

CONTRACT OF SALE of the Property described in the attached Exhibit "A" (Property), subject to the exceptions to title set forth in said Exhibit "A", made, as of the last date set opposite the signatures of the parties hereto, between THE FEDERAL LAND BANK OF SPOKANE, a corporation (Vendor), and JACK M. BAKER and LYNDA M. BAKER, husband and wife (Purchaser), whose address is 4680 Cannon Street, Klamath Falls, OR 97601.

1. Vendor agrees to sell to Purchaser, and Purchaser agrees to buy from Vendor, the Property for the price and on the terms, covenants, conditions and provisions herein contained.

2. Purchaser agrees to pay Vendor the sum of \$90,000.00 for the real property as follows: \$18,000.00 down (which Vendor has received) and \$72,000.00, plus interest on declining principal balances, as set forth below, in monthly installments of not less than \$860.00 each, including interest. The first of such installments shall be paid on the 1st day of July, 1986, and subsequent such installments shall be paid on the 1st day of each month thereafter, until the entire purchase price, including principal and interest, is paid in full. Interest shall commence on date of this Contract. The rate of interest on declining principal balances is agreed to be: 10% per annum for 60 months from date of this Contract; and, from the 61st month until the declining principal balances have been paid in full, at such rate per annum as thereafter increased or decreased at any time by Vendor which increased or decreased rate of interest shall apply from the effective date of the increase or decrease to all of the declining principal balance and shall remain in effect until Vendor establishes a different rate of interest. The increased or decreased rate of interest shall be that regularly charged by Vendor on its loans. Before any increased or decreased rate of interest shall become effective, Vendor shall notify, in writing, Purchaser of the different rate of interest which Vendor desires to establish pursuant to this Contract. Thirty days after the giving of the notice, such increased or decreased rate of interest shall become effective and shall continue to be in effect until Vendor gives written notice to Purchaser of a different rate of interest. If Vendor increases or decreases the rate of interest pursuant to this paragraph, Vendor shall also notify Purchaser of the amount of each monthly installment necessary to amortize the then unpaid principal balance in monthly installments over the then remaining term of the amortization period at the then interest rate being charged by Vendor. The initial amortization period is 144 months. All installments paid by Purchaser shall be applied by Vendor first to interest accrued to the date of receipt of payment and then to reduce principal. All installments not made within 30 days of the due date shall bear interest thereafter until paid at a rate equal to the contract rate specified according to the preceding provisions. Purchaser may prepay all, or any part of, the principal or interest at any time. No partial prepayment shall be credited in lieu of any regular future installment, nor excuse Purchaser from making regular installments specified in this Contract. In all events, all principal and interest due and payable on July 1st, 1998, shall be paid by Purchaser to Vendor.

3. Purchaser warrants and covenants the Property is being purchased primarily for personal, household or agricultural purposes. Purchaser has examined the Property and agrees no representations of any kind have been made by Vendor, or any representative of Vendor, with respect to the condition of title to the Property or the condition of the Property itself not contained in this Contract. Purchaser accepts the Property in its present condition and requires no work of any kind to be done by Vendor on it.

4. Possession of the property shall be delivered on the date hereof.

5. The terms, covenants, conditions, and provisions set forth on the reverse hereof, and any exhibit attached hereto, are incorporated into this Contract as though fully set forth in this Contract.

THIS DOCUMENT CONSTITUTES A BINDING CONTRACT. THE PARTIES HAVE READ BOTH SIDES AND ALL EXHIBITS.

DATE

SIGNATURES

June 18, 1986

THE FEDERAL LAND BANK OF SPOKANE, a
corporation (Vendor)

By: Kreg Witham, Manager
(Name and Title)

June 18, 1986

JACK M. BAKER [Signature] (Purchaser)

June 18, 1986

Lynda M. Baker [Signature]
LYNDA M. BAKER Her Attorney in fact (Purchaser)

(SEE ACKNOWLEDGMENTS ON REVERSE SIDE)

86 JUN 19 PM 2 58

1. Vendor hereby warrants to Purchaser that Vendor has good and merchantable title to the real property described in this Contract, subject to the exceptions to title set forth in this Contract. Vendor agrees that when the sums due Vendor secured by this Contract have been fully paid, Vendor shall, upon Purchaser's request, deliver a good and sufficient warranty deed conveying said real property in fee simple unto Purchaser, and Purchaser's heirs and assigns, free and clear of encumbrances as of the date of the Contract, except those exceptions to title set forth in this Contract, and those exceptions to title permitted or created by Purchaser. To the extent that this Contract designates an Escrow Holder, Vendor will, upon execution of this Contract, execute the aforesaid warranty deed, and, within a reasonable time thereafter, place said warranty deed, together with an executed original of this Contract, in escrow with the designated Escrow Holder with instructions (subject to the usual printed conditions and provisions of the standard form of escrow instructions provided by said Escrow Holder) to said Escrow Holder that, when and if Purchaser shall have paid the sums due Vendor provided for in this Contract, to deliver said warranty deed to Purchaser.
2. Purchaser shall remain in possession of the real property so long as Purchaser is not in default hereunder. Purchaser shall and hereby agrees to keep the real property and improvements in good condition and repair at all times, reasonable wear and tear excepted; to commit no waste or otherwise damage or injure the real property; to maintain the real property in accordance with the laws and ordinances and regulations of any constituted authority applying to the real property and to make no unlawful use thereof; to pay regularly and seasonably, and before the same shall become delinquent, all taxes, assessments and charges of whatever nature levied and assessed against the real property and to pay and discharge all encumbrances thereafter placed thereon by Purchaser; to permit no lien or other encumbrances to be filed upon or placed against the real property without the written consent of Vendor; and it is further understood and agreed, for the purposes of this provision, that if Purchaser fails to pay or discharge any taxes, assessments, liens, encumbrances or charges, Vendor, at Vendor's option and without waiver of default or breach of Purchaser, and without being obliged to do so, may pay, or discharge all or any part thereof, all of which said sums so paid by Vendor shall become repayable by Purchaser, together with interest at the rate of twenty-five per cent (25%) per annum, upon demand, payment of which is part of the performance of this Contract by Purchaser.
3. Purchaser agrees to keep the building and improvements now on, or hereafter placed upon, the real property insured against loss by fire or other casualty in an amount not less than maximum insurable value as determined by the insurance carrier and shall obtain, at Purchaser's expense, an endorsement thereon providing for loss payable to Vendor, Purchaser, and any third party shown in this Contract as having an encumbrance upon the real property as an exception to the title as their respective interests may appear. A certificate of such insurance shall be delivered to Vendor and such third party. If a loss should occur for which insurance proceeds shall become payable, Purchaser may (subject to the rights of said third party encumbrance holder) elect to either rebuild or repair the portion of the building so destroyed, or apply the proceeds toward payment of the then unpaid balance of the sums due Vendor. If Purchaser elects to rebuild or repair, Purchaser shall sign such documents as may be required by Vendor (subject to the rights of said third party encumbrance holder) to guarantee the application of the insurance proceeds to the cost of such rebuilding or repair.
4. Vendor may appear in or defend any action or proceeding at law, in equity or in bankruptcy, affecting, in any way, the security hereof and, in such event, Vendor shall be allowed and paid, and Purchaser hereby agrees to pay, all costs, charges and expenses, including costs of evidence of title or validity and priority of the security and attorney fees in a reasonable sum, incurred in any such action or proceeding in which Vendor may appear, which shall bear interest at twenty-five per cent (25%) from date of demand therefor. Failure of Purchaser to pay Vendor for such costs, charges and expenses within thirty (30) days from the date of demand therefor shall constitute a breach of this Contract.
5. The following shall constitute a default of Purchaser:
 - a. Failure of Purchaser to make any payment as herein provided for more than thirty (30) days after the payment becomes due. The acceptance of any sum secured by this Contract after its due date shall not constitute a waiver of Vendor's right either to require prompt payment when due or to seek any remedy provided for herein.
 - b. Failure of Purchaser to perform any covenants or conditions of this Contract (other than failure to make payments as provided in the preceding sentence) after thirty (30) days' written notice of such failure and demand for performance.
6. If Purchaser shall be in default as above provided, Vendor shall have the following cumulative rights which Vendor may, at Vendor's election, exercise sequentially or contemporaneously:
 - a. To foreclose this Contract by strict foreclosure in equity;
 - b. To declare the full unpaid balance secured by this Contract immediately due and payable;
 - c. To specifically enforce the terms of this Contract by suit in equity;
 - d. To declare the Contract null and void provided Vendor observes the following procedure: gives written notice to Purchaser that, unless Purchaser pays any or all delinquent payments within sixty (60) days from the date of such notice, the Contract shall be null and void and Vendor may retake possession of the real property without refund of any prior payments. Such notice may not be given unless Purchaser is in default as provided in Paragraph 5, a. above.
7. In the event any suit or action is commenced because of any default of Purchaser, the following provisions shall apply:
 - a. The Court having jurisdiction of the case may, upon motion by Vendor, appoint a receiver to collect the rents and profits arising out of the real property and to take possession, management and control of the same during pendency of suit or action or until payment of the obligations hereby secured and apply said rents and profits to the payment of the amount due hereunder, first deducting all proper charges and expenses attending the execution of said receivership.
 - b. Purchaser shall pay to Vendor, in addition to all statutory costs and disbursements, any amount Vendor may incur or pay for any title report, title search, insurance of title or other evidence of title subsequent to the date of this Contract on the real property above described and this Contract shall be security for the payment thereof.
 - c. The prevailing party, at trial or on appeal, shall be entitled to such reasonable attorney fees as shall be fixed by the Court having jurisdiction of the case, in addition to statutory costs and disbursements.
8. This Contract creates a lien upon the real property in favor of Vendor as security for the performance of all covenants of Purchaser and remedies of Vendor contained herein. As additional security, Purchaser hereby assigns to Vendor any or all present or future lease or tenancy covering all, or any part, of the real property. Purchaser agrees with Vendor that each said lien is superior to any and all rights of Purchaser hereunder or by reason of any homestead, stay, or exemption laws now in force or which may hereafter become law.
9. Time is expressly made the essence of this Contract.
10. Where notice in writing is required by either party to the other, such notice shall be deemed given when the same is deposited in the United States Postal Service as certified mail, postage prepaid, and addressed to the address of such party set forth in this Contract.
11. No waiver by Vendor of any breach of any covenant of this Contract shall be construed as a continuing waiver of any subsequent breach of such covenant, nor as a waiver of any breach of any other covenant, nor as a waiver of the covenant itself.
12. All terms, covenants, conditions, and provisions contained in this Contract are severable and, in the event any of them shall be held to be invalid by any competent Court, this Contract shall be interpreted as though the same were not contained in this Contract.
13. All words used herein in the singular number shall extend to and include the plural. All words used in the plural number shall extend to and include the singular. All words used in any gender shall extend to and include all genders.
14. The term real property, when used in this Contract, includes, all and singular, the tenements, hereditaments, rights, easements, privileges, and appurtenances thereunto belonging, or in anywise appertaining, and improvements thereon, together with the reversions, remainder, rents, issues, and profits thereof.
15. This Contract shall bind and inure to the benefit of, as the circumstances may require, the parties hereto and their respective successors, heirs, personal representatives, or assigns.
16. The debts and obligations under this Contract of Vendor and Purchaser are both joint and several.

STATE OF OREGON, County of Klamath ss: June 18, 19 86

Before me appeared the Vendor who acknowledged the foregoing Contract to be Vendor's voluntary act and deed.

Larry H. Moore
NOTARY PUBLIC FOR OREGON
My Commission Expires: 8/27/87

STATE OF OREGON, County of Klamath ss: June 18, 19 86

Before me appeared the Purchaser who acknowledged the foregoing Contract to be Purchaser's voluntary act and deed.

Larry H. Moore
NOTARY PUBLIC FOR OREGON
My Commission Expires: 8/27/87

EXHIBIT "A"

The Property subject to the terms, covenants, conditions, and provisions of the Contract between THE FEDERAL LAND BANK OF SPOKANE, a corporation (Vendor), and JACK M. BAKER and LYNDA M. BAKER, husband and wife (Purchaser), to which this Exhibit "A" is attached is agreed to be the following:

A. REAL PROPERTY: The following described real property situate in Klamath County, Oregon, together with the tenements, hereditaments, rights, easements, privileges, appurtenances thereunto belonging or in any wise appertaining, improvements thereon, the reversions, remainders, rents, issues and profits thereof, and all water rights and/or shares of stock or shares of water in any ditch or irrigation company which, in any manner, entitles Vendor to water, to-wit:

Parcel 1: A tract of land situated in the E½E½ of Section 7, the SW¼SW¼ of Section 8, the NW¼NW¼ of Section 17, and the NE¼NE¼ of Section 18, all in T. 39 S., R. 10 E.W.M., more particularly described as follows:

Beginning at a 5/8 inch iron rebar marking the South 1/16 corner common to said Sections 7 and 8; thence West 299.19 feet; thence along the arc of a curve to the right (radius = 188.70 feet and central angle = 100°12'14") 330.02 feet to a point 45 feet Easterly of an existing drain; thence paralleling said drain as follows: along the arc of a curve to the left (radius point bears N. 79°47'46" W. 165.00 feet and central angle = 64°29'22") 185.72 feet, N. 54°17'08" W. 70.42 feet, along the arc of a curve to the right (radius = 105.00 feet and central angle = 33°10'29") 60.80 feet, N. 21°06'39" W. 31.90 feet, along the arc of a curve to the right (radius = 125.00 feet and central angle = 21°50'41") 47.66 feet, N. 00°44'02" E. 528.19 feet; thence leaving said drain along the arc of a curve to the left (radius = 289.41 feet and central angle = 90°33'15") 457.40 feet; thence N. 89°49'13" W. 345.45 feet to the Easterly right of way line of Booth Road; thence along said Easterly right of way line S. 00°10'47" W. 30.00 feet to a point from which the C=E 1/16 corner of said Section 7 bears N. 89°49'13" W. 30.00 feet; thence S. 89°49'13" E. 345.45 feet; thence along the arc of a curve to the right (radius = 259.41 feet and central angle = 90°33'15") 409.99 feet to a point 15 feet Easterly of the said drain; thence paralleling said drain as follows: S. 00°44'02" W. 528.19 feet, along the arc of a curve to the left (radius = 155.00 feet and central angle = 21°50'41") 59.10 feet, S. 21°06'39" E. 31.90 feet, along the arc of a curve to the left (radius = 135.00 feet and central angle = 33°10'29") 78.17 feet, S. 54°17'08" E. 70.42 feet, along the arc of a curve to the right (radius = 135.00 feet and central angle = 64°29'22") 151.95 feet; thence N. 79°47'46" W. 15 feet to the centerline of said existing drain; thence along the centerline of said drain Southwesterly to a point on the West line of the SE½SE½ of said Section 7; thence along said West line S. 00°29'26" W. 430 feet, more or less, to the Northerly right of way line of the O.C.&E. Railroad; thence Southeasterly along said right of way line 1773 feet, more or less, to the Easterly bank of an existing drain; thence Northerly along said Easterly bank, passing through a point 304 feet East of the Southeast corner of said Section 7, to a point on the South line of the N½SW¼SW¼ of said Section 8; thence Easterly along said South line 1019.7 feet, more or less, to the Southeast corner of said N½SW¼SW¼; thence Northerly to the Northeast corner of the SW¼SW¼ of said Section 8; thence Westerly to the point of beginning.

EXCEPTING a strip of land lying between the West line of the E½SE½ of Section 7, T. 39 S., R. 10 E.W.M., and the existing fence line with the said E½SE½, said strip of land being more particularly described as follows: Beginning at a point marked by a 5/8 inch iron pin with plastic cap on the West line of said E½SE½, said point being S. 00°29'26" W. 1827.79 feet from the C=E 1/16 corner of said Section 7; thence S. 00°29'26" W. 408.11 feet to a 5/8 inch iron pin with plastic cap on the Northerly right of way line of the O.C.&E. Railroad; thence S. 66°52'30" E., along said right of way line, 34.9 feet, more or less, to the said existing fence line; thence Northerly along said existing fence line, 422 feet, more or less, to the centerline of an existing drain ditch; thence Westerly 27 feet, more or less, to the point of beginning, containing 0.28 acres, more or less, with bearings based on recorded Minor Land Partition 49-83.

Parcel 2: A tract of land situated in the NE½SE½ and the SE½NE½ of Section 7, T. 39 S., R. 10 E.W.M., more particularly described as follows:

Beginning at a 5/8 inch rebar marking the S. 1/16 corner common to Sections 7 and 8, T. 39 S., R. 10 E.W.M.; thence West 299.19 feet; thence along the arc of a curve to the right (radius = 188.70 feet and central angle = 100°12'14") 330.02 feet to a point 45 feet Easterly of an existing drain; thence paralleling said drain as follows: along the arc of a curve to the left (radius point bears N. 79°47'46" W. 165.00 feet, with a central angle of 64°29'22") 185.72 feet, N. 54°17'08" W. 70.42 feet, along the arc of a curve to the right (radius of 105.00 feet and a central angle of 33°10'29") 60.80 feet, N. 21°06'39" W. 31.90 feet, along the arc of a curve to the right (radius of 125.00 feet and a central angle of 21°50'41") 47.66 feet N. 00°44'02" E. 528.19 feet; thence leaving said drain

along the arc of a curve to the left (radius of 289.41 feet and a central angle of 90°33'15") 457.40 feet to a point from which the C=E 1/16 corner of said Section 7 is N. 89°49'13" W. 375.45 feet and S. 00°10'47" W. 30.00 feet; thence S. 89°49'13" E. 134.55 feet; thence N. 00°10'47" E. 614.29 feet to the Southerly right of way line of State Highway No. 140; thence Southeasterly along said right of way line 865 feet, more or less, to a point on the East line of said Section 7; thence along said section line S. 00°22'28" W. 360 feet, more or less, to the E½ corner of said Section 7; thence S. 00°22'28" W. 1340.07 feet to the point of beginning.

SUBJECT TO:

1. Terms and conditions of special assessment as farm use and the right of Klamath County, Oregon, to additional taxes in the event said use should be changed, which obligations Purchaser assumes and agrees to pay and perform.
2. Liens and assessments of Klamath Project and Pine Grove Irrigation District, and regulations, contracts, easements, water and irrigation rights in connection therewith.
3. Rules, regulations, liens and assessments of Klamath Basin Improvement District, and any unpaid charges or assessments in connection therewith.
4. Easement for right of way, including the terms and provisions thereof, from I. E. Campbell and Carrie K. Campbell, husband and wife, to The California Oregon Power Company, a California corporation, dated February 17, 1956, recorded February 24, 1956, in Vol. 281, Page 183, Deed Records of Klamath County, Oregon.
5. Right of Way, including the terms and provisions thereof, from R. J. Embree and Carmen J. Embree, husband and wife, and Sybil E. Blaise to The California Oregon Power Company, a California corporation, dated March 28, 1956, recorded April 3, 1956, in Vol. 282, Page 64, Deed Records of Klamath County, Oregon.
6. Agreement for Easement, including the terms and provisions thereof, by and between Alan L. Cain and Darlene F. Cain, and Eldwin Sorensen and Rebecca S. Ruddell-Sorensen, dated October 18, 1983, recorded October 20, 1983, in Vol. M-83, Page 18141, Deed Records of Klamath County, Oregon.
7. Letter of Intent, including the terms and provisions thereof, by and between Alan Cain and Darlene Cain, and Eldwin Sorensen and Rebecca S. Ruddell-Sorensen, dated October 20, 1983, recorded October 20, 1983, in Vol. M-83, Page 18152, Deed Records of Klamath County, Oregon.
8. Agreement for Easement, including the terms and provisions thereof, by and between Alan L. Cain and Darlene F. Cain, and Eldwin Sorensen and Rebecca S. Ruddell-Sorensen, dated October 18, 1983, recorded October 20, 1983, in Vol. M-83, Page 18148, re-recorded December 13, 1984, in Vol. M-84, Page 20816, Deed Records of Klamath County, Oregon.
9. Covenants and Deed Restrictions, executed by Alan L. Cain and Darlene F. Cain, dated October 18, 1983, recorded October 20, 1983, in Vol. M-83, Page 18154, Deed Records of Klamath County, Oregon.
10. Boundary Line Agreement, including the terms and provisions thereof, by and between Hubert C. Vanderhoff and Effie D. Vanderhoff, and Alan Cain and Darlene F. Cain, dated October 31, 1983, recorded December 8, 1983, in Vol. M-83, Page 20942, Deed Records of Klamath County, Oregon.
11. Grant of Easement and Joint Use Agreement, including the terms and provisions thereof, by and between The Federal Land Bank of Spokane, Darlene F. Cain, Vonda E. Rowe, and Joseph F. Bedard and Barbara L. Bedard, husband and wife, dated September 12, 1985, recorded September 16, 1985, in Vol. M-85, Page 15063, Deed Records of Klamath County, Oregon.
12. Unrecorded Lease between Vendor as Lessor and Merton Schell as Lessee which has a remaining rental due of \$1,375.00 (which the parties to this Contract have prorated upon execution hereof) to which Purchaser shall be entitled, unless in default.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

EXHIBIT "A"

B. PERSONAL PROPERTY: The following described personal property situate in Klamath County, Oregon, to-wit:

- 1 General Electric 15 h.p. motor (Serial No. PVJ 310220) with Pacific centrifugal pump (#B2P24963)
- 1 Marathon 40 h.p. motor (Serial No. 1207586) with Berkley centrifugal pump (#7732076)
- 1/4 mile of 5" wheel line
- 46 joints of 4" main line and hand line
- 36 joints of 6" main line
- 19 joints of 3" hand line

Approximately 850 feet of buried mainline

PURCHASER AGREES THE PERSONAL PROPERTY SHALL BE SUBJECT TO THE LIEN OF THE CONTRACT AS A SECURITY AGREEMENT UNDER THE OREGON UNIFORM COMMERCIAL CODE -- SECURED TRANSACTIONS, WHICH PURCHASER HEREBY GRANTS TO VENDOR AND AGREES TO PERFECT BY THE EXECUTION AND FILING OF SUCH FINANCING STATEMENT AS SHALL BE NECESSARY UNDER APPLICABLE LAW AND TO DO, EXECUTE, AND DELIVER WHATEVER FURTHER ACTS, DOCUMENTS, OR INSTRUMENTS AS VENDOR REASONABLY SHALL REQUIRE FOR PRESERVING, CONFIRMING, PERFECTING, CONTINUING, AND ASSURING TO VENDOR, ALL AND SINGULAR, THE SECURITY RIGHTS IN THE PERSONAL PROPERTY.

STATE OF OREGON,

County of Klamath

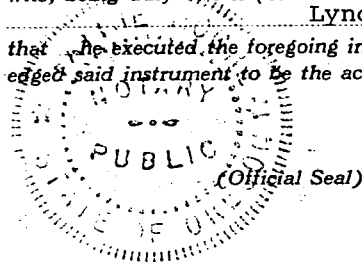
} ss.

On this the 18th day of June, 19 86 personally appeared

Jack M. Baker

who, being duly sworn (or affirmed), did say that he is the attorney in fact for Lynda M. Baker and

that he executed the foregoing instrument by authority of and in behalf of said principal; and he acknowledged said instrument to be the act and deed of said principal.



Before me:

Evelyn Biehn
(Signature)

My Commission Expires: 8/27/87

WHEN RECORDED MAIL TO:

GIACOMINI, JONES & TROTMAN
ATTORNEYS AT LAW
635 MAIN STREET
KLAMATH FALLS, OREGON 97601

MAIL TAX STATEMENTS TO:

JACK M. BAKER
LYNDA M. BAKER
4680 CANNON
KLAMATH FALLS, OR 97601

STATE OF OREGON

County of Klamath } ss:

I certify that the within instrument was received for record on the 18th day of June, 19 86, at 2:58 o'clock P. M., and recorded in Book 486 on Page 10589 or as filing fee number

Record of Deeds of said County.

Witness my hand and seal of County affixed.

Evelyn Biehn,

Klamath County Clerk Title

BY: R. Ann Smith Deputy

Fee: \$21.00