

Lorri Sargeant
P.O. Box 1291
Kamas UT
84036

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (hereinafter referred to as the "Agreement"), is made and entered effective as of the 30th day of November, 1999, by and between Bruce and Trina Buckner (hereinafter referred to as "Debtor"); and Matthew and Lorri Sargeant as a secured party (hereinafter referred to as "Secured Party")

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ALAN SPRIGGS, SUMMIT CO RECORDER
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REQUEST: SARGENT PROPERTIES

WITNESSETH

WHEREAS, Debtor is obligated to Secured Party in the original principal amount of \$ 88,000 pursuant to a Promissory Note of even date executed by Debtor (the "Note") relating to the acquisition of a business known as Main Street Tanning and Video (the "Business") which is located at 60 North Main, Kamas, Utah; and

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WHEREAS, the parties hereby desire to enter into this Security Agreement governing collateral for the Note

NOW THEREFORE, upon the terms, covenants and conditions contained in this Agreement and in consideration of good and valuable consideration, the receipt of which is acknowledged, Debtor and Secured Party agree as follows.

ARTICLE I

DEFINITIONS

Unless the context clearly indicates otherwise, certain terms used in this Agreement shall have the meanings set forth below. To the extent not defined in this Article I, unless the context otherwise requires, all other terms contained in this Agreement shall have the meanings attributed to them in the Utah Uniform Commercial Code, Chapter 9, Title 70A, Utah Code Annotated (1953), as amended, to the extent the same are used or defined therein.

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11 "Collateral" shall mean:

(a) All accounts, contract rights, instruments, documents, licenses, chattel papers, general intangibles (including, but not limited to, choses in action, tax refunds and insurance proceeds) of Debtor arising out of or relating to the Business; any other obligations or indebtedness owed to Debtor arising out of or relating to the Business from whatever source, all rights of Debtor arising out of or relating to the Business to receive any payments in money or kind, all guarantees of the foregoing and security therefor; all the right, title and interest of Debtor in and with respect to the goods, services, or other property that gave rise to or that secure any of the foregoing, and insurance policies and proceeds relating thereto; and all rights of Debtor arising out of or relating to the Business as an unpaid seller of goods and services, including, but not limited to, the rights of stoppage in transit, replevin, reclamation, and resale; and all of the foregoing, whether now owned or existing or hereafter created or acquired.

(b) All patents, patent applications, copyrights, trademarks, and trade secrets of Debtor of any kind and nature whatsoever arising out of or relating to the Business;

(c) All inventory of Debtor wherever located arising out of or relating to the Business;

(d) All machinery, equipment, furniture, furnishings and fixtures, now owned or hereafter acquired by Debtor, and used or acquired for use in the Business of Debtor, together with all accessions thereto and all substitutions and replacements thereof and parts therefor;

(e) All leasehold interests of Debtor in any personal property and fixtures arising out of or relating to the Business, including machinery, equipment, furniture and furnishings;

(f) All cash or non-cash proceeds of any of the foregoing, including any insurance proceeds; and

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(g) All ledger sheets, files, records, documents and instruments (including, but not limited to, computer programs, tapes and related electronic data processing and software; evidencing any interest in or relating to the above.

1 2 "Event of Default" means the occurrence and continuance of any of the events specified in Section 4 of this Agreement.

1 3 "Inventory" means: (a) all goods, merchandise and other personal property now owned or hereafter acquired by Debtor which are held for sale or lease, or which are furnished or to be furnished under any contract of service, or which are raw materials, work-in-process, supplies or materials used or consumed in the Debtor's Business, and all products thereof, and all substitutions, replacements, additions or accessions thereto and thereto, and (b) all cash or non-cash proceeds of all of the foregoing, including, without limitation, insurance proceeds.

1 4 "Documents" means this Agreement, the Note, a Modification Agreement between the parties relating to the acquisition of a business located at 60 North Main, Kamas, Utah, and a Lease, as amended, between Debtor and Secured Party relating to premises located at 60 North Main, Kamas, Utah.

1 5 "Obligations" means: (a) all indebtedness, obligations and liabilities of Debtor to Secured Party of every kind and description, arising out of or in any manner connected with the Note and the other Documents, whether direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment of performance, now existing or hereafter arising, regardless of how the same arise or by what instrument, agreement or book account they may be evidenced, or whether evidenced by any instrument, agreement or book account, including, without limitation (a) all loans (including any loan by renewal or extension), (b) all interest, taxes, fees, charges, expenses and attorney's fees chargeable to Debtor or incurred by Secured Party under

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any of the Documents; (c) liabilities of Debtor to Secured Party of every kind and description direct or indirect, absolute or contingent due to or become due, now existing or hereafter arising, including any and all advances, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument (including obligations to perform acts and refrain from taking action as well as obligations to pay money)

ARTICLE II

GRANT OF SECURITY INTEREST, RIGHTS OF SECURED PARTY

Debtor hereby pledges, assigns, and transfers to Secured Party, and grants to Secured Party, a continuing security interest in and to all of the Collateral, to secure the payment and performance of the Obligations. Secured Party understands and acknowledges that the Security Interest granted to Secured Party herein shall be subordinate to a first priority security interest of Zions First National Bank ("Zions") in all of the Collateral.

ARTICLE III

GENERAL COVENANTS

Debtor covenants and agrees with Secured Party that so long as any of the Obligations remain outstanding.

3.1 No Further Encumbrances. Debtor shall not without the consent of Secured Party, mortgage, pledge, grant or permit to exist a security interest in, or lien or encumbrance on, any of the Collateral, other than those which already exist and have been disclosed to Secured Party, except in favor of Secured Party.

3.2 Insurance. Debtor shall, at Debtor's sole cost and expense, maintain casualty insurance coverage on the Collateral protecting against loss, damage, theft and such other risks as Secured Party may require, with such insurance companies and under forms and policies acceptable

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to Secured Party. All such policies of insurance shall name Secured Party as an additional insured and provide that no such insurance shall be canceled or decreased without giving Secured Party thirty (30) days prior written notice. Debtor shall provide Secured Party with certificates of insurance or copies of the policies evidencing the insurance coverage required by this Section 3.2. In the event Debtor acquires additional insurable Collateral, Debtor shall cause such insurance coverage to be increased or amended in such manner and to such extent to afford similar insurance coverage for such additional Collateral as specified in this Section 3.2. If Debtor shall at any time hereafter fail to obtain and maintain any of the policies of insurance herein required, or fail to pay any premium in whole or in part relating to any such policies, Secured Party may, but shall not be obligated to, obtain or cause to be maintained insurance coverage with respect to the Collateral, including at Secured Party's option, the coverage provided by all or any of the policies of Debtor and pay all or any part of the premium therefor, without waiving the occurrence of any Event of Default hereunder. All sums so disbursed by Secured Party shall be additional Obligations of Debtor to Secured Party.

3.3 Right to Inspect. Debtor shall permit Secured Party, through Secured Party's authorized attorneys, accountants and representatives, at all reasonable times, to inspect and examine the Collateral and the books, accounts, records, ledgers and assets of every kind and description of the Debtor pertaining thereto.

3.4 Notice to Secured Party. Debtor shall promptly notify Secured Party in writing of any of the following.

(a) The existence or occurrence of any condition or event which constitutes, or would constitute with the passage of time, the giving of notice or both, an Event of Default under this Agreement;

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(b) Any events or changes in the financial condition of Debtor which individually or cumulatively may result in a material adverse change in the financial condition of Debtor, and

(c) Any claim, action or proceeding affecting title to the Collateral or any part thereof, or the security interest herein granted to Secured Party

3.5 Payment of Obligations and Preservation of Rights Debtor shall take all necessary steps to preserve rights against all parties with respect to any of the Collateral and to take appropriate action with respect to collections or matters relative to any of the Collateral, including, without limitation, the collection of the Receivables on a timely basis in the ordinary course of Debtor's businesses. In the event Debtor fails to make any payments required or which Secured Party reasonably deems advisable to protect, maintain or preserve the Collateral, or the priority of Secured Party's security interest therein, Secured Party may, but shall not be obligated to, advance funds for the same, and any such advances, including, without limitation, reasonable attorney's fees and costs incurred by Secured Party, shall be part of the Obligations.

3.6 Payment of Taxes and Assessments Debtor shall pay or deposit promptly when due all sales, use, excise, personal property, income, withholding, franchise and other taxes, assessments and governmental charges upon or relating to ownership or use of any of the Collateral, and shall submit to Secured Party evidence satisfactory to Secured Party that such payments or deposits have been made

3.7 Further Assurances Debtor shall at any time and from time to time upon request of Secured Party, execute and deliver to Secured Party, in form and substance satisfactory to Secured Party, such documents as Secured Party shall deem necessary or desirable to perfect or maintain perfected the security interest of Secured Party in the Collateral, or which may be necessary to

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comply with the provisions of the laws of the State of Utah or the laws of any other jurisdiction in which Debtor may then be conducting business or in which any of the Collateral may be located.

3.8 Licenses and Permits Debtor shall keep in effect all licenses, permits and franchises required by law or contract relating to Debtor's Businesses, property or the Collateral, and shall pay when due all fees and other charges pertaining thereto.

3.9 Waste and Misuse Debtor shall not waste or destroy the Collateral or any part thereof or any document or record evidencing the same. In addition, Debtor shall not misuse, cancel or in any way use or dispose of any of the Collateral unlawfully or contrary to the provisions of this Agreement.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

4.1 Events of Default Debtor shall be in default under this Agreement upon the occurrence and continuance of any of the following Events of Default:

(a) The failure of Debtor to pay when due any principal, interest or other charge in respect to any of the Obligations.

(b) A default by Debtor in the observance or performance of any covenant or agreement set forth in this Agreement or any of the other Documents.

(c) The filing of any lien, levy or any attachment, execution or other process against the Collateral.

(d) The loss, theft, damage or destruction of any material portion of the Collateral for which there is either no insurance coverage, or there is coverage less than is required otherwise in the Agreement. However, should lost, stolen, damaged or destroyed Collateral

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be replaced or repaired within a period which is no greater than the period to replace or repair if the Collateral had been adequately insured, such event will not be an Event of Default.

(e) The dissolution, liquidation, termination of existence, insolvency, or business failure of Debtor or the appointment of a receiver or other legal representative for any part of Debtor's property, an assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency law by or against Debtor.

(f) Any circumstance which, in the reasonable judgment of Secured Party, impairs the prospect of payment of any of the Obligations in full when and as they become due, or otherwise causes Secured Party to reasonably deem itself insecure.

4.2 Notice If any Event of Default shall occur, Secured Party shall give written notice of such occurrence to Debtor at the address provided herein.

4.3 Remedies In the event that any Event of Default shall occur, Secured Party shall have the following remedies:

(a) Secured Party may declare the Obligations immediately due and payable, without further notice, protest, presentment or demand, all of which are hereby expressly waived by Debtor.

(b) For purposes of this Section 4.3, Debtor hereby appoints Secured Party as its true and lawful attorney-in-fact, coupled with an interest to:

(1) Endorse the name of Debtor upon any instruments of payment, including, without limitation, payments made under any policy of insurance, that may come into possession of Secured Party in full or in part payment of any of the Obligations;

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(2) Send requests for verification to account debtors or other obligors with respect to the Receivables, and

(3) Sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of Debtor, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, the Secured Party may purchase all or any portion of the Collateral at public, or if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligations.

(c) Secured Party may enter upon the premises where the Collateral or some portion thereof is located or kept and remove any of the Collateral therefrom to the premises of Secured Party, or their agent, for such time as Secured Party may desire in order to maintain, collect, sell or liquidate the Collateral. Secured Party may require Debtor to assemble the Collateral and make the Collateral available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to Debtor and to Secured Party.

(d) Secured Party shall have, in addition to any other rights and remedies contained in this Agreement and any of the other Documents, all of the rights and remedies of a secured party under the Utah Uniform Commercial Code in force as of the date of this Agreement, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by law.

It is understood and agreed that the transaction contemplated by this Agreement are integral with the transactions contained in the other Documents. It is the intent of Debtor and Secured Party that this Agreement, and the Documents be and hereby are mutually dependent and any Event of

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Default under the executory provisions of any of them shall be an Event of Default under all of them

4.4 Sale of Collateral. Any notice required to be given by Secured Party of a sale or other disposition or intended action by Secured Party with respect to any of the Collateral or otherwise made in accordance with the terms of this Agreement at least ten (10) days prior to such proposed action shall constitute fair and reasonable notice to Debtor of any such action. The net proceeds realized by Secured Party upon any such sale or other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorney's fee and any other reasonable expenses incurred by Secured Party, shall be applied toward satisfaction of the Obligations. Secured Party shall account to Debtor for any surplus realized upon such sale or other disposition and Debtor shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of Secured Party in the Collateral until all of the Obligations, or any judgment therefor, are fully paid.

ARTICLE V

MISCELLANEOUS

5.1 Amendments. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally and may only be modified or amended by an instrument in writing, signed by Secured Party and Debtor.

5.2 Binding Effect. This Agreement shall be binding upon Debtor and its successors and assigns. This Agreement shall inure to the benefit of Secured Party, and Secured Party's successors and assigns.

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5.3 Waivers The failure at any time or times hereafter by Secured Party to require strict performance by Debtor of any of the undertakings, agreements or covenants contained in this Agreement shall not waive, affect or diminish any right of Secured Party hereunder to demand strict compliance and performance therewith. Any waiver by Secured Party of any Event of Default under this Agreement shall not waive or affect any other Event of Default hereunder, whether such Event of Default is prior or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements or covenants of Debtor under this Agreement shall be deemed to have been waived by Secured Party, unless such waiver is evidenced by an instrument in writing signed by an authorized officer or official of Secured Party and directed to Debtor specifying such waiver.

5.4 Notices Except as otherwise provided herein, all notices shall be in writing and shall be deemed to have been sufficiently given or served when presented personally or when deposited in the United States mail, by registered or certified mail, addressed as follows:

If to Debtor: Bruce and Tina Buckner
60 North Main
Kamas, Utah 84036

If to Secured Party: Matthew and Lori Sargeant
P O Box 291
Kamas, Utah 84036

Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice given hereunder shall be deemed given as of the date delivered or mailed.

5.5 Indemnification Debtor shall indemnify and hold Secured Party harmless from and against any and all liabilities, losses, costs, damages or expenses which might be incurred pursuant to or because of its possession of the Collateral or by reason of this Agreement and from any and all claims whatsoever which may be asserted against Secured Party by reason of any alleged obligations

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or undertakings of Secured Party to perform or discharge any of the terms, covenants or agreements contained in this Agreement. Should Secured Party incur any such liability pursuant to or because of the Collateral or under or by reason of this Agreement or in defense of any such claims or demands, the amounts thereof, including costs, expenses and reasonable attorney's fees, shall be secured hereby and Debtor shall reimburse Secured Party therefor immediately upon demand. Specifically, Debtor hereby releases Secured Party from all claims for loss or damage caused by failure to collect any of the Receivables or to enforce the same, or by any act or omission on the part of Secured Party, or any of her agents and employees.

5.6 Severability. If any term or provision of this Agreement shall, to any extent be determined by a court of competent jurisdiction to be void, voidable or unenforceable, such void, voidable or unenforceable term or provision shall not affect any other term or provision of this Agreement.

5.7 Actions. Secured Party shall have the right, but not the obligation, to commence, appear in and defend any action or proceeding which might affect Secured Party's security, rights, duties or liabilities relating to this Agreement.

5.8 No Partnership. Nothing contained in this Agreement or in any of the Documents shall be construed as creating a joint venture or partnership between Secured Party and Debtor.

5.9 Interpretation. Whenever the context shall require, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both other genders. The article and section headings contained in this Agreement are for purposes of reference only and shall not limit, expand or otherwise affect the construction of any provisions hereof.

5.10 Governing Law This Agreement and all matters relating hereto shall be governed by, construed and interpreted in accordance with the laws of the State of Utah

5.11 Counterparts This Agreement may be executed in any number of counterparts, each of which when so executed and delivered, shall be deemed an original, but all such counterparts taken together shall constitute only one instrument.

5.12 Termination This Agreement shall terminate upon the full and complete performance and satisfaction by Debtor of all of the Obligations.

5.13 Copies Secured Party agrees that should she take possession of ledger sheets, files, records, documents or instruments as referred to in Section 1.1(g), she will provide to Debtor at Debtor's expense copies of such ledger sheets, files, records, documents or instruments.

5.14 Attorney's Fees In the event any action or proceeding is commenced by a party against another under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and court costs, in such amounts as the court may adjudge reasonable; including, but not limited to, those fees and costs incident to any action or participation in or in connection with a case or a proceeding involving a party under Chapters 7 or 11 of the Bankruptcy Code, or any successor statute thereto.

5.15 Release of Security Interest Secured Party hereby agrees that upon the payment and satisfaction of the obligations secured and evidenced hereby, it will execute and deliver to Debtor a release or reassignment, releasing and/or reconveying any and all right or claim which Secured Party may then have under or in connection herewith.

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IN WITNESS WHEREOF, Debtor and Secured Party have executed this Security Agreement

on the date first above written.

DEBTOR


Bruce Buckner


Trina Buckner

SECURED PARTY


Matthew Sargeant


Lotti Sargeant

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