

84-20323

Recorded in the Request of
Mountain Title Company

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SECURITY AGREEMENT
MTG-14322

Vol. 178 Page 21207

DEBTOR:

Date: December 19, 1984

James E. Holt and Willamae Holt

Address: 1101 Shannon Way, Medford, Oregon 97504

SECURED PARTY:

Citizens Financial Services, Inc., an Oregon corporation, as Managing
Agent for Participation No. 2160

Address: 1004 Biddle Road
Medford, Oregon 97504

AGREEMENTS:

- 1) OBLIGATIONS SECURED: The obligations secured hereby are:
 - A) Debtors' obligations under that certain promissory note dated December 19, 1984 in the face amount of \$650,000.00, wherein Debtor is the maker and Secured Party the payee, (Exhibit "A").
 - B) All expenses incurred or paid by Secured Party in conserving and protecting the collateral which is the subject of this agreement, including, but not limited to, reasonable expenses incurred in connection with retaking, holding, applying the collateral, or preparing for sale and selling the collateral.
 - C) Reasonable attorney's fees and other expenses incurred in any legal proceeding in any trial court, or on appeal, brought to enforce or collect any obligations secured by this agreement, or the enforce any term hereof, including any legal proceedings brought to foreclose or otherwise realize upon the collateral which is the subject of this agreement.
- 2) GRANT OF SECURITY INTEREST: The Debtor hereby grants to the Secured Party a security interest to secure the obligations described in paragraph 1) above in the following described property (the collateral):

A mobile home with Oregon title No. 752805304 and Oregon license No. X123175R.
- 3) WARRANTY OF TITLE: Debtor represents and warrants that Debtor is sole owner of the collateral free and clear of any and all liens and encumbrances, and that debtor will defend the same against all claims and demands of all persons.

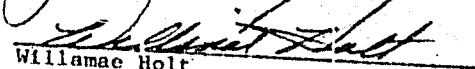
- 4) ACCELERATION: If Debtor fails to perform any obligation of Debtor under this agreement, or fails to pay when due any obligations secured hereby, or in the event Secured Party, with reasonable cause, deems itself insecure, Secured Party may, at the option of Secured Party, declare all unpaid balances of any indebtedness secured hereby to be immediately due and payable, and may exercise any of the remedies for default hereinafter set forth.
- 5) FINANCING STATEMENT: At the request of Secured Party, Debtor shall join with Secured Party from time to time, in executing one or more financing statements pursuant to the Uniform Commercial Code, which statement shall be in a form satisfactory to Secured Party. In addition, Secured Party shall be entitled to file a copy of this Security Agreement and of the financing statement.
- 6) NOTICES: Any notice required or permitted to be given to Debtor under this agreement or under the Uniform Commercial Code shall be deemed given if such notice is mailed with postage prepaid, to the address of Debtor shown on page 1 of this Agreement, or to such other addresses as Debtor may designate to Secured Party in writing prior to the time of giving of such notices. A notice of sale or other disposition of the collateral, upon default, if required, shall be reasonable if given five (5) days before the time of sale or disposition, except for perishable items for which no notice or sale of other disposition is necessary.
- 7) DEFAULT: Time or of the essence of this agreement. If Debtor fails to perform any obligation of Debtor under this agreement, or fails to pay when due any obligation secured hereby, or if Secured Party, with reasonable cause, deems itself insecure, Secured Party may have and exercise each and all of the following remedies:
- A) Secured Party may take physical possession of the mobile home and sell, lease or otherwise dispose of said Collateral in whole or in part, at a public or private sale;
 - B) Secured Party shall have and may exercise each and all of the remedies granted to Secured Party by the Uniform Commercial Code; or
 - C) Secured Party shall have and may exercise such other remedies which may be available to Secured Party under applicable law.
- 8) LEGAL EXPENSES: If any legal proceeding is commenced for the purpose of interpreting or enforcing any provision of this agreement, or for the purpose of collecting any obligation secured hereby, Secured Party shall be entitled to recover their reasonable attorney's fees in such proceeding, or any appeal thereof, to be set by the Court without the necessity of hearing testimony or receiving evidence, in addition to the cost and disbursements allowed by law. In addition, Secured Party shall be entitled to recover reasonable attorney's fees and legal expenses incurred by Secured Party in connection with the retaking, holding, application or preparation for sale and selling the collateral.

9) WAIVER: No waiver by Secured Party of any default in any of the terms, conditions, provisions of the agreement, or any obligations secured hereby, shall operate as a waiver of any other default by Debtor.

10) INTERPRETATION: All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns of Secured Party, and all obligations of Debtor shall bind the successors and assigns of Debtor.

DEBTOR:


James E. Holt


Williamac Holt

PROMISSORY NOTE

\$650,000.00

December 19, 1984

1. Obligation; Loan Amount

For Value Received, the undersigned ("Borrower"), promises to pay to Citizens Financial Services, Inc., an Oregon corporation, as Managing Agent for Participation No. 2160, or its order ("Noteholder"), the principal sum of SIX HUNDRED FIFTY THOUSAND AND NO/100ths DOLLARS (\$650,000.00) with interest on the unpaid principal balance from the date of disbursement until paid in full at the rate specified below. All payments shall be payable at:

Citizens Financial Services, Inc.
1004 Biddle Road
Medford, Oregon 97504

or such other place as the Noteholder may designate, in consecutive monthly installments.

2. Loan Period; Renewal

Your loan is scheduled to be repaid over five (5) years consisting of five (5) "loan periods". The initial loan period begins on the date of this note and ends on December 19, 1985. The succeeding loan periods commence on December 20 of each year thereafter and end on December 19 of the following year. This note will be automatically renewed for each of the loan periods. The last loan period will expire on December 19, 1989, at which time any remaining indebtedness owing pursuant to this note shall be due and payable. This date shall be the date of maturity of the obligation evidenced by this note. Except as otherwise provided herein, the terms and conditions stated in this note shall apply in every loan period.

3. Adjustable Interest Rate

The initial interest rate for this loan is Fifteen and One-Half Percent (15.5%) per annum. Interest shall commence to accrue on the unpaid principal balance from the date of disbursement of loan proceeds.

At the end of each of the loan periods the Noteholder will calculate the new interest rate for the next period by adding 6.0 percentage points to the index published by the Federal Home Loan Bank 45 days before the end of the loan period, that index being the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. The Noteholder will then round the result of this addition to the nearest one-eighth percent (0.125%). The maximum interest rate that may be charged is 20.5%, and the minimum interest rate that may be charged is 13.0%. The new adjusted interest rate shall be applicable for the succeeding loan period. The Noteholder will notify you of the adjustment in the interest rate and the monthly payment to be paid during the next loan period by sending a Notice of Adjustment at least thirty (30) days before the adjustment becomes effective. You will then have the following option:

- a. Do nothing, in which case you are obligated to make the new monthly payment starting with the first payment due during the new loan period; or
- b. Pay the remaining principal, interest and all other amounts due on your loan within sixty days after the date the notice referred to above is mailed.

4. Payments

Monthly installments shall be interest-only as accrued on the principal balance of the loan. Borrower will make payments on the twentieth day of each month until the loan is paid in full. All payments shall be credited first to late charges, if any, next to interest and the balance to principal. Monthly payments of EIGHT THOUSAND THREE HUNDRED NINETY-FIVE AND 83/100ths DOLLARS (\$8,395.83) shall commence January 20, 1985 for the initial loan period. Principal reductions of \$50,000.00 shall be paid on December 20, 1985, 1986, 1987, and 1988.

5. Prepayments

Borrower may prepay the principal amount outstanding in whole or in part; however, the minimum amount of interest paid on this Note shall be equal to six months' interest on the original principal balance.

6. Default; Attorneys Fees

If any monthly installment due under this note is not paid when due and remains unpaid after a date specified by a notice to borrower, the entire principal amount outstanding and accrued interest thereon shall at once become due and payable at the option of the Noteholder. The date specified shall not be less than thirty days from the date such notice is mailed. The Noteholder may exercise this option to accelerate during any defaults by borrower regardless of any prior forbearance. If suit is brought to collect this note, the Noteholder shall be entitled to collect all reasonable costs and expenses of suit, including but not limited to reasonable attorneys fees at trial and on appeal.

7. Maximum Limit

In no event shall any payment of interest or any other sum payable exceed the maximum amount permitted by applicable law. If it is established that any payment exceeding lawful limits has been received, the Noteholder will credit the excess amount to principal, or at its option, refund the same.

8. Late Charge

Borrower shall pay to the Noteholder a late charge of five percent (5%) of any monthly installment not received by the Noteholder within ten (10) days after the installment is due.

9. Joint and Several Obligation

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsors hereof. This note shall be the joint and several obligation of all makers, sureties, guarantors and endorsors and shall be binding upon them and their successors and assigns.

10. Cumulative Rights

No delay on the part of the Noteholder in the exercise of any power or right under this note, under the deed of trust securing this note, or under any other instrument executed pursuant thereto shall operate as a waiver thereof, nor shall a single or partial exercise of any other power or right. Enforcement by the Noteholder of any security for the payment hereof shall not constitute any election by it of remedies so as to preclude the exercise of any other remedy available to it.

11. Notices

All notices or demands required or permitted hereunder shall be in writing and shall be deemed to be delivered whether actually received or not, three days after deposit in a regularly maintained receptacle for the mail, certified mail, return receipt requested, postage prepaid, addressed to the Borrower at the address stated below, or to Noteholder at the address stated in paragraph one of this note.

Either the Borrower or the Noteholder may change its respective address or addressee by giving notice of such change to the other party in the manner provided herein.

12. Governing Law

This note has been executed and delivered in the State of Oregon and the laws of such state shall govern the validity, construction, enforcement and interpretation of this note.

13. Headings

The headings of the sections of this note are inserted for convenience only and shall not be deemed to constitute a part thereof.

14. Security

The indebtedness evidenced by this note is secured by:

1. A term insurance policy on the life of James E. Holt shall be maintained during the term of this loan. The initial amount of the policy shall be \$500,000, such amount may be reduced to equal loan balance. The policy shall name Note Holder as beneficiary.

2. A deed of trust dated December 19, 1984, encumbering the real property located at:

(See attached Page Four)

Providing no default exists in Borrower's performance of Borrower's obligations pursuant to this Note or the security instruments securing the repayment of this Note, the individual parcels within the real property encumbered by said Deed of Trust will be released from the encumbrance of the Deed of Trust upon payment to the Noteholder of 60% of the sales price of any parcel, or the corresponding amount listed below, whichever is greater:

<u>Property</u>	<u>Release Amount</u>
1. 621. N. Main Street, Phoenix, Oregon	\$153,000
2. 210 N. Pacific Hwy., Talent, Oregon	\$225,600
3. 312 N. Main Street, Phoenix, Oregon 107 E. 4th Street, Phoenix, Oregon	\$150,000
4. 4361 S. Pacific Hwy., Talent, Oregon	\$ 84,300
5. Highway 140, Bonanza, Oregon	\$ 92,400
6. 275 Mill Creek Dr., Prospect, Oregon	\$ 37,500
7. 4230 Payne Road, Phoenix, Oregon	\$123,000
8. 101 Santoma Place, Eagle Point, Oregon	\$ 49,200

BORROWER:

James E. Holt

Willamae Holt

BORROWER'S ADDRESS:

1101 Shannan Way
Medford, Oregon 97504

RETURN:

MOUNTAIN TITLE CO. INC.
820 CRATER LAKE AVE
SUITE 101
MEDFORD, OR 97405

ATTN: ANITA THOMAS

Jackson County, Oregon
Recorded
OFFICIAL RECORDS

1:37 DEC 19 1984 P.M.

KATHLEEN S. BECKETT
CLERK and RECORDERBy Marta Cole, Deputy

7- HOLT NOTE - PAGE FOUR OF FOUR

STATE OF OREGON: COUNTY OF KLAMATH:SS
I hereby certify that the within instrument was received and filed for
record on the 20th day of December A.D., 19 84 at 11:24 o'clock A M,
and duly recorded in Vol 1884, of Mortgages on page 21207.

EVELYN BIEHN, COUNTY CLERK

Fee: \$ 29.00

by: Pam Smith, Deputy