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MEMORANDUM OF CONDITIONAL SALES CONTRACT

THIS MEMORANDUM OF CONDITIONAL SALES CONTRACT is executed by the undersigned for the placing of record pursuant to ORS 93.640(1) the following information regarding said Contract dated Sept. 21, 1970:

1. Transferors are Richard O. Dilling and Nellie E. Dilling, husband and wife,
2. Transferees are James L. Clay and Rita Clay, husband and wife,
3. The legal description of the property affected by this Transfer is as follows:

Beginning at a one-half inch iron pin on the Easterly right of way line of Washburn Way, said point being North 00°20'00" East along the centerline of Washburn Way and along the West line of said Section 34 a distance of 332.19 feet and South 89°33'03" East a distance of 30.00 feet from the 5/8 inch iron pin marking the Westerly quarter corner of said Section 34; thence North 00°20'00" East along the Easterly right of way line of Washburn Way a distance of 285.00 feet to a one-half inch iron pin; thence South 89°33'03" East parallel with the North line of "Mills Gardens" subdivision a distance of 472.43 feet to a one-half inch iron pin; thence continuing South 89°33'03" East a distance of 29 feet, more or less, to the Westerly right of way line of the U.S.B.R. "A" Canal; thence Southeasterly along said Westerly line to the North line of "Mills Gardens" subdivision; thence North 89°33'03" West along the Northerly line of "Mills Gardens" subdivision (S 89°45' W by said subdivision plat) a distance of 20.96 feet, more or less, to a two inch iron pipe; thence continuing North 89°33'03" West along said subdivision line a distance of 606.40 feet to the point of beginning.

4. By said Contract the Transferees acquired a Contract purchasers interest in the assets of Washburn Manor Convalescent Center, including a lessees interest in a lease of the real property above described. Transferors reserved in said Contract a security interest

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in the assets of the business (including the lease of the above described real property) to secure the payment of the price and performance of the terms of said Contract.

5. The interest of transferees in said Contract was subsequently assigned, with the written consent of transferors, to Washburn Manor, Inc., a Texas Corporation, by an agreement executed January 3, 1974.

6. Said Conditional Sales Contract contains the following restrictive language relating to Transfer of assets of the Corporation in paragraph 8(d):

"That, until the principal and interest due Sellers hereunder is fully paid, Buyers shall not pledge, hypothecate, mortgage, assign, or otherwise transfer, alienate or encumber their equity in Washburn Manor, or otherwise dispose of the same, nor permit any lien or security interest therein, or a financing statement to be filed thereon, other than that of Sellers, without the written consent of Sellers first had and obtained."

and the following language in paragraph 8(i):

"To the extent that it shall be necessary for Buyers to sell or dispose of any property used or useful in the operation of Washburn Manor, such property shall be replaced by property of like kind, with a value equal to or higher than the value of the property so sold or disposed of, and shall become subject to the security interest of Sellers.

and the following language in paragraph 8(p):

"The foregoing prohibitions and limitations shall apply to and be binding upon not only Buyers, but the families, relatives and employees of Buyers, employees of Washburn Manor, the shareholders of Washburn Manor (if Washburn Manor is incorporated) or to any other firm or corporation in which Buyers, the shareholders of Washburn Manor (if incorporated) or Washburn Manor, own an interest or equity.

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Dated this 8 day of May, 1980.

STATE OF OREGON)
County of Coos) ss.

Richard O. Dilling
Nellie E. Dilling

On this 8 day of May, 1980, personally appeared the above named Richard O. Dilling and Nellie E. Dilling and acknowledge the foregoing instrument to be their voluntary act and deed.

(SEAL)

David H. Helling
Notary Public for Oregon
My Commission Expires: 8-18-1982

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of Giacomini, Jones & Assoc.

this 8th day of May A. D. 19 80 at 2:55 o'clock P. M.

Truly recorded in Vol. M80, of Deeds on Page 8486

Wm D. MILNE, County Cl.
By Bernetha H. Hetch

Return to.

Giacomini, Jones & Assoc.

635 Main

K. Falls,