

SECURITY AGREEMENT

A. CREATION OF SECURITY INTEREST: The undersigned, GERALD E. SESTANOVICH and CHERI SESTANOVICH, his wife, and GEORGE LEROY SESTANOVICH and SANDRA L. SESTANOVICH, his wife, all of Diamond Valley, Eureka, Nevada, herein referred to as "debtors," hereby grant to FLOYD C. SLAGOWSKI and CHARLENE S. SLAGOWSKI, his wife, of Pine Valley, Carlin, Nevada, hereinafter referred to as the "Secured Parties," a security interest in the collateral pursuant to the Nevada Uniform Commercial Code-Secured Transactions.

B. OBLIGATIONS SECURED: The obligations secured hereby are:

- (1) A Contract of Sale dated May 15, 1980; and
- (2) Any and all debts, obligations and liabilities of Debtors to Secured Parties heretofore, now or hereafter made, incurred, or created, whether voluntary or involuntary, liquidated or unliquidated, determined or undetermined, matured or not matured, contingent or absolute; and
- (3) The expenses and costs incurred or paid by Secured Parties in the preservation and enforcement of the rights of Secured Parties and the duties of Debtors hereunder, including, but not by way of limitation, attorneys' fees, court costs, witness fees, expert witness fees, collection costs, and costs and expenses incurred by Secured Parties in performing for Debtors account any obligation of Debtors, and all costs of retaking, storing, holding, preparing for sale, and selling the collateral.

C. DESCRIPTION OF COLLATERAL:

- (1) See Exhibit A attached hereto and incorporated herein;
- (2) All after-acquired property of the Debtors of the same description or kind with all substitution, increases, additions, repairs, and accessories thereto.

D. TERMS AND CONDITIONS:

- (1) Taxes, Assessments and Liens: Debtors agree to pay prior to delinquency, all taxes, charges, liens, and assessments against the collateral, and upon the failure of Debtors to do so, Secured Parties may, at their option, pay any of the same, and shall be the sole judges of the legality or validity thereof and the amount necessary to discharge the same. Debtors shall reimburse Secured Parties on demand for any amounts paid by Secured Parties hereunder, together with interest thereon at the rate of eight percent (8%) per annum, which shall be secured by this Security Agreement.
- (2) Definition of Default: The occurrence of any of the following shall be a default under this Agreement: (a) failure to pay when due any obligation secured hereby; (b) failure to perform any other obligation secured hereby when the same should be performed; (c) breach of any warranty, agreement, covenant, or representation contained herein; (d) filing of a petition by or against Debtors under any state or federal law relating to the relief of Debtors; (e) attachment or levy on any property of Debtors; (f) default by the Debtors in the performance of this Security Agreement; (g) the sale, or other disposal of the collateral or any part thereof, except by trade-in for collateral of at least

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the same nature and quality; (h) the giving by Debtors to any third person of a security interest in the collateral or any after acquired collateral of the same description.

(3) Acceleration: Subject to such notice as is required by the terms of the Note secured hereby, upon the happening of any event which permits acceleration under the terms of said Note or upon the occurrence of any default under said Note or hereunder, Secured Parties may, at their option, declare immediately due and payable all obligations of Debtors to Secured Parties, and the same shall thereupon become immediately due and payable without further notice to or demand on Debtors.

(4) Remedies: Secured Parties shall have all rights and remedies provided by the Uniform Commercial Code in effect in Nevada. The rights, powers and remedies given to Secured Parties by this Agreement shall be in addition to all rights, powers and remedies given to Secured Parties by virtue of any statute or rule of law. Any forbearance or failure or delay by Secured Parties in exercising any right, power or remedy shall not be deemed to be a waiver of any other right, power or remedy, nor as a continuing waiver.

(5) Liability: In all cases where this Agreement is executed by more than one person as Debtor, all reference to Debtor shall be construed to include the plural and the obligations and agreements of Debtors are joint and several.

(6) Power of Attorney: Debtors appoint Secured Parties the attorney in fact of Debtors to prepare, sign, file, and file for record this Agreement, a financing statement, or statements, application for registration or certificate of ownership or title, and like papers, and to take any other action deemed necessary, useful or desirable by Secured Parties to perfect Secured Parties' security interest hereunder.

(7) Insurance: The collateral will be insured against risks of theft, fire, collision, casualty, with extended coverage, as appropriate to the type of property in the amount of at least \$5,076.77, in such companies as shall be satisfactory to Secured Parties, and Debtors, with both Debtors and Secured Parties as named insureds thereunder as their interest may appear, with duplicate policies deposited with Secured Parties. Debtors agree to pay when due and before delinquent, all premiums on said policies of insurance. If Debtors should fail to procure and maintain said insurance policies, Secured Parties may procure and maintain them, at the option of Secured Parties. Any sums advanced by Secured Parties hereunder shall be payable to Secured Parties on demand with interest thereon at fifteen percent (15) per annum, and shall be secured by this Security Agreement.

(8) Location of Collateral: Debtors acknowledge, represent, and warrant that all collateral, now or hereafter acquired, will be kept on the Debtors' property purchased from the Secured Parties, and will not be removed therefrom without the prior written consent of the Secured Parties.

(9) Use and Protection of Collateral: The collateral will be used so as to avoid damage or destruction thereto, reasonable wear and tear excepted. The Debtors will keep the collateral free and clear of all liens, encumbrances, security interests and claims of third parties. Debtors will maintain the collateral in at least the same condition and repair as when sold to the Debtors by the Secured Parties.

(10) Proceeds: Proceeds are claimed.

(11) Time: Time is of the essence of this Agreement.

(12) Binding Effect: Except as otherwise expressly provided to the contrary herein, this Agreement shall inure to the benefit of and be binding upon the heirs, assigns, transferees, personal representatives and successors in interest of the parties hereto.

(13) Entire Agreement: This Agreement and papers representing the obligations secured hereby are the entire Agreement of the parties, and all prior negotiations are merged herein.

(14) Notices: Any notice which Secured Parties deem necessary, sary, useful, or desirable to give Debtors or required by the Nevada Uniform Commercial Code may be given by depositing the notice or a copy thereof in the United States mails addressed to Debtors at the address shown below. Receipt thereof by Debtors is conclusively presumed on the business day next following the dispatch thereof. The requirements of reasonable notice shall be met if mailed at least fifteen (15) days before the time of any sale or disposition.

(15) Secured Parties Right of Access: Secured Parties and their officers, agents, employees, servants, and attorneys, shall have the right of access to Debtors' property at all reasonable times and places for the purpose of inspecting the collateral, and to determine performance of this and all other Agreements and documents between these parties securing the obligations secured hereby.

(16) Sales of Collateral: Debtors shall not sell, lease, encumber, or give security interests in the collateral or any part thereof without the prior written consent of Secured Parties.

(17) Disposition of Proceeds of Sales: In the event of any default hereunder, then upon any request by Secured Parties, cash proceeds of sales by Debtors shall be immediately paid to Secured Parties in the form received by Debtors, and all non-cash proceeds of sales by Debtors shall be delivered to Secured Parties.

(18) Debtors warrant that except for the security interest herein granted, Debtors are the owners of the collateral free of all liens, encumbrances and security interest given by Debtors, except accruing taxes; that Debtors will defend the collateral against all claims and demands of all persons; that no financing statements covering any collateral, or any proceeds thereof, has been given by Debtors or filed pursuant to the Nevada Uniform Commercial Code.

Signed in duplicate on this _____ day of _____, 1980.

DEBTORS:

Gerald E. Sestanovich
GERALD E. SESTANOVICH

Cheri Sestanovich
CHERI SESTANOVICH

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George L. Roy Sestanovich
GEORGE LEROY SESTANOVICH

Sandra L. Sestanovich
SANDRA L. SESTANOVICH

ADDRESS: _____
Eureka, Nevada

SECURED PARTIES:

Floyd C. Slagowski
FLOYD C. SLAGOWSKI

Charlene S. Slagowski
CHARLENE S. SLAGOWSKI

ADDRESS: _____
Pine Valley, Carlin, NV
89822

EXHIBIT A

1. 1 Pump 1962 Western Land Roller, 10" discharge, Serial No. 26126
2. 1 Tractor, 1948 John Deere, Model A, Serial No. 588187
3. 1 Tool Bar, 1954 John Deere, 12" bar 0315
4. 1 Swather, N.H., with hay conditioner, 1900 speedrower Serial No. 1975
5. Grain Drill
6. 1 John Deere Bailer, Serial No. 7821
7. 1 Electric Welder, Serial No. TT25242

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Jerry Sestanovich
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EUREKA COUNTY, CALIF.
H.M. FILBEN, RECORDER
FILE NO. 136424
FEE \$9.00

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