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SECURITY AGREEMENT

This Agreement is made this 10 day of ~~September~~ October, RJB TMV PJB TMV 1988, by Biaggi-Venable Partnership, a partnership consisting of Charles W. Biaggi, Peggy J. Biaggi, Thomas M. Venable and Patricia A. Venable ("Debtor") and Senneff, Bernheim, Emery & Kelly, P.C. ("Secured Party"). The Debtor's address is Box 22, Star Route, Dairy, Oregon 97625. Secured Party's address is 50 Old Courthouse Square, P.O. Box 3729, Santa Rosa, California 95402.

RECITALS

1. Debtor is indebted to Secured Party and desires to give security for the indebtedness.

2. Debtor has filed a Chapter 11 petition in the United States Bankruptcy Court for the District of Oregon as Case No. 684-08457 and was a debtor-in-possession pursuant to the United States Bankruptcy laws.

3. Secured Party was appointed as special counsel for Debtor on March 4, 1986, and has incurred costs and expenses in representing Debtor during the pendency of the bankruptcy proceeding.

4. By confirmation of the plan of reorganization by the Bankruptcy Court, Debtor has received the authorization to grant the security interest which is the subject of this Agreement.

5. This Agreement is in addition to and supplements the rights in the bankruptcy granted by the bankruptcy judge's order.

6. This Agreement is intended to grant a security interest in Debtor's irrigation pipe, which pipe is currently located on the real property described in attached Exhibit A ("Property"). This pipe will be referred to in this Agreement as "Collateral."

NOW THEREFORE, the parties agree:

1. The recitals are true and correct.

2. Debtor hereby grants to Secured Party a security interest in the Collateral. This security interest will be inferior to the interests of Tri-County Bank.

3. Schwabe, Williamson & Wyatt ("Schwabe") has or will have a perfected security interest in the Collateral to secure the payment of services rendered to and expenses incurred by Schwabe in representing Debtor. Schwabe and Secured Party have agreed and the Bankruptcy Court has ordered that they shall have equivalent rights to the Collateral and shall share them on a pro rata basis. Notwithstanding the order of filing by Secured Party or Schwabe of documents or instruments relating to, or the perfection by Secured Party or Schwabe of liens upon and security interests in the Collateral, the rights and interests of Schwabe in and to the Collateral shall at all times during the term hereof rank pari passu in all respects with the rights and interests of Secured Party in and to the Collateral to secure payment of the obligation to Secured Party.

4. The Collateral is pledged as security for the repayment of the sum of $88,486.66, according to the terms of the promissory note (the "Note") executed and delivered by Debtor to Secured Party, a copy of which is attached hereto as Exhibit B, and/or

according to the terms of any extension or renewal of the Note; (i) ~~for the repayment of all additional services hereafter made to or for the Debtor~~; (ii) for the repayment of all costs hereafter incurred by the Secured Party for the maintenance, preservation, or transportation of the Collateral or for any purpose connected with it; and (iii) for the payment of such other liability of Debtor to Secured Party now existing or hereafter incurred. PDB PAV Cwb

5. All the Collateral is or will be kept on the Property operated by Debtor as owner, purchaser or tenant in Klamath County, Oregon, including but not limited to the Property commonly known as Box 22, Star Route, Dairy, Oregon. Debtor agrees not to remove the Collateral from this address without prior written permission from Secured Party.

6. This security interest is secondary and inferior to the security interest of Tri-~~County~~ Counties Bank, Debtor's agricultural lender or any other subsequent agricultural lender. In the event the Collateral is sold, Debtor shall make a prepayment on its promissory note to Secured Party to the extent that proceeds have not been paid to Tri-~~County~~ Counties Bank or subsequent lender in connection with such sale. Any proceeds remaining shall be shared with Schwabe in the manner provided in paragraph 3 above. PDB PAV CWB TAV

7. Debtor will pay, when due, all indebtedness secured by this Agreement, together with any rent, levies, taxes, assessments, or other claims which are or may become liens against the Collateral.

Debtor agrees to pay on demand the amount of all expenses reasonably incurred by Secured Party in protecting or realizing on the Collateral. In the event that this security agreement or any obligations secured by it is referred to an attorney for protecting or defending the priority of Secured Party's interest or for collection or realization procedures, Debtor agrees to pay a reasonable attorneys' fee, including fees incurred in both trial and appellate court, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this paragraph shall also be secured by the Collateral.

8. Debtor will keep the Collateral fully insured against all hazards for the benefit of the Secured Party in form and amount acceptable to Secured Party and pay all insurance premiums when due.

9. Debtor agrees to: properly care for the Collateral covered by this Agreement; ~~deliver the Collateral to the Secured Party upon demand, to be held and/or disposed of by Secured Party as it may elect~~; and give the Secured Party prompt notice of any loss of or damage to the Collateral or any part thereof and permit Secured Party or their agents, to enter upon the Property at reasonable times for the purpose of inspecting the Collateral and the land, buildings and improvements.

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10. If the Debtor fails to care for the Collateral as agreed, the Secured Party at its option may enter upon the premises and perform all things which may be necessary to preserve the Collateral at Debtors' expense, or if Debtor fails to pay, when due, any rent, taxes, levies, assessments, insurance premiums or other claims as herein agreed, Secured Party at its option may pay the same or any part thereof without waiving its right to

20532

enforce this Agreement for default, and all such expenses incurred and amounts paid by Secured Party, including reasonable attorneys' fees, shall be added to the indebtedness hereby secured and bear interest at the current rate from date incurred.

11. This Agreement shall continue in full force and effect until amended, replaced, released or terminated in writing.

12. Time is of the essence of this Security Agreement. If Debtor fails to make payments when due of any sum or to pay sums secured by this Agreement, or fails to perform any of the other covenants and agreements, or becomes insolvent, or a proceeding is commenced under any bankruptcy or insolvency laws by or against Debtor, or if a receiver is appointed for Debtor, or a writ of attachment or execution be levied upon any or all of the Collateral, or if Debtor is in default under the terms of the promissory note and security agreement with Schwabe, ~~or if the Secured Party at any time deems its Collateral or debt insecure~~ then Secured Party may declare, without notice, all sums secured by this Agreement immediately due and payable. Secured Party shall have all rights and remedies of a secured party under the Uniform Commercial Code, all rights granted to it under the Bankruptcy Code and Regulations, or other applicable law, together with all other rights and remedies specified in this Agreement. These rights include, but are not limited to, the right of the Secured Party to require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party, which shall be reasonably convenient to both parties, or the right of the Secured Party, its agent or attorney,

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or the sheriff of any county in which the above-described Collateral or any part thereof may be located, to take immediate possession of the Collateral wherever found, with or without suit or process, and to sell the same at public or private sale, with or without notice, and to apply the sale of proceeds to the discharge of the debt, interest and expenses of protecting or realizing on the Collateral, including reasonable attorneys' fees, the right to become the purchaser at any sale made hereunder; and in any suit for foreclosure hereof, the right to have a receiver appointed to take possession of the Collateral. If Secured Party or its agent or attorney, or the sheriff takes possession of the Collateral, they may enter upon any real estate owned or leased by the Debtor and remain thereon for as long as may be necessary to properly care for, maintain, remove and/or sell the Collateral hereby covered. The sheriff of any county where the Collateral or any part thereof is located is authorized, at the request of the Secured Party and upon delivery of a copy of this Security Agreement, to take possession of such Collateral and sell it as provided by law. Any notice of sale or other intended action by Secured Party, sent to the Debtor at least five (5) days prior to any such action, shall constitute reasonable notice to Debtor. The waiver of any defaults hereunder shall not be the waiver of any subsequent default.

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13. The Secured Party shall have no duty: (a) to collect the Collateral or any proceeds; (b) to preserve the rights of Debtor or others with prior rights in the Collateral; (c) to realize on the Collateral in any particular manner or seek reimbursement from

any particular source; or (d) to preserve, protect or insure any of the Collateral.

14. Any notice given under or pursuant to this Agreement shall be considered given if mailed to Secured Party at 50 Old Courthouse Square, P.O. Box 3729, Santa Rosa, California 95402, or Debtor at Box 22, Star Route, Dairy, Oregon 97625, or personally delivered. The address to which notices may be given may be changed by written notice to the other party.

DEBTOR

BIAGGI-VENABLE PARTNERSHIP

By: Chas. W. Biaggi
CHARLES W. BIAGGI, Partner

By: Peggy J. Biaggi
PEGGY J. BIAGGI, Partner

By: Thomas M. Venable
THOMAS M. VENABLE, Partner

By: Patricia A. Venable
PATRICIA A. VENABLE, Partner

SECURED PARTY

SENNEFF, BERNHEIM, EMERY & KELLY, P.C.

By: [signature]

Return: Senneff,Bernheim,Emery & Kelly
P.O. Box 3729
Santa Rosa, Ca. 95402

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Senneff,Bernheim,Emery & Kelly the 2nd day of Dec. A.D., 19 88 at 2:16 o'clock P.M., and duly recorded in Vol. M88 of Mortgages on Page 20528.

FEE $38.00

Evelyn Biehn County Clerk
By Pauline Mullendore

38.00