

**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT, made this 16<sup>th</sup> day of September, 1996, by and between CHESTER L. HULL and MIRIAM HULL, husband and wife, hereinafter referred to as "Debtor," and JAMES E. DOTSON and LORRAINE B. DOTSON, husband and wife, hereinafter referred to as "Secured Party," it being understood that words used herein in any gender include all other genders, and singular numbers include the plural, and the plural the singular.

**WITNESSETH:**

That the Debtor grants to the Secured Party a security interest in all that certain personal property and any substitutions and replacements thereof described as follows and hereafter called the Collateral:

1. See Exhibit "B" attached hereto and made a part hereof.
2. All after-acquired property of the Debtor of the same description or kind with all substitutions, increases, additions, repairs, and accessories thereto.
3. Proceeds and products of all the foregoing.

The obligations secured hereby are:

1. A Promissory Note dated September 16<sup>th</sup>, 1996; and
2. Any and all debts, obligations, and liabilities of Debtor to Secured Party 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 by Secured Party in the preservation and enforcement of the rights of Secured Party, and the duties of Debtor hereunder, including but not limited to, attorney fees, court costs, collection costs and costs and expenses incurred by Secured Party in performing for Debtor's account any obligation of Debtor and all costs of retaking, storing, holding, preparing for sale and selling the Collateral.

Debtor hereby warrants and covenants that:

1. Except for the security interest granted hereby, Debtor is the owner of the Collateral free from any adverse lien, security interest, or encumbrances; and Debtor will defend the Collateral against all claims therein.
2. No Financing Statement covering any Collateral, or any proceeds

BOOK 30 | PAGE 067

PUCCINELLI & PUCCINELLI  
ATTORNEYS AT LAW  
700 IDAHO STREET, ELKO, NV 89801  
P. O. BOX 530, ELKO, NV 89803  
(702) 738-7293  
FAX (702) 738-0454

thereof, is on file in any public office, and at the request of Secured Party, Debtor will join with Secured Party in executing one or more Financing Statements pursuant to the Uniform Commercial Code of the State of Nevada in form satisfactory to Secured Party, and will pay the cost of filing the same, or filing or recording the agreement in all public offices wherever filing or recording is deemed by the Secured Party to be necessary or desirable.

3. Debtor will not sell or offer to sell or otherwise transfer the Collateral, or any interest therein, without the written consent of Secured Party.

4. Debtor will have and maintain insurance at all times with respect to all Collateral against risks of loss by fire, or otherwise, in the sum of \$200,000.00, or the amount of the outstanding principal of the Promissory Note, whichever sum is lower. In the event of loss, the proceeds from the policy shall be escrowed and shall be used for replacement of the damaged property, but if not so used within 90 days from date of loss, the same shall be applied upon accrued interest to date and the principal balance of the Promissory Note secured hereby, and if any remaining, the same shall be delivered to Debtor. All insurance policies shall show the respective interests of the parties hereto.

5. Debtor will keep the Collateral free from any adverse lien, security interest, or encumbrance, and in good order and repair, and will not waste or destroy the Collateral, or any part thereof; and Debtor will not use the Collateral, or any part thereof, in violation of any statute or ordinance; and Secured Party may examine and inspect the Collateral at any time, wherever located.

6. Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation, or upon this agreement, or upon any note or notes evidencing the obligations.

At their option, Secured Party may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for insurance on the Collateral, and may 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. Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement, and not inconsistent with any policy of insurance thereon.

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

A. Default in the payment or performance of any obligation, covenant,

2

BOOK 30 | PAGE 68

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or liability contained or referred to herein in any Note evidencing the same.

**B. Loss, theft, substantial damage, destruction, danger of misuse or confiscation of Collateral in the opinion of Secured Party, sale or encumbrance to or of any of the Collateral, or the making of any levy, seizure, or attachment thereof or thereon, not released within 30 days;**

**C. Dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property or, 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.**

Upon such default and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable, and shall have the remedies of Secured Parties under the Uniform Commercial Code. Secured Party may 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. Unless the Collateral is perishable, or threatens to decline speedily in value, or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor as follows:

\_\_\_\_\_  
Eureka, Nevada 89316

at least five (5) days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling, or the like, shall include Secured Party's reasonable attorney fee and legal expenses.

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 the Secured Party hereunder shall inure to the heirs and assigns of the Secured Party, and all obligations of Debtor shall bind his heirs, executors, administrators, successors or assigns. If there be more than one Debtor, their obligations hereunder shall be joint and several.

This Agreement shall become effective when it is signed by Debtor.

This Agreement shall be in full force and effect until the above-described Promissory Note is paid in full.

3

BOOK 30 | PAGE 69

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Signed in duplicate and delivered on this 16<sup>th</sup> day of September, 1996.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the day and year first above written.

DEBTORS:

Chester L. Hull  
CHESTER L. HULL

Miriam Hull  
MIRIAM HULL

SECURED PARTIES:

James E. Dotson  
JAMES E. DOTSON

Lorraine B. Dotson  
LORRAINE B. DOTSON

STATE OF NEVADA, )  
                  *Eureka* ) ss.  
COUNTY OF ~~ELKO~~ )

The foregoing instrument was acknowledged before me this 16 day of September, 1996, by CHESTER L. HULL and MIRIAM HULL.

 GLADY GOICOECHEA  
Notary Public - State of Nevada  
Appointment Recorded in Eureka County  
MY APPOINTMENT EXPIRES OCT. 28, 1998

Gladys Goicoechea  
NOTARY PUBLIC

BOOK 30 | PAGE 070

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**EXHIBIT "B"**

- 1 Nevada Club neon sign
- 1 10' x 52' metal canopy w/all sign lighting attached
- 10 Wrought iron window covers
- 2 Wrought iron entrance doors
- 1 Exit metal security door

**NEW BAR AREA:**

- 58 Various chairs
- 23 Bar stools
- 16 Tables
- 4 Blue benches
- 3 Wood benches
- 1 Dart board
- 1 8' x 16' stage
- 1 Propane heater (Day & Night)
- 1 8' back bar
- 2 3-compartment sinks w/ice bins
- 1 12-door lock box
- 1 Carbonation system w/2 guns
- 6 Syrup cans
- 1 CO2 tank
- 1 Cash register - TEC Electris MA71
- 2 5' x 7' wrought iron gates w/locks-keyed alike
- 1 Bar blender - Osterizer
- 1 Cigarette display case
- 1 8' beer box - TRUE
- 1 6' beer box - TRUE
- 1 Large swamp cooler
- 1 Ceiling fan
- 1 Amana microwave
- 2 Wrought iron security doors
- 2 5' x 14' wrought iron partitions w/gate
- 1 Telephone
- 1 Satellite antenna with 35" TV
- 1 UHF antenna
- 1 Small change dispenser
- Numerous bar glasses and ash trays

**OLD BAR AREA:**

- 1 Old upright safe - Kettredge
- 8 Bar stools
- 2 Sinks

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BOOK 30 | PAGE 072

**(Old Bar Area Cont.)**

- 3 Benches
- 1 6' cooler box - Perfrecold
- 1 Ceiling fan
- 4 Chairs
- 1 20' bar and back bar
- 1 8' banquet table
- 3 Chairs
- 1 Ice machine - Scotsman
- 7 Garbage cans
- Various brooms and dust mops
- 7 Light fixtures
- 1 Coors clock
- 1 Bud Light mirror
- 1 Glass enclosed cigarette display case
- 2 Outside wrought iron window covers
- 1 Entrance wrought iron door
- 1 Floor furnace

**MEN'S REST ROOM:**

- 2 Urinals
- 2 Toilets
- Metal partitions enclosed w/doors
- 1 Sink
- 1 Hand towel dispenser
- 1 Metal garbage container w/lid
- 1 Self-closing door

**WOMEN'S REST ROOM:**

- 3 Toilets w/metal partitions & doors
- 1 Sink and mirror
- 1 Metal garbage container w/lid
- 1 Self-closing door

**OFFICE:**

- 1 Large safe - Hart & Co.
- 1 Desk
- 1 Desk chair
- Various shelving
- Various back bar light bulbs

BOOK 301 PAGE 073

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**APARTMENT:**

- 1 Love seat
- 1 Couch
- 2 Chairs
- 2 Mirrors
- 1 End table
- 2 Beds
- 1 Refrigerator
- 1 Table
- 1 Wolf Commercial double oven stove
- 1 Dryer (not working)
- 1 Kitchen sink with metal cabinets
- Various other cabinets
- 1 Floor furnace
- 1 Utility cabinet

**BASEMENT:**

- 2 Hot water tanks - electric
- 1 Large old coal furnace (dismantled)
- 1 Old Floor wet/dry vacuum

BOOK 301 PAGE 067  
OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
*Just American Title*  
96 SEP 24 AM 10:35

EUREKA COUNTY NEVADA  
M.H. REBALEATI, RECORDER  
FILE NO. FEES 14.00

**164629**

BOOK 301 PAGE 074

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