

RECORDATION REQUESTED BY:

47 JUL 30 10:51

WHEN RECORDED MAIL TO:

U. S. BANK
PL-7 OREGON COMMERCIAL LOAN SERVING
555 S. W. OAK
PORTLAND, OR 97204

SEND TAX NOTICES TO:

John C. Lucas and Kathleen A. Lucas
2845 Merry Lane
White City, OR 97503

MTC 42018

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

ASSIGNMENT OF RENTS

THIS ASSIGNMENT OF RENTS IS DATED JULY 29, 1997, between John C. Lucas and Kathleen A. Lucas, not personally but as Trustees on behalf of John C. and Kathleen A. Lucas Revocable Living Trust under the provisions of a Trust Agreement dated August 1, 1991, whose address is 2845 Merry Lane, White City, OR 97503 (referred to below as "Grantor"); and U. S. BANK, whose address is PL-7 OREGON COMMERCIAL LOAN SERVING, 555 S. W. OAK, PORTLAND, OR 97204 (referred to below as "Lender").

ASSIGNMENT. For valuable consideration, Grantor assigns, grants a continuing security interest in, and conveys to Lender all of Grantor's right, title, and interest in and to the Rents from the following described Property located in Klamath County, State of Oregon:

AS COMPLETELY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE INCORPORATED HEREIN

The Real Property or its address is commonly known as 2933 GREENSPRINGS DRIVE, KLAMATH FALLS, OR 97601. The Real Property tax identification number is 3909-008BC-00700, 3909-008BC-00800, P-000325.

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 Grantor 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 "Events of Default."

Grantor. The word "Grantor" means John C. Lucas and Kathleen A. Lucas, Trustees under that certain Trust Agreement dated August 1, 1991 and known as John C. and Kathleen A. Lucas Revocable Living Trust.

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 Assignment, together with interest on such amounts as provided in this Assignment.

Lender. The word "Lender" means U. S. BANK, its successors and assigns.

Note. The word "Note" means the promissory note or credit agreement dated July 29, 1997, in the original principal amount of \$425,000.00 from Grantor 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 real property, and all improvements thereon, described above in the "Assignment" section.

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

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

Rents. The word "Rents" means all rents, revenues, income, issues, profits and proceeds from the Property, whether due now or later, including without limitation all Rents from all leases described on any exhibit attached to this Assignment.

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

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Assignment or any Related Document, Grantor shall pay to Lender all amounts secured by this Assignment as they become due, and shall strictly perform all of Grantor'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, Grantor 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 Lender's consent to the use of cash collateral in a bankruptcy proceeding.

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

Ownership. Grantor 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. Grantor has the full right, power, and authority to enter into this Assignment and to assign and convey the Rents to Lender.

No Prior Assignment. Grantor has not previously assigned or conveyed the Rents to any other person by any instrument now in force.

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

LENDER'S RIGHT TO COLLECT RENTS. 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 on 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 insurances 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 Grantor'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 Grantor and to have all of the powers of Grantor 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 Grantor'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 expenses 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 at the Note rate from date of expenditure until paid.

FULL PERFORMANCE. If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Assignment, the Note, and the Related Documents, Lender shall execute and deliver to Grantor 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 Grantor, if permitted by applicable law.

EXPENDITURES BY LENDER. If Grantor fails to comply with any provision of this Assignment, or if any action or proceeding is commenced that would materially affect Lender's interests in the Property, Lender on Grantor'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 provided for in the Note from the date incurred or paid by Lender to the date of repayment by Grantor. 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 Grantor to make any payment when due on the Indebtedness.

Compliance Default. Failure of Grantor to comply with any other term, obligation, covenant or condition contained in this Assignment, the Note or in any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor under this Assignment, 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 Assignment 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.

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

Insolvency. The dissolution or termination of the Trust, the insolvency of Grantor, the appointment of a receiver for any part of Grantor'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.

Foreclosure, Forfeiture, etc. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor 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 Grantor as to the validity or reasonableness of the claim which is the basis of the foreclosure or forfeiture proceeding, provided that Grantor gives 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.

Adverse Change. A material adverse change occurs in Grantor'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 Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

Collect Rents. Lender shall have the right, without notice to Grantor, 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 Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor 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 a 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 Grantor under this Assignment after failure of Grantor 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, Lender's 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. Grantor 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. Subject to the provisions on arbitration, this Assignment shall be governed by and construed in accordance with the laws of the State of Oregon.

Multiple Parties. All obligations of Grantor under this Assignment shall be joint and several, and all references to Grantor shall mean each and every Grantor. This means that each of the persons signing below is responsible for all obligations in this Assignment.

No Modification. Grantor 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. Grantor 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 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 Assignment in all other respects shall remain valid and enforceable.

Successors and Assigns. Subject to the limitations stated in this Assignment on transfer of Grantor'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 Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Assignment and the indebtedness by way of forbearance or extension without releasing Grantor 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.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all indebtedness secured by this Assignment.

Waivers and Consents. Lender shall not be deemed to have waived any rights under this Assignment (or under the Related Documents) 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 Grantor, shall constitute a waiver of any of Lender's rights or any of Grantor'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.

JOHN C. LUCAS AND KATHLEEN A. LUCAS ACKNOWLEDGES IT HAS READ ALL THE PROVISIONS OF THIS ASSIGNMENT AND NOT PERSONALLY, BUT AS TRUSTEE AS PROVIDED ABOVE, HAS CAUSED THIS ASSIGNMENT TO BE SIGNED BY ITS DULY AUTHORIZED OFFICERS AND ITS CORPORATE SEAL TO BE HEREUNTO AFFIXED.

GRANTOR:

John C. and Kathleen A. Lucas Revocable Living Trust

x

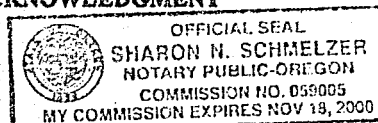
John C. Lucas, as Trustee for John C. and Kathleen A. Lucas Revocable Living Trust

x

Kathleen A. Lucas, as Trustee for John C. and Kathleen A. Lucas Revocable Living Trust

TRUSTEE ACKNOWLEDGMENT

State of Oregon
County of Jackson



This instrument was acknowledged before me this 29th day of July, 1997 by John C. Lucas, Trustee for the John C. and Kathleen A. Lucas Revocable Living Trust

Given under my hand and official seal this 29th day of July, 1997

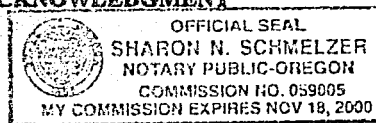
By Sharon N. Schmelzer
at Medford

Residing

Notary Public in and for the State of Oregon My commission expires 11-18-2000

TRUSTEE ACKNOWLEDGMENT

State of Oregon
County of Jackson



This instrument was acknowledged before me this 29th day of July, 1997 by Kathleen A. Lucas, Trustee for the John C. and Kathleen A. Lucas Revocable Living Trust

Given under my hand and official seal this 29th day of July, 1997

By Sharon N. Schmelzer
at Medford

Residing

Notary Public in and for the State of Oregon My commission expires 11-18-2000

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

Beginning at an iron pin on the Southerly right of way line of the Weed-Klamath Falls Highway, which lies North 0 degrees 43' West along the West section line a distance of 629 feet and North 44 degrees 50 1/2' East along the said Southerly right of way line a distance of 438 feet and North 45 degrees 09 1/2' West a distance of 20 feet and North 44 degrees 50 1/2' East a distance of 50 feet from the iron pin which marks the quarter corner common to Sections 7 and 8, Township 39 South, Range 9 East of the Willamette Meridian, and running thence: Continuing North 44 degrees 50 1/2' East along said Highway line a distance of 160.5 feet to an iron pin which marks the point of curvature of a 2 degree 57' curve to the left; thence following the arc of a 2 degree 57' curve to the left a distance of 39.5 feet to an iron pin (the long chord of this curve bears North 44 degrees 15 1/2' East a distance of 39.5 feet); thence South 46 degrees 19 1/2' East along a radial line a distance of 320 feet to an iron pin; thence following the arc of a 2 degree 32' curve to the right (the long chord of this curve bears South 44 degrees 15 1/2' West a distance of 45.95 feet) a distance of 45.95 feet to an iron pin; thence South 44 degrees 50 1/2' West tangent to the curve a distance of 60 1/2 feet to an iron pin; thence South 44 degrees 50 1/2' West a distance of 100 feet to a point; thence North 45 degrees 09 1/2' West a distance of 320 feet, more or less, to the point of beginning, said tract being in the W 1/2 NW 1/4 of Section 8, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

AND ALSO beginning at an iron pin which lies North 0 degrees 43' West along the West section line a distance of 629 feet and North 44 degrees 50 1/2' East along the Southerly right of way line of the Weed-Klamath Falls highway a distance of 438 feet and North 45 degrees 09 1/2' West along the right of way line a distance of 20 feet and North 44 degrees 50 1/2' East along the right of way line a distance of 210.5 feet and thence South 45 degrees 09 1/2' East a distance of 320 feet from the iron pin which marks the quarter corner common to Sections 7 and 8, Township 39 South, Range 9 East of the Willamette Meridian, and running thence: continuing South 45 degrees 09 1/2' East 300 feet to a point; thence South 44 degrees 50 1/2' West 160.5 feet to a point; thence North 45 degrees 09 1/2' West 300 feet to a point; thence North 44 degrees 50 1/2' East 160.5 feet to the point of beginning.

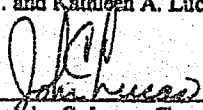
EXCEPTING THEREFROM that portion deeded to Klamath County by Warranty Deeds recorded February 22, 1985 in Book M85 at Page 2704 and recorded February 22, 1985 in Book M85 at Page 2706.

PARCEL 2:

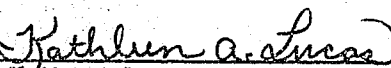
Beginning at an iron pin on the Southerly right of way of the Weed-Klamath Falls Highway which lies North 0 degrees 43' West along the West section line a distance of 629 feet and North 44 degrees 50 1/2' East along the said Southerly right of way line a distance of 438 feet and North 45 degrees 09 1/2' West a distance of 20 feet and North 44 degrees 50 1/2' East a distance of 210.5 feet and thence along the arc of a 2 degree 57' curve to the left a distance of 39.5 feet (the long chord of this curve bears North 44 degrees 15 1/2' East a distance of 39.5 feet) from the iron pin which marks the quarter corner common to Sections 7 and 8, Township 39 South, Range 9 East of the Willamette Meridian, and running thence: continuing along the arc of a 2 degree 57' curve to the left (and along the Southerly right of way line of the Weed-Klamath Falls Highway) a distance of 169.3 feet to an iron pin which marks the point of tangent (the long chord of this curve bears North 41 degrees 10 1/2' East a distance of 169.25 feet); thence South 51 degrees 19 1/2' East a distance of 320 feet to an iron pin; thence following the arc of a 2 degree 32' curve to the right (the long chord of this curve bears South 41 degrees 10 1/2' West a distance of 197.16 feet) a distance of 197.25 feet to an iron pin; thence North 46 degrees 19 1/2' West along a radial line a distance of 320 feet more or less to the point of beginning, said tract being in the W 1/2 NW 1/4 of Section 8, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

John C. and Kathleen A. Lucas Revocable Living Trust

BY:


John C. Lucas, Trustee

BY:


Kathleen A. Lucas

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 30th day
of July A.D. 19 97 at 10:51 o'clock A M., and duly recorded in Vol. M97
of Mortgages on Page 24304.

FEE \$25.00

Bernetha G. Letsch, County Clerk
By 