

LEASE AGREEMENT between HAROLD E. CARLSON and JILL CARLSON (herein called Carlsons), as LESSOR, and KLAMATH BASIN FARMS, Inc. an Oregon Corporation (herein called Klamath Basin Farms) as LESSEE.

WITNESSETH:

WHEREAS, Carlsons own in fee the real estate at Klamath Falls, Oregon, hereinafter described, on which is located a building used by Klamath Basin Farms in its business, which real estate is presently leased to Beatrice Foods, Inc. a Delaware Corporation, whereas Klamath Basin Farms has agreed to lease said premises from Carlsons beginning at the expiration of the Beatrice Foods, Inc. lease.

NOW, THEREFORE, in consideration of the premises and of the performance of the agreements and other terms herein made, Carlsons do hereby demise, lease and unto Klamath Basin Farms, and Klamath Basin Farms does hereby hire from Carlsons, the following described premises situated in Klamath Falls, Klamath County, Oregon, to-wit:

Lots 1, 2, 3 & Swly. 10 ft. of the
vacated alley adjacent to each,
Block 60, HOT SPRINGS NO. 2, Klamath
County, Oregon.

(which herein are called the "demised premises").

TO HAVE AND TO HOLD the demised premises, together with the rights and appurtenances thereto, unto Klamath Basin Farms for the lease term hereinafter referred to, and upon and subject to the agreements and other terms hereinafter specified, to which the parties respectively agree:

1. TERM:

The term of this lease (herein called the "lease term") shall be for fifteen (15) years, commencing at 12:01 o'clock A.M., on June 30, 1973, and ending 12:00 o'clock midnight on June 29, 1988, unless the term hereof shall be sooner terminated as herein provided.

2. RENT:

Klamath Basin Farms agrees to pay to Carlsons the sum of Five Hundred and no/100 Dollars (\$500.00) per month on the last day of each and every calendar month commencing with the month of June, 1973 and ending with the month of May, 1988.

3. INSURANCE:

(a) Klamath Basin Farms agrees that it will procure and throughout the lease term will keep in force fire and extended coverage insurance, at its own cost and expense, insuring the buildings and other improvements now on the demised premises or any replacement therefor in an amount equal to their full replacement cost. The policy or policies evidencing such insurance shall be in such form and with such companies as are reasonably satisfactory to Carlsons, and compensation for loss or damage thereunder shall be made payable Carlsons and Klamath Basin Farms as their respective interests may appear.

The term "extended coverage", as used herein, shall mean such casualties as are included in the term "extended coverage" as that term is known and used in the casualty insurance business.

(b) Each such insurance policy shall carry an endorsement whereby the insurer shall agree that, before changing or cancelling such policy, it shall give Carlsons at least ten (10) days' prior written notice of the proposed change or cancellation. Duplicate originals or certificates of all such insurance policies shall be delivered to Carlsons.

(c) As soon as practicable after the expiration of any policy or policies of insurance provided for by Section 3(a) above, Klamath Basin Farms will deliver to Carlsons certificates of insurance covering the policies made effective from and after such expiration. Premiums for all policies of insurance required by Section 3(a) above, shall be paid by Klamath Basin Farms before they become delinquent.

(d) Klamath Basin Farms shall not violate or permit violation of any of the conditions of said policies, and shall perform and satisfy the requirements of the companies writing such policies so that at all times companies of good standing shall be willing to write or continue such insurance.

4. Damage to or Destruction of Building and Improvements on Demised Premises.

(a) In the event any building or other improvement now on the demised premises or any replacement therefor, is damaged or destroyed by fire or other casualty insured against or required to be insured against under the provisions of Section 3 above, (which perils collectively in this Section 4(a) and (b) are called "such casualty"), Klamath Basin Farms shall be entitled to collect any proceeds of insurance payable with respect to such casualty and may elect, at its sole option, to repair or rebuild any such building or other improvement so damaged or destroyed, according to plans and specifications approved by Carlsons, which approval shall not be unreasonably withheld; provided however, that should Klamath Basin Farms elect to repair or rebuild any such building or other improvement so damaged or destroyed, Klamath Basin Farms shall not be required to expend any sums in excess of the proceeds of insurance payable with respect to such casualty. If Klamath Basin Farms should elect to repair or rebuild any such building or other improvements now on the demised premises or replacement therefor damaged or destroyed by any such casualty, at a cost less than the proceeds of insurance payable with respect to such casualty, and if the parties agree upon the design and specifications for such reconstruction and rebuilding, upon the disposition of the excess of such proceeds of insurance, and upon such modifications of Section 2 of this lease as may be necessary and appropriate to conform with such disposition of such excess proceeds of insurance, then Klamath Basin Farms shall repair or rebuild in accordance with such design and specifications, and shall dispose of such excess proceeds of insurance, all in accordance with such agreement.

(b) In the event that Klamath Basin Farms should elect not to repair or rebuild any building or other improvement now on the demised premises or any replacement therefor damaged or destroyed by such casualty:

(1) If as a result of any such casualty the building now on the demised premises, or any replacement therefor, is rendered untenable to the extent of 70% or more of the total floor area thereof, this lease shall terminate in which event the rent shall abate as and from the date of occurrence of such casualty. If this lease is so terminated, all proceeds of insurance collected by Klamath Basin Farms with respect to any such casualty shall be paid over to Carlsons by Klamath Basin Farms.

(2) If, as a result of any such casualty, the said building, or any replacement therefor, is rendered untenable to an extent less than 70% of the total floor area thereof, the rent payable to Carlsons shall be reduced for the remainder of the term of the lease, in proportion to the extent to which such building is rendered untenable and all proceeds of insurance collected by Klamath Basin Farms with respect to any such casualty shall be paid over to Carlsons by Klamath Basin Farms.

(c) The area of any new building or other new improvement, or any enlargement or extension of any existing building or improvement which is constructed or added by Klamath Basin Farms during this lease term in accordance with the provisions of Section 9 hereof shall not be taken into account in determining the area rendered untenable for purposes of Section 4(b), or for the purpose of determining any amount by which the rent is to be reduced in the event of any such casualty, under the provisions of Section 4(b) (2).

(d) If any building or other improvement now on the demised premises, or any replacement of any thereof, is damaged or destroyed by casualty not insured against and not required to be insured against under the terms of Section 3 hereof (which casualty in this Section 4(d) is called "such excepted casualty"):

(1) If, as a result of any such excepted casualty, the said building, or any replacement thereof, is rendered untenable to the extent of 70% or more of the total floor area thereof, either Klamath Basin Farms or Carlsons may terminate this lease by written notice delivered to the other within fifteen (15) days after the date of the occurrence of such excepted casualty, in which event the rent shall abate as and from the date of occurrence of such excepted casualty. If, within said fifteen (15) days, the lease is not so terminated, then Carlsons shall cause the building and other improvements to be restored to as good condition as they existed prior to the occurrence of such excepted casualty; and in such case the rent payable to Carlsons shall be reduced during the period required to complete such restoration, in proportion to the extent the building is rendered untenable.

(2) If, as a result of any such excepted casualty, the said building is rendered untenable to an extent less than 70% of the total floor area thereof, this lease shall continue in effect but Carlsons will promptly, if so notified and requested by Klamath Basin Farms, cause the building, or any replacement thereof, to be restored to as good condition as it existed prior to the occurrence of such excepted casualty; and in such case the rent payable to Carlsons shall be reduced during the period required to complete such restoration, (or during the remainder of the term in the event such restoration is not requested by Klamath Basin Farms in proportion to the extent such building is rendered untenable.

(3) If, as a result of any such excepted casualty the damage to such building and other improvements is so slight that Klamath Basin Farms use of the demised premises is not substantially impaired, then Carlsons promptly shall reconstruct and repair said building and other improvements, and the rent shall not be abated or reduced.

5. TAXES:

(a) Klamath Basin Farms agrees that during the lease term it will pay, before the same become delinquent, the following items which may be levied, incurred, assessed, or become due during the lease term whether under any law or ordinance now in force or hereafter enacted; ad valorem taxes, water and sewer rents and charges, meter rents, other public utility charges, and all other taxes levied, assessed or charged against the demised premises and the streets or sidewalks adjacent thereto; PROVIDED, HOWEVER, that nothing herein contained shall be construed to obligate Klamath Basin Farms to pay any income taxes assessed heretofore or hereafter upon the income of Carlsons.

(b) Klamath Basin Farms shall have the right to contest or review, at its own expense, in such manner as may be provided by law, any item described in Section 5(a) above, and shall not be deemed to be in default in the performance of its agreements contained in this Section 5 so long as it conducts such contest or review in good faith, and so long as such item does not become delinquent.

6. RECONSTRUCTION of, REPAIRS to and CONDITION of DEMISED PREMISES:

(a) Klamath Basin Farms agrees, at its own cost and expense, to make all repairs and renewals, including structural repairs, necessary to keep the building and other improvements now on the demised premises and any replacement thereof in good and substantial condition, order and repair. Klamath Basin Farms agrees that at the termination of this lease it will return such building and other improvements to Carlsons in as good a condition as at the beginning of the lease term, reasonable wear and tear, and loss or damage for which provision is made by Section 4(a) (b) and (d) above only, excepted.

(b) Carlsons shall have the right to enter the demised premises at all reasonable hours for the purpose of inspecting the same.

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7. COMPLIANCE with LAWS:

Klamath Basin Farms agrees through the term of this lease to comply with all laws, ordinances, orders, rules, regulation and requirements of all governmental authorities having jurisdiction over said premises, and Klamath Basin Farms may contest the validity of any such laws, ordinances, rules, regulations and requirements, but shall indemnify and hold Carlsons harmless against the consequences of any violation thereof by Klamath Basin Farms.

8. ASSIGNMENT or SUBLETTING:

Klamath Basin Farms shall have the right at any time to assign this lease, or sublet the demised premises or any part thereof, but no such assignment or subletting shall relieve Klamath Basin Farms of any of its obligations hereunder. A duplicate copy of any assignment shall be furnished Carlsons within ten (10) days after the making thereof.

9. ALTERATIONS, ENLARGEMENTS, IMPROVEMENTS, and BUILDINGS
MADE or ERECTED by KLAMATH BASIN FARMS:

Klamath Basin Farms may make alterations, enlargements and improvements to, in and on the building and improvements on the demised premises, and may erect new buildings or other new improvements, all however upon and subject to the following terms and conditions:

(a) Any such alteration, enlargement, improvement, or building shall not lessen the value of the demised premises in any respect.

(b) The plans and specifications for any such alteration, enlargement, improvement, or building shall, to the extent required by law, be filed with the and approved by all governmental authorities having jurisdiction thereof.

(c) Any such alteration, enlargement, or improvement which is estimated to cost in excess of \$5,000.00, or any new building or other new improvement, shall be made according to plans and specifications therefor which first shall have been approved in writing by Carlsons, but such approval shall not be unreasonable withheld.

(d) Klamath Basin Farms agrees to complete, in accordance with the plans and specifications required by Section 9 (c) above, any such alteration, enlargement, improvement, new building or other new improvement, the construction of which shall have been begun by Klamath Basin Farms.

(e) Klamath Basin Farms will pay for all labor performed and material furnished in or about the work and shall keep the demised premises and the buildings and improvements thereon at all times free and clear of all liens for labor and materials furnished in or about such work.

(f) Klamath Basin Farms shall have the right and privilege to remove new buildings or other new improvements of the real estate constructed by Klamath Basin Farms during the lease term, which new buildings or other new improvements shall remain the property of Klamath Basin Farms throughout the lease term; provided, however, that the right to remove granted hereby is subject to the obligation of Klamath Basin Farms to return the demised premises and the building and improvements now thereon and any replacement for any thereof, to Carlsons in the condition required by Section 6(a) above, Klamath Basin Farms shall not, however, have the right or the privilege to remove alterations, enlargements, or improvements added by Klamath Basin Farms to the building and improvements thereof existing at June 29, 1973, or any replacements therefor constructed under the terms of Sections 4 or 6 hereof.

10. EMINENT DOMAIN:

If at any time during the lease term any of the demised premises shall be taken or appropriated by the exercise of the right of eminent domain or other similar proceedings, or be condemned for any public or quasi-public use, all amounts paid in connection therewith shall belong to Carlsons, except that portion thereof as will compensate Klamath Basin Farms for its loss of capital investment for any alterations, enlargements, improvements or buildings made or erected on the demised premises in accordance with the provisions of Section 9 hereof; taking into account, however, a reasonable allowance for depreciation. If by such taking or condemnation Klamath Basin Farms is deprived of use of the demised premises to a substantial extent, the rentals

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payable under this lease shall be reduced in the same proportion that the fair and reasonable market value of the demised premises immediately preceding the taking bears to the fair and reasonable market value of the demised premises to be used thereafter. If by such taking or condemnation Klamath Basin Farms is deprived of the use of the demised premises to such an extent that it is no longer practicable for it to carry on and conduct its business thereon, this lease shall terminate, and all rentals shall be payable only to the date of such taking.

11. WARRANTIES:

Carlsons warrant that they will put Klamath Basin Farms in actual possession of the demised premises at the beginning of the lease term, and that on paying the rent and performing and complying with the agreements and other terms herein agreed by it to be performed and complied with, Klamath Basin Farms shall and may peaceably and quietly hold and enjoy the demised premises for the lease term.

Carlsons make no warranties or representations as to the condition of the demised premises, with which Klamath Basin Farms is familiar, or their condition, fitness or suitability for the uses and purposes for which leased, and Carlsons shall in no event be liable for any latent defects therein or for the breaking or getting out of order of any pipes, wires, plumbing or fixtures or for any injury or damage caused by or resulting from any such breaking or getting out of order. Klamath Basin Farms accepts the building and other improvements on the demised premises in the condition and state of repair in which they are at date of delivery.

12. LIABILITY OF KLAMATH BASIN FARMS TO INDEMNIFY CARLSONS.

Klamath Basin Farms agrees to indemnify and save harmless Carlsons from or against any and all claims, liens, suits, actions, damages, causes of action or liabilities, whether against Carlsons or the demised premises, of the nature set out in (a) through (c), below, and from and against all costs, attorneys' fees, expenses and liabilities incurred in and about any such claim, lien, suit, action, damage, cause of action or liability, the investigation thereof, or the defense of any action or proceeding brought thereon, and from any judgments, orders or decrees that may be entered thereon or therein:

(a) Any claim, lien, suit, action, damage, cause of action or liability arising from or out of the occupancy of the demised premises by, or under Klamath Basin Farms, its agents, servants, officers and employees.

(b) Any claim, lien, suit, action, damage, cause of action or liability arising from or out of any failure on the part of Klamath Basin Farms to comply with all the agreements and other terms herein contained, or arising from or out of any exercise by Klamath Basin Farms of any right or privilege granted hereby.

(c) Any claim, lien, suit, action, damage, cause of action or liability arising during the lease term for personal injury, loss of life or damage to property sustained in or about the demised premises or the buildings or improvements thereon, or appurtenances thereto, or upon the adjacent sidewalks and streets, and whether sustained by the Klamath Basin Farms or by any other person, and whether or not due to any negligence of Carlsons.

13. DEFAULTS:

If default be made in the payment of any installment of rent hereunder or any part thereof and any such default shall continue for a period of ten (10) days after written notice thereof to Klamath Basin Farms or if default be made in any of the other terms, provisions or conditions herein contained to be kept, observed and performed by Klamath Basin Farms and such default shall continue for an unreasonable period (which in any event shall not be less than thirty (30) days) after written notice thereof to Klamath Basin Farms, then and in each such case of continuing default, Carlsons may, at their election, without further notice, declare said term ended and re-enter said premises or any part thereof with or without process of law and remove Klamath Basin Farms or any persons occupying the same without prejudice to any remedies which might otherwise be available for arrears of rent.

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14. MISCELLANEOUS PROVISIONS:

(a) Klamath Basin Farms shall permit Carlsons or their agents to enter the demised premises at all reasonable hours for the purpose of showing the premises to parties desiring to purchase the same, and at any time within twelve months prior to the expiration of the lease term, to parties wishing to hire or rent the demised premises.

(b) If Klamath Basin Farms so elects at the termination of this lease, the parties hereto agree to negotiate in good faith at that time toward the further leasing of the demised premises by Klamath Basin Farms or the purchase of the demised premises by Klamath Basin Farms at their then fair market value.

(c) Neither Carlsons nor Klamath Basin Farms shall be deemed to have waived any provision of this lease, unless such waiver is in writing and signed by Carlsons, or by Klamath Basin Farms.

(d) No modification of this lease shall be binding unless in writing and executed and acknowledged in due form for recordation.

(e) The agreements and other terms contained in this lease, unless otherwise specifically stated herein, shall apply to, be binding upon, and inure to the benefit of the respective parties hereto, their successors and assigns, with the same force and effect as if specifically mentioned herein.

(f) Upon termination of this lease, Klamath Basin Farms agrees to surrender and yield up quietly and peaceably to Carlsons the possession of the demised premises.

(g) Any notice, demands or communication hereunder, if served by United States mails, shall be addressed to Carlsons, 219 Haskins Street, Klamath Falls, Oregon, and shall be addressed to Klamath Basin Farms at 1500 Esplanade, Klamath Falls, Oregon. Each party may by written notice from time to time designate any different address to which subsequent notices shall be sent to the party making such designation. Except in the case of a notice designating a different address given under this Section 14(g), any notice, demand, or communication under this lease shall be effectively delivered for all purposes when deposited in the United States mails for transmission by registered mail, return receipt requested, postage prepaid, and addressed as set out above.

(h) The parties agree that this lease shall be construed and given effect for all purposes as an Oregon lease and contract.

IN WITNESS WHEREOF, the parties have duly executed, affixed their respective seals to, and delivered this lease, this 30th day of March, 1971.

Harold E. Carlson
Harold E. Carlson

Jill Carlson
Jill Carlson

KLAMATH BASIN FARMS, Inc.
By [Signature]
its President

STATE OF OREGON)
)ss.
County of Klamath)

BE IT REMEMBERED, That on this 31 day of March 1971, before me, the undersigned, a Notary Public in and for said County and State personally appeared the within named Harold E. Carlson and Jill Carlson, known to me to be the identical individuals described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

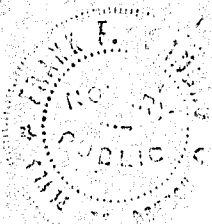
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

[Signature]
Notary Public for Oregon
My Commission Expires February 21, 1975

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STATE OF OREGON }
County of Klamath } ss.

On this 31 day of March, 1971, before me appeared J. A. Gough
he, the said J. A. Gough to me personally known, who being duly sworn, did say that
named Corporation, and that the seal affixed to said instrument is the corporate
seal of said Corporation, and that the said instrument was signed and sealed in
behalf of said Corporation by authority of its Board of Directors, and J. A. Gough
acknowledged said instrument to be the free act and deed of said
Corporation.



IN TESTIMONY WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year last
above written.

Frank J. Gough
Notary Public for Oregon
My Commission Expires February 27, 1975

STATE OF OREGON }
County of Klamath } ss.

Filed for record at request of:
KLAMATH COUNTY TITLE CO.
on this 5th day of APRIL A. D., 1971
at 3:45 o'clock P.M. and duly
recorded in Vol. M. 71 of DEEDS
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WM. D. MILNE, County Clerk
By A. Hazel Drayton
Fee \$10.50 Deputy.

Return
First Federal
540 Main
Klamath Falls, Oregon
97601

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