

Recording Requested By  
WELLS FARGO BANK, N.A.  
After Recording, Return To:  
Wells Fargo Bank, N.A.  
P. O. Box 949  
Modesto, CA 95353  
Attention: Loan Support Group

114892

AGREEMENT WITH LANDLORD

THIS AGREEMENT WITH LANDLORD is made and entered into this 5th day of November, 1987, by and among WELLS FARGO BANK, N.A., a national banking association ("Bank"), M. VAN VLIET & SONS, INC. ("Debtor") and VAN VLIET BROS., INC. ("Landlord").

WHEREAS, Landlord is the owner of that certain real property in the County of Eureka, State of Nevada, the legal description of which is set forth in Exhibit "A" attached hereto and incorporated herein by this reference ("Property"), and Debtor is leasing the Property from Landlord;

WHEREAS, Debtor has requested Bank to enter into or refrain from terminating a Security Agreement in the form of Exhibit "B" attached hereto ("Security Agreement") pursuant to which, among other things, Debtor has granted Bank a security interest in all inventory of Debtor, now owned or hereafter acquired, wherever located, together with all products and proceeds thereof ("Collateral"), all or a portion of which is now or may be hereafter located on the Property;

WHEREAS, Bank has agreed to enter into or refrain from terminating the Security Agreement and other agreements and instruments in connection therewith, on the condition, among others, that Landlord and Debtor execute this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Landlord hereby represents and warrants that Landlord has no right, title, claim or interest in or to any of the Collateral and that any rights (whether under any lease with Debtor or otherwise) Landlord may hereafter acquire in or to the Collateral shall be junior and subordinate to the rights of Bank therein. Landlord further represents and warrants that Landlord has received no notice from any person or entity other than Bank of any claim of right, title or interest in or to any of the Collateral.

*See Bk. 206 Pg. 165  
for Release of Agreement  
with Landlord*

2. Landlord shall promptly notify Bank in writing of each of the following events:

(a) any notice which Landlord may give to Debtor regarding any breach of the lease or any other contract relating to the Property, or any termination of any of Debtor's rights to use, lease or remain in possession of the Property;

(b) any legal action which Landlord may commence to evict Debtor from the Property or to terminate or limit any of Debtor's rights to use, lease or remain in possession of the Property;

(c) any abandonment by Debtor of the Property or any of the Collateral; and

(d) any change in ownership of the Property, and the name and address of each new owner of the Property.

3. Notwithstanding any failure by Debtor to perform any of its obligations to Landlord under any lease of the Property or otherwise, Landlord hereby grants and conveys to Bank the following rights and licenses which shall be separate and independent of any rights or lease of Debtor relating to the Property and which shall be superior to all such rights and lease interests of Debtor:

(a) the right and license at any time to enter the Property and to possess and use the Property for the purpose of exercising any of its rights, powers or remedies with respect to Debtor or any Collateral, whether under the Security Agreement or otherwise available to Bank by contract or law, including without limitation the right to remove any and all Collateral from the Property, to complete any work in process which consists of Collateral and to take such other action with respect to any and all of the Collateral which Bank desires;

(b) the right and license at any reasonable time to conduct on the Property auctions or private exhibitions and sales of any or all of the Collateral and to exercise any other creditor rights of Bank under the Nevada Commercial Code on the Property; and

(c) all other rights and licences granted to Debtor by Landlord under any lease of the Property.

4. Debtor hereby agrees that Landlord may comply with the terms hereof without violating any of its obligations to Debtor or to any of Debtor's subtenants, successors or assigns, and Debtor hereby agrees to indemnify Landlord and hold Landlord harmless from and against any and all costs, liabilities, claims, causes of action and expenses (including reasonable attorneys' fees) which Landlord may incur in complying with any terms hereof. Debtor

hereby irrevocably authorizes Landlord to comply with any instructions or directions which Bank may give to Landlord hereunder or in connection with the exercise of any of Bank's rights, remedies or interests regarding any Collateral or any other matters referred to in or arising out of the Security Agreement.

5. If Bank remains in possession of the Property to complete work in process and/or conduct an auction or other sale, or to exercise any other right available to Bank hereunder, Bank agrees to pay rent to Landlord for Bank's use of the Property, determined at the same rate as that paid by Debtor to Landlord at the time Bank takes physical possession of the Property, provided however, that Bank shall only be obligated to pay rent from the time Bank takes physical possession of the Property until the date Bank relinquishes possession of the Property. Bank shall reimburse Landlord for any physical damage to the Property actually caused by Bank during any period when Bank is in possession of the Property. Landlord acknowledges that Bank shall not be liable for any diminution in value of the Property during the period of time in which Bank has physical possession of the Property.

6. No delay or failure of Bank in exercising any right, power, privilege or remedy hereunder or under the Security Agreement shall affect such right, power, privilege or remedy; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, privilege or remedy. The rights and remedies of Bank hereunder are cumulative and not exclusive. Any waiver, permit, consent or approval of any kind by Bank of any breach or default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in such writing.

7. Landlord and Debtor jointly and severally agree to reimburse Bank for all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in the enforcement of this Agreement with Landlord or in actions for declaratory relief in any way related to this Agreement with Landlord.

8. This Agreement With Landlord constitutes the entire agreement among the parties and may be amended or modified only in writing signed by all of the parties. The representations, warranties and agreements of the parties herein shall continue unless so amended or modified as long as Bank has any interest in any of the Collateral.

9. This Agreement With Landlord shall be governed by and construed in accordance with the laws of the State of Nevada, and

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State of California

County of Stanislaus

SS.

CORPORATION ACKNOWLEDGEMENT

On this 30th day of November, in the year 1987, before me

Betty C. Dodge

a Notary Public

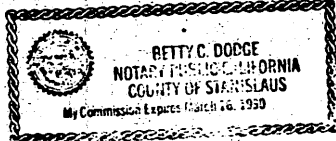
in and for the said State, residing therein, duly commissioned and sworn, personally appeared

Leo Van Vliet

personally known to me (proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President

on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in and for said County and State, the day and year first above written.



NP 003 (10/83) 50/PAD 81300

Betty C. Dodge
NOTARY PUBLIC IN AND FOR SAID STATE OF CALIFORNIA

My Commission Expires March 16, 1990

State of California

County of Stanislaus

SS.

CORPORATION ACKNOWLEDGEMENT

On this 1st day of December, in the year 1987, before me

Betty C. Dodge

a Notary Public in and for the said State, residing therein, duly commissioned and sworn, personally appeared

Marion Van Vliet

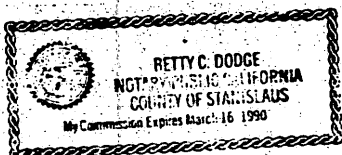
personally known to me (proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as Secretary and Treasurer

President or Vice-President

Secretary or Assistant Secretary

on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in and for said County and State, the day and year first above written.



NP 003 (10/83) SGP/PAID 81300

Betty C. Dodge  
NOTARY PUBLIC IN AND FOR SAID STATE OF CALIFORNIA

My Commission Expires March 16, 1990

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State of California

County of Stanislaus

CORPORATION ACKNOWLEDGEMENT

ss.

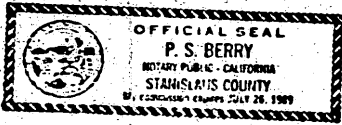
On this 20th day of November, in the year 1987, before me

P. S. BERRY, a Notary Public in and for the said State, residing therein, duly commissioned and sworn, personally appeared

Rugo Van Vliet and [redacted] personally known to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and [redacted]

on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in and for said County and State, the day and year first above written.



[Signature of P. S. Berry]

NOTARY PUBLIC IN AND FOR SAID STATE OF CALIFORNIA

My Commission Expires July 26, 1989

NP 003 (10/83) 50/PAD 81300

State of California

CORPORATION ACKNOWLEDGEMENT

County of Stanislaus

ss.

On this 20th day of November, in the year 1987, before me

P. S. BERRY

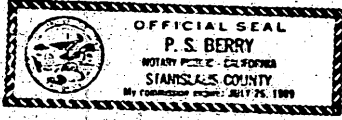
a Notary Public in and for the said State, residing therein, duly commissioned and sworn, personally appeared

Karen S. Dunlap

and personally known to me (proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as Vice President

on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in and for said County and State, the day and year first above written.



NP 003 (10/83) SQPAD 81300

[Signature of P. S. Berry]

NOTARY PUBLIC IN AND FOR SAID STATE OF CALIFORNIA

My Commission Expires July 26, 1989

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shall inure to the benefit of and be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the parties.

10. All notices, requests and demands given to or made upon the parties hereto must be in writing and shall be deemed to have been given or made when personally delivered or two (2) days after any of the same are deposited in the U.S. mail, postage prepaid, sent to the address set forth below after the signature of each party, or to such other address as any party may designate by written notice to all other parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement With Landlord as of the day and year first written above.

WELLS FARGO BANK, N.A.

By: K S R  
Karen S. Duhlap  
Title: Vice President

Address: 1120 K Street  
P. O. Box 949  
Modesto, CA 95353

LANDLORD:  
VAN VLIET BROS., INC.

Leo Van Vliet  
Leo Van Vliet  
Marion Van Vliet  
Marion Van Vliet

Address: 23234 Lone Tree  
Escalon, Ca. 95320

DEBTOR:

M. VAN VLIET & SONS, INC.

By: Leo Van Vliet  
Title: Pres

Address: 15799 Carrolton Road  
Escalon, CA 95320

(ATTACH PROPER NOTARIAL ACKNOWLEDGMENTS)

C-301 (Revised 08/84)



EXHIBIT "A"

PLEASE  
INITIAL

*MD* *200*  
*BD* *M.V.D.*

Township 20 North, Range 53 East, MDB&M, Section 21, Lots  
3,4,5,6,12,13,14,15; Section 28 Lots 1,2,3,4,5,6,7,11,  
Eureka Co., Nevada.

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## CONTINUING SECURITY AGREEMENT

EXHIBIT B  
PLATE  
14/11/12

WELLS FARGO

## Rights to Payment and Inventory

For valuable consideration, the undersigned M. VAN VLIET & SONS, INC. or any of them ("Debtor"), hereby represents, warrants and agrees to the following:

1. **GRANT OF SECURITY INTEREST.** Debtor grants and transfers to Wells Fargo Bank, N.A. (Secured Party, hereinafter called "Bank") a security interest in all accounts, deposit accounts, accounts receivable, chattel paper, instruments, documents and general intangibles as defined in the California Uniform Commercial Code-Secured Transactions (collectively called "Rights to Payment"), now existing or at any time hereafter arising (whether they arise from the sale, lease or other disposition of inventory or from performance of contracts for services, manufacture, construction, repair or otherwise or from any other source whatsoever), including all securities, guaranties, warranties, indemnity agreements, insurance policies and other agreements pertaining to the same or the property described therein, and in all goods returned by Debtor's customers, together with a security interest in all inventory, goods held for sale or lease or to be furnished under contract of service, goods so leased or furnished, raw materials, component parts, work in process or materials used or consumed in Debtor's business, now or at any time hereafter, and prior to the termination hereof, owned or acquired by Debtor, wherever located, and all products thereof (hereinafter called "Inventory"), whether in the possession of Debtor, warehousemen, bailees or any other person and whether located at Debtor's places of business or elsewhere, together with whatever is receivable or received when any of the foregoing or the proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of; whether such disposition is voluntary or involuntary, including without limitation all Rights to Payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all Rights to Payment with respect to any cause of action affecting or relating to any of the foregoing (hereinafter called "Proceeds").

2. **OBLIGATIONS SECURED.** The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank; (b) all obligations of Debtor and rights of Bank under this Agreement; and (c) all present and future obligations of Debtor to Bank of other kinds. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Debtor may be liable individually or jointly, or whether recovery upon such Indebtedness may be or hereafter become unenforceable.

3. **TERMINATION.** This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation the payment of all Indebtedness of Debtor to Bank existing or committed by Bank at the time Bank receives written notice of withdrawal of this Agreement by Debtor.

4. **OBLIGATIONS OF BANK.** Bank has no obligation to make any loans hereunder. While Debtor is not in default, Bank will, except to the amount of contingent liabilities secured hereby, either release or apply to any debt secured hereby, at Bank's option, all security in the form of cash or irrevocable bank credit. Any sums withheld to secure contingent liabilities may be deposited at Bank's option in a non-interest bearing account over which Debtor shall have no control.

5. **WARRANTIES OF DEBTOR.** Debtor represents and warrants: (a) Debtor owns and has possession of all Inventory; (b) Debtor has the right to grant a security interest in the Rights to Payment, Inventory and Proceeds; (c) all Inventory is genuine, free from liens and adverse claims; (d) insurance covering Inventory has been obtained with loss payable to Bank; (e) all Rights to Payment and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except as otherwise disclosed to Bank in writing; (f) all persons appearing to be obligated on Rights to Payment have authority and capacity to contract and are bound as they appear to be; (g) all property subject to chattel paper has been properly registered and filed in compliance with law and to perfect the interest of Debtor in such property; (h) where required by Rights to Payment, insurance has been obtained with loss payable to Bank; (i) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable Federal Reserve Regulation Z and any State consumer credit laws; (j) all statements herein and in Rights to Payment are true and complete; and (k) no Financing Statement covering any of the Rights to Payment, Inventory or Proceeds, and naming any secured party other than Bank, is on file in any public office.

6. **COVENANTS OF DEBTOR.**

A. **Debtor Agrees in General:** (a) to pay Indebtedness secured hereby when due; (b) to indemnify Bank against all loss, claims, demands and liabilities of every kind caused by property subject hereto; (c) to pay all expenses, including attorneys' fees, incurred by Bank in the perfection, preservation, realization, enforcement and exercise of its rights, powers and remedies hereunder; (d) to permit Bank and its designees at all reasonable times to inspect Debtor's books, records and properties and to audit and make copies or extracts from such books and records; (e) to permit Bank to exercise its powers; (f) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (g) not to permit any liens on Rights to Payment, Inventory or Proceeds except in favor of Bank; (h) to conduct all business efficiently and without voluntary interruption; (i) to preserve all rights, privileges and franchises held and used in its business; (j) to keep its business properties in good repair; (k) to pay when due all taxes and other

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indebtedness of Debtor to whomever owing; (l) to give Bank notice of any litigation which may have a material adverse effect on its business; (m) not to permit liens on its properties, except existing liens, liens for taxes not delinquent and purchase money liens, except as hereinafter provided and incurred in the ordinary course of business; and (n) not to change its chief place of business or the place where Debtor keeps any of its Inventory or Debtor's records concerning Rights to Payment, Inventory and Proceeds without first giving Bank written notice of the address to which Debtor is moving same.

8. **Debtor Agrees with Regard to Rights to Payment, Inventory and Proceeds:** (a) to insure Inventory with Bank as loss payee, in form and amounts, under agreements, against risks and liabilities with insurance companies satisfactory to Bank; (b) not to use any Inventory for any unlawful purpose nor to use any Inventory in any way that would void any insurance required to be carried in connection therewith; (c) not to remove Inventory from Debtor's premises without the prior written consent of Bank and upon such terms and conditions as Bank may require, except for deliveries to buyers in the ordinary course of business; (d) not to sell Inventory except to buyers in the ordinary course of business and except Inventory which consists of mobile goods as defined in the California Uniform Commercial Code, in which case Debtor agrees not to remove or permit the removal of the Inventory from its state of domicile for a period in excess of thirty (30) calendar days; (e) to furnish reports to Bank of all acquisitions, returns, sales and other dispositions of Inventory in such form and detail and at such times as Bank may require; (f) to permit Bank to inspect Inventory at any time; and (g) to do all acts which may be necessary to maintain, preserve and protect all Inventory and to keep all Inventory in good and salable condition in accordance with the standards and practices adhered to generally by users and manufacturers of like Inventory.

Unless Bank elects to exercise its right and power to do so, Debtor agrees: (a) if requested by Bank, to receive and use reasonable diligence to collect, in trust and as the property of the Bank, all Rights to Payment and Proceeds and to immediately endorse as appropriate and deliver such Rights to Payment and Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (b) not to commingle Rights to Payment, Proceeds or collections thereunder with other property; (c) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect Rights to Payment or Proceeds; (d) on demand, to deliver to Bank returned property resulting from, or payment equal to such allowances or credits on Rights to Payment or to execute such documents and do such things as Bank may reasonably request for the purpose of perfecting, preserving and enforcing its security interest in such returned property; (e) to keep, in accordance with generally accepted accounting principles consistently applied, complete and accurate records regarding all Rights to Payment, Inventory and Proceeds; (f) from time to time, when requested by Bank, to prepare and deliver a schedule of all Rights to Payment, Inventory and Proceeds subject to this Agreement and to assign in writing and deliver to Bank all accounts, contracts, leases and other chattel paper, instruments, documents and other evidences thereof; (g) not to sell, hypothecate or otherwise dispose of any Rights to Payment or Proceeds subject hereto at any time, except to Bank; (h) in the event Bank elects to receive payments under Rights to Payment or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; and (i) to provide any service and do any other acts or things necessary to keep Rights to Payment, Inventory and Proceeds free and clear of all defenses, rights of offset and counterclaim.

7. **POWERS OF BANK.** Debtor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to give notice of Bank's right under the Rights to Payment or in Inventory and Proceeds, to enforce the same, and make extension agreements with respect thereto; (c) to enter onto Debtor's premises in inspecting Inventory; (d) to release persons liable on the Rights to Payment and Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (e) to release security; (f) to resort to security in any order; (g) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Rights to Payment, Inventory and Proceeds; (h) to receive, open and read mail addressed to Debtor; (i) to take cash, instruments for the payment of money and other property to which Bank is entitled; (j) to verify facts concerning Rights to Payment, Inventory and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (k) to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Rights to Payment or Proceeds; (l) to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which Proceeds may have been deposited, and to apply funds so withdrawn to payment of the Indebtedness; (m) to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness or replacement of the Inventory; (n) to preserve or release the interest evidenced by chattel paper to which Bank is entitled hereunder and to endorse and deliver evidences of titles incidental thereto; (o) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, under all Rights to Payment, Inventory and Proceeds subject to this Agreement; and (p) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. **PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS.** Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Rights to Payment, Inventory and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately without demand, together with interest at a rate determined in accordance with the provisions of Section 12 herein, and shall be secured by the Rights to Payment, Inventory and Proceeds, subject to all the terms and conditions of this Agreement.

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**9. EVENTS OF DEFAULT.** The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness, or (ii) any other agreement between any Debtor and Bank, including without limitation any Credit Agreement or Letter Agreement relating to or executed in connection with any Indebtedness; (b) any representation or warranty made by any Debtor herein shall prove to be at any time incorrect in any material respect; (c) any Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any attachment or lien levy on any property of any Debtor; (e) any financial statement provided by any Debtor to Bank proves false; (f) Bank, in good faith, believes any or all of the Rights to Payment, Inventory and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value; and (g) any sale or transfer of all or a substantial or material part of any Debtor's assets other than in the ordinary course of business.

**10. REMEDIES.** Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, privileges, powers and remedies provided by law, including without limitation the right to contact all persons obligated to Debtor on Rights to Payment or Proceeds and to instruct such persons to deliver all Proceeds directly to Bank. The rights, privileges, powers and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. While Debtor is in default: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of Inventory; (b) Debtor will not dispose of Rights to Payment or Inventory except on terms approved by Bank; (c) Debtor will assemble and deliver all Rights to Payment, Inventory and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Debtor, enter onto Debtor's premises and take possession of the Inventory. It is agreed that public or private sales, for cash or on credit, to a wholesaler or retailer or investor, or user of collateral of the types subject to this Security Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales.

**11. DISPOSITION OF RIGHTS TO PAYMENT, INVENTORY AND PROCEEDS.** Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Rights to Payment, Inventory or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all the rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Rights to Payment, Inventory or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of the Rights to Payment, Inventory or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness and in such order of application as Bank may from time to time elect.

**12. COSTS, EXPENSES AND ATTORNEYS' FEES.** All payments, advances, charges, costs and expenses, including reasonable attorneys' fees, made or incurred by Bank in exercising any right, power, privilege or remedy conferred by this Agreement or in the enforcement thereof, shall be paid to Bank by Debtor immediately and without demand, together with interest at a rate per annum equal to the greater of ten percent (10%) or the Bank's Prime Rate in effect from time to time. The "Prime Rate" is a base rate that the Bank from time to time establishes and which serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto.

**13. MISCELLANEOUS.** The obligations of Debtor are joint and several; presentment, protest, notice of protest, notice of dishonor and notice of nonpayment are waived with respect to any Proceeds to which Bank is entitled hereunder; any right to direct the application of payments or security for Indebtedness of Debtor hereunder, or Indebtedness of customers of Debtor, and any right to require proceedings against others or to require exhaustion of security are waived; and consent to extensions, forbearances or alterations of the terms of Indebtedness, the release or substitution of security, and the release of guarantors is given with respect to Proceeds subject to this Agreement; provided however, that in each instance, Bank believes in good faith that the action in question is commercially reasonable in that it does not unreasonably increase the risk of nonpayment of the Indebtedness to which the action applies.

**14. OBLIGATIONS OF MARRIED PERSONS.** Any married person who signs this Agreement as Debtor hereby expressly agrees that recourse may be had against his or her separate property for all of his or her Indebtedness to Bank secured by the Rights to Payment, Inventory and Proceeds under this Agreement.

**15. NOTICES.** All notices or demands of any kind which Bank may be required or desires to serve upon Debtor under the terms of this Agreement shall be served upon Debtor by personal service or by mailing a copy thereof by first class mail, postage prepaid, addressed to Debtor at the address set forth below. Service by mail shall be determined to be complete at the expiration of the second day after the date of mailing.

**16. GOVERNING LAW; SUCCESSORS, ASSIGNS.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, and shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties.

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17. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

Debtor warrants that its chief executive office is located at the following address:

15799 Carrolton Rd.  
Escalon, Ca. 95320  
\_\_\_\_\_  
\_\_\_\_\_

DATED: November 5, 1987

Debtor warrants that its Inventory, except inventory in transit, is located at the following additional business addresses (if none, state so):

See Exhibit A attached hereto, all terms  
of which are incorporated herein by this  
reference  
\_\_\_\_\_  
\_\_\_\_\_

M. VAN VLIET & SONS, INC.  
DEBTOR

By: *M. Van Vliet*  
SIGNATURE AND TITLE

By: \_\_\_\_\_  
SIGNATURE AND TITLE

COPY

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PLEASE  
INITIAL

*ll*  
→

EXHIBIT A

Township 20 North, Range 53 East, MDB&M, Section 21, Lots 3,4,5,6,12,  
13,14,15; Section 28 Lots 1,2,3,4,5,6,7,11, Eureka Co., Nevada.

RECORDED AT THE REQUEST OF  
*Walla Walla Bank N.A.*  
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'87 DEC -4 P3:42

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
M.N. REBALE  
FILE NO. *111852*  
FEE \$ *1.00*

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