

1 CONDITIONAL SALES SECURITY AGREEMENT

2 JOSEPH F. ARROYO and DOLORES C. ARROYO, husband and wife,
3 hereinafter referred to as Sellers, or Secured Parties, do hereby
4 agree to sell to LILY T. HEVERN, hereinafter referred to as Buyer,
5 or Debtor, and said Buyer does hereby agree to purchase from the
6 Sellers all of their interest in and to the equipment used by
7 Sellers in carrying on and conducting that certain ranch business
8 known as DOUBLE S RANCH, at Bly, Oregon, for \$100,000.00, a more
9 particular description of said property being attached hereto,
10 marked Exhibit A, and by this reference made a part hereof; that
11 the Buyer shall also purchase the livestock on the ranch, for
12 \$300,000.00, a cattle count being attached hereto, marked Exhibit B,
13 and by this reference made a part hereof, which said items are here-
14 after collectively referred to as Collateral, for a total purchase
15 price of \$400,000.00, as follows: \$400,000.00 with interest at the
16 rate of 10% per annum from July 27, 1979, payable, interest only
17 1st February 1980. Payment of 1st February 1981 and 1st February
18 1982 will be interest only. Payment 1st February 1983 will be
19 \$40,000.00 plus accrued interest and will continue annually until
20 1st February 1989 when all remaining principal and interest balance
21 will be due and payable. Any or all of the purchase price may be
22 prepaid without penalty after 1st January 1983.

23 The Buyer is entitled to possession on the 27th day of July, 1979.

24 1.

25 ESCROW.

26 It is further expressly understood and agreed that upon the
27 execution of this agreement, Sellers shall make and execute in
28 favor of Buyer a bill of sale transferring the equipment, and a
29 bill of sale transferring the cattle, free and clear of all liens
30 and encumbrances, except taxes; that Buyer and Sellers shall join
in executing a financing statement, and Sellers shall execute a
termination of financing statement. Sellers shall execute powers

Lily T. Hevern
Joseph F. Arroyo
Dolores C. Arroyo

1 of attorney authorizing the escrow holder to sign on their behalf
2 all documents necessary to transfer titles to all motor vehicles.
3 The bills of sale, termination of financing statement, powers of
4 attorney and the original of this agreement shall be placed in
5 escrow with Klamath County Title Company, at Klamath Falls,
6 Oregon. When the Sellers have received from the Motor Vehicles
7 Division the certificates of title //////////////////////////////////////
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Conditional Sales Security Agreement - Page 1A

Leidy J. Hecorn
Joseph F. Arango
Dolores C. Arango

1 to the motor vehicles showing them as security interest holders, they shall en-
2 dorse them and shall deliver them to the escrow holder. When and if the Buyer
3 shall have paid the balance of said purchase price and interest in full, the es-
4 crow holder shall deliver all of said instruments to Buyer, but if the Buyer
5 shall become delinquent in any installment or interest due under this agreement
6 for more than 30 days, said instruments are to be returned to Sellers, or their
7 order, upon written demand for same, thereby terminating said escrow.

2.

RESERVATION OF TITLE AND SECURITY INTEREST - FUTURE INDEBTEDNESS.

8
9 It is understood and agreed that this is a security agreement, and the
10 Sellers reserve title to and Buyer grants Sellers a first security interest in
11 all of the above-described Collateral and in all of the equipment and cattle
12 which may hereafter be acquired by the Buyer to be used in said business. Said
13 security interest is given to secure the payment and performance of all of the
14 Buyer's obligations set forth in this agreement and to secure all future credit
15 and advances made by Sellers to or for the account of the Buyer, and all future
16 obligations and indebtedness of Buyer to Sellers including, but not by way of,
17 limitation, advances for loans, taxes, levies, insurance and rent, and all reason-
18 able costs and expenses incurred in the collection of any such indebtedness,
19 including Sellers' reasonable attorneys fees and legal expenses in the event
20 suit or action is necessary, including attorneys fees in any appeal or proceed-
21 ing in any appellate court.

3.

WARRANTIES.

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25 Sellers warrant that said equipment and cattle are free and clear of all
26 liens and encumbrances, except for personal property taxes for the current year
27 which became a lien on January 1, 1979. Sellers warrant that they have good
28 right to sell said equipment and cattle. Sellers further warrant that they have
29 no creditors and agree that they will forthwith upon execution of this agreement
30 execute and deliver to the Buyer Schedule of Property and List of Transferor's
31 Creditors (Form No. 1222-UCC Series, Stevens-Ness Law Pub. Co.) in which they
32 will execute affidavit that they have no creditors. Sellers expressly covenant

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1 and agree that all creditors have been paid.

2 All equipment is sold in an AS IS. WHERE IS condition.

4.

4 OTHER AGREEMENTS OF BUYER.

5 The Buyer, and Buyer's legal representatives, heirs and assigns, agrees and
6 warrants as follows:

7 (a) That the Buyer will promptly pay said purchase price and interest, and
8 any and all other indebtedness which may become due to the Sellers.

9 (b) That said Collateral will be retained in Buyer's possession in Klamath
10 math County, Oregon, at all times and at Buyer's sole risk and responsibility.

11 (c) That Buyer will maintain insurance in an amount adequate to protect
12 Sellers' interest in the Collateral.

13 (d) That Sellers shall have the right to enter into and upon any premises
14 where any of the Collateral may be situated for the purpose of inspecting or in-
15 ventorying the same.

16 (e) That Buyer will not abandon said Collateral or any part thereof. That
17 Buyer will not permit any lien or security interest therein, or a financing state-
18 ment to be filed on any of said Collateral without the prior written consent of
19 Sellers.

20 (f) That Buyer will preserve and protect the Collateral against loss, dam-
21 age or depreciation in value.

22 (g) That Buyer will promptly pay all taxes on or relating to the use of
23 Collateral when they first become due and payable.

24 (h) That if the Buyer should fail to do so, the Sellers may, in their dis-
25 cretion, pay any taxes, liens, security interest or other encumbrances at any
26 time levied or placed on said Collateral or any part thereof, and may place and
27 pay for insurance thereon, and may pay for the maintenance, protection or pre-
28 servation of the Collateral, and may pay the rent on the premises in which any
29 part of the Collateral is located, and may pay any necessary filing or recording
30 fees. All such payments and advances shall be secured by said Collateral and
31 shall draw interest at the same rate as the unpaid balance of the purchase price,
32 and the Buyer shall reimburse the Sellers for such payments and advances and in-
terest on demand.

1 (i) That the Buyer will join the Sellers in executing, filing and doing
2 whatever may be necessary under applicable law to perfect and continue the Sel-
3 lers' security interest in the Collateral, all at Buyer's expense.

4 5.

5 SALE OF CATTLE.

6 The Buyer shall have the right to receive all of the proceeds of the Fall
7 calf contract with Modoc Auction Yard. The Buyer shall maintain a healthy herd
8 of cattle at not less than the number set forth in Exhibit B. Each year's calf
9 crop shall be subject to the security interest retained by the Sellers in this
10 agreement. Buyer may sell the calf crop annually on the condition that she is
11 not in default under this agreement.

12 6.

13 REPLACEMENT OF EQUIPMENT.

14 The Buyer shall have the right to sell or trade in any of the equipment
15 listed on Exhibit A provided it is replaced with equipment of an equal or greater
16 value. All replacement equipment shall be subject to the security interest re-
17 tained by the Sellers in this agreement. If the Buyer desires to replace any
18 of the motor vehicles described on Exhibit A, the Buyer and Sellers shall jointly
19 in writing direct the escrow holder to release the certificate of title to that
20 vehicle and to accept the certificate of title to the replacement vehicle to be
21 held in the escrow.

22 7.

23 GENERAL PROVISIONS.

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

26 (b) All the benefit of this agreement shall inure to the Sellers, their
27 legal representatives and assigns, and the obligations shall be binding upon the
28 Buyer who shall be liable therefor, and upon the Buyer's legal representatives
29 and assigns.

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

upon the party. Reasonable notice, when notice is required, shall be five days.

8.

POSSESSION AND DEFAULT.

The Buyer shall be entitled to possession of the Collateral unless a default occurs. The Buyer shall be in default under this agreement upon the occurrence of any of the following:

(a) Failure to pay when due any of the principal or interest on this agreement;

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

(c) Misrepresentation or material falsity of any certificate or statement made or furnished by Buyer to Sellers whether or not in connection with this agreement;

(d) If Buyer is adjudged bankrupt, or if any of said property is seized, attached or levied upon.

(e) Buyer agrees that failure by Sellers at any time to require performance by Buyer of any provision hereof shall in no way affect Sellers' right hereunder to enforce the same, nor shall any waiver by Sellers of any breach of any provision hereof be held to be a waiver of any succeeding breach of any provision.

9.

REMEDIES ON DEFAULT.

In addition to all rights and remedies of the Secured Parties upon default set forth in the Oregon Uniform Commercial Code and this agreement, the Sellers may declare all amounts and interest unpaid on this agreement immediately due and payable; the Sellers shall be entitled to immediate possession of all of the Collateral, and the Buyer agrees, upon request of Sellers, to make it available to the Sellers at a designated reasonably convenient place; and the Buyer agrees to pay all reasonable attorneys fees and legal expenses incurred by the Secured Parties, including attorneys fees in any appeal or proceeding in an appellate court, which fees and expenses shall be secured by this agreement and the Collateral and shall be satisfied out of the proceeds of disposition.

10.

In consideration of the execution of this agreement by the Sellers, the Buyer does by these presents sell, transfer and assign unto Sellers all of the Buyer's interest now held or hereafter acquired in and to the following-described contracts of sale:

1. Contract of Sale dated January 8, 1970, wherein Harry Obenchain and Inez Obenchain are sellers and Stephen A. Girard is buyer, which buyer's interest in said contract was thereafter assigned to sellers herein, and thereafter assigned from sellers herein to Salinas Investment Co., a California corporation, and subsequently assigned from said Salinas Investment Co. to buyer herein.
2. Contract of Sale dated May 10, 1965, wherein Meryl Creek Cattle Co. is seller and Rega D. Freeman and Maryallice Freeman are buyers, which buyers' interest in said contract was thereafter assigned to sellers herein, and thereafter assigned from sellers herein to Salinas Investment Co., a California corporation, and subsequently assigned from said Salinas Investment Co. to buyer herein.
3. Contract of Sale dated December 12, 1968, wherein Rega D. Freeman and Maryallice Freeman are sellers and Stephen A. Girard is buyer, which sellers' interest in said contract was thereafter assigned to First National Bank, and which buyer's interest in said contract was thereafter assigned to sellers herein, and thereafter assigned from sellers herein to Salinas Investment Co., a California corporation, and subsequently assigned from said Salinas Investment Co. to buyer herein.

TO HAVE AND TO HOLD the same unto Sellers, their heirs and assigns.

Provided, however, it is understood and agreed that the assignment of the interest in the above-described contracts is executed as collateral security for the payment of sums due to the Sellers from the Buyer by the terms of this agreement, and the assignments shall be void if said sums are paid in full as required by this agreement, but until such time the sums are paid in full, Sellers shall be deemed to be the sole owner and holder of the interest in the real property described in the contracts of sale above mentioned. As long as the Buyer is not in default under the terms of this agreement, the Buyer shall be entitled to possession of the real property described. If the Buyer should become in default in any of the terms of this agreement, the Sellers shall be entitled to possession of the real property described and to bring suit or action to foreclose upon the security interest provided by this paragraph, in the real property. The Sellers security interest in the real property herein assigned shall be foreclosed by the same procedures followed.

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1 for the foreclosure of a mortgage on real property. It is further expressly
 2 understood and agreed that this conveyance of an interest in the real property
 3 shall not be deemed as partial or full payment by Buyer of the obligations of
 4 this agreement but only as security for such payment.

5 Sellers shall execute a re-assignment in favor of the Buyer which shall be
 6 placed in the escrow to be delivered to the Buyer when this agreement is paid
 7 in full.

8 EXECUTED IN DUPLICATE, one copy of which was delivered to and retained by
 9 the Buyer this 19th day of July, 1979.

10 Lily T. Hevern
 11 Lily T. Hevern
 12 P.O. Box 31
 13 North Fork, California 93643

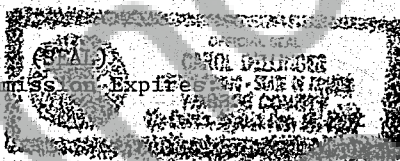
10 Joseph F. Arroyo
 11 Joseph F. Arroyo

12 Dolores C. Arroyo
 13 Dolores C. Arroyo
 14 1475 Terminal Way, Suite #2
 15 Reno, Nevada 89502

14 STATE OF NEVADA)
 15) SS
 16 County of WASHOE)

16 On this 19th day of July, 1979, personally appeared the above-named Joseph
 17 F. Arroyo and Dolores C. Arroyo, husband and wife, and acknowledged the foregoing
 18 instrument to be their voluntary act and deed.

19 Before me:



20 Carol Dellinger
 21 Notary Public for NEVADA

22 STATE OF OREGON)
 23) SS
 24 County of Klamath)

24 On this 24th day of July, 1979, personally appeared the above-named Lily
 25 T. Hevern and acknowledged the foregoing instrument to be her voluntary act and
 26 deed. Before me:

27 (SEAL)

28 My Commission Expires: 3-22-81

26 Barlene P. Haddington
 27 Notary Public for Oregon

29 Return To: T/A
 30 So. 6th Office

Double " S " Ranch Inventory List

17937

1	4X4 Chev pick up	Lic. # M9939
1	4X4 Jeep pick up	Lic. # ABY693
1	4X4 Jeep dump truck	Lic. # ABY694
1	Chev cattle truck	Lic. # f53-441
1	GMC 4000 cattle truck aluminum rack	Lic. # f48-122
1	Jeep pick up bed for dump truck	
1	D - 4 Cat wide Gage with blade & wench	Ser. # 7u36259
1	580 B Case back Hoe with bucket & cab	Ser. # 5258994
1	John Deere Diesel wheel tractor with cab model # 6537-12	Ser. # c07456
1	Model H Farmall tractor	Ser. # FBH390968X1
1	David Brown tractor	
1	F228 Farm Hand Hook Loader	Ser. # 751
1	Farm Hand front end loader (bucket)	
1	I - H 4 bottom plow	Ser. # P012810
1	Minneapolis Moline 4 bottom plow	Ser. # 2355715
1	Model 1210-02 John Deere 14 ft. Double sec. Disc.	
1	2 Gang spike tooth harrow (green)	
1	Junk spike tooth harrow (lower barn)	
1	Spring tooth harrow	
1	John Deere 12 ft. hydrolic scraper	Ser. # 12RL03
1	Meyer Ditcher	
1	Model 201 windrower swather I-H	Ser. # H6515
1	Model 479 New Holland Pull Swather	Ser. # 389679
1	Farm Hand 7 wheel side del. rake (new)	
1	John Deere side del. rake	
1	Heston Stack Hand - 30	Ser. # SH3014098
1	Johnson pick-up bale loader	Ser. # 1415
1	Elec. Bale stacker 3/4 HP motor	
1	Model 714A hay wagon	Ser. # 7W3-3090
1	Hay wagon with tractor steering	
1	Meyers 6 ft. snow plow	
1	Mollasses Licker	
1	Teco Squeeze Shut (red)	

L. J. Z.

- 1 300 to 350 gal fuel tank (metal bld.)
- 1 Fuel Tank on stand (shop)
- 1 Fuel Tank $\frac{1}{2}$ buried (shop)
- 1 Barrel Pump (shop)
- 1 Tokeln barrel pump (metal bld.)
- 1 Wheel line set up 36 wheels & lengths of pipe
- 1 A G center 7 HP briggs & stratton chain dr. all 4 wheels
- 1 10" gate valve
- 1 5" Tee
- 51 30' 5" Main line pipe
- 16 40' 3" sprinkler pipe
- 1 Layne & Bowler pump (well so. end of property) Ser. # 1262246
- 1 Centry Booster Pump (well so. end of property) Ser. # 20860
- 1 Winsby pump (metal bld.)
- 1 Franklin motor Burkley pump Ser. # 7266419
- 1 River pump in river
- 10 Large steel pipe (by metal bld.)
- 1 Hudson Power Sprayer Ser. # 45210-D
- 1 Handy Man Jack
- 46 Miscellaneous tires & wheels (metal bld.)
- 3 Mobil Home Axels (metal bld.)
- 6 Quail feeders (metal bld.)
- 2 Post pounders (1 shop) (1 metal bld.)
- 1 De Vilbiss air comp. type PL502-T (1 HP elec.) Ser. # D5091
- 1 Hobart elec. welder, (wisconsin engin) & gas tanks, hoses & regulators on trailer
- 1 XL101 Homelite chain saw
- 1 XL925 Homelite chain saw
- 1 Hand drill press (metal bld.)
- 1 Drill press & drill (craftsman)
- 1 Stanley H131 Model B $\frac{1}{4}$ " drill Ser. # 92L71
- 1 Black & Decker 7114 Verable speed drill
- 1 Black & Decker Jig Saw (type - FA)
- 1 Fory 7 $\frac{1}{4}$ " skill saw (model 28950)
- 1 Hartman Battery Charger (metal bld.)
- 1 Sure Fire Battery Charger 15 AMP solid state

L. J. H.

17939

1 Super Ace Tap & Die Set

1 Thor 5685 Bench Grinder

1 Wilton Bench Vice

1 Anvil with stand

2 1½ Ton floor jacks
4 Floor Jack Stands

Ser. # 00669202 & 00669209

1 Power Vacuum (shop)

2 come-a-longs

1 Extra large assort. nuts & bolts & misc parts

L. J. H.

CATTLE COUNT ----- 300 COWS WITH 250 CALVES Approx.

21 YEARLINGS (7 Heifers & 14 Steers)

26 BULLS (4 Angus & 22 Hereford)

BRAND TRANSFER ----- L Left Hip -- Split Left ear

STATE OF OREGON,)

County of Klamath)

Filed for record at request of

on this 27 day of July A.D. 19 79at 2:34 o'clock P M, and dulyrecorded in Vol. M79 of Deedsage 17929

Wm D. MILNE, County Clerk

By Harold Brazil Deputy

Exhibit B

Fee \$32.00

L. J. H.