lender may declare the entire indebtedness immediately due and payable, without notice of any kind to Grantor.

Application of Escrow Proceeds. Lender may obtain all funds in the Escrow from the Escrow Agent and apply them to the Indebtedness. Any excess funds remaining after application of the Escrow proceeds to the Indebtedness will be paid to Grantor as the interests of Grantor may appear. Borrower agrees, to the extent permitted by law, to pay any deficiency after application of the proceeds of the Escrow to the Indebtedness.

Other Rights and Remedies. Lender also shall have all the rights of a secured party under the Oregon Uniform Commercial Code, even if the Collateral is not otherwise subject to such code concerning security interests, and the parties to this Agreement agree that the provisions thereof

giving rights to a secured party shall nonetheless be a part of this Agreement.

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

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement 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 Agreement has been delivered to Lender and accepted by Lender in the State of Oregon. If there is a lawsuit, Grantor and Borrower agree upon Lender's request to submit to the jurisdiction of the courts of Klamath County, the State of Oregon. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

Attorneys' Fees; Expenses. If Borrower does not pay the Indebtedness, Lender may pay someone else to help collect the Indebtedness and to realize on the Collateral. Grantor and Borrower agree to pay these amounts. This includes Lender's attorneys' fees and Lender's other legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor and Borrower also shall pay all court costs and such additional fees as may be directed by the court. All these amounts are secured by the Collateral.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Notices. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile, and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Grantor or Borrower, notice to any Grantor or Borrower will constitute notice to all Grantor and Borrowers. For notice purposes, Grantor and Borrower will keep Lender informed at all times of Grantor and Borrower's current address(es).

Severability. If a court of competent jurisdiction finds any provision of this Agreement 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 circumstances. 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 Agreement in all other respects shall remain valid and enforceable.

Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Waiver. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given 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 Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

BORROWER AND GRANTOR ACKNOWLEDGE HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND BORROWER AND GRANTOR AGREE TO ITS TERMS. THIS ASSIGNMENT OF ESCROW ACCOUNT IS DATED JULY 24, 1996.

GRANTOR:

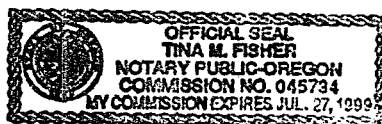
South Valley State Bank

By: Hal Sturgeon

Hal Sturgeon, Loan Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon)
) SS
COUNTY OF Klamath)



On this day before me, the undersigned Notary Public, personally appeared Hal Sturgeon, to me known to be the individual described in and who executed the Assignment of Escrow Account, and acknowledged that he or she signed the Agreement as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 24th day of July, 1996.

By Tina M. Fisher Residing at Klamath Falls

Notary Public in and for the State of Oregon My commission expires 7-27-99

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 19____, before me, the undersigned Notary Public, personally appeared Hal Sturgeon, Loan Officer of South Valley State Bank, and known to me to be an authorized agent of the corporation that executed the Assignment of Escrow Account and acknowledged the Agreement 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 or she is authorized to execute this Agreement and in fact executed the Agreement on behalf of the corporation.

By _____ Residing at _____

Notary Public in and for the State of _____ My commission expires _____

ACKNOWLEDGEMENT OF ASSIGNMENT OF ESCROW ACCOUNT

Amerititle ("Escrow Agent") hereby acknowledges receipt of a copy of the foregoing Assignment of Escrow Account from South Valley State Bank ("Grantor") to South Valley State Bank. Escrow Agent agrees that copies of all future notices sent by Escrow Agent pursuant to the Escrow will also be sent to South Valley State Bank at the following address: 5215 South Sixth Street, Klamath Falls, OR 97603. Escrow Agent further agrees that until further written notice from South Valley State Bank to the contrary, Escrow Agent will make all payments due Grantor under the Escrow directly to South Valley State Bank as provided in the Assignment of Escrow Account.

This Acknowledgement of Assignment of Escrow Account is dated _____, 19_____.

X _____

Amerititle

EXHIBIT "A"

A tract of land in Section 20, Township 39 South, Range 11 1/2 East of the Willamette Meridian, Klamath County, Oregon, being a portion of Lot 2, of Parcel No. 2, as shown on survey #1447, as recorded in the office of the Klamath County Surveyor, and being more particularly described as follows:

Beginning at a point on the North line of said Section 20, said point being North 89 degrees 36 minutes 00 seconds East 143.10 feet from the N 1/4 corner of said Section 20; thence North 89 degrees 36 minutes 00 seconds East 2518.46 feet to the Northeast corner of said section 20; thence South 00 degrees 41 minutes 55 seconds East, along the East line of said Section 20, 1840.14 feet to the Northeast corner of Parcel No. 1 as shown on said survey #1447; thence along the Northerly line of said parcel No. 1 and Lot 1 of said Parcel No. 2, West 1413.96 feet and North 60 degrees 21 minutes 40 seconds West 1226.98 feet to the northwest corner of Lot 1 of said Parcel No. 2, thence South 29 degrees 38 minutes 20 seconds West 750.00 feet to the Southwest corner of said Lot 1, said Southwest corner being on the Northerly right of way line of the County Road; thence North 60 degrees 21 minutes 40 seconds West along said Northerly right of way line, 60.00 feet; thence North 29 degrees 38 minutes 20 seconds East 750.00 feet; thence North 00 degrees, 24 minutes 00 seconds West 1186.00 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Company the 15th day
of August A.D., 19 96 at 3:34 o'clock P.M., and duly recorded in Vol. M96,
of Mortgages on Page 25224.

FEE \$30.00

Bernetha G. Letsch, County Clerk

By [Signature]