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When recorded mail to:  
Mr. and Mrs. John D. Walters  
P. O. Box 3842  
Stateline, Nevada 89449

SECURITY AGREEMENT

THIS AGREEMENT, made and entered into this  
29th day of August, 1996, at Douglas  
County, Nevada, by and between Robert Greer Austin and  
Sharon Joan Austin  
address: P.O. Box 16162, So. Lake Tahoe, CA 96151

, hereinafter  
referred to as "Debtor", and James D. Walters and  
Faye L. Walters, who has address:  
P. O. Box 3842, Stateline, Nevada 89449  
hereinafter referred to as "Secured Party",

W I T N E S S E T H:

1. CREATION OF SECURITY INTEREST. Debtor hereby grants to Secured Party a security interest in the collateral described herein pursuant to the Uniform Commercial Code - Secured Transactions.

2. OBLIGATIONS SECURED. The obligations secured by said security interest are briefly described as follows:

(a) A Note of even date herewith in the face amount of \$ 19,500.00, wherein Debtor is made, and Secured Party is Payee,

and

(b) the expenses and costs incurred or paid by Secured Party in the preservation, enforcement and realization of the rights of Secured Party and the duties of Debtor pursuant to said obligations and under this Security Agreement including, without limitation, attorneys' fees, court costs, litigation expenses, foreclosure expenses, witness fees, and expert witness fees,

and

(c) the expenses and costs incurred or paid by Secured Party to preserve, maintain, and rehabilitate the collateral,

and

(d) the expenses and costs incurred or paid by Secured Party in performing the duties of Debtor pursuant to said obligations and under this Security Agreement for the account of Debtor.

3. DESCRIPTION OF COLLATERAL.

1983 Manatee Mobile Home Serial #093813S5523D

Together with the proceeds, insurance proceeds, substitutions, replacements, accessions and products thereof or pertaining thereto.

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4. CLASSIFICATION OF COLLATERAL. Debtor acknowledges that, at the time said security interest attaches, the collateral is consumer goods, a house trailer.

5. TAXES, ASSESSMENTS AND LIENS. Debtor agrees to pay prior to delinquency all taxes, charges, encumbrances, liens and assessments against the collateral and, upon the failure of Debtor to do so, Secured Party may, at his option, pay any of the same and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Debtor shall reimburse Secured Party on demand for any amounts paid by Secured Party pursuant to this Paragraph 6, together with interest thereon at the rate of seven percent (7%) per annum from the date of payment until the date of reimbursement.

6. DEFINITION OF DEFAULT. The occurrence of any of the following shall be a default under this Agreement by Debtor:

- a. failure of Debtor to pay when due any obligation secured hereby,
- b. breach by Debtor of any warranty, covenant or representation contained herein,
- c. filing of a petition by or against Debtor under any state or federal law relating to the relief of debtors,
- d. attachment or levy on any property of Debtor,
- e. any significant or material or substantial change in the financial condition of Debtor,
- f. the collateral becomes, in the opinion of the Secured Party, inadequate or unsatisfactory, or
- g. the death, insolvency or cessation of business by debtor or by any surety or guarantor of any obligation of Debtor to Secured Party.

7. ACCELERATION. Upon the occurrence of default, Secured Party may, at her option, declare immediately due and payable all obligations of Debtor to Secured Party, and the same shall thereupon become immediately due and payable without notice to or demand on Debtor.

8. REMEDIES. The rights, powers and remedies given to Secured Party by this Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any statute or rule of law. Any forbearance or failure or delay by Secured Party in exercising any right, power or remedy hereunder, shall not be deemed to be waiver of any other right, power or remedy, nor as a continuing waiver.

9. LIABILITY. In all cases wherein this Agreement is executed by more than one person as Debtor or Secured

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Party, as the case may be, shall be construed to include the plural and the obligations of Debtor and rights of Secured Party are joint and several.

10. INSURANCE. The collateral will be insured by Debtor against all risks commonly insured by owners of like collateral and those which Secured Party may designate, with policies acceptable to Secured Party and with both Debtor and Secured Party as named insureds thereunder as their interests may appear. Debtor agrees to pay when due all premiums on said policies of insurance. If Debtor should fail to produce and maintain said insurance policies, Secured Party may, at her option, procure and maintain them. Debtor shall reimburse Secured Party for any sums advanced by Secured Party hereunder, on demand, together with interest thereon at seven percent (7%) per annum from the date paid until the date of reimbursement.

11. LOCATION OF COLLATERAL. Debtor warrants and acknowledges that the collateral will not be removed from its present location without prior written consent of Secured party.

12. TRANSFER OF COLLATERAL. Debtor will not sell or transfer nor suffer any sale or transfer of the collateral, nor any part thereof, nor any interest of Debtor therein.

13. ACCELERATION. IN THE EVENT THE SECURITY DEFINED HEREIN IS IN ANY WAY SOLD, TRANSFERRED, ASSIGNED OR ENCUMBERED, THE ENTIRE PRINCIPAL BALANCE AND INTEREST THEN DUE ON THE PROMISSORY NOTE WHICH THIS AGREEMENT SECURES, SHALL BECOME DUE AND PAYABLE.

14. USE AND PROTECTION OF COLLATERAL. The collateral will not be used for any unlawful purpose, not be used for hire, nor be used in any that will void any insurance required to be carried in connection therewith. Debtor will keep the collateral free and clear of all liens, encumbrances and claims of third parties. Debtor will maintain the collateral in good order and condition. Debtor will, at Debtor's own expense, comply with all federal, state and municipal laws, rules, regulations and ordinances which apply to the owner, possessor or user of such collateral.

15. TIME. Time is of the essence of this Agreement.

16. BINDING EFFECT. This Agreement shall insure to the benefit of, and be binding upon, the heirs, assigns, transferees, personal representatives and successors in interest, in any capacity, of the parties hereto.

17. NOTICES. Any notice which either party hereto deems necessary, useful or desirable to give

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the other may be given by depositing the notice or a copy thereof in the United States mails addressed to such other party at the address shown herein. Receipt thereof by the addressee is conclusively presumed on the business day next following the dispatch thereof.

18. ACCESS. Secured Party shall have access to the Collateral at all reasonable times and places for purposes of inspection and classification.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Security Agreement the day and year first above written at the place specified.

DEBTOR:

*Robert Greer Austin*  
 Robert Greer Austin  
*Sharon Joan Austin*  
 Sharon Joan Austin

SECURED PARTY:  
*James D. Walters*  
 James D. Walters  
*Faye L. Walters*  
 Faye L. Walters

STATE OF Nevada )  
 ) : ss  
 COUNTY OF Douglas )

On September 3, 1996, personally appeared before me, a Notary Public, Robert Greer Austin and Sharon Joan Austin and Sharon Joan Austin who acknowledged that they executed the above instrument.



*Karen Pawloski*  
 Notary Public

STATE OF NEVADA )  
 ) : ss  
 COUNTY OF DOUGLAS )

On August 30, 1996, personally appeared before me, a Notary Public and JAMES D. WALTERS AND FAYE L. WALTERS who acknowledged that they executed the above instrument.



*Marilyn L. Bigham*  
 Notary Public

REQUESTED BY  
**FIRST AMERICAN TITLE CO.**  
 IN OFFICIAL RECORDS OF  
 DOUGLAS CO., NEVADA

'96 SEP -4 P3:30

LINDA SLATER  
 RECORDER  
 \$24 PAID K2 DEPUTY

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