

# SECURITY AGREEMENT

## I. PARTIES, COLLATERAL AND OBLIGATIONS.

Dated October 1st, 1984

BUD'S ENTERPRISES, INC., P. O. Box 2748, 1602 Highway 395, Minden, Nevada 89423  
(name) (address)

(hereinafter called "Debtor"), for valuable consideration, the receipt of which is hereby acknowledged, hereby grants to

✓ UNITED VENTURE CAPITAL, INC., P. O. Box 109, Genoa, Nevada 89411  
(name) (address)

(hereinafter called "Secured Party") a security interest in the following described property and any and all additions, accessions, and substitutions thereto or therefor and extends to the proceeds coming into the possession of the Debtor by virtue of disposition or sale of the security, however Debtor is not permitted to sell or transfer the Collateral without written consent of the Secured Party (all herein called Collateral):

All goods, stock in trade, inventory, equipment, chattel paper, contract rights, accounts receivable used in the business known as BUD'S ENTERPRISES, INC. or BUD'S PAINT AND WALLPAPER, including any and all additions and accessions thereto now on or hereafter acquired by the debtor herein.

to secure the performance and payment of Debtor's notes and obligations to Secured Party and also any and all liabilities of Debtor to Secured Party now existing or hereafter incurred, matured or unmatured, direct or contingent, any renewals or extensions thereof and substitutions therefor, as well as all other indebtedness, obligations and liabilities of the debtor to the Secured Party, now existing and hereafter arising, including future advances; howsoever evidenced or created, actual, direct, contingent or otherwise.

Debtor shall pay to Secured Party the sum or sums evidenced by the promissory note or notes executed pursuant to this agreement in accordance with the term of said note or notes.

## II. WARRANTIES AND COVENANTS OF DEBTOR.

Debtor warrants, covenants and agrees that:

1. The Collateral is bought or used primarily for:  
 Personal, family or household purposes;  Farming purposes; or  Business purposes other than farming, and, if checked here  the Collateral is being acquired with the proceeds of the advance evidenced by this agreement, which Secured Party is hereby authorized to disburse directly to the seller of the Collateral.

2. Except for the security interest granted hereby, Debtor owns, or will use the proceeds hereof to become the owner of, the Collateral free from any prior or adverse lien, security interest or encumbrance, and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

3. The Collateral will not be misused or abused, wasted or allowed to deteriorate, except for the ordinary wear and tear of its primary use.

4. No financing statement covering any of the Collateral or proceeds thereof (other than a financing statement heretofore filed by Secured Party, if any), is on file in any public office and at the oral or written request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing the same or filing or recording this agreement in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable, and Debtor hereby appoints Secured Party as attorney in fact to execute and file at Debtor's expense and at Secured Party's option, any financing statement respecting the aforesaid Collateral and any other property pledged or subject to a security interest with the Secured Party.

5. The Collateral will be kept at 1602 Highway 395, Minden, Nevada (address) or if left blank at Debtor address above and Debtor will not remove the Collateral from said state without prior written consent of Secured Party; if the Collateral is of a type normally used in more than one state (such as automotive equipment, rolling stock, airplanes, road building equipment, commercial harvesting equipment, construction machinery and the like) Debtor will immediately notify Secured Party in writing of any change in location of the Collateral; and that if certificates of title are issued or outstanding with respect to any of the Collateral, Debtor will cause the interest of Secured Party to be properly noted thereon;

6. If the Collateral is to be attached to real estate, said real estate is 1602 Highway 395, Minden, Nevada described as follows:

1602 Highway 395, Minden, Nevada

and the name of the record owner thereof is \_\_\_\_\_; and if the Collateral is attached to real estate prior to the perfection of the security interest granted hereby, Debtor will, on demand of Secured Party, furnish the latter with disclaimers, or waivers signed by all persons having an interest in the real estate, or any interest in the Collateral which is or may be prior to Secured Party's interest. If the property subject of this Security Agreement, is installed or housed in any building, or on premises owned by the Debtor or rented or leased to him, his agents, servants or corporation, then the undersigned hereby grants to the Secured Party, its agents, servants or attorneys, the right and license to enter upon the real estate or premises to view and inspect the property subject of this Security Agreement at any time without notice, and if Debtor is in default in any of the covenants contained in the Security Agreement, and any note or notes secured thereby, the undersigned hereby assigns, licenses, or subleases to Secured Party, any and all right of possession of the premises upon which the property is stored or housed, which the undersigned now has or may hereafter obtain, and at its option, the Secured Party may have a receiver appointed to take, control and manage the equipment and/or the right of possession of the real estate whereon the property encumbered by this Security Agreement is situated or affixed.

7. The Debtor hereby accepts all risk of loss and agrees to maintain insurance at all times with respect to the Collateral against risks of fire (including so-called extended coverage), theft and such other risks as Secured Party may require, containing such terms, in such form, for such periods and written by such companies, as may be satisfactory to Secured Party, such insurance to be payable to Secured Party and Debtor as their interests may appear. All such policies of insurance shall provide for at least ten days' prior written notice of cancellation to Secured Party and Debtor shall furnish Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with all of the foregoing insurance provisions. Secured Party is hereby granted authority to act as attorney for Debtor in obtaining, cancelling, adjusting and settling such insurance and enclosing any drafts issued in connection therewith, including return of premium.

8. Debtor will keep the Collateral free from all unpaid charges, liens and security interests, other than the security interest granted hereby, will pay promptly all taxes and assessments with respect to the Collateral or its use or operation, will not use the Collateral in violation of any ordinance or state or federal statute or any administrative rule or regulation or other law and will not encumber the same in any manner whatsoever. Secured Party is hereby authorized at its option and in its sole discretion to discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, to pay for insurance on the Collateral, and to pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party on demand for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization, and the amount of any such payments or expenses shall be secured by and under this agreement, and shall bear interest at the highest allowable legal rate.

THE PARTIES HERETO STIPULATE AND AGREE THAT ALL PROVISIONS ON THE REVERSE SIDE HEREOF ARE INCORPORATED HEREIN BY REFERENCE AND CONSTITUTE A PART OF THIS AGREEMENT.

Signed in counterparts and delivered on the day and year first above written

UNITED VENTURE CAPITAL, INC.

BUD'S ENTERPRISES, INC.

By Seth J. Atwood  
(Secured Party)  
SETH ATWOOD, President

By Hugh Drake  
(Debtor)  
HUGH DRAKE, JR., President

By

(Debtor)

111699

**III. EVENTS OF DEFAULT.**

Debtor shall be in default under this agreement upon the happening of any one or more of the following events:

- 1. Default in the payment or performance of any obligation, covenant or liability contained or referred to herein or in any note or notes evidencing the same.
- 2. Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor, including but not limited to statements made by Debtor in any financial or credit statement or application for credit made prior to this agreement, proves to have been false in any material respect when made or furnished.
- 3. Loss, theft, damage, destruction, or the danger of misuse or confiscation of the Collateral in the opinion of Secured Party, or sale or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment thereof or thereon.
- 4. Death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against, Debtor or any guarantor or surety for Debtor.

**IV. SECURED PARTY'S RIGHTS AND REMEDIES.**

1. Secured Party may assign this agreement and in event of such assignment, (a) the assignee shall be entitled, upon notifying the Debtor, to performance of all of Debtor's obligations hereunder and the assignee shall be entitled to all of the rights and remedies of Secured Party hereunder, and (b) Debtor waives the right to assert against any assignee of the Secured Party, or any subsequent assignee any defense, counterclaim, or setoff which he could assert against the Secured Party or any seller.

2. Upon the occurrence of any event of default, or if Secured Party shall consider the indebtedness or collateral insecure, Secured Party, at any time thereafter, may declare any and all obligations secured hereby immediately due and payable, and may, at its sole option, sue on the balance of the note without first foreclosing on the Collateral, or may at its option sue to foreclose on the Collateral, or both, simultaneously or separately; and shall further have the remedies of a Secured Party under the Uniform Commercial Code. Secured Party may, at its option, require Debtor to assemble the Collateral and make it available to Secured Party at a place, to be designated by Secured Party which is reasonably convenient to both parties, or in the event Debtor fails or refuses to so assemble the Collateral, Secured Party shall have the right, and Debtor does hereby authorize and empower Secured Party, to enter upon the premises wherever the Collateral may be in order to remove the same. Secured Party may sell the Collateral at public or private sale (at which Secured Party may purchase) with or without having the Collateral at the sale and with or without notice to Debtor according to law. If notice is required, requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Buyer set forth at the beginning of this agreement at least five days prior to the date of the sale or disposition.

3. In the event of repossession of the Collateral, Secured Party shall have such rights as are provided and permitted by law, including the right to reasonable attorney fees and legal expenses incurred for the purpose of retaking and disposing of the Collateral, and if Debtor or guarantors shall voluntarily or involuntarily be placed in bankruptcy, and the Secured Party or its assigns shall incur or pay any expenses, costs, charges, or attorney's fees for advice or representation in the bankruptcy proceeding or other prior or subsequent legal or non legal proceedings to secure the possession of the security, or the payment of any moneys secured hereunder, whether such possession or payment be sought from the Debtor, or any assignee, custodian, bankruptcy receiver or bankruptcy trustee, then such expenses and attorney's fees and any and all moneys advanced in connection therewith, including investigation costs, and preservation costs, shall be allowed and paid to the Secured Party or its assignee, and the same shall be and is hereby made a further charge and lien upon the security subject of this agreement and any other security pledged or subject to any other security agreement in the hands of the Secured Party or assignee at the time said claim is made.

**V. GENERAL.**

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns and all obligations of Debtor shall bind his heirs, executors or administrators or his or its successors or assigns. If there be more than one Debtor, their obligation hereunder shall be joint and several. No agreement, representation or warranty shall be binding on the Secured Party unless expressly contained herein. Any provision of this agreement prohibited by law of any state shall as to said state be ineffective to the extent of such prohibition without invalidating the remaining provisions of the agreement. Any action to enforce payment hereunder or any indulgences or rearrangements granted Debtor shall not be a waiver of or affect any rights of Secured Party. Time is of essence of this agreement. This Security Agreement and any notes secured by it shall be interpreted according to the law of Nevada.

**ASSIGNMENT WITH RECOURSE**

For value received, the undersigned hereby assigns this Security Agreement, all moneys due and to become due under this Agreement, and all of its right, title, interest and remedies in and under this Agreement and any notes secured by this Agreement delivered herewith to the

order of, \_\_\_\_\_ (name) \_\_\_\_\_ (address)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_

By \_\_\_\_\_ (Secured Party)

**ASSIGNMENT WITHOUT RECOURSE**

For value received, the undersigned hereby assigns this Security Agreement, all moneys due and to become due under this Agreement, and all of its right, title, interest and remedies in and under this Agreement and any notes secured by this Agreement delivered herewith to the

order of \_\_\_\_\_ (name) \_\_\_\_\_ (address)

hereinafter called "Assignee", its successors and assigns. The undersigned warrants that the statements set forth in the Agreement are true, that the property described therein is free of all liens and encumbrances of whatever nature or kind except the lien and encumbrances created by the Agreement, that the undersigned has not advanced and will not advance any payment to Buyer, and that all parties to the Agreement had capacity to contract. If any of the warranties herein contained are breached, the undersigned will purchase on demand the Agreement from the Assignee for the balance then remaining unpaid thereon, including any expenses of collection or investigation incurred by Assignee.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_

By \_\_\_\_\_ (Secured Party)



This FINANCING STATEMENT is presented for filing pursuant to the Nevada Uniform Commercial Code

1. LAST NAME FIRST <b>BUD'S ENTERPRISES, INC.</b>		1A. SOCIAL SECURITY OR FEDERAL TAX NO.	
2. MAILING ADDRESS <b>P. O. Box 2748</b>		1C. CITY, STATE <b>Minden Incline Village, Nevada</b>	1D. ZIP CODE <b>89453</b>
3. OFFICE ADDRESS (IF AN INDIVIDUAL AND DIFFERENT THAN 1B)		1F. CITY, STATE	1G. ZIP CODE <b>89423</b>
4. SIGNATURE OF DEBTOR (IF ANY) (LAST NAME FIRST)		2A. SOCIAL SECURITY OR FEDERAL TAX NO.	
5. HOME ADDRESS		2C. CITY, STATE	2D. ZIP CODE
6. BUSINESS ADDRESS (IF AN INDIVIDUAL AND DIFFERENT THAN 2B)		2F. CITY, STATE	2G. ZIP CODE
7. TRADE NAME OR STYLE (IF ANY)		3A. FEDERAL TAX NO.	
8. DEBTOR'S PARTY AND MAIL ADDRESS PLACE OF BUSINESS (IF ANY) <b>147 Highway 395, Minden, Nevada</b>		4A. CITY, STATE <b>Minden, Nevada</b>	4B. ZIP CODE <b>89423</b>
9. SECURED PARTY NAME <b>UNITED VENTURE CAPITAL, INC.</b> MAILING ADDRESS <b>P. O. Box 109</b> CITY <b>Genoa</b> STATE <b>Nevada</b> ZIP CODE <b>89411</b>		5A. SOCIAL SECURITY NO. FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO. <b>3630 86334</b>	
10. AGENT OF SECURED PARTY (IF ANY) NAME MAILING ADDRESS CITY STATE ZIP CODE		6A. SOCIAL SECURITY NO. FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO. <b>568-54-1283</b>	

This FINANCING STATEMENT covers the following types or items of property (if crops or timber, include description of real property on which growing or to be planted and name of record owner of such real estate, if fixtures, include description of real property to which affixed or to be affixed and name of record owner of such real estate, if oil, gas or minerals, include description of real property from which to be extracted)

All goods, stock and trade, inventory, equipment, chattel paper, contract rights, accounts receivable used in the business known as BUD'S ENTERPRISES, INC., OR BUD'S Paint and Wallpaper, including any and all additions and accessions thereto now owned or hereafter acquired by the DEBTOR herein.

*Bud Angres* Pres.  
SIGNATURE OF RECORD OWNER

7C. \$ \_\_\_\_\_  
MAXIMUM AMOUNT OF INDEBTEDNESS TO BE SECURED AT ANY ONE TIME (OPTIONAL)

(TYPE) RECORD OWNER OF REAL PROPERTY

<input checked="" type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
Proceeds of collateral are also covered	Products of collateral are also covered	Proceeds of above described original collateral in which a security interest was perfected	Collateral was brought into this State subject to security interest in another jurisdiction

DEBTOR IS A "TRANSMITTING UTILITY" IN ACCORDANCE WITH NRS 704.705 AND NRS 104.963

(Date) Oct. 1st 1984

*Bud Enterprises Inc.*  
*Bud Angres* (Pres)  
SIGNATURE(S) OF DEBTOR(S) TITLE

*United Venture Capital, Inc.*  
*Beth L. Atwood* president  
SIGNATURE(S) OF SECURED PARTY(IES) TITLE

12. This Space for Use of Filing Officer  
(Date, Time, File Number and Filing Office)

Return Copy to

Robert J. Angres, Esq.  
United Venture Capital, Inc.  
PO Box 109  
Genoa, Nevada 89411

FILING OFFICER COPY-ACKNOWLEDGEMENT  
Filing officer is requested to note the number, date and hour of filing on this copy and return to the above party.  
Approved by the Nevada Secretary of State

RECEIVED  
*United Venture Capital, Inc.*

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BUD'S ENTERPRISES, INC.  
THIS SPACE FOR USE OF FILING OFFICER

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