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MC 25097-DW
SECURITY AGREEMENT

THIS AGREEMENT, made this 22nd day of October, 1990, by and between JOSEPH W. GREEN, P.O. Box 759, Portland, Oregon 97207 ("Debtor"), and THE BANK OF NEWPORT, INC., an Oregon Banking Corporation, whose address is P.O. Box 7, Newport, Oregon 97365, ("Secured Party").

In consideration of the financial accommodations by Secured Party to Debtor and in order to secure the payment of all sums due or to become due or owing by Debtor to Secured Party, including THREE HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS (\$350,000.00), and any renewal, modification, rewrite, or extension thereof, and to secure the performance and observance of all the provisions therein and herein contained, and to secure any other indebtedness or liability to the Secured Party as may be hereafter incurred, Debtor hereby grants and conveys to the Secured Party a security interest in, and a continuing lien on, the following described property, (all hereinafter referred to collectively as "Collateral"):

All equipment, including but not limited to, all apparatus, all machinery, all appliances (whether or not built-in), all fixtures and trade fixtures, including, but not limited to, landscaping, plumbing, lighting, heating, cooking, refrigeration, air conditioning, communication, and security fixtures, all furniture and furnishings, including, but not limited to, window, door, ceiling, floor, and wall treatments, and all articles of personal property of any kind and nature whatsoever now owned or hereafter acquired by Debtor, attached to, appurtenant to, located on, forming a part of, or used in connection with the construction, completion, maintenance, repair, reconstruction, alteration, operation, use or occupancy of the real property described in Exhibit "A", attached hereto and incorporated herein by reference (hereinafter "Real Property"), together with all present and future attachments, parts, fixtures, special tools, accessories, and equipment therefor and all accessions, additions, and improvements thereto, substitutions, and replacements thereof, and all products and proceeds thereof.

All rents, issues and profits of the Real Property or any improvements thereon or any part thereof, and all rights of the Debtor under all present and future leases thereof, subject, however, to the right and authority given to Debtor to collect and apply such rents, issue, and profits prior to any default.

All proceeds and claims arising on account of any damage to or taking of the Real Property or any improvements

thereon or any part thereof, and all causes of action and recoveries for any loss or diminution in the value of the Real Property or any improvements thereon and the interruption of business conducted on or from the property, and all insurance proceeds relating to each and all thereof.

All general intangibles relating to the use of the Real Property, now existing or hereafter arising, including but not limited to, all names under or by which the Real Property or any improvements thereon may at any time be operated or known, and all rights to carry on business under any such names or any variant thereof, and all trademarks and goodwill in any way relating to the Real Property and licenses and permits necessary or incidental to any such business, all shares of stock or other evidence of ownership of any part of the Real Property that is owned by the Debtor in common with others, and all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the property, and in all proceeds thereof.

All planner, architect, engineer or contractor contracts, work product, plans and specifications, market feasibility reports, appraisals, or the like, now or hereafter entered into or prepared or used or intended for use in connection with the development of the Real Property, now existing or hereafter arising, and all proceeds thereof.

DEBTOR HEREBY REPRESENTS, COVENANTS, AND AGREES WITH SECURED PARTY AS FOLLOWS:

1. Debtor agrees to pay and perform all obligations under this Security Agreement and under all agreements and evidences of indebtedness secured hereby according to their terms.

2. Without the prior written consent of Secured Party, the Collateral shall not be removed from the Real Property.

3. Debtor agrees to comply with any governmental regulations affecting the use of the Collateral and will not waste, injure, nor destroy the Collateral, nor use nor permit the use of the Collateral in any unlawful manner.

4. Debtor owns the Collateral and the same is free and clear of all security interests and encumbrances of every nature. Debtor covenants and agrees to defend the title to the Collateral against any and all claims whatsoever. Upon the request of Secured Party, any certificates of title now or hereafter existing on any of the Collateral will be delivered to Secured Party and will recite the interest of Secured Party.

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5. Secured Party does not assume and shall not be subject to any obligation or liability to any third parties in connection with any of the personal property of Debtor in which a security interest is granted, transferred, or assigned to Secured Party hereunder.

6. On demand of the Secured Party, Debtor agrees to execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this Agreement and to execute any instrument or statement to perfect, continue, or terminate the security interest of the Secured Party in the Collateral and pay all costs of filing in connection therewith. The Secured Party is hereby authorized to file such instruments and statements covering the Collateral.

7. Debtor will keep the Collateral in good condition. Secured Party may inspect the Collateral at reasonable times and intervals and may for this purpose enter the premises upon which the Collateral is located.

8. Debtor will insure the collateral against all hazards requested by Secured Party in form and amount satisfactory to Secured Party, with such form of loss payable clause as designated by and in favor of Secured Party, and with such companies as Secured Party may approve, and will deliver the policies and receipts showing payment of premiums to the Secured Party. In the event of loss, Secured Party shall have full power to collect any and all insurance upon the Collateral and to apply the same at its option to any obligation secured hereby, whether or not matured, or to the restoration or repair of the Collateral. If Debtor fails to do so, Secured Party shall have the right but not the obligation to obtain such insurance at Debtor's expense. Debtor agrees to give immediate written notice to the Secured Party and to insurers of loss or damage to the Property and promptly file proofs of loss with insurers.

9. Secured Party may, at its option, pay any tax, assessment, insurance premium, or other charge or fee payable by Debtor or perform any act required of Debtor, and any amount so paid, or monies expended to perform such acts, with interest from the date of such payment at the default rate provided for in the note (or other evidence of indebtedness) until repaid, shall be secured hereby and shall be repayable by Debtor on demand.

The rights granted by this paragraph are not a waiver of any other rights of Secured Party arising from a breach of any of the covenants hereof by Debtor.

10. Debtor does hereby designate and appoint Secured Party, its successors and assigns, its true and lawful agent and attorney, with powers irrevocable, for it and in its name, place,

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and stead, to ask, demand, receive, receipt, and give acquittance for any and all amounts which may be or become due by any other party in connection with any of said Collateral, and at its option to file any claim or take any action or proceeding, either in its own name, or in the name of Debtor, or otherwise, which to Secured Party or any successor or assignee thereof may seem necessary or desirable in order to collect or enforce payment of any and all amounts which may be or become due or owing on account of any of said Collateral and to perform any of Debtor's duties and obligations in connection with any of said Collateral, in order to prevent the default of Debtor in connection therewith. The acceptance of this assignment by Secured Party shall not obligate it to perform any duty, covenant, or obligation required to be performed by Debtor in connection with any of said Collateral.

11. Debtor has not heretofore and will not hereafter, without the prior written consent of Secured Party, alienate, assign nor grant any other security interests, except for this or another security interest in favor of Secured Party, in any of said Collateral, or proceeds or products thereof, listed in this Agreement.

12. Notwithstanding Secured Party's claim to proceeds, Debtor will not sell, rent, lend, transfer, or otherwise dispose of any of the Collateral without the prior written consent of Secured Party, provided however, that Debtor may replace individual items of the Collateral with property of similar nature and function and of an equal or greater value.

13. This Security Agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Secured Party of any of the terms or conditions hereof shall be effective unless in writing signed by Secured Party. No delay in exercising Secured Party's rights shall constitute a waiver nor shall a waiver on one occasion operate as a waiver of such right on a future occasion. Acceptance by Secured Party of a late payment shall not constitute a waiver of any provision of this Security Agreement.

14. Time is of the essence in this Security Agreement, and any of the following shall be events of default hereunder:

(a) Failure of Debtor to pay any sums secured hereby or incurred hereunder when due or to perform any obligation contained herein or secured hereby or incurred hereunder when the same should be performed.

(b) Breach by Debtor of a promise, covenant, or warranty contained herein.

(c) Filing of petition by or against Debtor under the

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bankruptcy or like law, receivership, or assignment for the benefit of creditors of Debtor, levy by any legal process upon any of the property of Debtor or of any of the Collateral, filing of any lien upon the collateral.

(d) The Debtor encumbers the Collateral with a subsequent security interest or purchases goods under a security agreement with any third person without the prior written consent of Secured Party, which goods are to be attached as accessions to the Collateral.

(e) The occurrence of a substantial adverse change in the financial condition of Debtor being material to Secured Party; or any financial statement of Debtor proves false.

(f) Loss, or destruction of, or substantial damage to any of the Collateral, or any attempt shall be made by Debtor to remove, injure, or dispose of the Collateral; or

(g) Failure to comply with or conform to any provision, covenant or condition of any other document executed in connection herewith.

15. Upon the occurrence of any default, Secured Party shall have the right to declare without notice or demand immediately due and payable all or any indebtedness secured hereby; to terminate any commitments to otherwise extend credit to Debtor; and to pursue any and all remedies set forth in this Security Agreement.

Secured Party shall have all other rights and remedies provided by law and this Agreement, including those remedies provided by Article 9 of the Uniform Commercial Code and including the right to take possession of the Collateral without notice or resort to legal process; to require Debtor to assemble the Collateral and make it available to Secured Party at the place designated by Secured Party which is reasonably convenient to both parties; to apply for and secure the appointment of a receiver to take possession of the Collateral and the income, rents, and proceeds therefrom; and, without posting a bond or other deposit, to obtain appropriate injunctive relief for enforcement of this provision.

Debtor agrees that a period of ten (10) days from the time notice is sent, by first class mail or otherwise, shall be a reasonable period of notification of a sale or other disposition of the Collateral. The rights and remedies of Secured Party shall be cumulative, no single or partial exercise of any of them shall preclude the further or other exercise of same or any other of them.

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16. Debtor consents to the venue and jurisdiction of any court, state or federal, in the State of Oregon, including, any court in Klamath County, Oregon, and the county of Secured Party's address specified herein, and agrees that all actions, proceedings, or other matters arising directly or indirectly hereunder may be initiated by Secured Party in such courts and expressly consents that any service of process may be made by personal service upon the Debtor wherever the Debtor can be located, or by certified or registered mail directed to the Debtor at the address of Debtor set forth herein. This provision is permissive, not mandatory, and the Secured Party reserves the right to bring any action, proceeding, or other matter arising directly or indirectly hereunder against Debtor wherever the Debtor may be found or located or wherever the Debtor might otherwise be subject to jurisdiction.

17. Debtor agrees to pay all costs and expenses incurred by Secured Party in connection with the preservation, realization, enforcement and exercise of Secured Party's rights, powers, remedies, and Collateral under this Security Agreement, including reasonable attorneys' fees, whether incurred in litigation or prior to litigation, at trial or on appeal. The terms "costs" and "expenses" shall include, in addition to statutory costs and disbursements, out-of-pocket costs incurred, including costs of title search, filing, and recording, and all costs of discovery depositions and expert witness fees. For the purpose of this paragraph, "litigation" shall be deemed to include any proceedings commenced in any court of general or limited jurisdiction, including any proceedings commenced in the bankruptcy courts of the United States.

18. If with Secured Party's express written consent any of the Collateral shall be sold at any time, or if any insurance proceeds are paid to Secured Party, said proceeds from such sale or insurance shall be applied upon the installments due on the indebtedness owing hereunder in inverse order of due dates, unless Secured Party and Debtor shall otherwise agree by instrument in writing, signed by each of them.

19. This Security Agreement and all rights hereunder may be assigned by the Secured Party and thereupon the assignee shall have all the rights and remedies of the Secured Party hereunder.

20. This Security Agreement may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized officer or representative of each party hereto; this Security Agreement shall be governed in all respects by the laws of the State of Oregon; if any one or more of the provisions of this Security Agreement shall be held to be invalid, illegal, or unenforceable by any court of competent jurisdiction, such invalidity, illegality, or unenforceability, shall not affect any

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other provisions of this Agreement, which remaining provisions shall continue in full force and effect; all notices or requests required or permitted under this Security Agreement shall be in writing, shall be personally delivered, or sent by certified mail, return receipt requested, postage prepaid, shall be deemed given when so delivered or mailed, irrespective of whether such notice or request is actually received by the addressee, and shall be sent to the parties at the addresses set forth in the introductory paragraph of this Security Agreement; and either party may change the address to which such notices shall be sent by notice to the other party.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement or caused this Security Agreement to be executed by a duly authorized corporate officer or general partner the day and year first above written.

When Recorded: Please Return:
The BANK OF NEWPORT
P.O. BOX 7
Newport, OR 97365

DEBTOR:

JOSEPH W. GREEN

BY:

[Signature]
Joseph W. Green

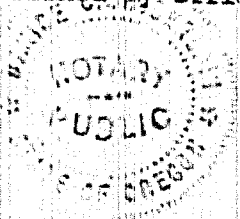
STATE OF OREGON)

) S.B.

County of Washington)

On this 22nd day of October, 1990, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Joseph W. Green known to me to be the identical individual described in and who executed the within instrument and acknowledged to me that he executed the 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.



[Signature]
Notary Public for Oregon
My commission expires 5-24-92

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EXHIBIT "A"

A parcel of land lying in the East 1/2 of SW 1/4 of Section 1, Township 39 South, Range 9 East of the Willamette Meridian, described as follows:

Beginning at an iron pin which lies North 0° 51' West along the 40 line a distance of 462.3 feet and North 89° 09' East a distance of 262.2 feet and South 46° 09' East a distance of 657.8 feet from the iron axle which marks the Southwest corner of the NE 1/4 SW1/4 of Section 1; and running thence continuing South 46° 09' East a distance of 352.1 feet to an iron pin which lies on the Northwesterly right of way line of the Enterprise Irrigation Canal; thence North 11° 21' East along the Northwesterly right of way line of the Enterprise Canal; a distance of 337.4 feet to an iron pin; thence continuing along the Northwesterly right of way line of the Enterprise Irrigation Canal North 60° 21' East a distance of 103.3 feet to an iron pin on the Klamath Falls-Lakeview Highway Southerly right of way line of 30 feet at right angles from its center; thence North 46° 09' West along the above-mentioned highway right of way line a distance of 200 feet to an iron pin; thence South 43° 51' West a distance of 384 feet more or less to the Point of Beginning.

EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its State Highway Commission, recorded in Volume 1471 at page 10194 and re-recorded in Volume M71 at page 11031, Microfilm Records of Klamath County, Oregon.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co. the 26th day
of Oct. A.D. 19 90 at 11:13 o'clock A.M., and duly recorded in Vol. M90,
of _____ of _____ Mortgages on Page 21579.
Evelyn Biehn - County Clerk
By [Signature]

FEE: \$43.00

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