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CONDITIONAL ASSIGNMENT OF RENTS

LN #010-04-44094
AMTC #39276

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THIS AGREEMENT is made this 3rd day of September, 1996, and is incorporated into and shall supplement the Mortgage or Deed of Trust (Security Instrument) of the same date given by the undersigned (Borrower) to secure Borrower's Note to KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION (Lender) of the same date and covering the property situated at (mortgaged premises):

616 Upham Street, Klamath Falls, OR 97601

and legally described as: Beginning at an iron pin on the Southerly line of Upham Street at the Northeast corner of Lot 1, Block 5, FIRST ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; thence along said line of Lot 1 and the Westerly line of the alley 83.5 feet to an iron pin at the most Southerly corner of said Lot 1; thence at right angles on line between said Lot 1 and Lot 2, 14.08 feet to an iron pin; thence at an angle to the right of 50 degrees 53' a distance of 56.4 feet to an iron pin on the Southerly line of Upham Street 61.5 feet to the place of beginning, being a part of said Lot 1, Block 5, FIRST ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, in the County of Klamath, State of Oregon.

TOGETHER WITH that portion of vacated alleyway which inures to the above described property. Tax Acct. #3809-029CD-06800 Key #367604

Lender, as a condition to making said loan, has required the execution of this Conditional Assignment of Rents of the encumbered property.

In order to further secure payment of the indebtedness of Borrower to Lender and in consideration of making the loan, Borrower does hereby sell, assign, transfer and set over to Lender all rents, issues and profits from the mortgaged premises. This assignment is to become effective upon any default under the terms of the Security Instrument, and will remain in full force and effect so long as any default continues to exist.

Upon any default of the loan, the Borrower authorizes the Lender to enter upon the premises and to collect the rents then due as well as rents thereafter accruing and becoming payable during the period of continuance of any default and to take over and assume the management, operation and maintenance of the mortgaged premises and to perform all acts necessary and proper to spend such sums out of the income of the mortgaged premises that may be necessary including the right to effect new leases, to cancel or surrender existing leases, to alter or amend the terms of existing leases or to make concessions to the tenants.

The Borrower agrees to facilitate in all reasonable ways, the collection of rents and upon request by Lender to execute a written notice to tenants directing the tenants to pay rent to the Lender. The Borrower releases all claims against the Lender arising out of such management, operation and maintenance of the premises.

The Lender shall, after payment of all proper charges and expenses and after the accumulation of a reserve account to meet taxes, assessments, and hazard insurance, credit the net amount of income received to any amounts due and owing to the Lender. The Lender shall not be accountable for more funds than it actually receives for the rent of the mortgaged premises and shall not be required to collect rents. Lender may however make reasonable efforts to collect rents, and shall determine the method of collection and extent of enforcement to collect delinquent rents.

In the event the Borrower reinstates the mortgage loan by complying with all terms, covenants, and conditions of the Security Instrument, the Lender shall, within one month after written demand, return possession of the property back to the Borrower.

The Borrower hereby covenants and warrants to the Lender that neither Borrower, nor any previous owner, has executed any prior assignment or pledge of the rents, nor any prior assignment or pledge of its interest in any lease of the mortgaged premises. The Borrower also covenants and agrees to not collect rents from the mortgaged premises in advance, other than as permitted by the terms of any rental agreement.

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CONDITIONAL ASSIGNMENT OF RENTS

This assignment shall remain in full force and effect as long as the debt to Lender remains unpaid.

The provisions of this instrument shall be binding upon the Borrower, its successors or assigns, and upon the Lender and its successors or assigns. The word "Borrower" shall be construed to mean any one or more persons or parties who are holders of legal title or equity of redemption to or in the aforesaid mortgaged premises. The word "Note" shall be construed to mean the instrument given to evidence the indebtedness held by the Lender against the mortgaged premises; and "Security Instrument" shall be construed to mean the instrument held by the Lender securing the said indebtedness.

It is understood and agreed that a full reconveyance or Satisfaction of the Security Instrument shall constitute as a full and complete release of all Lender's rights and interests, and that after reconveyance, this instrument shall be cancelled.

Dated at Klamath Falls, Oregon, this 3rd day of September, 1996.

Michael W. Skelton
Borrower Michael W. Skelton

Kerri L. Skelton
Borrower Kerri L. Skelton

Borrower

Borrower

STATE OF OregonCOUNTY OF Klamath

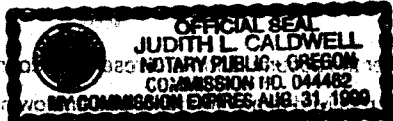
THIS CERTIFIES, that on this 3rd day of September, 1996, before me, the undersigned,

a Notary Public for said state, personally appeared the within named

Michael W. Skelton & Kerri L. Skelton

known to me to be the identical individual(s) described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

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



Judith L. Caldwell
Notary Public for the State of Oregon

My commission expires: 8-31-99

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of AmeriTitle the 4th day of September A.D., 1996 at 3:48 o'clock PM., and duly recorded in Vol. M96 of Mortgages on Page 27683.

FEE \$15.00

Bernetha G Letsch, County Clerk

By Cheryl Russell