

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

1999 AUG -6 AM 11: 22

BUCHALTER, NEMER, FIELDS & YOUNGER
601 South Figueroa Street, Suite 2400
Los Angeles, California 90017
Attention: Claire Wong, Esq.

mtc 47929

LINE OF CREDIT INSTRUMENT

ABSOLUTE ASSIGNMENT OF LEASES AND RENTS

ASSIGNOR: The New Earth Company
1300 Main Street
Klamath Falls, Oregon 98601

ASSIGNEE: Coast Business Credit
a division of Southern Pacific Bank
12121 Wilshire Boulevard
Suite 1400
Los Angeles, California 90025

Maximum Principal Amount to be Advanced: \$15,000,000

Term or Maturity Date: June 21, 2002

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AND WHEN RECORDED MAIL TO:**

BUCHALTER, NEMER, FIELDS & YOUNGER
601 South Figueroa Street, Suite 2400
Los Angeles, California 90017
Attention: Claire Wong, Esq.

STATE OF OREGON)
) ss.
COUNTY OF KLAMATH)

ABSOLUTE ASSIGNMENT OF LEASES AND RENTS

THIS DOCUMENT SECURES OBLIGATIONS WHICH CONTAIN
PROVISIONS FOR A VARIABLE RATE OF INTEREST.

THIS ABSOLUTE ASSIGNMENT OF LEASES AND RENTS (this
Assignment") made this 21st day of June, 1999, by THE NEW EARTH COMPANY, an
Oregon corporation, whose address is 1300 Main Street, Klamath Falls, Oregon 97601
(hereinafter referred to as "Assignor") to COAST BUSINESS CREDIT, a division of
Southern Pacific Bank, whose address is 12121 Wilshire Boulevard, Suite 1400, Los Angeles,
California 90025-3333, Attention: Edit Kondorosi (hereinafter referred to as "Assignee").

WITNESSETH THAT:

WHEREAS, Assignor and The New Algae Company dba Cell Tech, an
Oregon corporation (collectively, "Borrower") have executed and delivered to Assignee that
certain Loan and Security Agreement ("Loan Agreement") and that certain Secured Term
Promissory Note (Term Loan) and that certain Secured Promissory Note (Equipment
Acquisition Loans), all of even date herewith, payable as in the Loan Agreement provided
and finally maturing as in the Loan Agreement provided, with interest as therein expressed,
and Assignor has executed and delivered on the aforesaid date and to secure the Loan
Agreement, a Line of Credit Trust Deed, Assignment of Rents, Security Agreement and
Fixture Filing ("Mortgage": the Loan Agreement, the Note and the Mortgage are hereinafter
collectively called the "Mortgage Instruments") on Assignor's interest in that certain real
estate in the City of Klamath Falls, County of Klamath, State of Oregon more particularly
described in Exhibit "A" attached hereto and by reference made a part hereof, including the

improvements now or hereafter thereon and the easements, rights and appurtenances thereunto belonging (hereinafter collectively called the "Mortgaged Premises");

WHEREAS, Assignor is or will become the lessor under written leases for certain portions of the Mortgaged Premises, and Assignor may hereafter make other leases of the Mortgaged Premises or parts thereof; and

WHEREAS, Assignee has required the assignment hereinafter made as a condition to making the above loan.

NOW, THEREFORE, Assignor, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby BARGAIN, SELL, TRANSFER, ASSIGN, CONVEY, SET OVER and DELIVER unto Assignee, as additional security for the payment of the above described loan indebtedness and the payment and performance of all the terms and conditions of the Mortgage Instruments, and any and all amendments, extensions and renewals thereof, the tenant leases affecting the Mortgaged Premises or any part thereof now existing or any leases which may be executed at any time in the future during the life of this Assignment, and all amendments, extensions and renewals of said leases and any of them, all of which are hereinafter called the "Leases";

TOGETHER WITH all of the right, power and authority of Assignor to alter, modify or change the terms, conditions and provisions of any or all of the Leases or to surrender, cancel or terminate the same or to accept any surrender, cancellation or termination of same; and

TOGETHER WITH all of the rents, revenues, credits, security, deposits, options, rights, powers and privileges of Assignor under any or all of the Leases, whether heretofore or hereafter existing; and

1. All defined terms which are not defined herein shall have the definitions assigned to such terms in the Loan Agreement.

2. Assignor hereby authorizes Assignee or Assignee's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Mortgaged Premises to pay such rents and revenues to Assignee or Assignee's agents; provided, however, that prior to written notice given by Assignee to Assignor of the occurrence of an Event of Default (as defined in the Mortgage), and Assignee's intent to exercise its rights to such rents and revenues (the "Default Notice"), Assignor shall collect and receive all rents and revenues of the Mortgaged Premises and Assignor shall apply the rents and revenues so collected to the amounts then due and payable in connection with the Mortgage Instruments with the balance, so long as no unrescinded Default Notice has been delivered, to the account of Assignor, it

being intended by Assignor and Assignee that this assignment of rents constitutes an absolute present assignment and not an assignment for additional security only.

3. Upon delivery of the Default Notice by Assignee to Assignor, and without the necessity of Assignee entering upon and taking and maintaining full control of the Mortgaged Premises in person, by agent or by a court-appointed receiver, Assignee shall immediately be entitled to receive all rents and revenues of the Mortgaged Premises as specified in this Assignment as the same become due and payable, including but not limited to rents then due and unpaid, and all such rents and revenue then held by Assignor or thereafter delivered to Assignor shall, immediately upon delivery of the Default Notice, be held by Assignor as trustee for the benefit of Assignee only. Assignor agrees that commencing upon delivery of the Default Notice each tenant of the Mortgaged Premises shall make such rents payable to and shall pay such rents directly to Assignee or Assignee's agents on Assignee's written demand to each tenant therefor, delivered to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Assignor. Assignor shall execute any and all writings and letters reasonably required by Assignee, to be delivered to such tenants, to effectuate the intent of this paragraph.

4. Assignor hereby represents, warrants and covenants that Assignor has not executed any prior assignment of said rents, that Assignor has not performed, and will not perform, any acts or has not executed, and will not execute, any instrument which would prevent Assignee from exercising its rights under this Assignment, or which would give rise to any right of set-off against, or reduction of, the rents payable under the Leases, and that at the time of execution of this Assignment there has been no anticipation or prepayment of any of the rents of the Mortgaged Premises for more than one month prior to the due dates of such rents. Assignor covenants that Assignor will not hereafter collect or accept payment of any rents of the Mortgaged Premises more than one month prior to the due dates of such rents. Assignor further covenants that Assignor will execute and deliver to Assignee such further assignments of rents and revenues of the Mortgaged Premises as Assignee may from time to time request.

5. Upon an Event of Default, Assignee may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Assignee's security, enter upon and take possession of and maintain full control of the Mortgaged Premises in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of Leases, the collection of all rents and revenues of the Mortgaged Premises, the making of repairs to the Mortgaged Premises and the execution or termination of contracts providing for the management or maintenance of the Mortgaged Premises; all on such terms as are deemed best to protect the security of this instrument. In the event Assignee elects to seek the appointment of a receiver for the Mortgaged Premises upon an Event of Default, Assignor hereby expressly consents to the

appointment of such receiver upon ex parte applications without notice. Assignee or the receiver shall be entitled to receive a reasonable fee for so managing the Mortgaged Premises. Nothing contained herein nor any collection of rents, payments or other sums by Assignee, or by a receiver, shall be construed to make Assignee a "mortgagee-in-possession" of the Mortgaged Premises so long as Assignee has not itself entered into actual possession of the Mortgaged Premises.

6. All rents and revenues collected by Assignee subsequent to delivery of the Default Notice by Assignee to Assignor shall be applied first to the reasonable costs, if any, of taking control of and managing the Mortgaged Premises and collecting the rents, including, but not limited to, reasonable attorneys' fees, receiver's fees, premiums on insurance policies, taxes, assessments and other charges on the Mortgaged Premises, and the costs of discharging any obligation or liability of Assignor as lessor or landlord of the Mortgaged Premises and then to the sums secured by the Mortgage Instruments. Assignee or the receiver shall have access to the books and records used in the operation and maintenance of the Mortgaged Premises and shall be liable to account to Assignor only for those rents and revenues actually received. Assignee shall not be liable to Assignor, anyone claiming under or through Assignor or anyone having an interest in the Mortgaged Premises by reason of anything done or left undone by Assignee under this Assignment.

7. If the rents of the Mortgaged Premises are not sufficient to meet the costs, if any, of taking control of and managing the Mortgaged Premises and collecting the rents, any funds expended by Assignee for such purposes shall become obligations of Assignor to Assignee secured by the Mortgage Instruments. Unless Assignee and Assignor agree in writing to other terms of payment, such amounts shall be payable upon notice from Assignee to Assignor requesting payment thereof and shall bear interest from the date of disbursement until paid, at the default rate set forth in the Note.

8. Any entering upon and taking and maintaining of control of the Mortgaged Premises by Assignee or the receiver, and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Assignee under applicable law or provided herein. This Assignment shall terminate at such time as the obligations secured by the Mortgage Instruments are paid in full.

9. Except as may be permitted by the Loan Agreement, Assignor will not (i) execute an assignment of the rents or any part thereof from the Mortgaged Premises to any party other than Assignee unless such assignment shall provide that it is subject and subordinate to this Assignment, and any additional or subsequent assignment executed pursuant hereto, or (ii) except where the tenant is in default thereunder, terminate or consent to the cancellation or surrender of any Lease of the Mortgaged Premises or of any part thereof, now existing or hereafter to be made or (iii) modify any such Lease or give consent to any assignment or subletting, which modification, assignment or subletting would

materially impair the value of such Lease, without Assignee's prior written consent, or (iv) accept prepayments of any installments of rent or additional rent to become due under such Leases more than one (1) month in advance, except prepayments in the nature of security for the performance of the tenant's obligations thereunder, or (v) in any other manner impair the value of the Mortgaged Premises or the security of the Assignee for the payment of the indebtedness secured by the Mortgage Instruments or (vi) enter into any Lease prohibited by the Loan Agreement.

10. Except as may be permitted by the Loan Agreement, Assignor will not execute any Lease of all or a substantial portion of the Mortgaged Premises without the prior written consent of Assignee. All tenants must take actual occupancy of the Mortgaged Premises and Assignor will at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all Leases of the Mortgaged Premises now or hereafter existing, on the part of the lessor thereunder to be kept and performed. If any such Lease provides for the giving by the tenant of certificates with respect to the status of such Leases, Assignor shall exercise its right to request such certificates within five (5) days of any demand therefor by Assignee.

11. Assignor shall furnish to Assignee, within fifteen (15) days after a request by Assignee to do so, a written statement containing the names of all tenants for the Mortgaged Premises, the terms of their respective Leases, the spaces occupied, the rentals paid and any security therefor.

12. In addition to the assignment granted herein, Assignor shall, from time to time upon request of Assignee, specifically assign to Assignee, by an instrument in writing in such form as may be approved by Assignee, all right, title and interest of Assignor in and to any and all Leases now or hereafter on or affecting the Mortgaged Premises, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove given to Assignor to collect the rentals under any such Lease. Assignor shall also execute and deliver to Assignee any notification, financing statement or other document reasonably required by Assignee to perfect the foregoing assignment or the assignment granted herein as to any such Lease.

13. Each Lease of the Mortgaged Premises or of any part thereof entered into after the date hereof shall provide that, in the event of the enforcement by the Trustee or Assignee of the remedies provided for by law or by this Assignment, any person succeeding to the interest of Assignor as a result of such enforcement shall not be bound by any payment of rent or additional rent for more than one (1) month in advance, provided, however, that nothing herein set forth shall affect or impair the rights of Assignee to terminate any one or more of such Leases in connection with the exercise of its remedies hereunder.

14 Any notice hereunder by either party hereto to the other shall be given as provided for in the Loan Agreement.

15. Assignor hereby agrees to indemnify and hold the Assignee harmless against and from (a) any and all liability, loss, damage and expense, including reasonable attorneys' fees, which it may or shall incur or which may be asserted under or in connection with this Assignment or any of the Leases, or by reason of any action taken by Assignee (including without limitation any action which Assignee in its discretion may take to protect its interest in the Mortgaged Premises), and (b) any and all claims and demands whatsoever which may be incurred by or asserted against Assignor by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants and conditions contained in any of the Leases.

16. Should Assignee incur any such liability as described in Paragraph 15, the amount thereof, together with interest thereon at the lower of the highest rate permitted by law or the Default Rate under the Loan Agreement shall be payable by Assignor to Assignee immediately upon demand, or at the option of Assignee, Assignee may reimburse itself therefor out of any rents, issues or profits of the Mortgaged Premises collected by Assignee.

17. Nothing contained herein shall operate or be construed to obligate Assignee to perform any of the terms, covenants or conditions contained in any Lease, or to take any measures, legal or otherwise, to enforce collection of any of said rents or other payments, or otherwise to impose any obligation upon Assignee with respect to any Lease, including but not limited to, any obligation arising out of any covenant of quiet enjoyment therein contained, in the event that any lessee shall have been joined as a party defendant in any action to foreclose the Mortgage and the estate of such lessee shall have been thereby terminated.

18. Prior to actual entry into and taking possession of the Mortgaged Premises by Assignee, this Assignment shall not operate to place upon Assignee any responsibility for the operation, control, care, management or repair of the Mortgaged Premises, and the execution of this Assignment by the Assignor shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Mortgaged Premises is and shall be that of Assignor prior to such actual entry and taking of possession.

19. Upon payment in full of the principal sum, interest and other indebtedness evidenced by the Mortgage Instruments, this Assignment shall be and become null and void; otherwise, it shall remain in full force and effect as herein provided and, with the covenants, warranties and representations herein contained, shall bind Assignor and all subsequent owners of the Mortgaged Premises and inure to the benefit of Assignee and all

subsequent holders of the Mortgage Instruments. The term "Assignee," as used herein shall be construed to mean as of any time the holder for the time being of the Mortgage Instruments and all rights, options, powers, authority and remedies herein granted to Assignee may be exercised or executed at any and all times or from time to time by any holder for the time being of the Mortgage Instruments. This Assignment may not be changed or terminated orally, but only by an instrument in writing, signed by the party against whom enforcement of any waiver, change, modification, termination or discharge is sought.

20. If any action is brought to enforce the provisions of this Assignment, the prevailing party in such action shall be entitled to recover its reasonable attorneys fees and costs.

21. This Assignment may be executed in any number of counterparts so long as each signatory hereto executes at least one such counterpart. Each such counterpart shall constitute one original, but all such counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor has caused this instrument to be executed as of the date first above written.

"ASSIGNOR"

THE NEW EARTH COMPANY,
an Oregon corporation

By MARTIN C. BOLLMAN
Name: MARTIN C. BOLLMAN
Title: Pres

31597

STATE OF CALIFORNIA

)

) ss.

COUNTY OF LOS ANGELES

)

This instrument was acknowledged before me on June 23, 1999,
by Marta C. Kollman as President of The
New Earth Company.

Stephanie T. Prause
Notary Public for California
My commission expires March 30, 2001

My commission expires SP

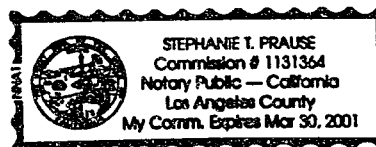


EXHIBIT A

A TRACT OF LAND LOCATED IN THE SOUTHWEST ONE-QUARTER OF SECTION 33, TOWNSHIP 38 SOUTH, RANGE 9 EAST, OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST ONE-QUARTER CORNER OF SAID SECTION 33; THENCE NORTH $00^{\circ}44'52''$ WEST, 69.16 FEET TO A POINT ON THE OLD SOUTHERLY RIGHT-OF-WAY LINE OF SOUTH 6TH STREET; THENCE SOUTH $55^{\circ}27'00''$ EAST, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE, 407.10 FEET TO THE MOST NORTHERLY CORNER OF CENTRAL PACIFIC RAILROAD COMPANY LANDS AS DESCRIBED IN VOLUME 85, PAGE 120, KLAMATH COUNTY DEED RECORDS; THENCE SOUTH $10^{\circ}46'30''$ WEST, 10.93 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF SOUTH 6TH STREET, SAID POINT ALSO LYING ON THE WESTERLY LINE OF THE LAND DESCRIBED IN VOLUME 85, PAGE 120, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SOUTH 6TH STREET, SOUTH $49^{\circ}37'43''$ EAST, 197.04 FEET TO A POINT OF NON-TANGENT CURVATURE; THENCE LEAVING SAID SOUTHERLY RIGHT-OF-WAY LINE OF SOUTH 6TH STREET, ALONG THE ARC OF A 467.68 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF $13^{\circ}06'50''$, AN ARC DISTANCE OF 107.04 FEET (THE LONG CHORD OF WHICH BEARS SOUTH $27^{\circ}59'33''$ WEST, 106.81 FEET) TO A POINT OF TANGENCY; THENCE SOUTH $34^{\circ}33'00''$ WEST, 211.60 FEET; THENCE NORTH $78^{\circ}29'48''$ WEST, 54.42 FEET; THENCE NORTH $10^{\circ}46'30''$ EAST, 392.29 FEET TO THE POINT OF BEGINNING.

THIS TRACT OF LAND CONTAINS 0.99 ACRES MORE OR LESS.

TOGETHER WITH ALL RIGHTS IN AND TO THAT CERTAIN EASEMENT DATED JUNE 30, 1999 AND RECORDED Aug 6, 1999 IN VOLUME m 99, PAGE 31456 IN THE OFFICIAL RECORDS OF KLAMATH COUNTY, OREGON.

State of Oregon, County of Klamath
Recorded 8/06/99, at 11:22 A m.
In Vol. M99 Page 31589
Linda Smith,
County Clerk Fee \$ 5500