

RECROATION REQUESTED BY

South Valley Bank & Trust
P.O. Box 5210
Klamath Falls, OR 97603

WHEN RECORDED MAIL TO:

South Valley Bank & Trust
P.O. Box 5210
Klamath Falls, OR 97603

SEND TAX NOTICES TO:

Bill Skillington and A Rae Skillington
5743 Basin View Dr.
Klamath Falls, OR 97603

ME 42-00-00

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

ASSIGNMENT OF RENTS

THIS ASSIGNMENT OF RENTS IS DATED OCTOBER 31, 1997, between Bill J Skillington and A Rae Skillington, Husband and Wife, whose address is 5743 Basin View Dr, Klamath Falls, OR 97603 (referred to below as "Grantor"); and South Valley Bank & Trust, whose address is P O Box 5210, Klamath Falls, OR 97603 (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:

Lot 11 and the Southern half of lot 10, HIGHLAND PARK, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

The Real Property or its address is commonly known as 7305 South Sixth Street, Klamath Falls, OR 97603.

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 Bill J. Skillington and A Rae Skillington.

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 the Assignment.

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

Note. The word "Note" means the promissory note or credit agreement dated October 31, 1997, in the original principal amount of \$71,826.13 from Grantor to Lender, together with all renewals, 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, interest, 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 in a 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 releases 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 collected in the 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, liens, claims, 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 notice 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

15-100

condition, and also to pay all taxes, assessments and other charges on the Property and on the improvements thereon.

Compliance with Laws. Lender may require Grantor to comply with all laws, rules, ordinances and regulations applicable to the Property.

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

Employ Agents. Lender may employ each agent or agents in Lender may deem appropriate, either in Lender's name or in Grantor's name, to collect and apply the 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 shall be reimbursed from the Rents, and shall be a part of the indebtedness secured by this Assignment, and shall be payable (on demand, with interest) to Lender from the 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, Lender shall execute and deliver to Grantor a suitable satisfaction of this Assignment and suitable statement of termination of any financing 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 adversely affect Lender's interest in the Property, Lender, in 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 shall bear interest at the rate provided for in the Note from the date incurred or paid by Lender. All such expenses, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the indebtedness, or (c) be included as a balloon payment which will be due and payable at the Note's maturity. This paragraph shall be in addition to any other rights or remedies to which Lender may be entitled under the Note or any other instrument. Any such action by Lender shall not be construed as a waiver of Lender's right to enforce the Note or any other instrument.

DEFAULT. Each of the following, if it occurs, 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 any of the Related Documents.

Default in Favor of Third Parties. Grantor could become or is a party to any loan, extension of credit, security agreement, purchase or sale agreement, or any other agreement, which may materially affect any of Borrower's property or any of Grantor's ability to repay the Loans or perform their respective obligations under this Assignment or any of the Related Documents.

Fraudulent 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, 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 in the Property) 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.

Death or Insolvency. The death of Grantor or the dissolution or termination of Grantor's existence as a going business, 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 filing of any bankruptcy or insolvency laws by or against Grantor. However, the death of any Grantor will not be an Event of Default if as a result of the death of Grantor, the indebtedness is fully covered by credit life insurance.

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 between Grantor and Lender as to the validity or nonexistence of the claim which is the basis of the foreclosure or forfeiture proceedings, 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 Grantor. Any of the following events occurs with respect to any Grantor of any of the indebtedness or any Guarantor of the indebtedness: (a) Grantor becomes incompetent, or is otherwise unable to assume the obligations of the indebtedness, or (b) Grantor is unable to assume the obligations of the indebtedness in a manner satisfactory to Lender.

Advance 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.

Insolvency. Lender in good faith determines that Grantor is insolvent.

Right to Cure. If such a failure is cured within twelve (12) months, the preceding cure of such failure (a) shall not be required to, provide notice to Lender, and, in doing so, cure the failure.

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 may declare the indebtedness due and payable, including any prepayment of principal and interest.

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 same to the payment of the indebtedness. If the Rents are collected by Lender, then Grantor irrevocably assigns to Lender all of the Rents and the proceeds thereof in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Whether or not any proper grounds for the demand existed, Lender may exercise its rights under this paragraph either in person, by a receiver, or through a collection agency.

Appoint Receiver. Lender shall have the right to appoint a receiver to take possession of all or any part of the Property, with the power to operate the Property, preserve the Property, and to collect the Rents from the Property and apply the same to the payment of the indebtedness. The receiver may serve without bond if permitted by law. 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 failure by any party of a provision of this Assignment shall not constitute a waiver of or prejudice to the right of Lender to pursue any remedy available to it under this Assignment, or an election to make expenditures or take action to perform an obligation of Grantor under this Assignment 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 determine to be reasonable as attorneys' fees and on any judgment or order for the protection of its interest or the enforcement of its rights.

its right 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 incurred by the mortgagee, including, without limitation, notary fees, under applicable law, Lender's attorney's fees and Lender's legal expenses whether or not there is a lawsuit, including attorney's fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appraisals and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports, including title insurance reports, surveyors' reports, and appraisal fees, and title insurance, to the extent permitted by applicable law. Grantor shall 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 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.

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.

Sovereignty. 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, if not, 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 foreclosure or extension without releasing Grantor from the obligations of this Assignment or liability under the indebtedness.

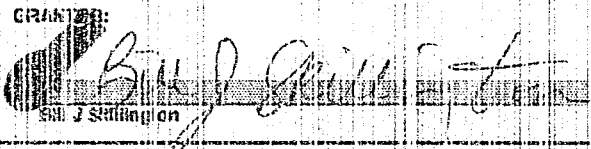
Time is of the Essence. Time is of the essence in the performance of this Assignment.

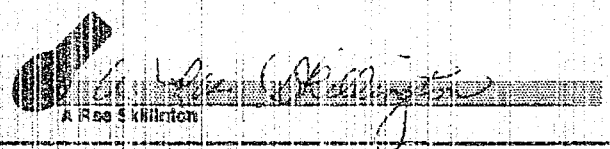
Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all indebtedness secured by this Assignment.

Waiver 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.

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

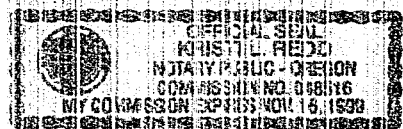
GRANTOR:


Bill J. Skillington


A. Rae Skillington

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon)
COUNTY OF Klamath) ss.



On this day before me, the undersigned Notary Public, personally appeared Bill J. Skillington and A. Rae Skillington, known to me to be the individuals described in and who executed the Assignment of Rents, and acknowledged that they signed the Assignment as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 31st day of October, 1997.
By Kristin L. Reed Notary Public in and for the State of Oregon
My commission expires 11/16/99

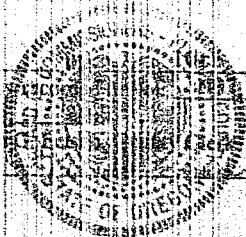
ANER PRO, Reg. U.S. Pat. & TM. Off., No. 1138 (c) 1995 Copyright 1995, All Rights Reserved. (CR-1142) (L1/N2/1/C1/OV1)

STATE OF OREGON: COUNTY OF KLAMATH ss.

Filed for record at request of _____ day
of November 1997 at 3:41 o'clock P. M. and duly recorded in Vol. 3719
of _____ Mortgage ss. Beneath
By [Signature]

FEES \$20.00

INDEXED
D. 11



STATE OF OREGON: COUNTY OF KLAMATH ss.

Filed for record at request of _____ day
of JANUARY A.D. 1999 at 10:51 o'clock A. M. and duly recorded in Vol. 1829
of Mortgages ss. [Signature]
on page 1829

FEES \$15.00 Re-record

Linda South County Clerk
by [Signature]