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TO: Bill Connolly

FROM: KC Land Management Co. (an Oregon corporation; owner of East Oregon Cattle Co.)

LETTER OF INTENT

Transfer of ownership of all the assets of East Oregon Cattle Co., a business trust, to a new corporation known as East Oregon Cattle Company, pursuant to our meeting in San Raphael, California, on June 24, 1985.

The following is a plan to effect the above-mentioned transfer.

1. Total purchase price for the purchase of the ranch "as is" will be \$1,500,000.00.
2. The cash that East Oregon Cattle Co. is to receive is the difference between the \$1,500,000.00 and the cost and expenses which are outlined as follows:
 - a) Payoff of Farm Home Administration;
 - b) Payoff of Federal Land Bank;
 - c) Payoff of all back taxes;
 - d) Payoff all of the indebtedness of Neil Barnwell, Pat Holbrook and Yonna Valley Partnership judgments as they may be against the property;
 - e) Pay one-half of all closing costs;
 - f) The ranch will be free and clear of all back liens as of prorated date.
3. It is the understanding between the parties that Bill Connolly will take over management of the ranch as of July 1, 1985, or at such time as approximately July 1, 1985, as may be practical, and all of the paperwork will be completed by August 1, 1985, or as soon thereafter as is practicable, and said completion of paperwork is for the effectuation of the transfer of ownership.
4. K.C. Land Management recognizes the receipt of \$200,000.00 on June 24, 1985.
5. The remainder of the cash will be paid as follows:
 - a) An additional \$200,000.00 to be paid from the sale of equipment to the sons of Bill Connolly, specifically Pat Connolly, Michael Connolly, and Tim Connolly.
 - b) The remaining cash to be paid in the first quarter of 1986, assuming acceptable financing has been secured.

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6. There will be \$100,000.00 held back until the following are completed:

- a) Acceptable fish ponds are to be in operation;
- b) Acceptable hunting club is in place;
- c) Acceptable cattle program is in place for 1986.

7. All of the parties hereby agree to cooperate with each other as to how to document and transfer in order to lessen the tax burden on all the parties hereto.

DATED this 24 day of June, 1985.

William J. Connolly
WILLIAM J. CONNOLLY

B.G. Carpenter
OF K.C. LAND MANAGEMENT COMPANY

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____
of April A.D., 19 86 at 11:03 o'clock A M., and duly recorded in Vol. 18th day
of Deeds on Page 6658 M86

FEE \$9.00

Evelyn Biehn County Clerk
By Bernetha H. Ketch

Return to:
Michael Connolly
P. O. Box 7947
K. Falls, OR 97602