

'97 JUN -4 P3:27

PROMISSORY NOTE

On demand for value received I, the undersigned, promise to pay to Graham & Carmen Duncan, the sum of FORTY FIVE THOUSAND, DOLLARS (\$45,000.00), with interest thereon at the rate of THIRTEEN AND A HALF per cent (13.5%) per annum payable monthly beginning January 5th., 1997 and on the 5th day of each month thereafter.

The payments are to be interest only for a period of 24 months or until such time as the Securities mentioned in the attached Security Agreement (pages SA-1 through SA-5 inclusive) are sold or refinanced at which time both the principal and interest due are to be paid in full.

If default is made in the payment when due of any part or installment of interest, then the whole sum of principal and interest shall become immediately due and payable at the option of the payee without notice.

In the event of commencement of suit to enforce payment of this notice, I agree to pay such additional sum as attorney's fees as the court may adjudge reasonable.

This Promissory Note is the Promissory Note referred to in the attached Security Agreement (pages SA-1 through SA-5 inclusive).

DATED this 4 day of June, 1997 at
Klamath Falls, OREGON
~~San Diego, California~~

Alden Oliver
(ALDEN OLIVER)

Cindy Oliver
(CINDY A. OLIVER)

STATE OF OREGON,

County of Klamath } ss.

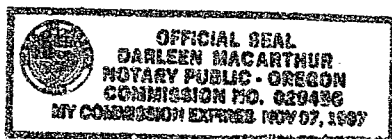
Attachment to Promissory Note

FORM No. 22—ACKNOWLEDGMENT.
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Portland, OR 97204 © 1992

BE IT REMEMBERED, That on this 4th day of June, 1997, before me, the undersigned, a Notary Public in and for the State of Oregon, personally appeared the within named *Alden Oliver and Cindy A. Oliver*

known to me to be the identical individuals described in and who executed the within instrument and acknowledged to me that they 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.



Darleen MacArthur
Notary Public for Oregon
My commission expires 11-7-97

22
35

(2) Secured Party shall have the right to remove Collateral from Debtor's premises. Secured Party may require Debtor to assemble Collateral and make it available to Secured Party at any place to be designated by Secured Party that is reasonably convenient to both parties. For purposes of removal and possession of Collateral, Secured Party or its representatives may enter any premises of Debtor without legal process, and Debtor hereby waives and releases Secured Party of and from any and all claims in connection therewith or arising therefrom.

(3) Unless Collateral is perishable or threatens to decline speedily in value or is of type customarily sold on a recognized market, Secured Party shall give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown herein at least TWENTY (20) days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling, or the like shall include reasonable attorney's fees and legal expenses incurred by Secured party.

XVIII

This security agreement shall be constructed according to the applicable laws of the State of California and any obligations of the parties created hereunder are to be performed in the State of California.

IN WITNESS WHEREOF, the parties have executed this agreement at San Diego, California the day and year first above written.

Alden Oliver

Debtor

BY: Alden Oliver

Cindy A. Oliver

Debtor

BY: Cindy Oliver

Graham R. Duncan

Secured Party

BY: Graham R. Duncan

Carmen A. Duncan

Secured Party

BY: Carmen A. Duncan

SA-5 Carmen A. Duncan

STATE OF OREGON,

County of Klamath

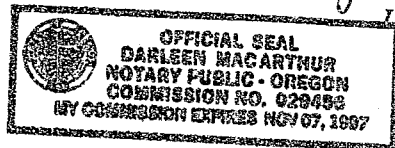
} ss.

attachment to 5 pg. Security Agmt.

FORM No. 23—ACKNOWLEDGMENT.
Stevens-Ness Law Publishing Co., NL
Portland, OR 97204 © 1992

BE IT REMEMBERED, That on this 4th day of June, 1997, before me, the undersigned, a Notary Public in and for the State of Oregon, personally appeared the within named * Alden Oliver and Cindy A. Oliver and Carmen A. Duncan *

known to me to be the identical individuals described in and who executed the within instrument and acknowledged to me that they 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.

Darleen MacArthur

Notary Public for Oregon
My commission expires 11-7-97

17125

Graham & Carmen Duncan
P.O. Box 120268 Chula Vista, CA 91912

SECURITY AGREEMENT

Agreement made November 18th. 1996 between Alden Oliver & Cindy A. Oliver P.O. Box 266 Bonanza, OR 97623, herein referred to as the Debtor, and Graham & Carmen Duncan P.O. Box 120268 Chula Vista, CA 91912, herein referred to as Secured Party.

In consideration of the mutual covenants and promises set forth herein, Debtor and Secured Party agree:

I

The collateral subject of this security agreement, herein referred to as Collateral, is the real and personal property located at Klamath Falls Forest Estates, Highway 66, Platt 2, Block 50, Lot 36 and Klamath Falls Forest Estates, Highway 66, Platt 2, Block 50, Lot 37 including a Manufactured home and all furnishings therein all of which shall be a component part of Collateral.

II

The Debtor hereby grants to Secured Party a security interest in said Collateral, hereinbefore described to secure the performance and payment of Debtor's note dated January 5th., 1997, in the amount of FORTY FIVE THOUSAND Dollars (\$45,000.00) given to Secured Party and payable as to principal and interest as therein provided; in all expenditures to Secured Party for taxes, insurance, repairs to and maintenance of the Collateral and all costs and expenses incurred by Secured Party in the collection and enforcement of the note and other indebtedness of Debtor; in future advances to be evidenced by like notes to be made by Debtor to Secured Party's option; and in all liabilities of Debtor to Secured Party now existing or herein after incurred, matured or unmatured, direct or contingent, and any renewals and extensions thereof and substitutions therefor.

III

Secured Party shall make the loan to Debtor as agreed and as evidenced by the above mentioned note.

IV

Debtor shall pay to Secured Party the sum evidenced by the above mentioned note or by any renewals or extensions thereof executed pursuant to this security agreement in accordance with the terms of such note and any other obligations that now exist or may hereafter accrue from Debtor or Secured Party as provided herein.

V

Debtor hereby grants to Secured Party a security interest in and to all proceeds of Collateral, as defined in Section I. The provisions shall not be construed to mean that Debtor is authorized to sell, lease, or dispose of Collateral without the consent of Secured Party.

VI

At the request of Secured party, Debtor will join in executing, or will execute as appropriate, all necessary financing statements in a form satisfactory to Secured party, and will pay the costs of filing such statements. Debtor will execute all other instruments deemed necessary by Secured party and pay the cost of filing such documents. Debtor warrants that no financing statement covering Collateral or any part thereof or any proceeds thereof is presently on file in any public office.

VII

Debtor will not, without written consent of Secured party, sell, contract to sell, lease, encumber, or otherwise dispose of Collateral or any interest therein until this security agreement and all debts secured thereby have been fully satisfied.

VIII

If in the judgement of Secured party, Collateral has materially decreased in value, or if Secured party shall at any time deem itself insecure, Debtor shall either provide additional Collateral sufficient to satisfy Secured Party or reduce the total indebtedness by an amount sufficient to satisfy Secured Party.

IX

Debtor shall insure Collateral with companies acceptable to Secured Party against such casualties and in such amounts as Secured Party shall require. The insurance shall be for the benefit of Debtor and Secured party as their interest may require. Secured Party is hereby authorized to collect from the insurance company any amount that may become due under any such insurance, and the Secured party may apply the same to the obligation hereby secured.

X

Debtor will keep Collateral separate and identifiable and at the address of Debtor shown herein, and Debtor will not remove Collateral from such address without written consent of Secured Party.

XI

Debtor shall keep Collateral in good order and repair; Debtor shall not waste or destroy Collateral or any part thereof; and Debtor shall not use Collateral in violation of any statute or ordinance. Secured Party shall have the right to examine and inspect Collateral at any reasonable time.

XII

Secured Party may at its option and at any time discharge taxes, liens, or interest on Collateral; perform or cause to be performed for and on behalf of Debtor any action and conditions, obligations, or covenants that Debtor

has failed or refused to perform; or pay for the repair, maintenance, and preservation of Collateral. All sums so expended shall bear interest from the date of payment at the rate of EIGHTEEN per cent (18%) per year, shall be payable at the place designated in the above mentioned note, and shall be secured by this security agreement.

XIII

Debtor shall pay promptly when all taxes and assessments levied on Collateral or on its use and operation.

XIV

When performing any act under this security agreement and the note secured thereby, time shall be of the essence.

XV

If Debtor fails to pay when due any amount payable on the above mentioned note or on any other indebtedness of Debtor secured hereby, or shall fail to observe or perform any of the provisions of this agreement, Debtor shall be in default.

XVI

Failure of Secured Party to exercise any right or remedy, including but not limited to the acceptance of partial delinquent payments, shall not be a waiver of any obligation of Debtor or right of Secured Party or constitute a waiver of any toher similar default subsequently occurring.

XVII

On any default, and any time thereafter:

(1) Secured Party may declare all obligations secured hereby immediately due and payable and may proceed to enforce payment of the same and exercise any and all of the rights and remedies provided in this security agreement as well as any and all other rights and remedies possessed by Secured party.

SA-4

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Carmen Duncan the 4th day
of June A.D., 19 97 at 3:27 o'clock P. M., and duly recorded in Vol. M97
of Mortgages on Page 17123
Return: Carmen Duncan
Box 120268
Chula Vista, Ca. 91912
By Bernetha G. Letsch, County Clerk
Kiddum Kren

FEE \$35.00