

CONDITIONAL SALES SECURITY AGREEMENT

DOUGLAS J. HOWSER, whose address is 6625 Eberlein, Klamath Falls, Oregon 97601, hereinafter referred to and known as Seller or Secured Party, does hereby agree to sell to CURTIS E. BARTLEY and SARAH N. BARTLEY, husband and wife, whose mailing address is Star Route, Box 6, Chiloquin, Oregon 97624, herein-after referred to and known as Buyers or Debtors; and said Buyers do hereby agree to purchase from the Seller all of his interest in and to the fixtures, furnishings and equipment used by Seller in carrying on and conducting that certain motel and restaurant business known as "The Rapids", a more particular description of said personal property being attached hereto, marked Exhibit A and by this reference made a part hereof as though expressly rewritten herein; and also the useable inventory on hand at the date of possession; and TOGETHER WITH the assumed business name, "The Rapids"; and the following described real property in Klamath County, Oregon:

A parcel of land situated in a portion of Government Lots 3, 14 and 41, Sec. 21, Twp. 35 S., R. 7, E.W.M., being more particularly described as follows:

Commencing at a one-half inch iron pipe marking the North one-quarter corner of said Sec. 21; thence S. 89°52'50" E., along the Northerly line of said Sec. 21, 659.19 feet to a 5/8 inch iron pin marking the point of beginning for this description; thence S. 01°28'17" W., 1387.27 feet to a 5/8 inch iron pin on the mean high water line of the Williamson River; thence S. 25°55'32" W. along said mean high water line, 213.09 feet to the point where said mean high water line intersects the Easterly right-of-way line of the Dalles-California Highway (U.S. Highway No. 97); thence North 09°06'25" W. along said Easterly right-of-way line, 516.42 feet to the beginning of a spiral curve to the right; thence along the arc of a spiral curve to the right, (S=00°54', a=0.2) 300.00 feet to the end of spiral curve and the beginning of a circular curve to the right; thence along the arc of a 9500.30 feet radius curve to the right (Delta = 04°41'31", long chord = N. 05°56'05" W., 777.76 feet) 777.98 feet more or less to the intersection of the arc of said circular curve with the Northerly line of said Sec. 21; thence leaving said right-of-way line, S. 89°52'50" E., 336.89 feet to the point of beginning containing 8.03 acres, more or less. *SB CB 20.00 DJA*

SUBJECT TO a roadway easement ~~60.00~~ feet in width for the purpose of ingress and egress over and upon the above-described parcel, the center line of which is particularly described as follows:

Commencing at said North one-quarter of Sec. 21; thence S. 89°52'50" E. along said Northerly line of Sec. 21, 659.19 feet to a 5/8 inch iron pin; thence leaving said Northerly section line S. 01°28'17" W. 941.38 feet to the point of beginning for said roadway easement center line; thence S. 73°46'22" W. 209.82 feet more or less to a point on said Easterly right-of-way line of the Dalles-California Highway.

SUBJECT TO: Rights of the public in and to any portion of said premises lying within the limits of roads and highways; Rights of the public and of governmental bodies in that portion of the above-described property lying below the high water mark of Williamson River and the ownership of

EXHIBIT A
RESTAURANT INVENTORY

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- 20 Chairs - Black
 - 6 Tables - 4 Large, 2 Small
 - 2 Counters - 9 Stools
 - 1 Ceiling Heater (Reznor) Gas
 - 1 Air Conditioner (The Southener) Wall Type
 - 1 Cash Register (Smith & Corona)
 - 1 Ref. Self-contained Pie Case - not working
 - 1 Stainless-Steel Hat Racks
 - 2 Hanging Lamps
 - 1 3-Hole, Stainless-Steel Sink - 2 Drainboards
 - 1 3-door Reach-in Refrigerator (Seeger)
 - 1 4-Hole Steam Table - gas - all inserts & Covers
 - 1 Wolfe Range
 - 1 French Fryer (Speedster)
 - 1 Stainless-Steel Hood & Blower
 - 1 Meat Slicer (American) #612489
 - 2 Work Tables - 1 Stainless-Steel Covered, 1 Formica Covered
 - 1 2-Door, Reach-In Refrigerator (Seeger)
 - 1 Table-Type Can Opener
 - 1 Large Chop Board
 - 1 Food Grinder with Attachments (Sanitary)
 - 1 Scales - Table
 - 1 Wooden Chop Table
 - 1 Hot Water Heater (National) 60 gal.
 - 1 Pastry Work Table - 2 Storage Bins
 - 1 Mixer (Hobart) #414-3725 - All Attachments
 - 1 Portion Scale (Chatillon)
 - 12 Large Stainless-Steel Pots
 - 1 Table - Kitchen type
 - 1 Coil & Compressor #33509
 - 2 Beds - 1 single, 1 Roll-away including mattress
 - 1 Chest of Drawers (5)
 - 10 Wooden Chairs
 - 1 Mixer (Hamilton Beach)
 - 1 Electric Heater (Portable)
 - 1 Meat Cleaver
 - 1 Student Desk (Bamboo)
 - 1 Meat Saw
 - 1 Water-cooled Air Conditioner
 - 1 Neon Sign - RAPIDS Cafe
 - 11 Napkin Holders
 - 1 High Chair
 - China - Tan Color
 - 1 Plastic Sign - Restaurant
 - 1 5-lb. Fire Ext. CO²
 - 2 Galvanized Mop Buckets - 2 Mops floor

ARCO SERVICE STATION INVENTORY

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- 2 Heaters - 1 wall, 1 floor
 - 1 Air Compressor (Kellogg-American) #B354474
 - 1 Drill Press Floor Model Electric
 - 2 Hoists
 - 2 Gasoline Pumps
 - 1 Yale Spur geared Block
 - 1 Floor Jack
 - 1 Desk
 - 2 Diesel Pumps

EXHIBIT A - page 1

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2 Books: 1 Royal Copenhagen: 1
1 Magazine Rack: 2 Bed Covers: 1

1 It is expressly understood that Buyers may replace the property sold here-
2 under but that the security interest of Seller will attach to the same and be
3 superior to any security interest of any other party. Buyers agree that said
4 replacements will not lower the total value of the equipment, fixtures, fur-
5 nishings and inventory below the value of said equipment, fixtures, furnishings
6 and inventory prior to said replacements, disregarding any additional after-
7 acquired property.

8 It is further expressly understood and agreed that situate on the property
9 is a service station which is currently under lease to Atlantic-Richfield Co.
10 It is further understood and agreed there is a loan running from Seller to
11 Atlantic-Richfield Co., which loan is secured by the improvements in said ser-
12 vice station. Seller hereby agrees to hold Buyers harmless from said loan.

13 It is also expressly understood that there is an existing lease on the rest-
14 aurant portion of the property which Buyers take subject to.

15 2. WARRANTIES. Seller warrants that said equipment, fixtures, furnishings
16 and inventory are free and clear of all liens and incumbrances, except for per-
17 sonal property taxes for the current year which became a lien on January 1,
18 1972. Seller warrants that he has good right to sell said equipment, fixtures,
19 furnishings and inventory. Seller further warrants that he has no creditors
20 and agrees that he will forthwith upon execution of this agreement execute and
21 deliver to the Buyers Schedule of Property and List of Transferor's Creditors
22 in which he will execute affidavit that he has no creditors. Seller expressly
23 covenants and agrees that all creditors have been paid. Seller will on the
24 execution hereof make and execute in favor of Buyers good and sufficient warr-
25 anty deed conveying a fee simple title to said real property free and clear as
26 of this date of all incumbrances whatsoever, except as above set forth, which
27 Buyers assume, and will place said deed, together with one of these agreements,
28 a bill of sale covering said personal property, a withdrawal of assumed business
29 name executed by Buyers, termination of financing statements, in duplicate,
30 covering the personal property, and a purchasers' policy of title insurance in
31 sum of \$157,000.00 covering said real property, in escrow at First Federal
32 Savings and Loan Association of Klamath Falls, Oregon, and shall enter into

1 written escrow instructions in form satisfactory to said escrow holder, in-
2 structing said holder that when, and if, Buyers shall have paid the balance of
3 the purchase price in accordance with the terms and conditions of this contract,
4 said escrow holder shall deliver said instruments to Buyers, but that in case
5 of default by Buyers, said escrow holder shall, on demand, surrender said in-
6 struments to Seller.

7 The Buyers and the Buyers' legal representatives, heirs and assigns agree
8 and warrant as follows:

9 (a) That the Buyers will promptly pay said purchase price and interest and
10 any and all other indebtedness which may become due to the Seller at First Fed-
11 eral Savings and Loan Association of Klamath Falls, Oregon, or at such other
12 place as the Seller may designate.

13 (b) That the Buyers' mailing address, county of residence and this place of
14 business above set forth are true and correct, and that Buyers shall immedi-
15 ately notify Seller in writing of any change in said address, county of resi-
16 dence or sole place of business.

17 (c) That said collateral will be retained in Buyers' possession in Klamath
18 County, Oregon, at all times and at Buyers' sole risk and responsibility.

19 (d) That Buyers will carry sufficient fire insurance to keep the property
20 insured at its full insurable value. Buyers shall further carry public lia-
21 bility insurance in a sum not less than \$300,000.00.

22 (e) That Seller shall have the right to enter into and upon any premises
23 where any of the collateral may be situated for the purpose of inspecting or
24 inventorying the same.

25 (f) That Buyers will not abandon said collateral or any part thereof nor
26 sell or exchange any part thereof without the prior written consent of Seller.
27 That Buyers will not permit any lien or security interest therein, or a finan-
28 cing statement to be filed on any of said collateral without the prior written
29 consent of Seller.

30 (g) That Buyers will preserve and protect the collateral against loss, dam-
31 age or depreciation in value.

32 (h) That Buyers will promptly pay all taxes on or relating to the use of

1 collateral when they first become due and payable.

2 (i) That the Seller may, in his discretion, pay any taxes, liens, security
3 interest or other encumbrances at any time levied or placed on said collateral
4 or any part thereof, and may place and pay for insurance thereon, and may pay
5 for the maintenance, protection or preservation of the collateral, and may pay
6 the rent on the premises in which any part of the collateral is located, and
7 may pay any necessary filing or recording fees. All such payments and advances
8 shall be secured by said collateral and shall draw interest at the same rate as
9 the unpaid balance of the purchase price, and the Buyers shall reimburse the
10 Seller for such payments and advances and interest on demand.

11 (j) That the Buyers will join the Seller in executing, filing and doing
12 whatever may be necessary under applicable law to perfect and continue the
13 Seller's security interest in the collateral, all at Buyers' expense.

14 (k) That Buyers will maintain the AAA (Auto Club) Membership for the motel
15 insofar as reservations and referrals are concerned.

16 (l) That Buyers further warrant there have been no representations of past
17 income of this property or of income which may be expected and that they are
18 purchasing the property in its present condition.

19 (m) That Buyers understand the property has a number of trees on it, but
20 during the term of this agreement trees thereon may not be cut without Seller's
21 written permission.

22 3. GENERAL PROVISIONS.

23 (a) All the terms herein, the rights, duties and remedies of the parties
24 shall be governed by the laws of Oregon.

25 (b) All the benefit of this agreement shall inure to the Seller, his legal
26 representatives, successors and assigns; and the obligations shall be binding
27 upon the Buyers, who shall be liable therefor, and upon the Buyers' legal rep-
28 resentatives and assigns.

29 (c) Each demand, notice or other communication shall be served or given by
30 mail or telegraph addressed to the party at their mailing address set forth here-
31 in, or as changed by written notice to the other party, or by personal service
32 upon the party. Reasonable notice, when notice is required, shall be five days.

1 4. POSSESSION AND DEFAULT. The Buyers shall be entitled to possession of
2 the collateral unless a default occurs. The Buyers shall be in default under
3 this agreement upon the occurrence of any of the following:

4 (a) Failure to pay when due any of the principal or interest on this agree-
5 ment;

6 (b) Failure by Buyers to keep, observe or perform any of the provisions of
7 this agreement;

8 (c) Misrepresentation or material falsity of any certificate or statement
9 made or furnished by Buyers to Seller whether or not in connection with this
10 agreement;

11 (d) If Buyers are adjudged bankrupt, or if any of said property is seized,
12 attached or levied upon.

13 5. REMEDIES ON DEFAULT. In addition to all rights and remedies of the
14 Secured Party upon default set forth in the Oregon Uniform Commercial Code and
15 this agreement, time of payment and strict performance being declared to be the
16 essence of this agreement, then Seller shall have the following rights:

17 (a) To foreclose this contract by strict foreclosure in equity;

18 (b) To declare the full unpaid balance immediately due and payable;

19 (c) To specifically enforce the terms of the agreement by suit in equity;

20 (d) To declare this contract null and void;

21 and in any such cases, except exercise of the right to specifically enforce
22 this agreement by suit in equity, all the right and interest hereby created or
23 then existing in favor of Buyers derived under this agreement shall utterly
24 cease and determine, and the premises aforesaid shall revert and revest in
25 Seller without any declaration of forfeiture or act of reentry, and without any
26 other act by Seller to be performed and without any right of Buyers of reclama-
27 tion or compensation for money paid or for improvements made, as absolutely,
28 fully and perfectly as if this agreement had never been made.

29 Should Buyers while in default permit the premises to become vacant, Seller
30 may take possession of same for the purpose of protecting and preserving the
31 property and his security interest therein; and in the event possession is so
32 taken by Seller, he shall not be deemed to have waived his right to exercise

1 any of the foregoing rights.

2 And in case suit or action is instituted to foreclose this contract or to
3 enforce any of the provisions hereof, Buyers agree to pay reasonable cost of
4 title report and title search and such sums as the trial court may adjudge
5 reasonable as attorneys' fees to be allowed plaintiff in said suit or action;
6 and if an appeal is taken from any judgment or decree of such trial court, the
7 Buyers further promise to pay such sum as the appellate court shall adjudge
8 reasonable as plaintiff's attorneys fees on such appeal.

9 Buyers further agree that failure by Seller at any time to require perform-
10 ance by Buyers of any provision hereof shall in no way affect Seller's right
11 hereunder to enforce the same, nor shall any waiver by Seller of such breach of
12 any provision hereof be held to be a waiver of any succeeding breach of any such
13 provision, or as a waiver of the provision itself.

14 6. RIGHT OF FIRST REFUSAL. It is further agreed and understood that Seller
15 is the owner of certain property adjacent to the property being sold hereunder.
16 Seller hereby grants to Buyers the right of first refusal in the event he sells
17 all or part of said property. Upon the receipt by Seller of an offer to pur-
18 chase all or any part of his said property he shall give Buyers written notice
19 of said offer, including the terms and conditions thereof. Buyers shall be
20 given 30 days within which to purchase the property upon the same terms and
21 conditions as the offer presented them by Seller hereunder. Each of said
22 notices shall be by registered mail, return receipt requested and shall be
23 deemed effective as of the date of mailing thereof. Should Buyers hereunder
24 not exercise their right as herein granted within the time herein specified,
25 Seller shall then be free to sell said parcel to a third party upon those terms
26 and conditions.

27 This agreement shall bind and inure to the benefit of, as the circumstances
28 may require, the parties hereto and their respective heirs, executors, adminis-
29 trators and assigns.

30 EXECUTED IN TRIPLICATE, one copy of which was delivered to and retained by
31 the Buyers, this 1st day of November, 1972.

32 Douglas J. Houser (SEAL)
DOUGLAS J. HOUSER

SELLER

Curtis E. Bartley (SEAL)
CURTIS E. BARTLEY

Sarah N. Bartley (SEAL)
SARAH N. BARTLEY

GANONG, SISEMORE
& ZAMSKY
ATTORNEYS AT LAW
538 MAIN STREET
KLAMATH FALLS, ORE.
97601

Agreement - Page 7.

STATE OF OREGON; COUNTY OF KLAMATH; ss.
Sarah Bartley

Filed for record at request of _____
this 1st day of March A. D., 19 73 at 11:49 o'clock A.M., and duly recorded in
Vol. M73, of Misc. on Page 2138

Fee \$18.00

WM. D. MILNE, County Clerk
By Capithan [Signature]

the State of Oregon in that portion lying below the high water mark thereof; Easements and rights of way of record and those apparent on the land, if any; Reservations contained in an instrument recorded May 8, 1958, in Deed Book 299 at page 297, Deed Records of Klamath County, Oregon;

which said goods and real property are hereafter collectively referred to as collateral; of which Buyers agree to pay to Seller a total purchase price of \$160,000.00, of which \$3,000.00 is for the personal property and \$157,000.00 is allocable to the real property, payable as follows: \$35,000.00 at the time of the execution of this agreement, the receipt of which is hereby acknowledged; \$125,000.00 with interest at the rate of 5-3/4% per annum from January 1, 1973, payable in installments of not less than \$1,000.00 per month, inclusive of interest, the first installment to be paid on the 1st day of January, 1973, and a further installment on the 1st day of each month thereafter until the full balance and interest are paid. Buyers hereunder shall have the right to enter into a contract of sale or otherwise assign their interest in this contract subject to the right of Seller to approve said new buyers or assignees.

The useable inventory on hand at the date of possession shall be in addition to the property above-described and will be paid for in cash at the time of closing.

1. RESERVATION OF TITLE AND SECURITY INTEREST - FUTURE INDEBTEDNESS.

It is understood and agreed that this is a security agreement, and the Seller reserves title to and Buyers grant Seller a first security interest in all of the above described collateral and in all the equipment, fixtures, furnishings and inventory which may hereafter be acquired by the Buyers to be used in said business. Said security interest is given to secure the payment and performance of all of the Buyers' obligations set forth in this agreement and to secure all future credit and advances made by Seller to or for the account of the Buyers and all future obligations and indebtedness of Buyers to Seller including, but not by way of limitation, advances for loans, taxes, levies, insurance and rent, and all reasonable costs and expenses incurred in the collection of any such indebtedness, including Seller's reasonable attorneys' fees and legal expenses, including attorneys' fees in any appeal or proceeding in any appellate court.