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**COLLATERAL ASSIGNMENT  
OF LESSEE'S INTEREST IN LEASE  
AND CONSENT OF LANDLORD**

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Vol M02 Page 16387

**ASSIGNMENT AGREEMENT** dated March 18, 2002, by and between **Dale M. Zerull and Lesley M. Zerull**, husband and wife, hereinafter referred to as Assignor, and **CITIZENS BANK**, an Oregon banking corporation, hereinafter referred to as Assignee, and **Swan Lake Moulding Company**, an Oregon Corporation, hereinafter referred to as Landlord.

**1. ASSIGNMENT OF LEASE:**

A.. For value received and the consideration set forth below in this agreement, Assignor grants, transfers, and assigns to Assignee, Assignor's entire interest, as Lessee, in a "Lease Agreement" (hereinafter "Lease") of real property described as:

The real property being more particularly described on Exhibit "A" attached hereto and incorporated here in full by this reference.

Such real property shall be hereinafter referred to as "Premises".

B. The Lease entered into between Assignor and Landlord is dated, for reference, February 1, 1978, and by its terms is to continue in full force and effect for a period of THIRTY (30) years commencing February 1, 1978, or such other date as provided in the Lease. The original term of the Lease will expire on February 1, 2008. The term of the Lease may be extended to February 1, 2028, pursuant to the terms of the Lease.

**2. DEBT SECURED:** This Assignment is made to secure the following:

A. Payment of the principal sum and interest evidenced by a Promissory Note and any amendments, extensions, or renewals thereof, made by **CREATIVE CRAFTS AND FRAME SHOP, INC.**, in the original principal sum of **TWENTY THOUSAND DOLLARS (\$20,000.00)**.

B. Payment of all other sums, with interest, that may become due and payable to Assignee under the Promissory Note, the Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Promissory Note.

C. Assignor's performance and discharge of every obligation and agreement of Assignor under the Promissory Note, this Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Promissory Note.

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State of Oregon, County of Klamath  
Recorded 03/20/2002 1:24 p.m.  
Vol M02, Pg 16387-94  
Linda Smith, County Clerk  
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3. **ASSIGNOR'S WARRANTIES:** Assignor warrants:

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- A. Assignor is the sole owner of the Lessee's interest in the lease assigned by this instrument insofar as it applies to the property covered by this Assignment and of all the leasehold rights which the Lease purports to create, with full right to convey the same.
- B. The Lease is now unencumbered, valid, and in full force and effect in accordance with its terms.
- C. Landlord is not in default under any of the terms, conditions, or covenants of the Lease.
- D. Assignor is not in default under any of the terms, conditions, or covenants of the Lease.
- E. The rental property is free from liens, encumbrances, claims, and setoffs of every kind whatsoever.

4. **ASSIGNOR'S COVENANTS:** Assignor agrees:

- A. To observe and perform all obligations imposed on Lessee and Lessor under the Lease hereby assigned and to indemnify Assignee from any and all consequences of any failure to do so.
- B. To preserve the subject property free and clear of all liens and encumbrances, except as otherwise agreed by the parties to this Assignment.
- C. Not to execute any other assignment of Lessee's interest in the lease.
- D. Not to alter, extend, or modify the terms of the Lease or give any consent or exercise any renewal or option required or permitted by the terms of the Lease without the prior, express, and written consent of Assignee.
- E. Not to terminate, cancel, or accept a surrender of the Lease, or transfer, convey, or permit a transfer or conveyance of the premises so as to cause a termination or changing of the obligations of Lessee.
- F. Not to grant an Assignment or enter into a sublet of the Lease, whether or not in accordance with its terms, without the prior written consent of Assignee.
- G. Not to agree or consent to any assignment of or subletting under the Lease, whether or not in accordance with its terms, without the prior, express, and written consent of Assignee.
- H. Assignee may proceed against Assignor directly and independently of this Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, and such action shall not in any way affect the liability of Assignor under this Assignment, nor shall any extension, forbearance of acceptance, release, or substitution of security, or any impairment or suspension of Assignee's remedies or rights against Lessor in any way affect the liability of Assignor under this Assignment.

- A. Assignor is not in default under any of the terms, conditions, or covenants of the Lease.
- B. The lease is now unencumbered, valid, and in full force and effect in accordance with its terms.

5. **ASSIGNEE'S OPTION TO TAKE POSSESSION AND/OR MANAGE PREMISES:**

In the event of Assignor's default under and pursuant to this Agreement, Assignee may, at its option, without notice or regard to the adequacy of the security, personally or by its agents take possession of the above-described premises and hold, lease, and manage such premises on such terms and for such period of time as Assignee deems proper and, with or without taking possession of the premises, have the power to make from time to time such alterations, repairs, and renovations as may seem proper to Assignee, and to grant an Assignment or enter into a sublet of the lease, whether or not in accordance to its terms.

6. **NO WAIVER:**

The exercise or nonexercise by Assignee of the options granted in Section Five of this Agreement shall not be considered a waiver of any default by Assignor under the Note, or under any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Note.

7. **INDEMNIFICATION OF ASSIGNEE:**

- A. Assignee shall not be liable for any loss sustained by Assignors resulting from Assignee's failure to let the premises or from any other act or omission of Assignee in managing the premises, unless such loss is caused by the willful misconduct or bad faith of Assignee.
- B. Assignee shall further not be obligated to perform or discharge any obligation or duty under the lease, or under this Assignment, and Assignor agrees to indemnify Assignee from and against any and all liability, loss, or damage which may be incurred under the lease or by reason of this Assignment.
- C. In the event Assignee incurs any such liability referred to above, or in defense of any such claims or demands, the amount of such liability, including costs and reasonable attorney's fees, shall be secured by the Assignment, and Assignor shall reimburse Assignee immediately for any and all such liability upon the demand of Assignee.

8. **WASTE:**

This Assignment shall not make Assignee responsible for any waste committed on the property by the Assignor, Landlord or any other parties, or for any dangerous or defective condition of the premises, or for any negligence in the management, repair, or control of the premises.

**9. EVIDENCE OF UNPAID INDEBTEDNESS:**

**16390**

Upon payment in full of the principal, interest, and all other indebtedness secured by this Assignment or other instruments referred to in this Agreement, this Assignment shall cease, but the affidavit or statement of Assignee or any agent, officer, or attorney of Assignee showing any part of the principal, interest, or other indebtedness remaining unpaid shall constitute conclusive evidence of the effectiveness and force of this Assignment, and any person is hereby authorized to rely on such affidavit or statement.

**10. RELEASES BY ASSIGNEE:**

Assignee may take or release other security for payment of the secured principal, interest, or other indebtedness, and may further release any party primarily or secondarily liable, and may apply any other security held by Assignee to the satisfaction of the secured principal, interest, or other indebtedness without prejudice to any rights under this Assignment.

**11. REMEDIES OF ASSIGNEE NOT EXCLUSIVE:**

Nothing contained in this Assignment, nor any act done or omitted by Assignee pursuant to the terms of this Assignment, shall be deemed a waiver by Assignee of any of the rights or remedies under the Note, this Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Note and this Assignment is executed without prejudice to any rights or remedies possessed by Assignee under the terms of any other instruments referred to in this Assignment.

**12. WAIVERS OF ASSIGNOR:** Assignor waives the following:

A. The right, if any, to obtain the benefit of, or to direct the application of, any security hypothecated to Assignee until all indebtedness of Lessee to Assignee arising under this Assignment that is assigned to Assignee by Assignor shall have been paid.

B. The right to require Assignee to proceed against Lessee, or to pursue any other remedy.

**13. POWER OF ATTORNEY:**

Assignor appoints Assignee, as Assignor's attorney-in-fact to demand, receive, and enforce payment and to give receipts, releases, and satisfactions and to sue for all sums payable either in the name of Assignor or in the name of Assignee, with the same force and effect as Assignor could have done if this Agreement had not been made.

**14. EFFECT OF ASSIGNMENT:**

This Assignment, together within the agreements, covenants, and warranties contained in this Assignment, shall inure to the benefit of Assignee and any subsequent holder of the Note or under any other Assignment, Deed of Trust, or other interest given by Assignee as security for payment of Assignor's obligations under the Note or Deed of Trust shall be binding upon Assignor and any subsequent owner of the premises.

**15. GOVERNING LAW:**

**16391**

It is agreed that this Assignment shall be governed by, construed, and enforced in accordance with the laws of the State of Oregon.

**16. ATTORNEY FEES:**

In the event that any action is filed in relation to this Assignment, the unsuccessful party in the action shall pay to the successful party, in addition to all the sums that either party may be called upon to pay, a reasonable sum for the successful party's attorney fees.

**17. EFFECT OF PARTIAL INVALIDITY:**

The invalidity of any portion of this Assignment will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Assignment is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.

**18. ENTIRE AGREEMENT:**

This Assignment shall constitute the entire agreement between the parties regarding the subject matter hereof, and any prior understanding or representation of any kind preceding the date of this Assignment shall not be binding upon either party except to the extent incorporated in this Agreement.

**19. MODIFICATION OF AGREEMENT:**

Any modification of this Agreement or additional obligation assumed by either party in connection with this Assignment shall be binding only if placed in writing and signed by each party or an authorized representative of each party.

**20. ASSIGNMENT OF RIGHTS:**

The rights of Assignor under this Agreement are personal to Assignor and may not be assigned or transferred to any other person, firm, corporation or other entity without the prior, express, and written consent of the Assignee. The rights of Assignee under this Agreement are freely assignable by Assignee, without notice to or the consent of Assignor.

**21. POSSESSION OF PREMISES BY ASSIGNEE:**

This Assignment is to be a present transfer to Assignor and allot Assignee's rights under the Lease, subject to Assignor's rights to use the premises while not in default of the Note, this Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Note.

**22. CONSENT OF LANDLORD:**

Landlord consents to this and also to any reassignment by Assignee (pursuant to the terms of the lease) in the event Assignor defaults under the Lease, the Note, this Collateral Assignment of Lessee's

Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Note. However, so long as Assignee has not entered into possession of the premises, Assignee will have no liability under the Lease, including without limitation, liability for the rent. Whether or not Assignee enters into possession of the premises for any purpose, Assignor will remain fully liable for all obligations of the Assignor as Lessee under the Lease. While Assignor is in possession of the premises, Assignor will cause all payments due under the Lease and attributable to that period of time to be made to Landlord.

Landlord agrees not to terminate the Lease, despite default by the Assignor without giving Assignee at least thirty (30) days prior written notice of the default and an opportunity to cure such default. If the default is one that cannot reasonably be cured by Assignee (such as insolvency, bankruptcy, or other judicial proceedings against the Assignor), then the Landlord will not terminate the Lease so long as Landlord receives all sums due under the Lease for the period during which Assignee is in possession of the premises, or so long as Assignee reassigns the lease to a new Lessee.

Landlord agrees that the personal property on the premises, in which Assignee has a security interest, is severable and may be removed without further consent from the Landlord in the event the Assignee defaults under the Lease or the Note or this Collateral Assignment of Lessee's Interest in Lease with Consent of Landlord, or any other Assignment, Deed of Trust, Security Agreement, or any other instrument given by Assignor as security for payment of Assignor's obligations under the Note. Any liens which the Landlord may have against the personal property will be subordinate to the security interest of the Assignee in said personal property.

### 23. RECORDATION OF ASSIGNMENT:

This Collateral Assignment of Lessee's Interest in Lease may be recorded by Assignee in the records of Klamath County, Oregon.

### 24. NO MERGER:

In the event Landlord and Assignor become one and the same, the Lessee and Lessor's interests in such Lease shall not merge, and the Lease shall remain in full force and effect.

**ASSIGNOR:**

Dale M. Zerull and Lesley M. Zerull

By

Dale M. Zerull

By

Lesley M. Zerull

**ASSIGNEE:**

CITIZENS BANK

By

Peggy Obrist, AVP & Manager

**LANDLORD:**

SWAN LAKE MOULDING COMPANY

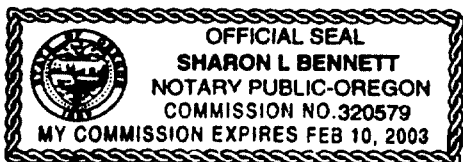
By: \_\_\_\_\_

STATE OF Oregon )  
County of Benton ) ss.

March 18, 2002

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This instrument was acknowledged before me on the 18 day of March, 2002, by Dale M. Zerull and Lesley M. Zerull.

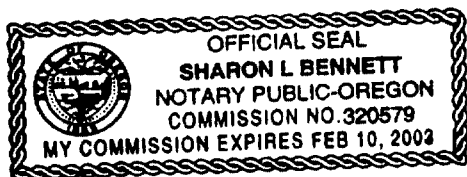


Sharon L. Bennett  
NOTARY PUBLIC FOR Oregon  
My Commission Expires 2/10/03

STATE OF Oregon )  
County of Benton ) ss.

March 18, 2002

This instrument was acknowledged before me on the 18 day of March, 2002, by Peggy Obrist as Assistant Vice President & Manager of Citizens Bank.



Sharon L. Bennett  
NOTARY PUBLIC FOR Oregon  
My Commission Expires 2/10/02

STATE OF \_\_\_\_\_ )  
County of \_\_\_\_\_ ) ss.

\_\_\_\_\_, 2002

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002, by \_\_\_\_\_ as \_\_\_\_\_ of the Swan Lake Moulding Company.

NOTARY PUBLIC FOR \_\_\_\_\_  
My Commission Expires \_\_\_\_\_

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## Exhibit A

A parcel of land in the NW  $\frac{1}{4}$  of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, more particularly described as follows: Starting at the Northwest corner of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Oregon, and running thence South  $00^{\circ}00' \frac{1}{2}"$  East along the Westerly boundary of Section 3, 977.8 feet, more or less, to its intersection with a line parallel with and 50 feet distant at right angles Southwesterly from the center line of the Dalles-California State Highway, also known as South Sixth Street as the same is now located and constructed; thence South  $55^{\circ}52' \frac{1}{2}"$  East along said parallel line 2322.07 feet; thence at right angles to South Sixth Street South  $34^{\circ}07' \frac{1}{2}"$  West 58 feet to Point F, the true beginning point of this description from which a cross chiseled in the sidewalk bears North  $34^{\circ}07' \frac{1}{2}"$  East 70 feet; thence North  $55^{\circ}52' \frac{1}{2}"$  West 61 feet to Point G, from which a cross chiseled in the sidewalk bears North  $34^{\circ}07' \frac{1}{2}"$  East 70 feet; thence South  $34^{\circ}07' \frac{1}{2}"$  West 119.61 feet to Point H; thence South  $66^{\circ}57' \frac{1}{2}"$  East 62.15 feet to Point E; thence North  $34^{\circ}07' \frac{1}{2}"$  East 107.65 feet to the point of beginning.