

WHEN RECORDED RETURN TO:

P. Bruce Converse, Esq.
Mariscal, Weeks, McIntyre & Friedlander, P.A.
201 West Coolidge Street
Phoenix, Arizona 85013

**COLLATERAL ASSIGNMENT OF INTEREST
IN SALES CONTRACT, DEED OF TRUST,
NOTE AND COLLECTION ESCROW**

This Collateral Assignment of Interest in Sales Contract Deed of Trust, Note and Collection Escrow (this "Assignment") is made as of the 24th day of May, 1988, by R. James Smets and M. Annette Smets, husband and wife, (the "Assignors"), to and for the benefit of Loram, Inc., a Virginia corporation ("Assignee").

A. Assignors are indebted to Assignee pursuant to that certain Promissory Note of even date in the principal amount of \$300,000 (the "Promissory Note") and that certain Settlement Agreement of even date herewith between Assignors, Assignee and others (the "Settlement Agreement"), and has agreed to pay such indebtedness according to the terms of the Promissory Note and Agreement.

B. Assignors are the owners of certain real property in the County of Douglas, State of Nevada, more particularly described in Exhibit A hereto (the "Property"), which property is the subject of a contract dated April 1, 1988, for the sale of the Property by Assignors to Gary A. and Dorothy Peterson and Thomas L. Peterson ("Buyers") (the "Sales Contract"), a copy of which is attached hereto as Exhibit B. Pursuant to the Sales Contract, Buyers are to execute a Note (the "Collateral Note") in favor Assignors, payment of which is to be secured by a Deed of Trust to the Property ("Collateral Deed of Trust"). First Nevada Title Company ("Escrow Agent") is acting as escrow agent for the Sales Contract under its Escrow No. 203-137 and will serve as collection agent for the Collateral Note ("Collection Escrow").

C. A condition, among others, of Assignee's execution of the Settlement Agreement was the receipt of this Assignment.

AGREEMENT

NOW, THEREFORE, in consideration of these premises and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignors hereby grant a security interest in and collaterally pledge, assign and transfer to Assignee its entire right, title and interest (now or hereafter acquired) in the Sales Contract, the Collateral Note, Collateral Deed of Trust, and Collection Escrow, and any and all payments thereunder (collectively, the "Collateral"), in order to secure

the payment and performance of the Promissory Note and Settlement Agreement. In addition, Assignors agrees as follows:

1. Assignors are or will be the lawful owner of the the Collateral, free and clear of the claims of all other persons, and have not and will not assign or encumber the Collateral for their benefit or for any other person. There is no default under the Collateral, and no act or event has occurred which, with notice or lapse of time, would permit parties from whom payment or performance may be due under the Collateral to exercise any defense, right of set-off or similar right against such payment or performance.

2. Notwithstanding anything contained herein to the contrary, this Assignment is a present assignment. It is provided, however, that Assignors shall have the license, immediately revocable under the terms hereof, to collect and hold monies due Sales Contract and the Collateral Note until there occurs an Event of Default hereunder. When such an Event of Default occurs, and until otherwise notified in writing by Assignee, or until all outstanding amounts due under any Account have been paid to Assignee, Assignor shall cause all payments made under the Sales Contract or the Collateral Note to be made directly to Assignee at its address set forth herein.

3. An Event of Default shall be any breach or default of any provision of this Assignment, the Settlement Agreement, the Promissory Note, or any other instrument or agreement securing payment or performance of the Promissory Note. Upon the occurrence of and Event of Default, Assignee shall be entitled to exercise any and all of its remedies under said documents and otherwise available to it at law or equity.

4. Escrow Agent may, until the license granted above is revoked, receive payments made under the Sales Contract and through the Collection Escrow, and remit the proceeds of same in accordance until the term of said Escrow. Escrow Agent shall, nevertheless hold the Collection Escrow throughout the term hereof as agent for the secured party, Assignee. If an Event of Default occurs and Assignee gives notice to Escrow Agent that the license set forth above is revoked, Escrow Agent shall, anything to the contrary contained in the terms of said Collection Escrow notwithstanding, immediately pay over any said amounts so collected to Assignee and shall continue to remit said amounts to Assignee until further notice from Assignee.

5. So long as an Event of Default exists, until all obligations outstanding under the Promissory Note have been paid to Assignee, any amounts received by Assignor as payments under the Sales Contract or the Collateral Note shall be held in trust for Assignee and immediately remitted to Assignee at its address as set forth herein.

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6. Any and all amounts received by Assignee as payments under the Sales Contract or the Collateral Note shall be credited as payments made thereunder and then the same amount shall be applied to the obligations outstanding under the Promissory Note.

7. Notwithstanding anything to the contrary contained herein, this Assignment shall not impair or diminish any obligation of Assignor under the Promissory Note.

8. So long as an Event of Default exists, Assignor hereby constitutes and appoints Assignee as its attorney-in-fact for the purpose of enforcing Assignor's rights under Sales Contract, the Collateral Note, the Collection Escrow, the Collateral Deed of Trust, and otherwise for the purpose of taking any other action with respect thereto with the same force and effect which Assignor could take if this Assignment had not been made.

9. Assignors agree to indemnify and hold harmless Assignee from any and all claims, suits and causes of action by any party other than Assignors, arising out of Assignee's enforcement of its rights under this Assignment.

10. In the event the obligations under the Promissory Note are well and truly paid in accordance with the terms and conditions therein, this Assignment shall be and become null and void, except that if Assignee is required to pay over to any bankruptcy court any amount received pursuant to the Sales Contract or the Collateral Note, this Assignment shall be deemed to be in full force and effect without interruption.

11. Assignors shall, upon the request of Assignee, execute such financing statements, assignment document or other instruments as Assignee, in its sole discretion, shall determine in order to more fully perfect its interest in the Collateral.

12. Assignor authorizes Assignee to notify Escrow Agent or the Buyers under the Collateral Note if there exists an Event of Default hereunder to make payment directly to Assignee.

13. Upon request of Assignee, Assignors shall execute and deliver such further instruments or documents, and perform such other acts and things as Assignee may determine necessary or appropriate to accomplish the purposes of this Assignment.

14. No modification, rescission, waiver, release or amendment of any provision of this Assignment shall be made except by a written agreement subscribed by Assignors and a duly authorized officer of Assignee.

15. The terms "Assignee" and "Assignors" as used herein shall include the personal representatives, heirs, executors or administrators, successors and assigns of those parties. The provisions of this Assignment shall apply to the parties

according to the context hereof and without regard to the number of gender of words and expressions used herein.

16. In the event of any conflict, claim or dispute between the parties hereto affecting or relating to the purpose or subject matter of this Assignment, the prevailing party shall be entitled to receive from the non-prevailing party all reasonable expenses, including but not limited to, attorneys' fees and accounting fees incurred or expended.

17. All notices, requests, demands or other communications hereunder shall be in writing and shall be addressed, in the case of Assignors, to James Smets and Annette Smets, 110 South Mesa Drive, Suite 1, Mesa, Arizona 85202, with a copy to Charles E. Davis, Esq. Udall, Shumway, Blackhurst, Allen, Lyons & Davis, P.C., 30 West First Street, Mesa, Arizona 85201, and in the case of Assignee, to Loram, Inc., Box 364, Middleburg, Virginia 22117, with a copy to P. Bruce Converse, Esq., Mariscal, Weeks, McIntyre & Friedlander, P.A., 201 West Coolidge Street, Phoenix, Arizona 85013, or such other address as any party may designate in writing. All notices hereunder shall be effective: (a) three (3) days after deposit in the U.S. Mail, postage prepaid, registered or certified mail, return receipt requested; or (b) upon delivery, if delivered in person to the address set forth above; except that notices of change of address shall be effective ten (10) days after the effective date of all other notices hereunder.

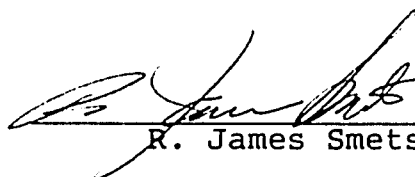
18. This Assignment shall be binding upon and inure to the benefit of the parties hereto, their legal representatives, successors and assigns.


19. This Assignment shall be construed and governed by the internal laws of the State of Arizona.

20. This Assignment may be executed in any number of counterparts, all of which taken together shall constitute one agreement and any party hereto may execute this Assignment by signing any such counterpart.

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

"ASSIGNORS"


R. James Smets


M. Annette Smets

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The undersigned, First Nevada Title Company, as Collection and Escrow Agent under Escrow No. 203-137, hereby acknowledges and consents to the above Assignment, and agrees that upon receipt of notice of an Event of Default hereunder, and thereafter until it receives notice in writing from Assignee to the contrary, it will remit all payments under the Sales Contract or the Collateral Note directly to Assignee at its address set forth in Section 17 above.

"ESCROW AGENT"

First Nevada Title Company

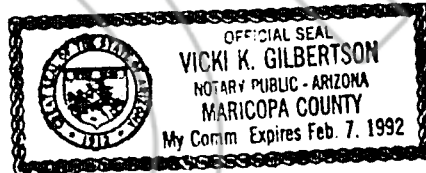
By *Denise Neth*
Its PRESIDENT DENISE NETH

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 7th day of ~~May~~, 1988, by James Smets, for the purposes stated therein. June

Vicki K. Gilbertson
Notary Public

My commission expires:

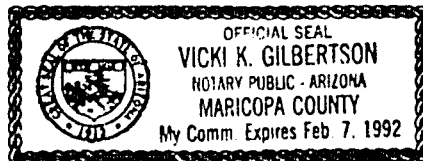


STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 7th day of ~~May~~, 1988, by Annette Smets, for the purposes stated therein. June

Vicki K. Gilbertson
Notary Public

My commission expires:



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EXHIBIT "F"

Property located in Douglas County, State of Nevada, APN 23-290-18, consisting of approximately 49 acres.

COPY

REQUESTED BY
FIRST NEVADA TITLE COMPANY

IN OFFICIAL RECORDS OF
CLERK OF DISTRICT COURT, NEVADA

'88 JUN 30 A11:17

IZABEL BEAUDREAU
RECORDER

10⁰⁰ PAID *Bh* DEPUTY

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