

RECORDING COVER SHEET

ORS 205.234

This cover sheet has been prepared by:

AMERITITLE

Any error in this cover sheet DOES NOT affect the transaction(s) contained in the instrument itself.

Reference: 97316am

Please print or type information.

1. AFTER RECORDING RETURN TO –

Required by ORS 205.180(4) & 205.238:

Name: Amerititle Contract Servicing

Address: 300 Klamath Ave.

City, ST Zip: Klamath Falls, OR 97601

2. TITLE(S) OF THE TRANSACTION(S) – Required by ORS 205.234(1)(a)

Note: "Transaction" means any action required or permitted by law to be recorded, including, but not limited to, any transfer, encumbrance or release affecting title to or an interest in real property. Enter descriptive title for the instrument:

Document Title(s): Security Agreement

3. DIRECT PARTY / GRANTOR Names and Addresses – Required by ORS 205.234(1)(b)

for Conveyances list Seller; for Mortgages/Liens list Borrower/Debtor

Grantor Name & Address: Angeline Lacy, 716 South Pacific Hwy, Talent, OR 97540

Grantor Name & Address: _____

Grantor Name & Address: _____

Grantor Name & Address: _____

4. INDIRECT PARTY / GRANTEE Names and Addresses – Required by ORS 205.234(1)(b)

for Conveyances list Buyer; for Mortgages/Liens list Beneficiary/Lender/Creditor

Grantee Name & Address: Lloyd N. Gass 1996 Revocable Living Trust, 4701 Sunset Ridge Rd, Klamath Falls, OR 97601

Grantee Name & Address: _____

Grantee Name & Address: _____

Grantee Name & Address: _____

5. For an instrument conveying or contracting to convey fee title, the information required by ORS 93.260:

UNTIL A CHANGE IS REQUESTED, ALL TAX STATEMENTS SHALL BE SENT TO THE FOLLOWING ADDRESS:

Name: Angeline Lacy

Address: 716 South Pacific Hwy

City, ST Zip: Talent, OR 97540

6. TRUE AND ACTUAL CONSIDERATION – Required by ORS 93.030 for an instrument conveying or contracting to convey fee title or any memorandum of such instrument:

\$ 0.00

7. TAX ACCOUNT NUMBER OF THE PROPERTY if the instrument creates a lien or other interest that could be subject to tax foreclosure. – Required by ORS 312.125(4)(b)(B)

Tax Acct. No.: _____

SECURITY AGREEMENT

This SECURITY AGREEMENT this ("Agreement") is entered into as of April 29, 2016, by Angeline Lacy (the "Debtor") for the benefit of Steven Southwell and Kathleen Southwell, Co-trustees of the Lloyd N. Gass 1996 Revocable Living Trust (the "Secured Parties").

In consideration of the sale of the collateral, as described herein, and to secure payment of the indebtedness as described herein, Debtor grants to the Secured Parties all rights and remedies of a secured party under the Uniform Commercial Code (the "UCC") with respect to the collateral, together with all additional rights and remedies granted in this and the Master Agreement being entered contemporaneously herewith.

AGREEMENT

The Debtor agrees as follows:

SECTION 1. DEFINITIONS

1.1 Definitions Generally. Unless the context indicates otherwise, all capitalized terms contained in, but not defined in, this Agreement will have the meanings provided for by the UCC. The terms defined in Sections 1.2–1.9 are so defined whenever used in this Agreement.

1.2 Bankruptcy Code. "Bankruptcy Code" means the Bankruptcy Code set forth in 11 USC §§101–1330, and as amended from time to time.

1.3 UCC. "UCC" means the Uniform Commercial Code of the state of Oregon as set forth in ORS chapters 71, 72, 72A, 73, 74, 74A, 75, 77, 78, and 79, and as amended from time to time.

1.4 Collateral. "Collateral" means all the Debtors' interest in the following:

(a) All of Debtors rights in and to a Term Special-Use Permit, its re-issuance or renewal authorizing occupancy of Block G, Lot 3, Lake of the Wood Recreation Unit, Klamath Ranger District Fremont-Winema National Forest, Klamath County, Oregon located in Section 11, T37S, R5E Willamette Meridian according to the official plat on file, Forest Service Code KLA250;

(b) All right, title, and interest to that certain recreation residence, dock and associated outbuildings, fixtures and attachments constructed on or transported to the subject property described by the Term Special-Use Permit;

(c) Debtors rights as a loss payee to make claim as to all forms of coverage, hazard insurance insuring the improvements from damage or destruction from fire, flood, snow damage, including tree fall, earthquake or earth movement; insurance from vandalism to or theft from the improvements or any portion thereof to the amount of the indebtedness remaining;

(d) Any and all right, title or interest whether now owned or existing, or whether subsequently acquired or arising in and to the permit and improvements.

1.5 Indebtedness. "Indebtedness" as used herein shall mean:

- (a) The indebtedness described in the Promissory Note entered contemporaneously herewith, a copy of which is attached to this Security Agreement;
- (b) All liabilities arising in and to the terms of that certain Deed of Trust entered into contemporaneously herewith and attached to this Security Agreement.

1.6 Improvements. "Improvements" means all of Debtor's right, title or interest in the recreation residence associated outbuildings, fixtures, and attachments, additions, replacements, accessions or additions located at Block G, Lot 3, Lake of the Woods Recreation Unit, Klamath Ranger District, Fremont-Winema National Forest as described in the Master Agreement.

1.7 Permit. "Permit" means Debtor's interest in the Special-Use Permit described herein authorizing occupancy of Block G, Lot 3, Lake of the Woods Recreation Unit, Fremont-Winema National Forest, Klamath County, Oregon

1.8 Event of Default. "Event of Default" has the meaning set forth in Section 6.

1.9 Lien. "Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, security interest, charge, or other encumbrance of any kind, whether consensual or not, or any other type of preferential arrangement that has substantially the same practical effect as a lien or a security interest, including, without limitation, any conditional sale or other title-retention agreement or the interest of a lessor under a capital lease or financing lease.

1.10 Person. "Person" means any government (or political subdivision or agency of any government) or an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture, or other entity.

1.11 Obligations. "Obligations" means all the Debtor's obligations under this Agreement:

- (a) Debtors obligation to pay all transfer fees, use fees, or other fees imposed by the USDA Forest Service relating to the continued occupancy and use of the real property described in the Term Special-Use Permit;
- (b) Debtors obligation to comply with all the Term Special-Use Permit conditions which authorize occupancy of the subject property;
- (c) Debtors obligation to pay all tax assessments due on all real or personal property whether the assessment or obligation is due the State of Oregon, Klamath County or any political sub-division thereof, relating to the use or occupancy, possession or control of the permitted property;
- (d) Debtors obligation to pay, prior to any installment in default, that certain promissory note attached hereto and marked as 'Exhibit A' and agreeing to its terms.

1.12 Permitted Liens. "Permitted Liens" means:

- (a) Liens granted to the Secured Parties;
- (b) Liens arising by operation of law for taxes, assessments, or governmental charges not yet due;

(c) Statutory liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials, materials supplied in the course of repairs, renovations, remodeling or reconstruction of the improvements on the site, for which payment is not yet due.

SECTION 2. GRANT OF SECURITY INTEREST

The Debtor grants the Secured Parties a security interest in the Collateral as security for the full and prompt payment in cash and performance of the Obligations.

SECTION 3. PERFECTION OF SECURITY INTEREST; DUTY OF CARE

3.1 The Debtor will perform all steps reasonably requested by the Secured Parties to perfect, maintain, and protect the Secured Parties' security interest in the Collateral.

3.2 To fulfill Debtors duty under Section 3.1 above, the Debtor shall:

- (a) Obtain one or more broad form insurance policies as stated in Section 1.4(c) in form and amount acceptable to secured party, naming the secured party as a loss payee;
- (b) Comply with all provisions of the Term Special-Use Permit;
- (c) Pay prior to the same being past due all Term Special-Use Permit fees imposed by the federal government or any branch thereof; real and personal property taxes and fees assessed by the State of Oregon, Klamath County, or any political sub-division thereof when same being due.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Debtor warrants and represents as follows:

4.1 This Agreement is the legal, valid, and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

4.2 The Debtors' execution, delivery, and performance of this Agreement does not violate or contravene or result in any breach of cause for default under any contract, obligation, indenture, or other instrument to which Debtor is a party or by which Debtor is bound and does not violate any law or result in a breach of or constitute a default under any contract, obligation, indenture, or other instrument to which the Debtor is a party or by which the Debtor is bound.

4.3 The Debtor shall not enter into any contract for the removal or transport of the improvements or any part thereof on the subject real property, enter into any agreement to repair, renovate, remodel, remove, reconstruct or construct new improvements on the site by individual contract or succession thereof at an agreed upon or reasonable value thereof in the amount of \$10,000.00 or more in any one calendar year without the express written consent of the Secured Parties; which consent shall not unreasonably be withheld, providing that the Debtor provide adequate assurances including bond or lien releases to the Secured Parties for the prompt payment of any and all obligations arising for which any party supplying labor or materials may claim any statutory form of lien.

SECTION 5. COVENANTS

Until all the Obligations have been fully satisfied and paid in cash, the Debtor covenants that, at its expense, unless Secured Parties otherwise consents in writing:

5.1 Except for Permitted Liens, the disposition of assets that have become obsolete and are replaced in the ordinary course of use, the Debtor will not sell, transfer, lease, or otherwise dispose of any Collateral or any interest in it, or permit or suffer any other Person to acquire any interest in any of the Collateral, and will keep the Collateral free and clear of all Liens, except Permitted Liens.

5.2 The Debtor will pay all taxes and assessments when due.

5.3 The Debtor will comply with all terms of the USDA-Forest Service Term Special-Use Permit.

5.4 The Debtor will insure the Collateral in a manner and with companies acceptable to the Secured Parties and will provide the Secured Parties with evidence of insurance and the endorsements regarding insurance coverage reasonably requested by the Secured Parties from time to time.

5.5 On the Secured Parties' request, the Debtor will promptly execute and deliver to the Secured Parties all further instruments, agreements, and documents, and take all further action, that may be reasonably necessary to enable the Secured Parties to exercise and enforce its rights and remedies under this Agreement.

SECTION 6. EVENTS OF DEFAULT

Each of the following events will constitute an "Event of Default" under this Agreement:

- (a) The Debtor breaches any of the Obligations;
- (b) Any representation or warranty made by the Debtor in this Agreement proves to be false or misleading in any material respect when furnished or made;
- (c) The Debtor becomes insolvent;
- (d) The Debtor suffers or consents to or applies for the appointment of a receiver, trustee, custodian, or liquidator of the Debtor or any material part of the Debtor's property;
- (e) The Debtor fails to make any payment on the installment note prior to becoming past due;
- (f) The Debtor fails to make any payment as required by the Term Special-Use Permit prior to the obligation being past due;
- (g) Debtor's rights to occupancy or use is suspended by the Forest Service for actions suffered or permitted by Debtor.
- (h) The Debtor files a voluntary petition in bankruptcy or seeks to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code or under any state or other federal law granting relief to debtors, whether now or hereafter in effect;

(i) The Debtor is adjudicated a debtor in bankruptcy, or an order for relief is entered by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization, or other relief for debtors; or

SECTION 7. SECURED PARTIES' RIGHTS AND REMEDIES

7.1 During the continuance of any Event of Default, the Secured Parties may declare any or all of the Obligations to be immediately due and payable without presentment, demand, protest, or any other notice of any kind, and the Debtor expressly waives presentment, demand, protest, or any other notice of any kind. In addition to any other rights and remedies contained in this Agreement, the Secured Parties will have all the rights and remedies of a secured party under the UCC and all other applicable law, and all the rights and remedies will be cumulative and nonexclusive to the extent permitted by law. The Debtor acknowledges that portions of the Collateral may be difficult to preserve and dispose of and may be subject to complex maintenance and management; accordingly, the Secured Parties will have the widest possible latitude in exercising its rights and remedies under this Agreement.

7.2 On the occurrence of an Event of Default, the Secured Parties may, with delivery of a Declaration of Default signed by the Secured Parties, apply for the revocation of the Term Special-Use Permit to Debtor and cause the Special-Use Permit to be re-issued to the Secured Parties or any third party.

7.3 On default and upon the Secured Parties' request, Debtor shall surrender the Collateral to the Secured Parties. If the Secured Parties takes possession of the Collateral or any part thereof, they shall secure the premises and post notices thereof, advising of the Secured Parties' actions and possession. The Secured Parties at its discretion may conduct sales of the Collateral on the subject premises or elsewhere at the Debtor's expense. Any sale, lease or other disposition of the Collateral or any part of it, may be for cash or other value. The Debtor will execute and deliver, or cause to be executed and delivered, all instruments, documents, assignments, deeds, waivers, bills of sale, or affidavits and will take all further action reasonably required by the Secured Parties in connection with any sale, lease or disposition of the Collateral. The Debtor appoints the Secured Parties as its -in-fact to execute all such instruments, documents, assignments, deeds, waivers, certificates, and affidavits on behalf of Debtor and in its name.

7.4 At any sale, the Collateral may be sold as the Secured Parties may determine. The Secured Parties will not be obligated to make any sale of any Collateral if the Secured Parties determines not to do so, regardless of the fact that notice of sale was given. The Secured Parties, without notice or publication, may adjourn any public or private sale or cause the sale to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale, without further notice, may be made at the time and place to which it was so adjourned. If any sale of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Secured Parties until the sale price is paid, but the Secured Parties will not incur any liability if any purchaser fails to pay for any Collateral so sold and, in the event of any such failure, the Collateral may be sold again. At any public sale, the Secured Parties may (a) bid for or purchase, free (to the extent permitted by law) from any rights of redemption, stay, or appraisal on the Debtor's part

with regard to the Collateral offered for sale; (b) make payment on account thereof by using any claim then due and payable to the Secured Parties from the Debtor as a credit against the purchase price; and (c) on compliance with the terms of sale, hold, retain, and dispose of that property without further accountability to the Debtor for it.

7.5 The Debtor grants the Secured Parties a license and the right to use, without charge during the continuance of an Event of Default and until the Obligations are fully and finally paid in cash, the Debtor's rights of use, general intangibles, and other property of a similar nature in completing the production, advertising for sale, and sale of any Collateral.

7.6 Any notice required to be given by the Secured Parties that is given pursuant to Section 7. may be made by personal service on Debtor, or by U.S. Postal Service. If mailed it shall be deemed received on the third business day after it has been mailed by first class mail, and by registered mail, return receipt requested to Debtor, Angeline Lacy, 716 South Pacific Highway, Talent, OR 97540. Not less than 10 business days before a sale, lease, disposition, or other intended action by the Secured Parties regarding any Collateral will constitute fair and reasonable notice to the Debtor of that action. A public sale in the following fashion will be conclusively presumed to be reasonable:

- (a) The sale is held in a county where any part of the Collateral is located or in which the Debtor has a place of business;
- (b) The sale is conducted by auction, but it need not be by a professional auctioneer;
- (c) The Collateral is sold as is and without any preparation for sale; and
- (d) The Debtor is given notice of the public sale pursuant to the preceding sentence.

7.7 On the occurrence of an Event of Default, the Secured Parties will have with respect to accounts all rights and powers to:

- (a) Direct Debtor to make all payments directly to the Secured Parties or otherwise demand payment of any account;
- (b) Enforce payment by legal proceedings or otherwise;
- (c) Prepare, file, and sign the Debtor's name on any proof of claim in bankruptcy or on any similar document against an account debtor, and to otherwise exercise the rights granted in this Agreement.

7.8 The Secured Parties will have no obligation to (a) preserve any rights to the Collateral against any Person, (b) make any demand on or pursue or exhaust any rights or remedies against the Debtor or others with regard to payment of the Obligations, (c) pursue or exhaust any rights or remedies with regard to any of the Collateral or any other security for the Obligations, or (d) marshal any assets in favor of the Debtor or any other Person against or in payment of any or all of the Obligations.

7.9 The Debtor recognizes that federal and state securities laws and other laws may limit the flexibility desired to achieve an otherwise commercially reasonable disposition of the Collateral, and in the event of potential conflict between those laws and what in other circumstances might constitute commercial reasonableness, it is intended that consideration of the laws will prevail over attempts to achieve commercial reasonableness. In connection with any sale or other disposition of

the Collateral, the Secured Parties' compliance with the written advice of its lawyer concerning the potential effect of any law will not be cause for the Debtor, or any other Person, to claim that the sale or other disposition was not commercially reasonable.

7.10 On demand, the Debtor will pay the Secured Parties all costs and expenses, including court costs and costs of sale, incurred by the Secured Parties in exercising any of its rights or remedies under this Agreement, together with interest at the highest rate then applicable to any of the Obligations from the date incurred until paid.

SECTION 8. WAIVERS

All the Secured Parties' rights with respect to the Collateral will continue unimpaired, and the Debtor will be and will remain obligated in accordance with the terms of this Agreement, notwithstanding (a) any release or substitution of any Collateral or other security for the Obligations; (b) any failure to perfect the Secured Parties' interest in the Collateral or other security; or (c) any delay, extension of time, renewal, compromise, or other indulgence granted by the Secured Parties in reference to any Obligations. The Debtor waives all notice of any such delay, extension, release, substitution, renewal, compromise, or other indulgence, and consents to be bound by any such delay, extension, release, substitution, renewal, compromise, or other indulgence as fully and effectively as if the Debtor had expressly agreed to them in advance. The Secured Parties' delay in exercising, or failure to exercise, any right, remedy, or option will not operate as a waiver by Secured Parties of its right to exercise any such right, remedy, or option. To the extent permitted by law, the Debtor waives all rights of redemption, stay, and appraisal that the Debtor now has or may at any time in the future have under any applicable law. No waiver by the Secured Parties will be effective unless it is in writing and then only to the extent specifically stated. The Secured Parties' rights and remedies will be cumulative and not exclusive of any other right or remedy that the Secured Parties may have.

SECTION 9. SATISFACTION OF INDEBTEDNESS.

Upon payment in full and discharge of all obligations existing under the terms of the Installment Sale Agreement, and the Security Agreement, Secured Parties shall::

- (a) Deliver to the Debtor a Bill of Sale as to the improvements in a form sufficient for recording in the deed records of Klamath County, Oregon under provisions of ORS _____.
- (b) Deliver notice to the Klamath Ranger District, Fremont-Winema National Forest, USDA Forest Service stating that the outstanding obligations owed from Debtor to Secured Parties have been met and satisfied, and the Secured Parties waives all rights in and to the Term Special-use Permit.
- (c) Deliver to Debtor a Termination Statement: UCC9.
- (d) Deliver to Debtor a Deed of Reconveyance under the Trust Deed, sufficient for recording in the Klamath County deed records.

SECTION 10: MISCELLANEOUS PROVISIONS

10.1 Binding Effect. This Agreement is binding on and inures to the benefit of the parties and their respective heirs, personal representatives and successors.

10.2 Assignment. Debtor shall not assign any right or obligation under this Agreement without the prior written consent of the Security Parties.

10.3 Construction. The captions used in this Agreement are provided for convenience only and will not affect the meaning or interpretation of any provision of this Agreement. All references in this Agreement to "Section" or "Sections" without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words "include" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation."

10.4 Counterparts. This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

10.5 Facsimile Signatures. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, will be the same as delivery of an original. At the request of any party, the party will confirm facsimile transmitted signatures by signing an original document.

10.6 Time of Essence. Time is of the essence with respect to all dates and time periods set forth or referred to in this Agreement.

10.7 Expenses. Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its own expenses in connection with the preparation, execution, and performance of this Agreement and the transactions contemplated by this Agreement.

10.8 Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

10.9 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the state of Oregon, without regard to conflict-of-laws principles.

10.10 Attorney Fees. If any arbitration, suit, or action is instituted to interpret or enforce the provisions of this Agreement, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the party prevailing on an issue will be entitled to recover with respect to such issue, in addition to costs, reasonable attorney fees incurred in the preparation, prosecution, or defense of such arbitration, suit, or action as determined by the arbitrator or trial court, and, if any appeal is taken from such decision, reasonable attorney fees as determined on appeal.

10.11 Injunctive and Other Equitable Relief. The parties agree that the remedy at law for any breach or threatened breach by a party may, by its nature, be inadequate, and that in addition to damages, the other parties will be entitled to a restraining order, temporary and permanent injunctive relief, specific performance, and other appropriate equitable relief, without showing or proving that any monetary damage has been sustained.

10.12 Venue. Any action or proceeding seeking to enforce any provision of this Agreement or based on any right arising out of this Agreement must be brought against any of the parties in Klamath County Circuit Court of the State of Oregon or, subject to applicable jurisdictional requirements, in the United States District Court for the District of Oregon, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to such venue.

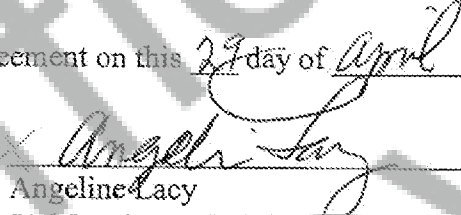
10.13 Exhibits. The exhibits referenced in this Agreement are part of this Agreement as if fully set forth in this Agreement.

10.14 Severability. If any provision of this Agreement is deemed to be invalid or unenforceable in any respect for any reason, the validity and enforceability of such provision in any other respect and of the remaining provisions of this Agreement will not be impaired in any way.

10.15 Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

IN WITNESS WHEREOF,

The Debtor enters into this Security Agreement on this 27 day of April, 2016.



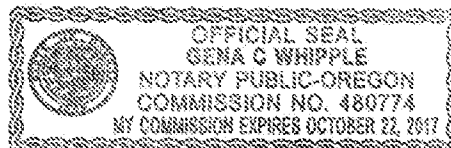
Angeline Lacy
716 South Pacific Highway
Talent, OR 97540

On this 29 day of April, 2016, personally appeared before me the above named Angeline Lacy__,
and acknowledged the foregoing instrument to be his/her/their voluntary act and deed.

WITNESS My hand and official seal.

Gena Whipple
Notary Public for Oregon

My Commission expires: 10-22-2017



Unofficial
Copy