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1st 326125

After recording return to:

First American Title

2405 14th Ave., SE

Albany, OR 97322

Send tax statements to:

Jeffrey Smith

PO Box 3190, Clearlake, CA 95422

Vol M04 Page 08004

LAND SALE CONTRACT

Lost River Investments, Inc. (hereinafter "Seller"), and Jeffrey Merle Smith and Cathlene Lou Kenstler (hereinafter "Buyers"), hereby enter into this contract for the sale and purchase of Seller's properties located at 129 W. Front Street, Merrill, Klamath County, Oregon (hereinafter "the Property").

Seller agrees to sell, and Buyers agree to purchase from the Seller for the price and on the terms and conditions set forth below, that certain real property, and all improvements thereon, situated on two lots in Merrill, Klamath County, Oregon, described as follows:

Lot 1:

Beginning at a point in the Northerly boundary of Tract 52 of the MERRILL TRACTS, the plat whereof is on file and of record in the office of the County Clerk of Klamath County, Oregon, located in the City of Merrill, Oregon, which is also the Southerly line of Front Street in the said City of Merrill, Oregon, said point being 28.5 feet distant Westerly along the said Northerly boundary of the said Tract 52, from the Northeasterly corner of the said Tract 52; thence Southerly and parallel with the Easterly boundary of the said Tract 52, 125.0 feet; thence Easterly and parallel with the Northerly boundaries of the said Tracts 52 and 53 and which is also the Southerly line of Front Street, 44.5 feet; thence Northerly and parallel with the said Easterly boundary of the said Tract 52 (which is also the Westerly boundary of the said Tract 53) 125.0 feet, more or less, to a point in the Northerly boundary of said Tract 53 (which is also the Southerly line of Front Street) thence Westerly along the said northerly boundaries of the said Tracts 53 and 52, 44.5 feet, more or less, to the point of beginning; SUBJECT to all the exceptions shown in preliminary report for Title Insurance from Transamerica Title Insurance Co., dated April 23, 1970, order 70-456, which report buyer has examined, and accept title to the property as shown by the report.

Lot 2:

Portion of Tract 53, Merrill Tracts, Klamath County, Oregon, more particularly described as: commencing at a point 40 feet South and 50 feet West of the corner common to Section 1, 2, 11 and 12, Township 41 South, Range 10 East, W.M., thence West 100 feet; thence South 100 feet; thence East 100 feet; thence North

State of Oregon, County of Klamath
Recorded 02/10/2004 11:34 a.m.
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Linda Smith, County Clerk
Fee \$ 51.00 # of Pgs 7

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100 feet to the point of beginning.

SUBJECT TO: 1975-76 and subsequent taxes; easements and rights of way of record or apparent on the land; and liens of the City of Merrill, if any.

Until a change is requested, all tax statements shall be sent to the following address:

Jeffrey Merle Smith and Cathlene Lou Kenstler
P.O. Box 3190
3933 Monterey Dr.
Clearlake, CA 95422-3190

The sale price is \$90,000. Buyers agree to pay 5% annual interest on the unpaid balance. Payment terms are as follows.

Buyers will make a \$20,000 down payment, of which \$1,000 has previously been paid as earnest money. Thereafter, Buyers will pay \$742.46 each month for a period of ten (10) years, beginning March 15, 2004, and subsequent payments due on or before the 15th day of each month thereafter, with the entire balance, including principal and interest to be paid on or before February 15, 2014. Buyers may prepay at any time without penalty.

Buyers shall pay all property taxes, PUD, and other assessments against the lots during the term of this contract. Sellers will notify buyers promptly of any such change and Buyers will add such amount to the next such payment.

All payments to Seller shall be mailed to:

Fred and Peggy Kowal
4108 SE Durillo Place
Albany, OR 97322

All payments shall be made payable to:

Santiam Escrow
P.O. Box 511
Stayton, OR 97383

Upon full payment, Sellers will convey to Buyers title to the lots free and clear of all liens and charges except those described in the title insurance policy which Buyers themselves are to purchase.

Time is of the essence in this contract. A default shall occur if:

1. Buyers fail to make any payment within thirty (30) days after it is due and do not correct or commence correction within thirty (30) days after receipt of written notice from Seller that Buyers are in default.
2. Buyers fail to perform any other obligation imposed by this contract and does not correct or commence correction within 30 days after receipt of written notice from Seller that Buyers are in default.

In the event of any material breach by Buyers, Seller may seek remedies including, but not limited to, one or more of the following steps:

1. Declare this contract null and void and retain as liquidated damages all payments made by Buyers. Such retained sum will compensate Seller for lost opportunity cost, resale expenses, and possible tax liabilities, all of which are difficult to calculate with certainty. In such event, all right, title, and interest in the property shall revert to Seller or Seller's heirs and assigns, and Buyer agrees to peaceably surrender the Property to Seller;
2. Declare the entire amount owing, including interest, immediately due and payable; or
3. Pursue any other remedies provided by law.

Buyers hereby expressly acknowledge that they have been informed that the property once held a gasoline service station business as well as underground gasoline storage tanks. The Seller had the property professionally inspected to insure that there is no residual environmental contamination on the property resulting from the underground gasoline storage tanks. The inspection revealed no environmental contamination on the property. The Buyers hereby acknowledge the existence of, and

conclusions arising from, that professional inspection. A copy of the inspection is attached to this agreement as Exhibit A.

The Buyers also expressly acknowledge that they understand the property may have additional environmental contamination not identified by the Seller's inspection. The Buyers hereby expressly agree that the purchase of the property is made with that knowledge and acknowledge the present condition of the property to include any unknown environmental contamination. The Buyers hereby expressly agree that they are purchasing the property "AS IS," in it's present condition, including but not limited to, all unknown or latent environmental contamination defects and damages.

Buyer hereby agrees to indemnify, defend, and hold harmless Seller against any and all claims, liens, actions, suits, expenses, penalties, fines, injuries, damages, and liabilities of any kind including without limitation reasonable expert witness and attorney fees arising out of or related to any conditions of the property or from any claim of loss or liability arising out of any activity of Buyers on the Property or any condition of the property. This includes any and all liability to any future purchasers, lessees, or renters of the property. Buyers' obligations under this paragraph shall apply to all liability of any kind, including but not limited to, bodily injuries to persons, damage to property, environmental contamination, economic and non-economic losses, and consequential damages.

During the term of this contract, Buyer shall maintain public liability and property damage insurance. Such insurance shall cover all liability arising directly or indirectly out of Buyers' activities or any condition of the Property, at the time of possession. Buyers shall provide Seller with certificates evidencing such insurance annually.

This contract extends to the parties of this agreement, all of their related corporations and businesses, and all of their respective past and present employees, offices, directors, agents, shareholders, partners, joint venturers, subsidiaries, affiliates, predecessors and successors in interest, assigns, heirs and attorneys of any and all of them unless otherwise specifically stated herein.

This agreement, and the attached exhibits, contain the entire agreement of the parties with regard to the matters set forth herein and supercedes all prior written and verbal promises and agreements between the parties. This agreement may be amended, modified, or superceded only by a written agreement signed by all of the parties to this agreement. This agreement shall be binding upon and enure to the benefit of the parties, jointly and severally, and the executors, administrators, personal

representatives, heirs and successors of each party to this agreement.

Marguerite L. Kowal
Of Seller Lost River Investments, Inc.

Date 2.4.2004

Elizabeth L. Harris
Of Seller Lost River Investments, Inc.

Date 2-9-2004

X Jeffrey Merle Smith
Jeffrey Merle Smith

Date X 2/6/04

X Cathlene Lou Kenstler
Cathlene Lou Kenstler

Date X 2/6.04



08009

STATE OF CALIFORNIA)
)ss.
County of _____)

This instrument was acknowledged before me on this _____ day February, 2004
by Jeffrey Merle Smith and Cathlene Lou Kenstler

SEE THE ATTACHED CALIFORNIA ALL
PURPOSE NOTARY ACKNOWLEDGEMENT
_____, Notary Public for _____

My Commission Expires: _____

STATE OF OREGON)
)ss.
County of Linn)

This instrument was acknowledged before me on this 4th day February, 2004
by Marguerite L. Kowal, President of Lost River Investments, Inc.

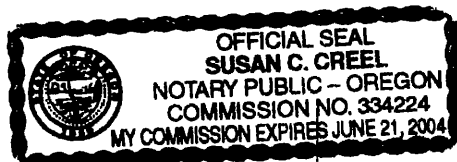


Susan C. Creel
_____, Notary Public for OREGON

My Commission Expires: 6-21-04

STATE OF OREGON)
)ss.
County of Linn)

This instrument was acknowledged before me on this 9TH day February, 2004
by Elizabeth L. Harris, Secretary-Treasurer of Lost River Investments, Inc.

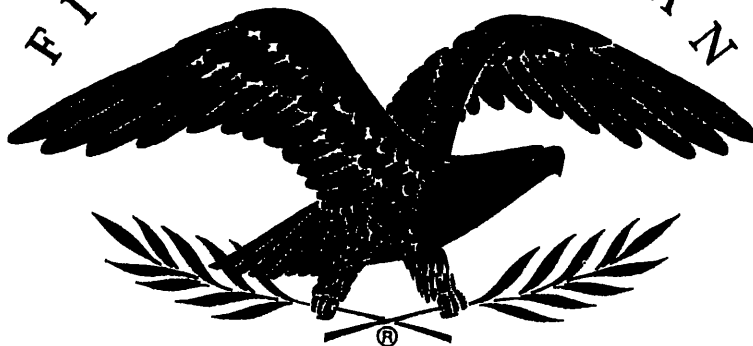


Susan C. Creel
_____, Notary Public for OREGON

My Commission Expires: 6-21-04

FIRST AMERICAN

08010



STATE OF CALIFORNIA
COUNTY OF Lake

ss.

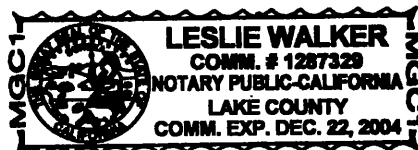
On February 6, 2004, before me, Leslie Walker, Notary Public,
personally appeared Jeffrey Merle Smith and Cathlene Lou Kenstler

personally known to me

(or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature [Signature]



(This area for official notarial seal)

Title of Document

Land Sale Contract

Date of Document

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Other signatures not acknowledged