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AGREEMENT REGARDING PURCHASE OF REAL ESTATE

THIS AGREEMENT made and entered into effective the 23rd day of December, 1998,
by and between HAROLD J. SOUCY, JR. and NANCY L. SOUCY, Husband and Wife,
hereinafter referred to as "Soucy" and LOST RIVER LAND AND CATTLE, INC.,
HEREINAFTER REFERRED TO AS "Lost River";

WITNESSETH

I. WHEREAS Lost River as Seller previously has entered into an agreement providing for
the sale to Soucy and Soucy has agreed to purchase certain real property described as follows, to
wit:

The Westerly 2.0 Acres of Lot 61, LAKESHORE GARDENS, according
to the official plat thereof on file with the Clerk of Klamath County,
Oregon

upon which said sale there remains an unpaid balance owing by Soucy in the sum of
\$28,000.00 which has been amended by "Amendment to Escrow Instructions" dated 12/21/98
crediting \$7,200.00 to Soucy with balance of \$16,500.00 additional cash being paid at closing
with no interest; and

II. WHEREAS, it is necessary to the sale of the said 2.0 Acres that the parties complete the
filing:

- a) with the Planning Department of the County of Klamath of an Application for Lot
line Adjustment or Partition,
- b) acquisition of an easement for and to the Westerly 2.0 Acres of Lot 61 and the
Easterly 2.3 Acres of Lot 61 which such application and acquisition has not yet been
filed or completed; and

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III. WHEREAS, the parties wish to complete the 'closing' of the said transaction while contemporaneously providing for the conveyance back to Lost River (after the above approval and acquisition of partition and easement, if allowed and obtained) of that certain contiguous parcel of real property in the County of Klamath, State of Oregon, more particularly described as follows:

The Easterly 2.3 Acres of Lot 61 LAKESHORE GARDENS, according to the official plat thereof on file with the Clerk of Klamath County, Oregon

as well as to provide a process for dealing with the subject parcel in the event that such approval or acquisition is not allowed or obtained, now, therefore,

IT IS AGREED by and between the parties as follows:

1. CLOSING OF PURCHASE AND SALE TRANSACTION: The parties will this date complete closing at Aspen Title and Escrow, Inc. of the transaction for purchase by Soucy of Lot 61 in its entirety, which such purchase shall be subject to and in accordance with the provisions of this Agreement; and
2. FILING OF APPLICATION: The parties agree that an application shall forthwith be filed with the appropriate planning department to divide Lot 61 into the two above referenced parcels (the Easterly 2.3 Acres and the Westerly 2.0 Acres), with the expense of such application processing to be paid equally by Lost River and Soucy; and Lost River shall arrange for the acquisition of an approved easement over and to both portions of Lot 61; sufficient to obtain Planning Department approval of the Lot Line adjustment or partition.
3. STIPULATION FOR ALL OPTION CASES AND/OR SALE TO LOST RIVER:

Delivery of Deed to Lot 61 shall be subject to the satisfaction and payment in full

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of that certain Promissory Note in favor of Soucy made by Lost River dated 12/21/98 in the amount of \$4,000.00.

4. REAL ESTATE LISTING OF LOT 61 IN ITS ENTIRETY: Soucy agrees to list Lot 61 in its entirety for sale with an Oregon licensed real estate broker until it is sold. Lost River shall be shown as an exception in the Listing. The offering price shall be at least \$150,000.00 and a sale price of not less than \$140,000.00 (unless it is mutually agreed in writing by all parties to raise or lower sale price). Such listing to be subject to a First Right of Refusal granted to Lost River by Soucy as follows:

- a) In the event Soucy receives an acceptable offer from a third party for the Sale of Lot 61 that Soucy wishes to accept, Soucy does hereby grant to Lost River a First Right of Refusal before completing a sale of the same to a third party or parties.
- b) Soucy agrees not to sell, transfer, exchange, grant an option to purchase, lease, or otherwise dispose of Lot 61 without first offering Lot 61 to Lost River. As used in this Agreement, the term sell includes a ground lease of Lot 61 with primary and renewal terms of more than 15 years in the aggregate.
- c) When Soucy receives from a third party (the "Third-Party Offeror") an acceptable offer as described in this paragraph to purchase Lot 61, Soucy shall give Lost River written notice (the "notice") of the price, terms, and conditions of the offer and deliver a copy of the executed contract evidencing the offer (the "offer") to Lost River. Delivery date shall be date handed to Lost River or three days after documents mailed by Registered Mail to Lost River.

d) When Lost River receives the Notice and a copy of the Offer, Lost River shall have the prior and preferential right to purchase Lot 61 at the same price and on the same terms and conditions as are contained in the offer, except that if Lost River exercises the right of first refusal by electing to purchase Lot 61 then the closing of the transaction contemplated by the Offer shall take place no later than sixty (60) days after the date that Lost River elects to exercise the right of first refusal.

e) Lost River shall have 72 hours from the time Lost River or Gary Hart receives in hand delivery of the Notice and a copy of the Offer to notify Soucy whether Lost River elects to purchase the property pursuant to the terms of the Offer. If Lost River elects to exercise its right to purchase Lot 61, then, in addition to giving Soucy written notice delivered to Soucy at 12057 Merganser, Klamath Falls, Oregon 97601 or current Soucy residence address, of its election within the 72-hour period, Lost River also shall tender an amount equal to the earnest money deposit, if any, specified in the Offer, in certified funds US dollars, which will be held in escrow by Aspen Title & Escrow, Inc., and used in accordance with the terms of the Offer.

f) If Lost River elects to obtain title insurance, such insurance shall be obtained at its own expense prepared by Aspen Title & Escrow, Inc. insuring in the amount of said purchase price showing good marketable title free and clear of all encumbrances except those of record as of the close of Escrow #05047881, those set forth on Exhibit A, incorporated by this reference, and any future real

property taxes or assessments. At closing Soucy shall convey by Statutory Bargain and Sale Deed, subject to the above exception.

g) Closing costs other than title insurance to be split between Lost River and Soucy.

h) If Lost river fails to timely exercise its right to purchase Lot 61 pursuant to the terms of this Paragraph 4, then Soucy shall be entitled to sell the property according to the terms of the Offer to the Third-Party Offeror.

i) The term of this Right of First Refusal commences as of the effective date of this Agreement (December 23, 1998) and terminates on the earlier to occur of (1) the expiration of three years (December 23, 2001) or (2) the consummation of a sale of the property to a third party after Lost River has elected not to exercise its right of first refusal. Lost River shall cooperate in providing Soucy with any instruments that Soucy reasonably may require for the purpose of removing from the public record any cloud on title to the property attributable in any manner to the grant or existence of this right of first refusal within the time limit for closing the escrow as specified in the terms of the third party offer.

j) The right of first refusal created by this Agreement shall not apply to any sale or conveyance of the property by Soucy to any partnership, limited partnership, joint venture, corporation, or other entity in which Soucy owns and controls an ownership interest. The right of first refusal created by this Agreement shall also not apply to any sale to a member of Soucy's family.

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5. GRANT OF OPTION TO LOST RIVER TO PURCHASE LOT 61: Expressly contingent upon obtaining the approval and acquisition of the partition of Lot 61 and the easement described above. Soucy does hereby bargain, give and grant to LOST RIVER the sole, exclusive, and irrevocable right and option to purchase that certain real estate in the County of Klamath, State of Oregon, more particularly described as follows:

The Easterly 2.3 Acres of Lot 61 LAKESHORE GARDENS, according to the official plat thereof on file with the Clerk of Klamath County, Oregon

- a) This Option commences on December 23, 1998, and expires at noon on December 23, 2000. To exercise this option, Lost River shall notify Soucy by written notice delivered to Soucy at 12057 Merganser, Klamath Falls, Oregon 97601 or current Soucy residential address on or before noon on December 23, 2000.
- b) The purchase price of said property, if purchased under this option, shall be TWO and no hundredths DOLLARS. The consideration given for this option is ONE and no hundredths DOLLAR. The balance owing of ONE and no hundredths DOLLAR shall be paid at close of escrow, should Lost River exercise this option.
- c) Should Lost River elect to purchase said premises hereunder, Lost River shall pay said consideration and Soucy shall deliver all necessary documents to close the said sale as hereinbefore specified within thirty days of Lost River's election to purchase, and Lost River shall obtain title insurance at its own expense prepared by Aspen Title & Escrow, Inc. insuring in the amount of said purchase price showing good marketable title free and clear of all encumbrances except those of record as of the close of Escrow #05047881, those set forth on Exhibit A,

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incorporated by this reference, and any future real property taxes or assessments.

Lost River shall have ten days after the delivery of said title insurance in which to examine same, and Soucy is to have ninety days after written notice of defects is delivered to Soucy to remedy same. Defects shall mean new liens or encumbrances, other than described above. At closing Soucy shall convey by Statutory Bargain and Sale Deed, subject to the above exceptions.

- d) Closing costs to exercise this option and sale to be paid by Lost River.
- e) Closing to be handled through Aspen Title & Escrow, Inc.
- f) If the approval or acquisition of easement and lot partition of Lot 61 is not obtained by December 23, 2000, this option shall be of no further force and effect. Soucy and Lost River shall make a bonafide effort to obtain said approval and easement.

6. OPTION TO LOST RIVER REGARDING ALL OF LOT 61

SHOULD THE APPROVAL AND ACQUISITION OF LOT DIVISION AND EASEMENT DESCRIBED IN PARAGRAPH 2 NOT BE OBTAINED BY DECEMBER 23, 2000: Soucy does hereby bargain, give and grant to LOST RIVER the sole, exclusive, and irrevocable right and option to purchase that certain real estate in the County of Klamath, State of Oregon, more particularly described as follows:

Lot 61 LAKESHORE GARDENS, according to the official plat thereof on File with the Clerk of Klamath County, Oregon.

- a) This option commences on December 23, 1998, and expires at noon on December 23, 2000. To exercise this option, Lost River shall notify Soucy by written notice delivered to Soucy at 12057 Merganser, Klamath Falls,

Oregon 97601 or current Soucy residence address on or before December 23, 2000.

- b) The purchase price of said property, if purchased under this option, shall be SEVENTY THOUSAND and no hundredths DOLLARS, plus one-half any real property taxes or assessments paid by Soucy after December 23, 1998. The consideration given for this option is ONE and no hundredths DOLLAR which shall be paid at close of escrow should Lost River exercise this option.
- c) Should Lost River elect to purchase said premises hereunder, Lost River shall pay said consideration in certified funds, US dollars, and Soucy shall deliver all necessary documents to close the said sale as hereinbefore specified within thirty days of Lost River's election to purchase and Lost River shall obtain title insurance at its own expense prepared by Aspen Title & Escrow, Inc. insuring in the amount of said purchase price showing good marketable title free and clear of all encumbrances except those of record as of the close of Escrow #05047881, those set forth on Exhibit A, incorporated by this reference, and any future real property taxes or assessments. Lost River shall have ten days after the delivery of said title insurance in which to examine same, and Soucy is to have ninety days after written notice of defects is delivered to Soucy to remedy same. Defects shall mean new liens or encumbrances other than described above. At closing Soucy shall convey by Statutory Bargain and Sale Deed, subject to the above exception.
- d) Closing costs other than title insurance to be split between Lost River and Soucy.
- e) Closing to be handled by Aspen Title & Escrow, Inc.

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7. **DISTRIBUTION OF PROCEEDS UPON SALE:** Upon sale of Lot 61 to any third party Offeror during the option period, the proceeds from sale of Lot 61 shall (after deduction of costs of sale which shall be split between Lost River and Soucy) be divided as follows:

- a. The first \$10,000.00 sale proceeds shall be delivered to Soucy; and
- b. If for any reason the Promissory Note from Lost River to Soucy dated 12/21/98 in the amount of \$4,000.00 has not been paid, then whatever amount is still owing together with interest shall be delivered to Soucy.
- c. The remaining net proceeds shall be divided and delivered equally between Lost River and Soucy.

8. **RESTRICTION ON RIGHT TO TRANSFER AND OPTION EXPIRATION:**
Soucy agrees not to sell, transfer, exchange, grant option to purchase, or otherwise dispose of any portion of Lot 61 or any interest therein until the options described in Paragraphs 5 and 6 above have expired without proper exercise by Lost River.

9. **EXPENSES OF MAINTENANCE:** Prior to expiration of any and all options described in paragraphs 5 and 6 above, all maintenance expenses of the property, if any, shall be paid equally by Soucy and Lost River. As long as all of Lot 61 is exclusively deeded to Soucy, Lost River nor Gary Hart nor his representatives nor assigns shall undertake any work, modifications, or changes to Lot 61 (with the exception of obtaining the lot division and easement as described in paragraph 2 "FILING OF APPLICATION") without the expressed written permission of Soucy.

10. **RENTS AND PROFITS:** Any rents or profits received by either party from

the property, prior to expiration of the options shall be split equally. Lost River to deliver any existing rental contract and/or grazing contract to Soucy within seven (7) days of the signing of this Agreement.

11. **RESTRICTION ON ASSIGNMENT:** This agreement is personal to the parties, and neither shall assign or otherwise transfer their respective rights under this Agreement without the prior written consent of the other. For purposes of this provision, Lost River warrants that Gary Hart is the President and majority shareholder of Lost River and any change in the President or majority shareholder shall be deemed a transferor assignment prohibited by this paragraph.

12. **HEADINGS:** The captions and headings used in this Agreement are for reference only and shall not be construed to define or limit the scope or content of this Agreement.

13. **ENTIRE AGREEMENT:** This Agreement contains the final and entire understanding between the parties with respect to its subject matter and is intended to be an integration of all prior negotiations and understandings. The parties shall not be bound by any terms, conditions, statements, warranties, or representations not contained in this Agreement. No change or modification of this Agreement shall be valid unless it is in writing and is signed by both parties.

14. **COUNTERPARTS AND PRONOUNS:** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall be effective when one or more counterparts have been signed and delivered by the parties. With respect to any pronouns used herein, each gender used shall include the other gender and the singular and the plural, as the context may require.

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15. TIME IS OF ESSENCE: Time is of the essence regarding this Agreement.

IN WITNESS WHEREOF, the respective parties have executed this instrument
on this, the day and year first herein above written.

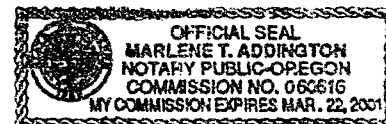
- Last Year Land & Cattle for by Harold J. Soucy
- P. J. Soucy
- Nancy L. Soucy

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

STATE OF OREGON, County of Klamath) ss
PERSONALLY APPEARED BEFORE ME the 30th day of December 1998 the
aforementioned Harold J. Soucy, Jr. and Nancy L. Soucy and acknowledged the
foregoing instrument to be their voluntary act and deed.

Marlene T. Addington
NOTARY PUBLIC FOR OREGON

STATE OF OREGON, County of Klamath) ss

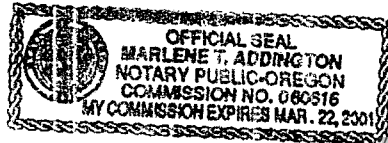


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PERSONALLY APPEARED BEFORE ME the 30th day of December 1998 Gary Hart as President of Lost River Land and Cattle, Inc. and acknowledged the foregoing instrument to be the voluntary act and deed of said corporation, and that he executed the same on behalf of said corporation pursuant to resolution of its Board of Directors.

Marlene T. Addington

NOTARY PUBLIC FOR OREGON



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title & Escrow the 30th day
of December A.D., 19 98 at 3:41 o'clock P. M., and duly recorded in Vol. M98,
of Deeds on Page 47915.

Bernetha G. Letsch, County Clerk

FEE \$85.00

By Kathleen Ross