

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, entered into this 2nd day of February, 1978, by and between PAUL KANNA, dba KANNA LOGGING COMPANY, hereinafter referred to as First Party, and PATTERSON CONSTRUCTION CO., INC., an Oregon corporation, hereinafter referred to as Second Party:

W I T N E S S E T H :

That in consideration of the mutual covenants, promises and agreements herein contained, First Party agrees to transfer to Second Party to secure repayment of a debt in the sum of \$125,000.00 the following described vehicle and equipment:

1974 Banta FL, Serial Number 231

Timber Jack 404, Model Number TTB-2420-1, Serial Number 9962

518 Cat Choker Skidder, Serial Number 505466

D6C 76A, Serial Number 76A4740

Caterpillar 518 Grapple Skidder with Esco 37 Grapple, Serial Number 55U285

It is agreed between these parties that title to the 1974 Banta FL, Serial Number 231, will be transferred by First Party to Second Party so that said title will show that Second Party holds a security interest as a lienholder thereto and that First Party is a legal owner thereof. It is understood and agreed that Second Party shall retain said lienholder's interest in said vehicle until the above-mentioned \$125,000.00 with accrued interest thereon at 10% per annum has been fully repaid. Said sum is payable upon demand by Second Party to First Party with notice in writing directed to First Party at 3021 Laverne Street, Klamath Falls, Oregon 97601.

This agreement is binding upon the heirs, successors and assigns of both parties hereto.

In the event it becomes necessary for either party to institute legal action to enforce the terms of this agreement and collect the \$125,000.00 and accrued interest thereon by legal action, the

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prevailing party shall be entitled to recover court costs and attorney's fees in a reasonable sum including same incurred in an appellate court.

DATED this 11th day of April, 1978.

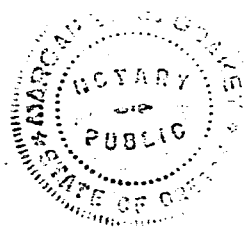
Paul Kanna
PAUL KANNA dba KANNA LOGGING COMPANY,
FIRST PARTY, 1640 Owens,
Klamath Falls, Oregon

[Signature]
PATTERSON CONSTRUCTION CO., INC.,
an Oregon Corporation, by its President,
SECOND PARTY, 636 Hillside,
Klamath Falls, Oregon

STATE OF OREGON)
County of Klamath) ss.

BE IT REMEMBERED, that on this 11th day of April, 1978, before me, the undersigned, a Notary Public for Oregon, personally appeared the above named parties who are known to me to be the identical individuals described in said Security Agreement and acknowledged to me that they executed same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.



Margaret E. Loakey
NOTARY PUBLIC FOR OREGON
My Commission Expires:

STATE OF OREGON; COUNTY OF KLAMATH; ss.

led for record ~~xxxxxx~~
on 12th day of April A. D. 19 78 at 9:16 o'clock AM, and
tuly recorded in Vol. N78, of Miscellaneous on Page 7003

Patterson Construction Co.
636 Hillside
Klamath Falls, Or 97601

W. D. MILNE, County Clerk
By [Signature]

Fes \$6.00