

SECURITY AGREEMENT

THIS AGREEMENT is made this 26th day of August, 1997,  
by and between the VITA SLOAN, TRUSTEE OF THE VITA SLOAN FAMILY TRUST DATED 3-27-97  
hereinafter collectively referred to as: "Secured Party," and ~~RANDALL WILLS~~  
AND SHERRY L. WILLS, hereinafter collectively referred  
to as "Debtor."

1. GRANTING OF SECURITY INTEREST, COLLATERAL: Debtor, for valuable consideration, receipt of which is hereby acknowledged, grants conveys and transfers to Secured Party a security interest in the property and all accessories, parts and equipment now or hereafter affixed thereto listed in Exhibit "A" hereto, situated on that real property and improvements located in Douglas County, Nevada, to secure payment of: (a) a Promissory Note executed by Debtor to Secured Party, of even date herewith, in the principal sum of \$70,000.00, together with interest and any other charges as therein provided, (hereinafter referred to as "Note"), a copy of which Note is attached hereto as Exhibit "B" and incorporated herein by this reference; (b) extensions or further advances by Secured Party to Debtor; and (c) all other liabilities, primary, secondary, direct, contingent or that may be later contracted or acquired and due or to become due from Debtor to Secured Party. Such property shall be herein collectively referred to as the "Collateral".

2. WARRANTIES: Debtor hereby warrants and agrees that:

(a) To the extent, if any, that Debtor advises Secured Party that any of the Collateral is being acquired with the proceeds of the Note, such proceeds may be disbursed by Secured Party directly to the Seller of such Collateral.

(b) Collateral shall be kept on the real property in Douglas County, Nevada, and shall not be moved without the prior written consent of Secured Party.

(c) At the close of escrow under the Purchase Agreement and Escrow Instructions, dated August 26, 1997, Debtor shall have full title to Collateral and shall at all times keep Collateral free of all liens and claims whatsoever, other than the security interest hereunder.

(d) Debtor shall from time to time, at the request of Secured

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Party, execute or join in executing such financing statements and other documents, pay the cost of filing or recording the Statements and documents in all public offices deemed necessary by Secured Party, and do such other acts as Secured Party may request to perfect, establish and maintain a valid security interest in Collateral, including, without limiting any of the foregoing, deposit with Secured Party of any certificate of title issuable with respect to any of Collateral and notation thereon of the security interest hereunder.

(e) Debtor shall not sell, transfer, lease or otherwise dispose of any of Collateral or any interest therein except with the prior written consent of Secured Party.

(f) Debtor shall at all times keep Collateral in good order and repair, excepting any loss, damage or destruction that is fully covered by proceeds of insurance or that result from ordinary use.

(g) Debtor shall at all times keep Collateral insured against loss, damage, theft and other risks, in such amounts, with such companies, and under such policies, and in the same form as part of the insurance required by the deed of trust which also secures the payment of the Promissory Note secured hereby. Such policies shall provide that loss thereunder shall be payable to Secured Party as mortgagee and loss payee as Secured Party's interest appears, and Secured Party may apply any proceeds of such insurance that may be received by Secured Party to payment of any of the liabilities of Debtor to Secured Party regardless of whether due. Such application of proceeds may be made in such order as Secured Party determines proper. Such policies of insurance or certified copies thereof and receipts for payment of premiums shall be deposited with Secured Party.

(h) Secured Party may examine and inspect Collateral or any part thereof, wherever located, at any reasonable time, with or without prior notice of Debtor.

(i) Debtor will defend Collateral against claims and demands of all persons.

3. USE OF COLLATERAL: Until default hereunder, Debtor may have possession of Collateral and use the same in any lawful manner not inconsistent with

the Note and this Agreement or with any policy of insurance on any of Collateral.

4. REIMBURSEMENT OF EXPENSES: Debtor nominates and appoints Secured Party as attorney in fact to perform any obligation of Debtor hereunder that Debtor fails to perform, and to do all acts and things that Secured Party deems necessary and advisable, for the maintenance or preservation of any of the Collateral or the interest of Secured Party therein. Debtor shall immediately reimburse Secured Party for all expenses incurred by Secured Party in connection with the foregoing, together with interest thereon at the rate per annum from the date incurred.

5. DEFAULT: The occurrence of any of the following events shall constitute a default:

(a) Nonpayment, when due, of any amount payable hereunder or failure of any Debtor to perform any Agreement contained herein; or

(b) Default under the Note secured hereby or under the Deed of Trust securing said Note; or

(c) If default be made in the payment of any installment of principal or interest or obligation, in accordance with the terms of any note or notes secured by this security agreement or in the performance of any of the covenants, promises or agreements contained herein.

(d) Any material, false or misleading statement, representation or warranty of Debtor herein or in any other writing at any time furnished by Debtor to Secured Party; or

(e) If Debtor becomes insolvent or makes a general assignment for the benefit of creditors; or consents to or applies for the appointment of a trustee or receiver for the Collateral, or any part thereof; or if a trustee or receiver is appointed for the collateral, or any part thereof; or if a trustee or receiver is appointed for the Collateral, or any part thereof; or

(f) IN THE EVENT THE COLLATERAL, OR ANY PART THEREOF, OR ANY INTEREST THEREIN, IS SOLD, AGREED TO BE SOLD BY CONTRACT OF SALE OR OTHERWISE CONVEYED OR ALIENATED BY ANY DEBTOR; OR

(g) IF THE DEBTOR SHALL BE DIVESTED OF TITLE IN ANY MANNER OR WAY, WHETHER VOLUNTARILY OR INVOLUNTARILY, OR BY THE OPERATION OF LAW OR OTHERWISE; OR

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If a Petition in bankruptcy or for any debtor relief under the Bankruptcy Code is filed by or against the Debtor the obligation secured hereby are automatically accelerated.

6. REMEDIES: On any default hereunder, all remaining installments on the Note shall, at the option of Secured Party, become immediately due and payable, and Secured Party may exercise at any time any rights and remedies available to it under Nevada Revised Statute 104.9101 to Nevada Revised Statute 104.9506 or other applicable law of the State of Nevada; in addition, in case of default, Secured Party is entitled to take possession of Collateral or any part of it and to perform all of the operations that Debtor has agreed to perform, and to take any other measures that Secured Party may deem necessary for the care, protection or preservation of the Collateral. After any default, Secured Party may require Debtor to assemble at the expense of Debtor all of Collateral at a convenient place acceptable to Secured Party and shall pay all costs incurred by Secured Party in collecting on said Note and enforcing the rights, of Secured Party hereunder, including reasonable attorney's fees, legal expenses and costs and expenses of any repairs to any real or other property to which any of Collateral be affixed.

To the extent that notice of intended disposition of any Collateral is required by law, such notice, if mailed, shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, postage prepaid, addressed to Debtor at the location appearing on the records of Secured Party. The proceeds of disposition of the Collateral shall be applied as provided in the Nevada Uniform Commercial Code (Nevada Revised Statute 104.9504), and any balance of such proceeds may be applied by Secured Party to the Payment of other liabilities of Debtor to Secured Party, and in such order of application, as Secured Party may from time to time elect.

7. NOTICE: Debtor hereby waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever. Secured Party may from time to time extend or renew the Note for any period, regardless of whether for a longer period than the original period thereof, and grant any releases, compromises, or indulgences with respect to the Note, any extension or renewal thereof, or any security therefor or to any party liable thereunder or hereunder, all without notice to or consent of Debtor and without affecting the liability of Debtor under the Note and this agreement.

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8. WAIVER: No delay by Secured Party in the exercise of any right or remedy under the Note and this Agreement shall operate as a waiver thereof, and no single or partial exercise by Secured Party of any such right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

9. CONSTRUCTION AND EFFECT: Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; however, if any such provision shall be prohibited by or invalid applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

10. SUCCESSORS AND ASSIGNS: The rights and privileges of Secured Party hereunder shall inure to the benefit of Secured Party's heirs, successors and assigns.

IN WITNESS WHEREOF, this agreement has been executed the day and year first above written.

SECURED PARTY:

Vita Sloan  
VITA SLOAN, Trustee  
of The Vita Sloan Family Trust Dated  
March 27, 1997

Address: 3566 Arcadia  
Carson City, Nev. 89705  
S.S.# [REDACTED] 4009

DEBTOR:

Randall Wills  
RANDALL WILLS  
Sherry L. Wills  
SHERRY L. WILLS

Address: \_\_\_\_\_  
S.S.# \_\_\_\_\_

STATE OF NEVADA )

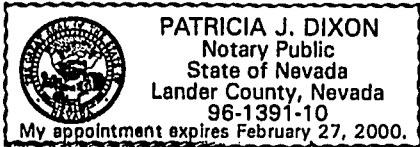
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COUNTY OF DOUGLAS )

On this 27th day of AUGUST, 1997,

personally appeared before me, a notary public, VITA SLOAN, who  
acknowledged to me that she executed the foregoing document.



*Patricia J. Dixon*  
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NOTARY PUBLIC

STATE OF NEVADA )

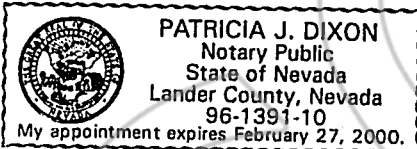
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COUNTY OF DOUGLAS )

On this 27th day of AUGUST, 1997,

personally appeared before me, a notary public, RANDALL WILLS & SHERRY L. WILLS  
who acknowledged to me that he executed the foregoing document.



*Patricia J. Dixon*  
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NOTARY PUBLIC

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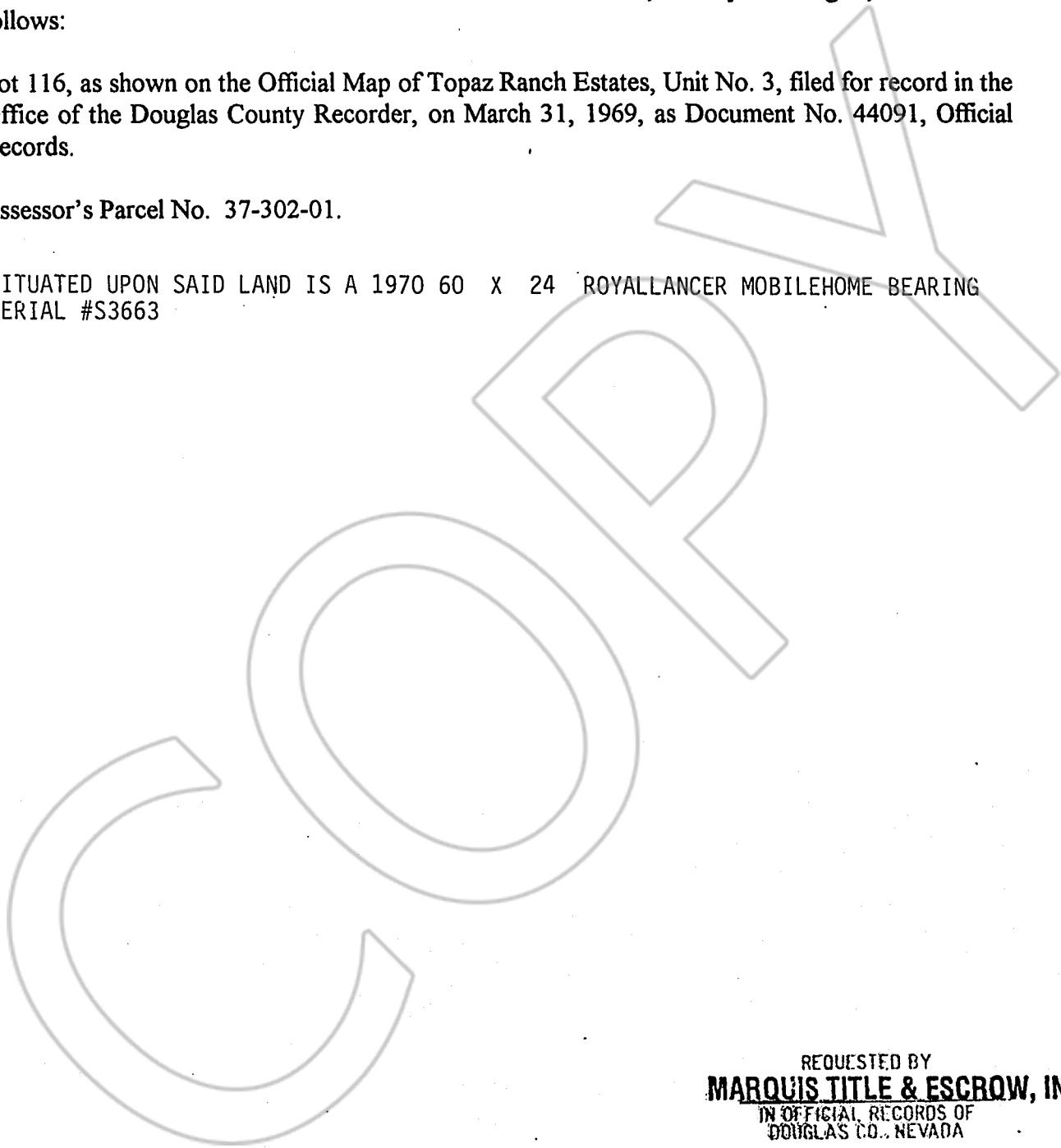
DESCRIPTION

The land referred to herein is situated in the State of Nevada, County of Douglas, described as follows:

Lot 116, as shown on the Official Map of Topaz Ranch Estates, Unit No. 3, filed for record in the Office of the Douglas County Recorder, on March 31, 1969, as Document No. 44091, Official Records.

Assessor's Parcel No. 37-302-01.

SITUATED UPON SAID LAND IS A 1970 60 X 24 ROYALLANCER MOBILEHOME BEARING SERIAL #S3663



REQUESTED BY  
**MARQUIS TITLE & ESCROW, INC.**  
IN OFFICIAL RECORDS OF  
DOUGLAS CO., NEVADA

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LINDA SLATER  
RECORDER

\$27<sup>00</sup> PAID *K* DEPUTY