

State of Oregon, County of Klamath

Recorded 05/25/05 10:50 a mVol M05 Pg 38231-36

Linda Smith, County Clerk

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**PROMISSORY NOTE
SECURED BY SECURITY AGREEMENT**

May 24, 2005

MAKER: RENEE BROWN and RICHARD BROWN

MAKER'S ADDRESS: 109340 Highway 97 North
Chemult, OR 97731
FACSIMILE NUMBER: (541) 365-2202

PRINCIPAL AMOUNT: \$15,500.00

PAYEE AND HOLDER: SISKIYOU INVESTORS, LLC, an Oregon limited liability company

PAYMENT ADDRESS: 550 Siskiyou Blvd.
Ashland, OR 97520
FACSIMILE NUMBER: (541) 488-2720

INITIAL PAYMENT DATE: July 1, 2005

MATURITY DATE: June 30, 2006

INITIAL ADVANCE DATE: May 24, 2005

CONTRACT RATE: Twelve percent (12%) per annum.

DEFAULT RATE: Twenty-nine percent (29%) per annum.

LATE CHARGE: Ten percent (10%) of each payment delinquent after fifteen (15) days.

COLLATERAL: All of the collateral described in the Security Agreement which secures this Promissory Note.

LOAN: The loan from Holder to Maker evidenced by this Note and secured by the loan documents.

LOAN DOCUMENTS: This Note, the Security Agreement, and any other documents or instruments executed in connection with or to evidence or secure the loan, as modified, supplemented, extended, renewed, or replaced from time to time.

NOTE: This Promissory Note and any modifications, renewals or extensions of this Promissory Note and any substitutions for this Promissory Note.

Notary attached by means of staple
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PROMILEY NEWTON LLP
ret o/a Renee Brown

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SECURITY AGREEMENT

Effective date: MAY 24, 2005

Parties: SISKIYOU INVESTORS, LLC, ("Creditor")
an Oregon limited liability company,
RENEE BROWN ("Borrower")

After Recording Return To: Richard A. Stark
Stark & Hammack, P.C.
201 W. Main Street, Suite 1B
Medford, OR 97501

RECITALS

A. Borrower is indebted to Creditor, pursuant to a Promissory Note also signed by Richard Brown dated May 24, 2005, in the amount of \$15,500.00 (the Note).

B. The parties desire to provide for security for the payment and performance of all liabilities and obligations owing to Creditor pursuant to the Note and the Security Agreement (the "Loan Documents").

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

1. **GRANT OF SECURITY INTEREST AND LIEN:** Borrower hereby grants to Creditor a security interest in the following Collateral: a \$25,000.00 security interest in Borrower's Homestead Exemption as it applies to that certain property described as: Lot 4, Block 7, original town of Chemult, according to the Official Plat thereof on file in the office of the County Clerk of Klamath County, Oregon. Also, Borrower sell and conveys to Creditor for security purposes \$25,000.00 of Borrower's Homestead Exemption in Lot 4, Block 7, original town of Chemult, according to the Official Plat thereof on file in the office of the County Clerk of Klamath County, Oregon. This Homestead Exemption is a state exemption pursuant to ORS 18.395.

(a) Borrower hereby represents and warrants to Creditor that Borrower has a Homestead Exemption under ORS 18.395 in the property described above.

(b) Borrower hereby authorizes Creditor to take whatever steps are necessary to perfect its security interest in the Collateral described in this paragraph.

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2. **OBLIGATIONS:** The obligations secured by this agreement are the following:

(a) Any and all liabilities and obligations due or owing to **Creditor** pursuant to the terms of the Note and other Loan Documents described above.

(b) Any and all sums advanced by **Creditor** in order to preserve the Collateral or to perfect their security interest in the Collateral.

(c) In the event of any proceeding to enforce the collection of the obligations, or any of them, after default, the reasonable expenses of retaking, holding, preparing for sale or selling or otherwise disposing of or realizing on the Collateral, or of any exercise by **Creditor** of any of their rights in the event of default together with reasonable attorney's fees and court costs, at trial and on appeal.

3. **REPRESENTATIONS, WARRANTIES AND PROMISES:** Borrower represents, warrants and agrees:

(a) **Borrower** is the owner of the Collateral pledged and they hereby grant a security interest herein in consideration of the credit extended by **Creditor** to **Borrower**, receipt of which is hereby acknowledged by **Borrower** and the entities signing below.

(b) **Borrower** will not hereafter grant a security interest in or sell the Collateral to any other person, firm or corporation.

(c) **Borrower** will, at all times, defend the Collateral against any and all claims of any person adverse to the claims of **Creditor**.

(d) **Borrower** will take such action and execute such documents as **Creditor** may, from time to time, request to maintain a perfected security interest on the part of **Creditor** in the Collateral (free of all other liens and claims whatsoever).

(e) **Borrower** has full power and authority to enter into this agreement.

(f) Except for the security interest granted herein, the Collateral is free from any lien, security interest, encumbrance, or other right, title or interest of any other person, firm or corporation.

4. **PROCEEDS:** The security interest in the Collateral shall attach to the proceeds of any sale thereof, including, but not limited to, cash, checks, monies on deposit in any bank or banks and accounts receivable, and to the proceeds of any other disposition of the Collateral or any part thereof to the full extent provided and permitted by law. This provision shall not be construed as a waiver of any restriction contained herein against alienating or encumbering the Collateral.

5. **ACCELERATION:** If **Borrower** fails to perform any obligations of **Borrower** under this Agreement, or any of the Loan Documents, or fails to pay when due any obligations

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secured hereby, or in the event of the occurrence of default by **Borrower** under the terms, covenants and conditions of the Note secured hereby, **Creditor**, at **Creditor's** option, may 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.

6. **TIME OF ESSENCE; EVENTS OF DEFAULT:** Time is of the essence hereof. **Borrower** shall be in default under this agreement upon the occurrence of any one or more of the following events or conditions:

(a) Nonpayment of any of the obligations when due, whether by acceleration or otherwise or nonperformance of any promise by **Borrower** in this Agreement, the Note or any of the Loan Documents.

(b) The creation of any encumbrances upon the Collateral or the making of any levy, judicial seizure of attachment thereof or thereon.

(c) Any other failure in performance or misrepresentation by **Borrower** under this Agreement.

7. **RIGHTS OF PARTIES UPON DEFAULT:** In the event of a default hereunder, in addition to all rights and remedies provided in the Oregon Uniform Commercial Code and any other applicable law, **Creditor** may (but is under no obligation to **Borrower** to do so):

(a) Sell, lease or otherwise dispose of the Collateral in whole or in part at a public or private sale.

(b) Collect any money due, or to become due, or to enforce in **Borrower's** name, all rights with respect to the Collateral.

8. **RELEASE UPON FULL PERFORMANCE:** When **Borrower** fully performs and satisfies all obligations to **Creditor** under the Note and Loan Documents, **Creditor** will release the security interest granted hereunder.

9. **NOTICE:** any notice of any sale, lease or other disposition or intended action by **Creditor** shall be deemed reasonable if it is in writing and ten (10) days in advance of the intended disposition or other intended action.

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 (3) days after deposit in a regularly maintained receptacle for the mail, certified mail, return receipt requested, postage prepaid, addressed to the parties' respective addresses set forth above. Either **Creditor** or **Borrower** may change their respective address or addressee by giving notice of such change to the other party in the manner provided herein.

10. **WAIVER:** Waiver by **Creditor** of any event of default hereunder or of any breach of the provisions of this Agreement by **Borrower**, or any right of **Creditor** hereunder, shall not constitute a waiver of any other event of default or breach or right, nor of the same event of default or breach or right on a future occasion.

11. **LAW GOVERNING:** This Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of Oregon.

12. **SUCCESSORS BOUND** This Agreement and all rights and liabilities hereunder, and in and to any and all Collateral shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

13. **ATTORNEY'S FEES:** In case of suit, action or proceeding to enforce any rights or conditions of this Agreement, or appeal from said suit, action or proceeding, it is mutually agreed that the losing party in such suit, action, proceeding or appeal shall pay the prevailing party therein a reasonable attorney's fee in such amount as set by the court hearing such suit, action, proceeding or appeal.

14. The parties agree that this Security Agreement will be recorded in the Official Records of Klamath County, Oregon, and that the **Borrower** will execute this Agreement before a notary public so that it can be recorded. **Creditor** will not sign this Agreement before it is recorded; but, a faxed copy of the Security Agreement bearing **Creditor's** signature will act as an original but will not be necessary for recording.

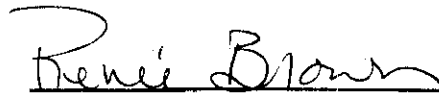
IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

CREDITOR:

BORROWER:

SISKIYOU INVESTORS, LLC,
an Oregon limited liability company

By: _____
CHRIS THOMPSON, Authorized Member


RENEE BROWN

notary attached by means of staple

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STATE OF OREGON)
)ss.
County of Klamath)

This instrument was acknowledged before me this 25th day of May, 2005, by
RENEE BROWN and I acknowledge the above instrument to be her voluntary act and deed.

Roshelle Munson
Notary Public for Oregon
My Commission Expires: August 18, 2007

