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 Seller's Name and Address

 Buyer's Name and Address

 After recording, return to (Name, Address, Zip):

 Until requested otherwise, send all tax statements to (Name, Address, Zip):

SPACE RESERVED FOR RECORDER'S USE

STATE OF OREGON,
 County of _____ } ss.
 I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ M. and recorded in book/reel/volume No. _____ on page _____ and/or as fee/file/instrument/microfilm/reception No. _____, Record of Deeds of said County.
 Witness my hand and seal of County affixed.
 By _____ NAME _____ TITLE _____, Deputy.

CONTRACT - REAL ESTATE

THIS CONTRACT, Made this 30th day of December, 1997, between Ambrose W. McAuliffe and Susan J. McAuliffe, hereinafter called the seller, and Leo F. Porter, hereinafter called the buyer,

WITNESSETH: That in consideration of the mutual covenants and agreements herein contained, the seller agrees to sell unto the buyer and the buyer agrees to purchase from the seller all of the following described lands and premises situated in Klamath County, State of Oregon, to-wit:

Lots 2,3,4,5,6,7 and 8, in Block 3, of Gardiner's Addition to Fort Klamath, According to the official plat thereof on file in the office of the County Clerk of Klamath County.
 The Real Property or its address is commonly known as:
 53237 Highway 62, Fort Klamath, OR 97626-0456.

for the sum of Thirty Three Thousand Three Hundred Fifty Three & 10/100 Dollars (\$33,353.10), hereinafter called the purchase price, on account of which One Dollar Dollars (\$ 1.00) is paid on the execution hereof (the receipt of which is hereby acknowledged by the seller); the buyer agrees to pay the remainder of the purchase price (to-wit: \$ 33,352.10) to the order of the seller in monthly payments of not less than Three Hundred Forty Nine Dollars & 65/100 Dollars (\$ 349.65) each, Month

payable on the 5th day of each month hereafter beginning with the month of February, 1998, and continuing until the purchase price is fully paid.
 The true and actual consideration for this conveyance is \$ 1.00. (Here comply with ORS 93.030.)

All of the purchase price may be paid at any time; all of the deferred payments shall bear interest at the rate of 10.00% percent per annum from December 30, 1997 until paid; interest to be paid Monthly and in addition to to be included in the minimum monthly payments above required. Taxes on the premises for the current tax year shall be prorated between the parties hereto as of December 30, 1997.

The buyer warrants to and covenants with the seller that the real property described in this contract is
 * (A) primarily for buyer's personal, family or household purposes.
 * (B) for an organization or (even if buyer is a natural person) is for business or commercial purposes.

The buyer shall be entitled to possession of the lands on December 30, 1997, and may retain such possession so long as buyer is not in default under the terms of this contract. The buyer agrees that at all times buyer will keep the premises and the buildings, now or hereafter erected thereon, in good condition and repair and will not suffer or permit any waste or strip thereof; that buyer will keep the premises free from construction and all other liens and save the seller harmless therefrom and reimburse seller for all costs and attorney fees incurred by seller in defending against any such liens; that buyer will pay all taxes hereafter levied against the property, as well as all water rents, public charges and municipal liens which hereafter lawfully may be imposed upon the premises, all promptly before the same or any part thereof become past due; that at buyer's expense, buyer will insure and keep insured all buildings now or hereafter erected on the premises against loss or damage by fire (with extended coverage) in an amount not less than \$ 32,500.00 in a company or companies satisfactory to the seller, specifically naming the seller as an additional insured, with loss payable first to the seller and then to the buyer as their respective interests may appear and all policies of insurance to be delivered to the seller as soon as insured. If the buyer shall fail to pay any such liens, costs, water rents, taxes or charges, the seller may do so and any payment so made shall be added to and become a part of the debt secured by this contract and shall bear interest at the rate aforesaid, without waiver, however, of any right arising to the seller for buyer's breach of contract.

* IMPORTANT NOTICE: Delete, by lining out, whichever warranty (A) or (B) is not applicable. If warranty (A) is applicable and if the seller is a creditor, as such word is defined in the Truth-in-Lending Act and Regulation Z, the seller MUST comply with the Act and Regulation by making required disclosures; for this purpose, use Stevens-Nees Form No. 1319 or equivalent.

WARNING: Unless buyer provides seller with evidence of insurance coverage as required by the contract or loan agreement between them, seller may purchase insurance at buyer's expense to protect seller's interest. This insurance may, but need not, also protect buyer's interest. If the collateral becomes damaged, the coverage purchased by seller may not pay any claim made by or against buyer. Buyer may later cancel the coverage by providing evidence that buyer has obtained property coverage elsewhere. Buyer is responsible for the cost of any insurance coverage purchased by seller, which cost may be added to buyer's contract or loan balance. If it is so added, the interest rate on the underlying contract or loan will apply to it. The effective date of coverage may be the date buyer's prior coverage lapsed or the date buyer failed to provide proof of coverage. The coverage seller purchases may be considerably more expensive than insurance buyer might otherwise obtain alone and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

The seller agrees that at seller's expense and within 30 days from the date hereof, seller will furnish unto buyer a title insurance policy insuring (in an amount equal to the purchase price) marketable title in and to the premises in the seller on or subsequent to the date of this agreement, save and except the usual printed exceptions and other restrictions and easements now of record, if any. Seller also agrees that when the purchase price is fully paid and upon request and upon surrender of this agreement, seller will deliver a good and sufficient deed conveying the premises in fee simple unto the buyer, buyer's heirs and assigns, free and clear of encumbrances as of the date hereof and free and clear of all encumbrances since the date placed, permitted or arising by, through or under seller, excepting, however, the easements, restrictions and the taxes, municipal liens, water rents and public charges so assumed by the buyer and further excepting all liens and encumbrances created by the buyer or buyer's assigns.

And it is understood and agreed between the parties that time is of the essence of this contract, and in case the buyer shall fail to make the payments above required, or any of them, punctually within 20 days of the time limited therefor, or fail to keep any agreement herein contained, then the seller shall have the following rights and options:

- (1) To declare this contract cancelled for default and null and void, and to declare the purchaser's rights forfeited and the debt extinguished, and to retain sums previously paid hereunder by the buyer;
- (2) To declare the whole unpaid principal balance of the purchase price with the interest thereon at once due and payable; and/or
- (3) To foreclose this contract by suit in equity.

In any of such cases, all rights and interest created or then existing in favor of the buyer as against the seller hereunder shall utterly cease and the right to the possession of the premises above described and all other rights acquired by the buyer hereunder shall revert to and rest in the seller without any act of re-entry, or any other act of the seller to be performed and without any right of the buyer of return, reclamation or compensation for moneys paid on account of the purchase of the 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 seller as the agreed and reasonable rent of the premises up to the time of such default. And the seller, 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.

The buyer further agrees that failure by the seller at any time to require performance by the buyer of any provision hereof shall in no way affect seller's right hereunder to enforce the same, nor shall any waiver by the seller 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.

Seller, seller's agents, and the holder of any existing encumbrance to which the lands and premises are subject may enter upon the lands and premises at reasonable times (upon reasonable prior notice to buyer) for the purpose of inspecting the property.

In case suit or action is instituted to foreclose this contract or to enforce any provision hereof, the losing party in the suit or action agrees to pay such sum as the trial court may adjudge reasonable as attorney fees to be allowed the prevailing party in the suit or action and if an appeal is taken from any judgment or decree of the trial court, the losing party further promises to pay such sum as the appellate court shall adjudge reasonable as the prevailing party's attorney fees on such appeal.

In construing this contract, it is understood that the seller or the buyer may be more than one person or a corporation; that if the context so requires, the singular pronoun shall be taken to mean and include the plural and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

This agreement shall bind and inure to the benefit of, as the circumstances may require, not only the immediate parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns as well.

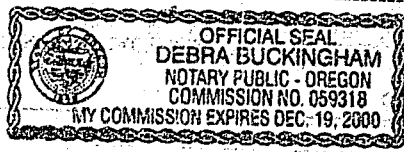
IN WITNESS WHEREOF, the parties have executed this instrument in duplicate; if either of the undersigned is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

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 AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

Ambrose W. McAuliffe
Susan J. McAuliffe
Leo F. Porter

*SELLER: Comply with ORS 93.903 et seq. prior to exercising this remedy.

STATE OF OREGON, County of Klamath) ss.
This instrument was acknowledged before me on January 2, 1998
by Ambrose W. McAuliffe, Susan J. McAuliffe, Leo F. Porter
This instrument was acknowledged before me on _____, 19____
by _____
as _____



Debra Buckingham
Notary Public for Oregon
My commission expires 12-19-2000

ORS 93.635 (1) All instruments contracting to convey fee title to any real property, at a time more than 12 months from the date that the instrument is executed and the parties are bound, shall be acknowledged, in the manner provided for acknowledgment of deeds, by the conveyor of the title to be conveyed. Such instruments, or a memorandum thereof, shall be recorded by the conveyor not later than 15 days after the instrument is executed and the parties are bound thereby.
ORS 93.990 (3) Violation of ORS 93.635 is punishable, upon conviction, by a fine of not more than \$100.

(DESCRIPTION CONTINUED)

STATE OF OREGON: COUNTY OF KLAMATH : ss.
Filed for record at request of First American the 2nd day
of January A.D., 19 98 at 3:20 o'clock P M., and duly recorded in Vol. 498
of Deeds on Page 122
FEE \$35.00
By *Bernetha G. Letsch* Bernetha G. Letsch, County Clerk