

MTC 4209
SECURITY AGREEMENT

39767

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LENDER:

BUSINESS LOANS, INC.
10850 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024

DEBTORS:

Michael A. O'Keefe and Ada L. O'Keefe
3901 Las Posas Road, Suite 107
Camarillo, CA 93010

DATE: September 14, 1977	FIRST INSTALLMENT DUE DATE: October 25, 1977	OTHERS DUE SAME DAY OF EACH MONTH	FINAL INSTALLMENT DUE DATE: September 25, 1982
PRINCIPAL AMOUNT: \$85,000	INTEREST RATE: 15.25%	PAYABLE IN 60 CONSECUTIVE MONTHLY INSTALLMENTS	INSTALLMENT AMOUNT: \$1380.00
			FINAL INSTALLMENT: \$59,643.98

THIS SECURITY AGREEMENT ("Agreement") is entered into between Business Loans, Inc., a California corporation and the above named debtor, ("Debtor"). Business Loans, Inc. shall loan Debtor monies in the above stated Principal Amount.

1. The term "Obligations" as used within the Agreement shall mean and include each and all of the following: the repayment of all loans, including interest thereon, and the payment and performance of all agreements, representations and other obligations of Debtor to Business Loans, Inc., whether heretofore, now or hereafter owing, from Debtor to Business Loans, Inc.; whether as principal or guarantor; pursuant to, or caused by Debtor's breach of, this Agreement. As security for the Obligations, Debtor hereby grants Business Loans, Inc. a continuing security interest in all of Debtor's interest in the property described below, whether now owned or hereafter acquired (collectively called "Collateral"): All inventory; all accounts, chattel paper, and instruments; and all goods, household goods, furniture, equipment, fixtures, trade fixtures and vehicles; and all deposit accounts and general intangibles; all proceeds and products of all of the foregoing; all guarantees of and security for debts and obligations owed to Debtor; all insurance proceeds; and all books and records relating to all the foregoing and the equipment containing said books and records. The Collateral includes, but is not limited to, those items, if any, which are set forth in Schedule A attached hereto.

2. So long as Debtor has outstanding obligations to Business Loans, Inc., Debtor warrants, represents and agrees that: (a) Debtor has set forth above its absolutely true and correct name. Debtor shall provide Business Loans, Inc. with advance written notice before doing business under any other name, fictitious name, trade name or trade style. (b) Debtor is now, and will be at all times hereafter the lawful and sole owner of the Collateral now owned or hereafter acquired by Debtor, and the Collateral now is free and clear of any and all security interests and adverse claims other than those, if any, which have been disclosed in writing by Debtor to Business Loans, Inc. (c) Debtor will advise Business Loans, Inc. in writing of any change in address or new business location of Debtor. (d) Debtor will immediately advise Business Loans, Inc. in writing of any event causing loss or depreciation and of any material adverse change in the condition of the Collateral or of any of Debtor's other properties. (e) There is no claim, litigation, or investigation pending or threatened by or against or affecting Debtor which might result in any adverse change in the business of Debtor. (f) All representations of Debtor contained in this Agreement and any other agreement with Business Loans, Inc. shall be true at the time of the effective date of each such agreement and shall be deemed continuing and shall remain true and in full force and effect until payment and satisfaction in full of all of the Obligations.

3. (a) Debtor shall, at all times, and for such periods of time as Business Loans, Inc. may require, insure all of the insurable Collateral, and all of Debtor's books and records, by financially sound and reputable insurers acceptable to Business Loans, Inc. in the form of extended coverage policies against loss or damage by theft, embezzlement, fire, explosion, flood, sprinkler, or any other insurable event or risk that Business Loans, Inc. might require, to the fullest extent of the insurable value thereof. Such insurance policies shall all name Business Loans, Inc. as the exclusive additional name insured, shall provide that the proceeds payable thereunder shall be payable directly to Business Loans, Inc. unless notarized written authority to the contrary is obtained from Business Loans, Inc., and shall also provide that no act or default of Debtor or any other person shall affect the right of Business Loans, Inc. to recover thereunder. Debtor shall provide Business Loans, Inc. with the original or a certificate of each such policy of insurance which shall contain a provision requiring the insurer to give not less than twenty days advance written notice to Business Loans, Inc. in the event of cancellation or termination of the policy for any reason whatsoever. If Debtor fails to provide and pay for any such insurance, Business Loans, Inc. is authorized (but not obligated) to procure the same at Debtor's expense and any monies so expended shall be part of Debtor's Obligations to Business Loans, Inc. (b) At its sole expense, Debtor shall report, in form satisfactory to Business Loans, Inc., such information that Business Loans, Inc. may request regarding the Collateral. At all times Business Loans, Inc., or Business Loans, Inc.'s representative, shall have access to inspect the Collateral and any other property of Debtor wherever located, and inspect and make extracts from Debtor's books, records and accounts. (c) Debtor shall not hereafter: dissolve, guarantee or otherwise become in any way liable with respect to the obligations of another party or entity; make any change in Debtor's name, lend or distribute any of Debtor's property or assets; sell, lease, transfer, assign or otherwise dispose of the Collateral or other assets except for the sale or lease of finished inventory in the ordinary course of business. (d) Debtor agrees, at its sole expense, on demand by Business Loans, Inc. to do all things and to execute such documents, in form satisfactory to Business Loans, Inc., as Business Loans, Inc., in its discretion, may deem useful in order to perfect and maintain Business Loans, Inc.'s security interest in the Collateral.

4. (a) If any one or more of the following events shall occur, any such event shall constitute an Event of Default and Debtor shall provide Business Loans, Inc. with immediate notice thereof: Debtor shall fail to promptly repay when due part or all of any loan; or any representation made to Business Loans, Inc. by Debtor or any of Debtor's agents is false or misleading; or Debtor shall fail promptly to pay when due or perform all or any part of the Obligations; or Business Loans, Inc. at any time, acting in good faith and in a commercially reasonable manner, deems itself insecure. (b) Upon the occurrence of any Event of Default, and at any time thereafter, Business Loans, Inc., at its option, and without notice or demand (all of which are hereby expressly waived by Debtor) may do the following: Notify Debtor's account debtors to make payments directly to Business Loans, Inc.; accelerate and declare the Obligations to be immediately due; take possession of the Collateral and for such purpose Debtor hereby authorizes Business Loans, Inc., or its agent, without judicial process to enter onto any of Debtor's premises to take possession of the Collateral and remain on such premises without charge for so long as Business Loans, Inc. deems necessary in order to complete the enforcement of its rights; require Debtor to assemble the Collateral and make it available to Business Loans, Inc. at a place to be designated by Business Loans, Inc. and allow Business Loans, Inc. to remove the Collateral. Attorneys' fees and expenses incurred by Business Loans, Inc. with respect to the foregoing shall become part of the Obligations. (c) All proceeds realized from the disposition of the Collateral shall be applied by Business Loans, Inc. to the expenses and attorneys' fees incurred by Business Loans, Inc. in the exercise of its rights, the interest due, and the principal in any order determined by Business Loans, Inc. (d) In addition to the rights set forth in this Agreement, Business Loans, Inc. shall have the other rights accorded to a secured party under the California Uniform Commercial Code and under other applicable laws and all of such rights are cumulative and none is exclusive. Exercise by Business Loans, Inc. of any of its rights shall not be deemed an election, nor bar Business Loans, Inc. from subsequent exercise of any other rights. The failure of Business Loans, Inc. to exercise any rights shall not operate as a waiver thereof.

5. Payment and performance of the Obligations are secured by the Collateral and by any security interests created in any other agreement now or hereafter existing between Business Loans, Inc. and Debtor.
6. Debtor grants to Business Loans, Inc. an irrevocable power of attorney coupled with an interest authorizing Business Loans, Inc. at its option but without obligation, without notice to Debtor, and at Debtor's expense, to do any of the following: (a) Execute on behalf of Debtor and in Debtor's name any Financing Statement, continuation Financing Statement, Financing Statement amendment, security agreement, mortgage, assignment, certificate of title, application for vehicle title, affidavit, report, notice, Schedule of Account, and other documents that Business Loans, Inc. may deem advisable in order to perfect and maintain Business Loans, Inc.'s security interests in the Collateral and in order to fully consummate all the transactions contemplated under this Agreement, and all other agreements; (b) Pay any sums required on account of Debtor's taxes or to secure the release of any liens therefor, or both; (c) Settle or adjust any insurance claim that relates to the Collateral and obtain payment therefor, and make all determinations and decisions with respect to any such policy of insurance and endorse Debtor's name on any check, draft, instrument or other item of payment or the proceeds of such policies of insurance. (d) Take any action or pay any sum required of Debtor pursuant to this Agreement and any other agreements.
7. Debtor shall indemnify and hold Business Loans, Inc. harmless from claims, costs, losses, lawsuits, damages, penalties, and liabilities of any kind in connection with this Agreement, or any other agreement and the breach of any representation provision contained herein or therein.
8. Debtor shall pay to Business Loans, Inc. the amount of all attorneys' fees and other costs incurred by Business Loans, Inc. under this Agreement, or any other agreement or in connection with any transaction contemplated hereby or thereby, or with respect to the Collateral or the defense or enforcement of its interest (whether or not Business Loans, Inc. files a lawsuit against Debtor).
9. This Agreement and any other agreement shall be governed by the laws of the State of California as to validity, interpretation and remedy. Should any provision of this Agreement or any other agreement be held by a court to be invalid or otherwise unenforceable, such defects shall not affect any other provision, and the remainder of this Agreement and any other agreement shall be effective.
10. The provisions of this Agreement and any other agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of the parties hereto; provided, however, the Debtor may not assign or transfer any of its rights in and to the Collateral or under the loan agreement or any other agreement without the prior written consent of Business Loans, Inc.
11. The liability of each Debtor hereunder shall be joint and several and the compromise of any claim with, or the release of, any Debtor shall not constitute a compromise with or a release of any other Debtor hereunder.
12. All prior agreements, understandings, representations, warranties and negotiations, if any, are merged into this Agreement.

Executed and delivered this day of September 14, 19 77.

Michael A. O'Keefe
DEBTOR Michael A. O'Keefe

Ada L. O'Keefe
DEBTOR Ada L. O'Keefe

TO 1944 CA (8-74)
(Individual)

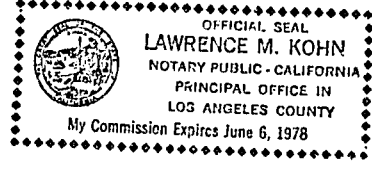
STATE OF CALIFORNIA
COUNTY OF Los Angeles } SS.

On September 14, 1977 before me, the undersigned, a Notary Public in and for said State, personally appeared Michael A. O'Keefe and Ada L. O'Keefe

to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

WITNESS my hand and official seal

Signature [Signature]



(This area for official notarial seal)

SCHEDULE A

23253

1. Beneficial interest in that contract dated June 14, 1977 between George W. Taylor and Patricia A. Taylor and Harold L. Taylor and Wilda Taylor to Michael A. O'Keefe and Lyman G. Mason recorded June 16, 1977 Volume M.77 page 10540 Klamath County, Oregon.
2. Beneficial interest in that Land contract dated August 10, 1976 between Lee S. Hopper and Melinda J. Hopper and Ted L. Glidwell and Judy A. Glidwell to James Livie, Michael A. O'Keefe and Lyman Gates Mason, recorded August 13, 1976 Volume M.76 page 12553 Klamath County, Oregon.

Return:

Business loans Inc.
10850 Wilshire Boulevard
Los Angeles, California 90024

Michael A O'Keefe
Ada L. O'Keefe

TO 1944 CA (8-74)

(Individual)

STATE OF CALIFORNIA

COUNTY OF Los Angeles

SS.

On September 14, 1977

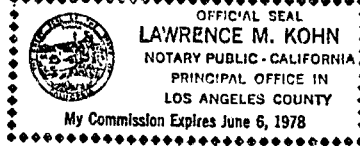
before me, the undersigned, a Notary Public in and for said

State, personally appeared Michael A. O'Keefe and Ada L. O'Keefe

known to me
to be the persons whose names are subscribed
to the within instrument and acknowledged that they
executed the same.

WITNESS my hand and official seal.

Signature



STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 1st day of December A.D., 1977 at 10:08 o'clock A.M., and duly recorded in Vol. M77 of Mortgages on Page 23251.

FEE \$9.00

WM. D. MILNE, County Clerk

By *Barbara D. Ketch* Deputy