

CONTRACT FOR EXCHANGE OF REAL ESTATE
AND
AGREEMENT FOR SALE OF BUSINESS

THIS AGREEMENT entered into this 12th day of October, 1982, by and between the following parties:

SELLERS:

Clifton E. Jones
Charlene M. Owens
3716 Summers Lane
Klamath Falls OR 97601

PURCHASERS:

Ross Zie
Deborah A. Zie
Star Route 1, Box 88C
Chiloquin OR 97624

1) Sellers agree to sell to Purchasers and Purchasers agree to buy from Sellers all that certain property situated in Klamath County, Oregon, described as follows, to-wit:

"Lot 14 in Block 218 of MILLS SECOND ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon."

Also known as 2271 Shasta Way, Klamath Falls, Oregon; TOGETHER with the business known as CAPTAIN'S GALLEY, consisting of the goodwill, assumed business name and the furnishings, fixtures and equipment more fully described on the attached "Exhibit A".

2) Purchasers hereby covenant and agree to pay to Sellers as the purchase price for the property the sum of ONE HUNDRED THIRTY-THREE THOUSAND ONE HUNDRED TWENTY DOLLARS AND 18/100s (\$133,120.18), to be paid as follows:

A) The sum of \$1,000.00 has previously been paid as earnest money by virtue of a promissory note payable on or before October 1, 1983, together with the sum as noted in Paragraph 2C hereinbelow.

B) The sum of \$10,000.00 cash to be paid upon execution of this Agreement, receipt of which is hereby acknowledged.

C) The additional sum of \$9,000.00 with no interest thereon shall be paid by Purchasers to Sellers on or before October 1, 1983. Purchasers shall execute a promissory note in the amount of \$10,000.00, which promissory note represents the sums referred to in Paragraphs 2A and 2C hereof; and which said note shall be secured by a second mortgage on the following described real property:

"Lot 1, Block 49, Tract 1184, OREGON SHORES
UNIT 2, Klamath County, Oregon."

D) Purchasers shall convey to Sellers by warranty deed all of Purchasers' right, title and interest in and to the following described real property and shall receive a credit in the amount of \$21,120.18 for this conveyance:

"Lot 22, Block 5, OREGON SHORES UNIT 1, Klamath
County, Oregon."

13708

Sellers shall assume the underlying encumbrance on this real property in the approximate balance of \$1,879.82 and shall pay all monthly payments in the approximate amount of \$46.26 as the same shall become due and payable; and Sellers shall further pay any assumption fees.

F) The remaining balance of \$92,000.00 together with interest thereon at a rate of 11½% per annum shall be payable in monthly installments of \$911.08 payable on the first day of each month commencing with the first day of November, 1982.

The purchase price is allocated as follows: furnishings, fixtures and equipment, \$43,120.18; goodwill, \$1,000.00; land, \$24,000.00; improvements, \$68,000.00.

The parties agree to execute appropriate financing statements, continuation statements and termination statements to be filed with the Secretary of State of the State of Oregon, and Purchasers hereby grant to Sellers a security interest in the furnishings, fixtures and equipment described on "Exhibit A" to secure Purchasers' performance of all of Purchasers' obligations hereunder.

3) It is understood and agreed that legal title to the property covered hereby shall remain in Sellers' until the entire purchase price hereunder has been paid by Purchasers. Seller shall upon the execution hereof make and execute in favor of Purchasers a good and sufficient deed conveying said property free and clear of all liens and encumbrances, except as herein provided, together with a good and sufficient Bill of Sale and U.C.C. 3, and will place said documents, together with one of these agreements, in escrow at Mountain Title Company, 407 Main Street, Klamath Falls, Oregon 97601, and shall enter into written escrow instructions in a form satisfactory to said escrow holder and the parties hereto, instructing said escrow holder that when, and if, Purchasers shall have paid the balance of the purchase price in accordance with the terms and conditions of this contract, said escrow holder shall deliver said documents to Purchasers, but in case of default by Purchasers, said escrow holder shall, on demand, surrender said documents to Seller. Purchasers shall be entitled to possession of the property on the day following date of approval of the licenses specified in Paragraph 13 and shall continue to be entitled to such possession as long as Purchasers are not in default hereunder.

4) Purchasers shall have the right to sell or exchange any portion of the above-described property that may become worn out,

unserviceable or obsolete, provided that Purchasers immediately replace any or all such items with items of similar nature and of similar value and any and all such replacements shall be subject to the lien of this Contract the same as the items replaced.

5) Purchasers covenant and agree to make all required payments promptly when due as set forth in this Contract and that they will never suffer or permit any waste of the property and will keep all improvements subject to the Contract in good condition and repair, and will keep that property free and clear of all materialmen's, mechanics' or other liens or charges of every kind and nature which have priority over the interest of Sellers.

6) All County taxes assessed against the property for the current tax year, both real and personal, shall be prorated between Sellers and Purchasers as of the day following the date of approval of licenses specified in Paragraph 13. Purchasers agree to pay when due all County taxes, permit fees and other assessments which are hereafter levied against the property during the term of this Contract and to provide Sellers with proof of same. In the event any such sums are not paid by Purchasers, Sellers may pay such required sums and add the expenditure back onto the principal balance.

7) Purchasers agree to keep the improvements and personal property upon the premises insured against loss by fire or other casualty including liquor liability in an amount not less than their full insurable value with loss payable to the parties hereto as their interests appear at the time of loss with priority in payment to Sellers and to provide Sellers with copies of the policies and proof of payment of premiums. Purchasers shall have the option of designating whether the amount received under the insurance in payment of a loss shall be applied upon the unpaid balance of the purchase price or used to repair the damage to improvements or replace damaged personal property. Any repaired or replacement property shall immediately become subject to this Contract. All uninsured losses shall be borne by Purchasers on or after the date Purchasers become entitled to possession.

8) During the term of this Contract, it is agreed that Purchasers shall obtain and maintain in full force and effect a policy of insurance protecting both Sellers and Purchasers from liability and damages arising out of and in connection with the operation of the business, in the

nature of a general liability policy with at least the following limits:

Bodily Injury Liability .	\$400,000/\$400,000	CT. B
Property Damage Liability .	100,000 \$150,000/\$150,000	CT. B
Premises Medical Liability	2,000 \$20,000/\$20,000	CT. B

Purchasers agree to hold Sellers harmless from any liability to third parties as a result of the operation of the business. In the event Purchasers do not provide any insurance required herein, Sellers may secure such policy of insurance and add any premium therefor back onto the principal balance.

9) Sellers and Purchasers shall execute all documents required by the State of Oregon and other governmental agencies for the acquisition by Purchasers of the liquor license specified in Paragraph 16, said documents all to be subject to the terms and conditions of this Contract.

10) The Purchasers agree that they will faithfully comply with all the terms and conditions of the liquor license to be issued by the State of Oregon; that Purchasers will not sell, assign, encumber, or otherwise jeopardize their interest in the property subject to this Contract without first notifying Sellers of such intent in writing.

11) It is understood and agreed between the parties that time is of the essence of this Contract, and in case the Purchasers shall fail to make the payments above required, or any of them, punctually within twenty (20) days of the time limited therefor, or fail to keep any agreement herein contained, then Sellers at their option shall have the following rights: (1) to declare the whole unpaid principal balance of said purchase price with the interest thereon at once due and payable; (2) to foreclose this Contract by suit in equity, and in any of such cases, all rights and interest created or then existing in favor of the Purchasers as against the Sellers hereunder shall utterly cease and determine and the right to the possession of the premises above-described and all other rights acquired by the Purchasers hereunder shall revert to and revest in said Sellers without any act of re-entry, or any other act of said Sellers to be performed and without any other right of the Purchasers of return, reclamation or compensation for monies paid on account of the purchase of said property as absolutely, fully and perfectly as if this Contract and such payments had never

been made; and in case of such default all payments theretofore made on this Contract are to be retained by and belong to the Sellers as the agreed and reasonable rent of the premises up to the time of such default. And the Sellers, in case of such default, shall have the right immediately, or at any time thereafter, to enter upon the land aforesaid, without any process of law, and take immediate possession thereof, together with all the improvements and appurtenances thereon or thereto belonging. Sellers shall also have and may exercise each and all of the remedies granted to them by the Uniform Commercial Code of Oregon.

In the event that suit be instituted to foreclose this Contract, the Court in which such suit may be brought shall, upon application of the Sellers, appoint a receiver to take possession of the collateral and the receiver shall, in his discretion, subject to order of the Court, operate the business during the period of the receivership until such collateral shall be sold under such foreclosure.

The foregoing remedies are not exclusive, but in addition Sellers shall have any and all legal and equitable remedies available under the laws of the State of Oregon.

The Purchasers further agree that failure by the Sellers at any time to require performance by the Purchasers of any provision hereof shall in no way affect their rights hereunder to enforce the same, nor shall any waiver by the Sellers of any breach of any provision hereof be held to be a waiver of any succeeding breach of any such provision, or as a waiver of the provision itself.

12) In the event suit or action is commenced by any party of this Contract for the enforcement of any of the rights or remedies created or evidenced by this Contract, the prevailing party in such suit or action shall be entitled to recover from the losing party a reasonable attorney's fee, including a reasonable fee on appeal, to be fixed by the Court, in addition to any other relief had in said proceedings.

13) The parties hereto understand and agree that this Contract is contingent upon the issuance by the State of Oregon of a Retail Malt and Beverage License.

For purposes of this Contract, the day following the approval of such licenses shall be the date of:

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A) Transfer of possession as detailed in Paragraph 3 of this Contract;

B) Prorate of taxes as detailed in Paragraph 6 of this Contract.

Purchasers shall immediately obtain the necessary licenses to operate the business. In case of Purchasers' failure to obtain the foregoing because of acts of omission or commission hereafter committed on the part of Purchasers, Purchasers shall forfeit all sums paid to Sellers or any agent of Sellers under the terms of this Contract or in connection with the Contract. However, should Purchasers be unable to obtain the foregoing license on or before January 1, 1983, for any other reason, this Contract shall be null and void and the Purchasers shall be refunded all sums paid to or for the account of Sellers in connection therewith.

14) It is agreed by the parties that Sellers and their agents have made no warranties upon which Purchasers rely as to the value of the real property, business, income of the business or otherwise. In purchasing the property, Purchasers are relying solely on their own judgment as to the value of same.

Sellers make no warranties as to the condition or repair of the property covered hereby and have made no agreement or promise to alter, repair or improve the property sold to Purchasers, except as the parties have agreed by separate document prior to the close of this sale. Purchasers have made their own examination of the property to be purchased and do so on their own knowledge of the property and their own opinion of the value thereof. Purchasers take the real property and inventory "AS IS", in the condition existing at the time of this Contract. However, Sellers warrant that all equipment on the premises is in good operating order.

15) A collection escrow shall be established at Mountain Title Company and written instructions to the escrow agent shall provide, among other things, that all payments due to Sellers under this Contract shall be paid by Purchasers to the collection escrow. The instructions will further provide that from the amounts so received, the escrow agent shall first pay all sums due on the underlying encumbrance as represented by a certain Trust Deed:

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Dated: November 19, 1980
 Recorded: November 20, 1980
 Volume: M80, Page 22547, Records of Klamath County, Oregon
 Grantor: Clifton E. Jones and Charlene Marie Owens
 Trustee: Mountain Title Company
 Beneficiary: Jack P. Baggelaar and Marilyn L. Baggelaar,
 husband and wife;

thereafter, the escrow agent shall pay all sums due on the underlying encumbrance described in Paragraph 2-D of this Contract; with the remaining proceeds to be paid to Sellers.

16) Upon execution of this Agreement, Purchasers and Sellers shall apply for registration of the assumed business name "Black Kettle" and the business shall be operated under that name for the term of this Agreement. Upon approval of Purchasers' application for an OLCC Restaurant License, Sellers shall withdraw as real parties of interest in and to the name "Black Kettle".

17) The covenants, conditions and terms of this Contract shall extend to and be binding upon and inure to the benefit of the successors and assigns of the parties.

18) All notices under this Contract shall be by certified mail, return receipt requested, and shall be mailed to Sellers at:

3716 SUMMIT STREET
KLAMATH FALLS ORE
97601

and to Purchasers at:

P.O. Box 1822
Klamath Falls, Or
97601

IN WITNESS WHEREOF, the undersigned have executed this Contract as of the date first hereinabove written.

SELLERS:

Clifton E. Jones
 CLIFTON E. JONES

Charlene M. Owens
 CHARLENE M. OWENS

PURCHASERS:

Ross Zie
 ROSS ZIE

Deborah A. Zie
 DEBORAH A. ZIE

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STATE OF OREGON }
County of Klamath } ss.

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Personally appeared the above-named CLIFTON E. JONES and CHARLENE M. OWENS, and acknowledged the foregoing instrument to be their voluntary act and deed.

Dated before me this 14th day of October, 1982.

Linda Stelle
NOTARY PUBLIC FOR OREGON
My Commission Expires: 7/13/85

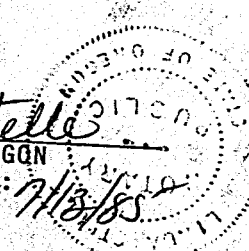


STATE OF OREGON }
County of Klamath } ss.

Personally appeared the above-named ROSS ZIE and DEBORAH A. ZIE, and acknowledged the foregoing instrument to be their voluntary act and deed.

Dated before me this 14th day of October, 1982.

Linda Stelle
NOTARY PUBLIC FOR OREGON
My Commission Expires: 7/13/85



13715

Stainless Steel Shelf
Hot Food Server
Merkel Auto Slicer
Refrigerator - Butcher Top
Salamander
~~Waffle and Toaster~~
Dishes and Silverware
20 Qt. double boiler
Utility Cart
Kitchen Utensils
12 ~~Silix~~ Silix Warmers
Dishwasher
Tub Sink
Hoods, Fan and Fire System
Beer Box
Glass Froster
Butcher Block Table
Fondue Forks
Kitchen Utensils
Pitco Gas Fryer
Duke Steam Table
Range 246 - 4B
Range 3/Hot Tops
Platters, Dishes and Servers
~~Kitchen pans and utensils~~
Kitchen pans and utensils
JRS Wood Table
Well's Auto Fryer
12 Blackwrinkle Pans
Ester Clo Steamer
Walk-in w/shelves
Kitchen Utensils
Fire Extinguisher
Meat Scale
Garbage Cans
Ice Machine
Mixer-Blender
Misc. Kitchen Equipment
~~Waffle~~
~~Griddle and Fondue~~
Refrigeration Unit
Brown Plates
Brown Saucers
Steak Broiler w/stand
New Silverware

Cheryl J. Jones
Deborah A. Zee

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- Table Tops:
Chrome Wire Holders
4 ~~28~~ Bus Boy Aprons
Booths
29 ~~34~~ Wooden Chairs
Upholstery
~~Decorations and Lamps~~
Formica Table Tops
Cash Register
~~Lamps~~
Draperies:
Intercom
Chandelier
Bar Glass Holder
Viny / ~~Leather~~ Table Covers
~~Desk~~
New motor on Dishwasher
14 Escargot Dishen
11 Fish Platters
4 Wine Openers
Wine Glasses, White, Red and Champagne
Decanters
Wine Buckets
2 Peppermills
Wine Stands
~~Wine Stands~~

Tax statements to:

Ross: Deborah A. Zie
Star Route 1, Box 88C
Chiloquin, OR 97624

After recording return to:
Mountain Title Co.

Deborah A. Zie

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record

this 14 day of Oct A.D. 1982 at 2:41 o'clock P.M. and

duly recorded in Vol. M 82, of Deeds on Page 13707

Fee 40.00

By Joyce M. Smith
EV LYN BROWN, County Clerk