

CONDITIONAL SALES AND SECURITY AGREEMENT

THIS AGREEMENT made and entered into this 30 day of December, 1986, by and between:

JOYCE MCPHERSON, hereinafter called Seller, and OLE OPGRAND and VALERIE S. OPGRAND, hereinafter called Buyers.

WITNESSETH:

The Seller, for and in consideration of the covenants and agreements herein stated to be kept and performed by the Buyers, has agreed to sell and convey to Buyers, and the Buyers have agreed to purchase and pay Seller the sums of money hereinafter stated for that certain business known as "Howdy Doody's Tavern", including the assumed business name of the "Howdy Doody's Tavern", which Seller has this day sold to Buyers on the following terms and conditions.

Existing Encumbrances: This sale is subject to the following obligations:

Buyers shall assume these obligations and hold Seller harmless thereon.

Purchase Price and Terms: The purchase price of the property which Buyers agree to pay shall be the sum of \$55,000.00, payable as follows:
same day of each and every month through and including January 18, 2001.

- a) The sum of -0- upon execution of this agreement.
- b) The sum of \$660.12 per month beginning January 18, 1987 and on the same day of each and every month through and including January 18, 2001.
- c) Said payments shall include interest at the rate of 12% per annum.
- d) This amount may be prepaid at any time without penalty.

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e) This business cannot be sold, assigned, transferred and all sums owing to Seller shall be due and payable upon occurrence of said events.

Lease: For, and in additional consideration for this agreement, Seller agrees to lease the real property on which this business is located to Buyers. Such lease is contained in a separate document.

Security Agreement: This instrument shall constitute a Security Agreement within the meaning of the Uniform Commercial Code and shall file the statements in all appropriate public offices. Seller may, at any time, and at her option without further authorization from Buyers file copies of this contract as financing statements. Upon default hereunder, Buyers shall, within ten days of receipt of written demand from Seller, assemble the personal property and make it available to Seller.

Taxes and Assessments: Buyers shall pay promptly all taxes on said subject property directly to the appropriate governmental authority. Buyers shall provide Seller with proof of payment of said taxes and assessments. Buyers shall assume and pay any taxes currently due and owing.

Maintenance and Insurance: Commencing with the possession date and thereafter and all times under this contract, Buyers shall, with respect to the property, do the following:

a) Keep all equipment, furnishings, and fixtures and other improvements now existing which shall hereafter be placed on the property in good condition and repair, in at least as good condition as when purchased.

b) Promptly comply with all the laws, ordinances, regulations, directions and rules and regulations of governmental agencies, and authorities applicable to the use or occupancy of the property and in this connection, promptly make all required repairs, alterations and additions.

c) Buyer shall keep all improvements then existing and which shall thereafter be placed on the property insured against fire and other casualties covered by a standard policy of fire insurance with extended coverage endorsements. The policy shall be written to the full replacement value with loss payable to the Seller and Buyers as their respective interest may appear and certificates evidencing the policy shall be delivered to the Seller and shall contain a stipulation providing that coverage will not be cancelled or diminished without a minimum of ten days written notice to the Seller. In the event of a loss, the Buyers shall give immediate notice to Seller. Seller may make proof of loss if Buyers fail to do so within 15 days of the casualty period.

d) Buyers shall not suffer or permit any of said property to become subject to any taxes, assessments, liens, charges or encumbrances whatsoever having precedence over the rights of the Seller in and to said property.

Indemnification and Liability Insurance:

Buyers shall indemnify and defend Seller from any claim, loss, or liability arising out of or related to any activity of Buyers on the property or any condition of the property.

Representations of Seller: Seller herein agrees to indemnify and hold forever harmless the Buyers against loss from any claims, demands or actions that may hereafter, or at anytime, be made or brought against the Seller, including any pending lawsuit, obligations and liens which may be brought against Seller.

Buyers herein has thoroughly examined the property to be conveyed and relies solely on its own judgment in making this agreement to purchase, and that there are no agreements, understandings or representations made by Seller herein that are not set forth in this contract.

Covenants of Seller: Seller covenants that Seller has a good right to sell said

business subject only to the encumbrances herein identified. Seller covenants and agrees to indemnify and hold Buyers harmless with respect to any and all indebtedness of Seller.

Default: Time is of the essence of this contract, a default shall occur if:

- a) Buyers fail to make any payment when due.
- b) Buyers fail to perform any other obligation imposed by this contract and does not correct or commence correction of such failure within ten (10) days after receipt of written notice from Seller specifying the manner in which Buyers are in default; or
- c) Buyers become insolvent, a receiver is appointed to take possession of all or a substantial part of Buyers' properties, Buyers make an assignment for the benefit of creditors or files a voluntary petition in bankruptcy, or Buyers are the subject of an involuntary petition in bankruptcy which is not dismissed within ninety (90) days. If Buyers consist of more than one person or entity, the occurrence of any of these events as to any one such person or entity shall constitute a default hereunder.

In the event of a default, Seller may take any one or more of the following steps:

- a) Declare the entire balance of the purchase price with interest immediately due and payable;
- b) Foreclose this contract by suit in equity;
- c) Specifically enforce the terms of this agreement by suit in equity.

The remedies provided above shall be nonexclusive and in addition to any other remedies provided by law.

Seller shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the property exceeds the amount of the balance due hereunder, and any receiver appointed may serve without bond. Employment by

Seller shall not disqualify a person from serving as receiver. Upon taking possession of any part or all of the property receiver may:

- a) Use, operate, manage and control and conduct business on property and make expenditures for all maintenance and improvements as in its judgment are proper.
- b) Collect all rents, revenues, income, issues and management.
- c) At Seller's option, complete any construction in progress on the property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Seller may deem appropriate.

If revenues produced by the property are insufficient to pay expenses, the receiver may borrow, from Seller or otherwise, such sums as it deems necessary for the purposes stated in this paragraph, and repayment of such sums shall be secured by this contract. The amounts borrowed or advanced shall bear interest at the same rate as the balance of the purchase price hereunder from the date of expenditure until repaid and shall be payable by Buyers on demand.

Waiver: Failure by Seller at any time to require performance of any provision of this contract shall not limit the right of Seller to enforce the provision, nor shall any waiver by Seller of any breach of any provision be a waiver of any succeeding breach of that provision or a waiver of that provision itself or any other provisions.

Costs and Attorneys Fees: In the event suit or action is instituted to enforce any of the terms of this contract, the prevailing party, even though not a party to this contract, shall be entitled to recover from the other parties such sum as the Court may adjudge reasonable as attorney's fees at trial or on appeal of such suit or action, in addition to all other sums provided by law.

Number, Gender and Captions: As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall include the

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masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience or reference and shall in no way limit any of the provisions of this contract.

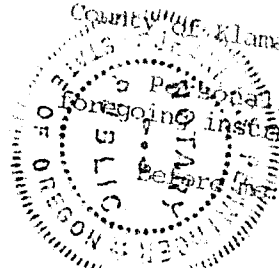
IN WITNESS WHEREOF, the parties have caused this contract to be executed in duplicate as of the day and year first written above.

Joyce McPherson - 12-29-86
JOYCE McPHERSON
Seller

OLE OPGRAND 12-30-86
OLE OPGRAND
Buyer

Valerie Opgrand 12-30-86
VALERIE OPGRAND
Buyer

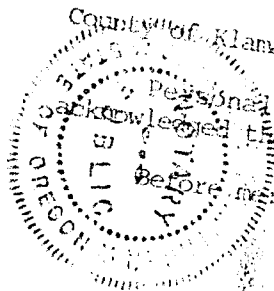
STATE OF OREGON)
County of Klamath) ss.



Personally appeared the within named JOYCE McPHERSON and acknowledged the foregoing instrument to be her voluntary act.

December 29, 1986

STATE OF OREGON)
County of Klamath) ss.



Personally appeared the within named OLE OPGRAND and VALERIE OPGRAND and acknowledged the foregoing instrument to be their voluntary act.

December 30, 1986

Jannine Pennington
NOTARY PUBLIC FOR OREGON
My Commission Expires: 9-10-89

Seller is Oregon Licensed Realtor

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EXHIBIT "A"

ALL INVENTORY

- 1 Advance Vacuum Cleaner
- 1 Panasonic Cleaner
- 1 Mop and Bucket
- 1 Ice Chest
- 1 Stainless Steel Shelf
- 1 Desk
- 1 Ladder
- 1 Budweiser Clock
- 18 Bar Stools
- 23 Captain's Chairs
- 12 Tables
- 2 Dynamo Pool Tables
- 18 Pool Sticks
- 1 Cash Register
- 1 Super Hotwater Heater
- 1 Hobart Glass Washer
- 22 Hobart Glass Racks
- 160 Glasses
- 50 Pitchers
- 10 Wine Glasses
- 1 J.V.C. Amplifier
- 1 Pioneer Cassette Deck
- 1 Marantz Turntable
- 1 Kenmore Microwave
- 1 Norelco Coffeemaker
- 10 Coffee Cups
- 1 Cold Plate & Speed Tap

MISCELLANEOUS UTENSILS

- Misc Cleaning Supplies
- 3-Compartment Sink
- 2 Quadtone Speakers
- 2 3/4 hp Coplinatic Refrigerator Units
- Taps & lines
- Carpet
- 2 Safes
- Air Conditioning
- Hanging Lamps
- Signs
- Bar
- TV
- Satellite
- Mirrors
- Extinguishers
- Walk-in Cooler
- Trophies
- Bud lights
- Saws
- Coat Rack
- Outside signs and lights

Return
Osborne, Spencer &
Wogan
439 Pine
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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____
 of December A.D., 19 86 at 4:03 o'clock P M., and duly recorded in Vol. M86 day
 of Misc. on Page 24127.

FEE \$29.00

By Evelyn Biehn, County Clerk