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AGREEMENT OF SALE

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THIS AGREEMENT, made and entered into this 21st day of May, 1976, by and between KLAMATH FALLS KOA, INC., an Oregon Corporation, hereinafter called the "Seller", and JEAN W. REED and MARY A. REED, husband and wife, hereinafter called the "Buyers";

W I T N E S S E T H:

RECITALS:

WHEREAS, Seller is the owner of that certain campground and mobile home park commonly known as KOA-KAMPGROUNDS OF AMERICA, located at 3435 Shasta Way, Klamath Falls, Klamath County, Oregon, subject to a certain mortgage to the Western Bank, Klamath Falls Branch, in participation with the Small Business Administration of Portland, Oregon;

WHEREAS, on the 23rd day of January, 1971, Seller entered into a certain Franchise Agreement with KAMPGROUNDS OF AMERICA, INC., a Montana Corporation, wherein Seller has an exclusive franchise for the construction and operation of one or more KOA Kampgrounds within Klamath County, Oregon and South 35 miles from Klamath Falls, Oregon;

WHEREAS, Buyers are desirous of buying said business, together with the real property with the improvements thereon, and certain personal property, more particularly hereinafter described.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing recitals, which are by reference expressly made a part of this agreement and the terms, conditions and covenants hereinafter contained on the part of the respective parties to be kept and performed, IT IS AGREED:

-1-AGREEMENT OF SALE

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(1) That the Seller agrees to sell, and the Buyer agrees to buy, all the following described property located in the County of Klamath, State of Oregon, more particularly described as follows:

- a. Real property. The following described real property situate in Klamath County, Oregon, to-wit:

That part of Tract 22A of Enterprise Tracts, described as follows:

Beginning at a point on the North Right of Way line of Shasta Way which lies North 89° 08' East a distance of 2782.3 feet and North 0° 49' West a distance of 15 feet from the iron pin which marks the Southwest corner of Section 34, Township 38 South, Range 9 East of the Willamette Meridian in Klamath County, Oregon, and running thence; North 0° 49' West a distance of 300 feet to a point; thence South 89° 08' West a distance of 115 feet to an iron pin; thence North 1° 17' East a distance of 372 feet to an iron pin which lies on the Southerly right of way line of the U.S.R.S. "A" Canal; thence Easterly and Southerly following the Southerly right of way line of the "A" Canal to its intersection with the North right of way line of Shasta Way; thence Westerly along the North right of way line of Shasta Way to the point of beginning.

EXCEPTING THEREFROM that portion of the above described property conveyed to Klamath County in Deed recorded December 21, 1972, in Volume M72 at page 14686, Microfilm Records of Klamath County, Oregon.

Subject to: Regulations, including levies, assessments, water and irrigation rights and easements for ditches and canals, of Klamath Irrigation District; Regulations, including levies, liens, assessments, rights of way and easements of the South Suburban Sanitary District; and easements and rights of way of record and apparent thereon.

- b. Personal Property: Seller's interest in KAMPGROUNDS OF AMERICA, INC., Franchise Agreedated January 23, 1971, a copy of which is attached hereto as Exhibit "1" and made a part hereof as though fully set forth herein, together with the certain equipment, a list of which is attached hereto as Exhibit "2".



(2) The purchase price for the property described in paragraph (1) above, which the Buyers agree to pay shall be the sum of ONE HUNDRED NINETY THOUSAND DOLLARS (\$190,000.00). The sum of ONE HUNDRED FIFTY-ONE THOUSAND DOLLARS (\$151,000.00) represents that part of the purchase price allocated to the real property, together with the improvements thereon, and the sum of THIRTY-NINE THOUSAND DOLLARS (\$39,000.00) represents that portion of the purchase price allocated to the personal property described above. The sum of ONE HUNDRED NINETY THOUSAND DOLLARS (\$190,000.00) shall be payable as follows:

(a) The sum of FIVE THOUSAND DOLLARS (\$5,000.00) which has previously been paid as earnest money.

(b) The sum of FORTY THOUSAND DOLLARS (\$40,000.00) which is paid upon execution hereof, the receipt of which is hereby acknowledged.

(c) The balance of ONE HUNDRED FORTY-FIVE THOUSAND DOLLARS (\$145,000.00) shall be paid in monthly installments of ONE THOUSAND FIVE HUNDRED FIFTEEN DOLLARS and 20/100 (\$1,515.20), said payments to include principal and interest at the rate of nine and one-half per cent per annum (9 1/2%) on the unpaid balances, the first of such installments to be paid on the 12th day of each and every month hereafter until the entire purchase price, both principal and interest, is paid in full. It is further agreed Buyers shall pay all taxes and assessments and any other obligation incurred by the Buyers, in addition to the monthly installments set forth above.

(d) Interest on all unpaid balances shall commence on the 12th day of June, 1976.

(e) Buyers may prepay all or a portion of the purchase price without penalty.

(f) In event the Buyers default in the payment of any taxes or liens, Seller is authorized to make payment on said taxes or liens on behalf of Buyers, and to add such sums paid to the principal of this contract, to be paid by Buyers, including interest at the rate of nine and one-half per cent (9 1/2%) per annum.

(g) All payments shall be made to the order of the Seller by payment to the Western Bank, Klamath Falls Branch, 421 S. 7th, Klamath Falls, Oregon 97601.

(3) The following items shall be prorated effective June 12, 1976:

(a) Real and personal property taxes.

(b) Fire Insurance Premiums.

(c) Irrigation, sewage, water and sewage charges.

(d) All rents and deposits.

(e) Membership fees in Chamber of Commerce, Oregon Motor Home Park Association, National Kampground Owner's Association, and Oregon Kampground Owner's Association.

(f) Sign rentals.

(g) Prepaid Advertising Expense.

(4) Buyers agree to keep the buildings on said premises insured against loss by fire in an amount not less than its insurable value and to keep the personal property hereinabove described insured against loss by fire in an amount not less than its insurable value, with loss payable in each case to the parties hereto as their respective interests appear at the time of the loss. However, the



Buyers shall have the election to rebuild the improvements out of the insurance proceeds, providing they elect to do so in writing with such notice to the Seller. In event they do not so elect, any amount received by the Seller under said insurance in payment of a loss shall be applied upon the unpaid balance of the purchase price and shall reduce said unpaid balance to the extent of the amount of the insurance payment received by Seller. All uninsured losses shall be borne by Buyers, on or after date the Buyers are entitled to possession.

(5) Buyers shall be entitled to possession of the premises as of June 12, 1976.

(6) It is understood between the parties that there exists a store inventory. The parties agree to take said inventory at the close of business of June 11, 1976. The Buyers agree to pay the Seller the value of the inventory based upon cost of merchandise or market value of merchandise, whichever sum is lower, separate from the terms of this agreement.

(7) Buyers agree that all improvements now located or which shall hereafter be placed on the premises, shall remain a part of the real property and shall not be removed at any time prior to the expiration of this agreement without the written consent of the Seller. Buyers shall not commit or suffer any waste of the property, or any improvements thereon, or alterations thereof, and shall maintain the property, and all the improvements thereon, and all alterations thereof, in good condition and repair. Buyers shall not otherwise make or cause any substantial improvements or alterations to the property without first giving ten (10) days written notice to the Seller

and upon request of the Seller, to provide adequate evidence of sufficient financing to complete the proposed improvement or alteration.

(8) In event all or any portion of the real property described herein is taken or designated to be taken by condemnation proceedings, or is sold to an entity having the power of condemnation in lieu of condemnation proceedings, Seller shall be entitled to retain all such proceeds and the unpaid balance of the purchase price shall be reduced to the extent of the amount of such payment.

(9) It is understood and agreed between Seller and Buyer that Seller shall have a security interest in that certain Kampgrounds of America, Inc., Franchise Agreement No. 37-107, dated June 11, 1976, between Kampgrounds of America, Inc., a Montana Corporation, therein and hereinafter called "KOA", and JEAN W. REED and MARY A. REED, a copy of which is attached hereto as Exhibit "3". Failure of the Buyers to fully perform all of the terms, covenants and conditions of said Franchise Agreement and such other terms and conditions as KOA may, from time to time, impose upon the Buyers in connection with their exercise and use of the franchise, which constitutes a material default of this contract. Said franchise is hereinafter called "collateral", and the security interest of the Seller shall be upon the terms, covenants and conditions set forth in this contract and the following special provisions relating to said collateral:

(a) Seller shall have the following rights with respect to collateral: Seller shall be entitled to receive and add to the collateral any income or increase from collateral, the proceeds of any insurance on the collateral and any property given in



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exchange for property included in the collateral. Seller may, at his option, apply any cash which may be included in the collateral or received through liquidation, sale or retirement of, or as income from, the collateral toward the satisfaction of the deferred balance or such portion thereof as the Seller shall choose, whether matured or not.

(b) Seller shall not be obliged to collect any amounts due or which may become due on any of the collateral, and Buyers hereby waive presentment, protest, demand or notice of non-payment to Buyers, or to any maker, endorser, surety, guarantor or other person who is a party to the collateral. Failure of the Seller in any instance to require that any income or increase of the collateral be added to the collateral shall not be deemed a waiver by Seller of its right to receive any further income or increase.

(10) Upon payment of the entire purchase price for the property, as provided herein, and performance by Buyers of all other terms, conditions and provisions hereof, Seller shall deliver a title insurance policy insuring purchasers that they have a marketable title, free and clear of encumbrances, excepting matters contained in the usual printed exceptions in such title insurance policies, conditions and restrictions of record, liens and encumbrances herein specified, if any, and liens and encumbrances placed upon the property or suffered by Buyers subsequent to the date of this agreement.

(11) As soon as practicable following the execution of this agreement, Seller and Buyer shall deliver into escrow to the Western Bank, Shasta Plaza Branch, the following documents:

(a) A Warranty Deed to the above described real

property, free and clear of encumbrances, except as expressly specified herein, said deed to be executed by Seller with Buyers as the grantees.

- (b) Franchise documents.
- (c) An executed copy of this Agreement.
- (d) UCC Form 3.
- (e) An unexpired copy of policies of fire insurance on the described property.
- (f) Bill of Sale covering the above described personal property.
- (g) Purchaser's Title Insurance policy insuring Buyers' title in the amount of \$151,000.00.
- (h) The expense of establishing the initial escrow shall be shared equally by the parties; the subsequent monthly escrow charge shall be deducted from the Buyers' payments provided for herein.

(12) The parties hereto hereby instruct said escrow agent to receive for Seller's account the balance of the installment payments provided for herein. Upon payment of principal and interest provided for herein, the escrow agent shall deliver to Buyers the instruments specified above. If Buyers fail to pay any installment before the expiration of thirty (30) days after the due date thereof, the escrow agent is authorized to surrender to Seller, upon demand and without notice to the Buyers, all of the documents specified in the preceding paragraphs, thereby terminating the escrow.

(13) If Buyers shall sell said real or personal property described herein, and securing the unpaid balance of this contract,



Seller may elect to permit the subsequent Buyer to assume the balance of Buyers' obligation secured hereby, or to demand payment from the Buyers, or the transferee of said Buyer, or both (at the option of the Seller) of such portion of the deferred balance as Seller may consider satisfactory, or declare the entire balance of the deferred balance due and payable. This clause cannot be waived, unless Buyers give Seller notice of such sale in writing and Seller, after receipt of such written notice, accepts a payment from the subsequent Buyer. The written notice provided for herein shall be deemed given when the same is deposited in the United States Mail as registered mail, addressed to the last address shown on the records of the escrow holder.

(14) Seller 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, Seller shall be allowed and paid, and Buyers hereby agree to pay all costs, charges and expenses, including costs of evidence of title and validity and priority of the security and attorney fees in a reasonable sum incurred in any such action or proceeding or in which Seller may appear, which shall bear interest at the rate of nine and one-half (9½%) per annum from date of demand therefor. Failure of Buyers to pay Seller for such costs, charges and expenses within ninety (90) days from date of demand therefor shall constitute a breach of this contract.

(15) If Buyers shall fail to perform any of the terms of this agreement, time of payment and performance being of the essence, Seller shall, at his option, and in addition to the other remedies provided for with reference to the collateral, subject to the requirements of notice as herein provided, have the following rights:

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(a) To foreclose this contract by strict foreclosure in equity;

(b) To declare the full unpaid balance of the purchase price immediately due and payable;

(c) To specifically enforce the terms of this agreement by suit in equity; and

(d) To declare this agreement null and void as of the date of the breach and to retain as liquidated damages the amount of the payments heretofore made upon said property. Under option (d) all of the rights, title and interest of the Buyers shall revert and re-vest in Seller without any act of re-entry or without any other act by Seller to be performed, and Buyers agree to peacefully surrender the premises to Seller, or in default thereof, Buyers may, at the option of Seller, be treated as a tenant holding over unlawfully after the expiration of a lease and may be ousted and removed as such.

(e) In addition, as to the collateral, Seller may take one or more of the following steps: collect any of the collateral. At any time and without notice to Buyers, or either of them, sell any of the collateral at private sale at such price as Seller may consider advisable, the Buyers hereby ratifying and approving such sale. Sell any of the collateral at public sale not less than fifteen (15) days after notice in writing to the Buyers of Buyers' default and after publication of one notice setting forth the time and place of sale and a brief description of the property to be sold in any newspaper of general circulation in the county in which the collateral is located.



(f) All remedies of the Seller, at the election of the Seller, shall be cumulative.

(16) Buyers shall not be deemed to be in default for failure to perform any covenant or condition of this contract, (other than the failure to make payments as provided for herein, and failure to perform any obligations required by Buyers by KOA) until notice of said default has been given by Sellers to Buyers and Buyers shall have failed to remedy any default within 30 days after the giving of the notice.

(17) Where notice in writing is required by Seller to the Buyers, such notice shall be deemed given when the same is deposited in the United States Mail as certified mail, addressed to the Buyers, shown on the records of the escrow holder.

(18) No waiver by Seller of any breach of any covenant of this agreement 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.

(19) In the event any suit or action is commenced to foreclose this contract, the Court having jurisdiction of the case may, upon motion by Seller, appoint a receiver to collect the rents and profits arising out of the above described real property and to take possession, management and control of the same during pendency of such foreclosure proceeding or until payment of the obligations hereby secured, and apply said rents and profits to the payment of the amounts due hereunder, first deducting all proper charges and expenses attending the execution of said receivership.

(20) Upon the commencement of any suit or action to

collect the indebtedness or disbursements secured hereby, or any part thereof, or to enforce any provision of this contract by specific performance, foreclosure, or otherwise, there shall become due, and Buyers agree to pay to Seller, in addition to all statutory costs and disbursements, any amount Seller 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 any of the real property above described and this contract shall be security for the payment thereof.

(21) In the event any suit or action is instituted to collect the indebtedness or disbursements secured hereby, or any part thereof, or to enforce any provision of this contract by specific performance, or foreclosure, or otherwise, the prevailing party, at trial, or on appeal, shall be entitled to such reasonable attorney's fees as shall be fixed by the Court having jurisdiction of the case, in addition to statutory costs and disbursements.

(22) Buyers certify that this contract of purchase is accepted and executed on the basis of their own examination and personal knowledge of the premises and opinion as to the value thereof; that no attempt has been made to influence their judgment; that no representations as to the condition of repair of said premises has been made by Seller or any agent of the Seller; that no agreement or promise to alter, repair, or improve the premises has been made by the Seller or any agent of the Seller; and that Buyers take said property and the improvements thereon in the condition existing at the time of this agreement.

(23) This agreement contains the full understanding of



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the parties with respect to the subject hereof and no modification hereof shall be given effect unless the same be in writing subscribed by the parties hereto or their successors in interest.

(24) This agreement shall bind and inure to the benefit of, as the circumstances may require, the parties hereto, and their respective successors, heirs, executors, administrators and assigns.

WITNESS, the hands and seals of the parties hereto the day and year first above written.

KLAMATH FALLS KOA, INC.

By Hal E. Driskell  
President

By Clarence W. Driskell  
Secretary

Jean W. Reed (SEAL)  
JEAN W. REED

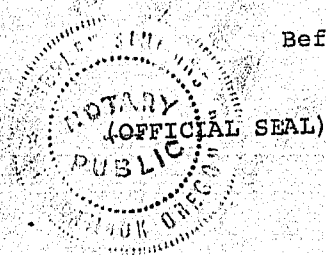
Mary A. Reed (SEAL)  
MARY A. REED

STATE OF OREGON )  
County of TILLAMOOK ) ss.

Personally appeared HAL E. DRISKELL, who being duly sworn, did say that he is the President of Klamath Falls KOA, Inc., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and he acknowledged said instrument to be its voluntary act and deed.

Before me:

Wesley Simmons  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: JUNE 4, 1979



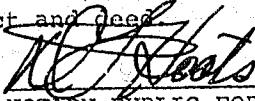
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STATE OF OREGON     )  
                              ) ss.  
County of Klamath    )

Personally appeared CIARENCE W. DRISKELL, who being duly sworn, did say that he is the Secretary of Klamath Falls KOA, Inc., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and he acknowledged said instrument to be its voluntary act and deed.

Before me:

(OFFICIAL SEAL)

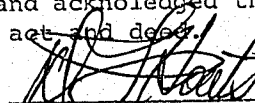
  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: 11-22-77

STATE OF OREGON     )  
                              ) ss.  
County of Klamath    )

Personally appeared the above named JEAN W. REED and MARY A. REED, husband and wife, and acknowledged the foregoing instrument to be their voluntary act and deed.

Before me:

(OFFICIAL SEAL)

  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: 11-22-77



KAMPGROUNDS OF AMERICA, INC.  
Billings, Montana

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FRANCHISE AGREEMENT

THIS AGREEMENT, dated January 23, 1971, between KAMPGROUNDS OF AMERICA, INC., a

Montana corporation, with its principal office in Billings, Montana, hereafter called "KOA"; and

Klamath Falls KOA, Inc.

whose address is 3435 Shasta Way,

Klamath Falls, Oregon 97601

hereafter call "FRANCHISEE",

WITNESSETH:

KOA has developed and perfected a national system of franchised campgrounds to provide the general public with clean, comfortable, overnight camping accommodations of the highest quality. The success of the entire KOA system is dependent upon the continuing good reputation of each campground operated within the system and upon the continuing good will of the public towards the name KOA and Kampgrounds of America, Inc. The success of both parties to this agreement and of all other franchisees is directly affected by the business conduct of all KOA franchisees, and therefore adherence to the terms of this agreement is a matter of mutual importance and consequence.

Accordingly the parties hereto mutually covenant and agree as follows:

1. KOA grants to FRANCHISEE, subject to the terms and conditions herein, an exclusive franchise for the construction and operation of one or more KOA Kampgrounds within, and only within, the following described territory (hereafter referred to as the "franchise territory"):

Klamath County, Oregon and south 35 miles from Klamath Falls, Oregon.

This franchise agreement and all fees paid and provided for herein are for the franchised operation of one KOA Kampground located at a site within the franchise territory to be hereafter agreed upon between the parties hereto.

In the event that FRANCHISEE shall be granted the right to construct and operate additional KOA Kampgrounds within the franchise territory, FRANCHISEE agrees to pay such additional franchise purchase, renewal, registration and other fees and to assume such obligations as those prevailing between KOA and other franchisees under franchise agreements being entered into at the time that the right to construct and operate additional KOA Kampgrounds is granted. KOA and FRANCHISEE shall enter into and execute a separate franchise agreement for each such additional KOA Kampground within the franchise territory.

2. FRANCHISEE acknowledges and recognizes the exclusive right of KOA to grant this franchise and to grant similar franchises in other territories and also the exclusive right of KOA to all service marks, trade-marks, copy-rights, certification marks, designs, slogans, names and matters now or hereafter displayed or used as a part of the KOA franchise system and the exclusive right of KOA to use and grant the right to others to use the said marks and names and the names "Kampgrounds of America, Inc.", "KOA" or any other combination thereof. FRANCHISEE agrees not to use the names and marks "Kampgrounds of America, Inc.", "KOA" or any name or mark similar thereto or suggestive thereof for any purpose whatsoever, including signs and advertising, without the prior written consent of KOA. FRANCHISEE further agrees neither to infringe upon, use or imitate such KOA system except under written agreement from KOA and further agrees not to enter into or affiliate in any way with any other group or organization having similar purposes during the term of this agreement.

3. FRANCHISEE AGREES:

- To pay KOA upon the execution of this agreement the sum of \$3,900.00 (the foregoing sum and that provided for in paragraph 3(b) shall hereafter be referred to herein collectively as "franchise purchase fee").
- To pay KOA the sum of \$5,000.00, which includes the lease payments for a standard KOA sign kit at KOA cost, plus the balance of the franchise purchase fee, on or before the date set for commencement of the KOA building and campground as set forth in paragraph (3)g hereafter or in the event that the said building and campground are commenced prior to the aforesaid date, then the said amount shall be paid on or before the actual commencement date thereof.
- To pay KOA 8% of total registration receipts commencing with the time at which FRANCHISEE's KOA Kampground licensed hereunder opens for business (said fees hereafter referred to herein as "registration fees"). Said registration fees shall be remitted to KOA by Monday of each week for the previous week and shall be accompanied by a KOA prescribed registration form.
- To pay KOA an annual \$300.00 franchise renewal fee on or before next August 30th for the next ensuing year, and to pay a like amount on or before August 30th of each year thereafter during the term of this franchise agreement (said fees hereafter referred to herein as "franchise renewal fees"), irrespective of whether the campground is in operation.

EXHIBIT 1



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(e) To maintain a high moral and ethical standard and atmosphere at FRANCHISEE's KOA campground; to comply with all local, state and federal laws, ordinances, rules and regulations pertaining thereto; to maintain its premises and accommodations in a clean, safe and orderly manner and to provide efficient, courteous and high quality service to the public.

(f) To locate its KOA Kampground with easy access from and to the highway system. The campground site must total five acres or more, preferably larger, and during the first operating year not less than forty camping sites must be opened for public use. It is the intent of FRANCHISEE to open for public use not less than 100 camping sites during the five year period commencing with the date of this agreement and during any extension thereof.

(g) To commence construction of a KOA approved building and campground on or before construction

19.....; to complete such construction under the KOA system on or before completed, 19.....; and to operate said KOA Kampground and keep the same open during one of the following periods (check applicable space):

(.....) Open May 15, and close

November 1, during each year;

(.....) Remain open the entire year.

Plans and specifications for the building and campground (including, but not limited to landscaping, exterior design, building structure, floor plan, decorations, and fixtures) must conform to those established by KOA and must be approved by KOA prior to the commencement of the building and campground. If FRANCHISEE does not commence construction by the date required hereunder or having so commenced does not prosecute the same with reasonable diligence and complete the same by the date required hereunder, or if FRANCHISEE does not operate the campground for the minimum period above specified, this franchise agreement and all rights hereunder may at KOA's option be cancelled as provided elsewhere herein.

(h) To provide services, comforts, and necessities to the traveling public which will include clean, quiet premises, drinking water, wash basins, hot showers, flush toilets, fireplaces, picnic tables, adequate lighting, electrical outlets, water supply, sanitary dump station, weed and insect control, public phone listed under KOA, an area map showing other KOA locations within two days travel, a mail and message service, a bulletin board, and information on local activities and tourist attractions, all such services to be without additional charge to the camper.

(i) To make available the following services and conveniences at reasonable prices: ice, limited food and drug necessities, candy, cigarettes and beverages, and coin-operated washers and dryers.

(j) To make available to the traveling public recreational facilities such as horseshoes, shuffleboard, ping-pong, volleyball, badminton, swimming, fishing, or horseback riding etc., if and when practical, at reasonable charges.

(k) To make available to the traveling public if and when termed practical by KOA and FRANCHISEE, a rental service for camping equipment which would allow the camper to rent equipment for the night or for the trip.

(l) To make available to youth groups or busload travelers, if and when deemed practical by KOA and FRANCHISEE, tent or low cost dormitory type accommodations which would include cots and minimum overnight requirements.

(m) To use every reasonable means to encourage the use of KOA on a national basis by the traveling public.

(n) To assume full and entire responsibility and indemnify and save harmless KOA from any and all claims, liability, responsibility and damage, or any costs or expenses by reason of any loss of life or injuries to persons or property that may be sustained on or near or in connection with the operation of the above described franchise premises; to indemnify KOA and to save KOA harmless in regard to any and all liability that may be incurred; to maintain and keep in force, for the mutual benefit of KOA and FRANCHISEE, all such forms of insurance, including but not limited to general public liability insurance against claims for personal injury, death or property damage occurring in or about the premises or adjacent thereto, and fire and extended coverage insurance, all in such minimum amounts as shall be approved by KOA, and to deliver to KOA certificates of insurance evidencing that said insurance is in full force and effect and evidencing that KOA is named therein as an additional insured; to indemnify and save harmless KOA as to any liability and costs incurred therein by reason of any mechanic's lien due, or claims from materials furnished or claimed to have been furnished, or labor performed or claimed to have been performed during the term hereof in or about or in connection with the said campground, or any appurtenances thereof, when such materials have been furnished or labor performed at the instance or request of or under contract with FRANCHISEE.

(p) To file with KOA not later than 30 days after closing of FRANCHISEE's season, or semi-annually for year-around operation, a statement of operations showing all income and expenses during such period on forms prescribed by KOA.

(q) FRANCHISEE shall be eligible for membership in the Kampground Owners Association, the primary purpose of which shall be to consider and discuss common problems relating to the operations of KOA units and to make recommendations to KOA with respect to campground operations, advertising expenditures, and other appropriate matters.

(r) Upon approval of the Kampground Owners Association, all franchisees, whether members of the said association or not, shall pay an agreed upon amount for advertising and promotion expenses and for other matters pertaining to the welfare of the KOA franchisees. All such sums payable under this subparagraph shall be deposited by KOA in a separate account under its control to be used by KOA solely for matters approved by the Kampground Owners Association.



(s) Not to engage in any other type of business activity on the KOA Kampground without first obtaining KOA approval in writing therefor.

(t) To display only KOA approved signs.

(u) To observe strictly the rules of operation established by KOA from time to time and to comply with any KOA Operating Manual which is now or which hereafter may be in existence, it being understood that KOA reserves the right to revise and amend the said KOA Operating Manual from time to time.

#### 4. KOA AGREES:

(a) To make available to FRANCHISEE upon request all its services including consulting with KOA officials and staff upon problems relating to design, construction and operation of a KOA Kampground so that FRANCHISEE will have available to him the experience and knowledge of KOA and other franchisees relating to such problems.

(b) To furnish to FRANCHISEE a "Franchise Program" including but not limited to a grand opening kit, campground development plan and on-site consulting services, supply catalog and operations manual.

(c) To make available to FRANCHISEE, upon request, such information as KOA may have from time to time with respect to prices of equipment and supplies.

(d) To make an annual mailing of the KOA Kampground Directory.

(e) To work with campground equipment and manufacturers, suppliers, and other interested organizations in order to encourage camping in general and utilization of KOA facilities in particular.

(f) To lease to FRANCHISEE a suitable, standard KOA sign for use at the entrance to FRANCHISEE's KOA Kampground and such suitable, standard-designed, distinctive highway KOA signs as are specified in the "Franchise Program". At the termination of this agreement for any cause, the FRANCHISEE agrees to deliver the foregoing signs to KOA in the same condition as when received, reasonable wear and tear excepted. In the event of such termination and the refusal of FRANCHISEE to deliver the said signs to KOA, KOA shall have the right to enter the FRANCHISEE's premises and to take possession of the signs.

5. This franchise agreement shall be in effect for a term of five years commencing with the date hereof, subject, however, to FRANCHISEE's right to terminate this agreement upon 90 days' notice in writing delivered to KOA between August 30th and November 30th of any year. In the event that FRANCHISEE shall terminate this agreement as aforesaid, FRANCHISEE will promptly pay all amounts due and owing KOA hereunder.

6. If FRANCHISEE shall keep and perform all of the covenants and agreements herein contained to be kept and performed during the term of this agreement, FRANCHISEE shall have the privilege and option of renewing this franchise agreement for the same term and upon the same conditions and terms prevailing between KOA and other FRANCHISEES under franchise agreements being entered into at the time of the commencement of the additional term. If FRANCHISEE shall desire to exercise the option for the renewal of the term as above specified, it shall give KOA written notice thereof not less than 90 days before the end of the term of this agreement. In the event this franchise agreement is renewed, KOA and FRANCHISEE shall enter into a new franchise agreement upon said renewal and FRANCHISEE shall not be obligated to pay any franchise purchase fee but will become obligated to pay the annual franchise renewal fees and the registration fees therein provided.

7. In the event that FRANCHISEE shall violate any term, provision, covenant, condition or agreement herein contained, including but not limited to the failure to pay the balance of the franchise purchase fee due and owing KOA under paragraph 3(b) above, failure to pay the registration fees and the franchise renewal fees as provided in paragraphs 3(c) and 3(d) above, failure to commence and complete the construction of the building within the time provided in paragraph 3(g) above, or failure to observe strictly the rules of campground operation provided in paragraphs 3(h) and 3(u) above, and such violation shall continue for a period of 30 days after written notice from KOA, then KOA, in such event and without further demand or notice may, at its option, immediately declare this agreement and license, and all rights and privileges hereunder, cancelled and terminated, and FRANCHISEE shall be liable for damages to KOA for any and all amounts due on the effective date of such termination. In the event of termination of this agreement as aforesaid from any cause or reason whatsoever, any and all amounts and sums of money previously paid KOA by FRANCHISEE hereunder shall be retained by and shall remain the property of KOA for services rendered and as liquidated damages and not as a penalty. If KOA is required to enforce any of the terms, provisions or covenants herein FRANCHISEE agrees to pay any costs incurred by KOA, including reasonable attorney's fees.

8. In the event of termination of this franchise agreement for any reason or cause whatsoever, all rights of FRANCHISEE hereunder shall thereupon terminate and FRANCHISEE shall immediately thereafter cease to use, by advertising or otherwise, directly or indirectly, the said KOA system or any parts thereof, and without limiting the generality of the foregoing, FRANCHISEE shall cease to use, and shall withdraw from use, the names "Kampgrounds of America, Inc.", "KOA", or any combination of words similar thereto or suggestive thereof, the trade names, trade marks, service marks, certification marks, copyrights, designs, slogans, names and matters used or displayed as a part of the KOA franchise system. FRANCHISEE shall withdraw from use and cease to use all signs, both exterior and interior, furnishings, advertising matter, or any other articles which display the names "Kampgrounds of America, Inc.", "KOA", or any other combination thereof, the trade names, trade marks, service marks, certification marks, designs, slogans, names and matters used or identified with the KOA system, or similar thereto or suggestive thereof. FRANCHISEE further agrees, upon any termination of this agreement, to cease and refrain from holding itself out to the public in any way as a member of the KOA system or as a franchisee or operator of a KOA Kampground and to distinguish FRANCHISEE's campgrounds thereafter so clearly from those of KOA and from those within the KOA system so as to avoid all possibility of any confusion by the public. KOA shall be entitled to injunctive and equitable relief for any violation of the terms and conditions of this paragraph or any and all relief that a court of competent jurisdiction shall see fit to render for a violation thereof.

9. If at any time during the term of this franchise agreement, FRANCHISEE finds a third party or parties ready and willing to purchase the campground made the subject of this agreement, including the land and all appurtenances and buildings thereon, KOA shall have the right to meet the terms and purchase price of such proposed sale. In the event of a prospective sale, FRANCHISEE shall give KOA in writing by registered or certified mail notice of the said sale, the name of the prospective purchaser and all of the terms and conditions of the sale after which KOA shall have a period of 30 days following the receipt of said notice, within which to elect to purchase the said property upon the same terms and conditions. In the event that KOA exercises the said option to purchase, it will within the said 30 day period give written notice by registered or certified mail to the FRANCHISEE of its election to purchase after which the property involved shall be sold by FRANCHISEE to KOA upon the same terms and conditions.



10. The relationship existing between KOA and FRANCHISEE under the terms of this agreement shall not be deemed to create, nor will any operations performed by any of the parties hereto under this agreement constitute a joint endeavor, adventure, undertaking, association, partnership, or principal and agent relationship of any kind. Nothing herein contained shall be deemed to impose upon any party to this franchise agreement any responsibility for the obligations herein assumed by the other party to this agreement.

11. In order to prevent duplication of names and possible conflicts between franchisees operating under the KOA system, FRANCHISEE shall not adopt or use any name for its KOA Kampground without first obtaining the written consent of KOA to the use of the desired name.

12. In the event of a breach by any party hereto of a provision hereof or in the event of any default as defined herein, the party aggrieved thereby shall have all the rights and privileges accorded it by law or otherwise. No remedy herein conferred upon or reserved to any of the parties herein is exclusive of any other remedy or remedies, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

13. No delay, waiver, omission or forbearance on the part of KOA to exercise any right, option, duty or power arising out of any breach or default by FRANCHISEE, or by any other franchisee, of any of the terms, provisions or covenants contained herein, shall constitute a waiver by KOA thereof or to enforce any such right, option or power as against FRANCHISEE, or as to subsequent breach or default by FRANCHISEE.

14. This agreement and all rights hereunder may be assigned and transferred by KOA and shall inure to the benefit of KOA's successors and assigns. FRANCHISEE may assign and transfer this agreement and all rights hereunder to a qualified purchaser approved by KOA. In the event KOA approves an assignment, a \$1,000.00 transfer fee must be paid to KOA.

15. Any provision of this agreement prohibited by law or by court decree, in any locality or state shall be ineffective to the extent of such prohibition without in any way invalidating or affecting the remaining provisions of this agreement, or without invalidating or affecting the provisions of this agreement within states and localities where not prohibited by law or court decree.

16. It is stipulated that this agreement has been negotiated in, executed within and delivered in the State of Montana where it is performable. It shall be construed and interpreted and the rights and obligations of the parties hereunder governed in accordance with the laws of that state.

17. All terms and words used in this franchise agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this agreement or any paragraph or clause herein may require, as if such words had been fully and properly written in the appropriate number and gender. If FRANCHISEE consists of two or more individuals, corporations, associations or other entities, such individuals, corporations, associations or entities shall be jointly and severally liable hereunder.

18. Any notices or demands required hereunder shall be in writing and shall be delivered in person or sent by United States certified or registered mail to the addresses hereinabove set out. The address of either KOA or FRANCHISEE set forth above may be changed from time to time by giving written notice in that regard.

19. Time is of the essence of this agreement. This agreement contains the full and entire agreement between the parties hereto and there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written between the parties hereto other than those set forth and duly executed in writing. No agreement of any kind shall be binding upon either party unless and until the same has been made in writing and duly executed by both parties. No agent or representative of KOA has any authority to make any representations, statements, warranties, or agreements not herein expressed. It is expressly understood that KOA assumes no responsibility for obtaining FRANCHISEE's financing for the construction and development of the KOA Kampground licensed hereunder.

20. This franchise agreement is not valid until signed by the FRANCHISEE and by an authorized officer of KOA. All payments required hereunder must be made payable to Kampgrounds of America, Inc.

21. This franchise agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and authorized assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this franchise agreement at Billings, Montana, as of the day and year first above written.

KAMPGROUNDS OF AMERICA, INC.

By: H. Collins  
President - Vice President - Secretary - Treasurer

By: Donald E. Dunning Executive Vice President

By: Blanche W. Driskell  
FRANCHISEE

Executed 5/31/74

WITNESS:

Elizabeth J. Dunning



16' alum ext. Ladder	Pool Table	Irrigation Pump
3 person settee	2 Person Settee	Bar-B-Q- Grills(11)
Lawn Tractor	Snow Plow Blade	Hand Pressure Sprayer
Cash Register	Flag Pole Base	Swing Set
Lawn mower, Jacobsen	Traveling Sprinklers(2)	Camper Cover
Wheelbarrow	Bench Drill	Alum. ladder, 8' Ext.
Bench Grinder	Typewriter	Sign, Bypass
File Cabinet	Pipe Wrench	Hoses & Sprinklers
Edger	Dairy Case-Super Cold	Bar Stool
Dairy Case-Coca Cola	Freezer	Clothes Folding Table
Washer, Frigidaire	Washer, Frigidaire	Covered waste recep.(5)
Washer, Frigidaire	Washer, Frigidaire	Cigarette rack
Washer, Frigidaire	Dryer, Westinghouse	Work Bench
Dryer, Westinghouse	Dryer, Speed Queen	Irrigation System
Dryer, Speed Queen	Air Conditioner	Insect Fogger
Air Conditioner	Hand Dryer	Slide Set
Hand Dryer	Store Fixtures	Ironing Board
Front Sign	Floor Scrubber	Wood Ladder 14'
Sweeper	Coffee Machine	Sign, Rear
Weed Eater	Picnic tables, mtl. frames (23)	Sabre Saw
Picnic Tables,cedar (11)	Fire Extinguisher	Typewriter Desk
Calculator, Remington	Fire Alarm System	Office Chair
Twin Beds	Range	Sand Urns (4)
Refrigerator	Kitchen Table	Registration card racks(2)
Kitchen Chairs (4)	Sofa	Film Rack
Heater	Lawn Mower Attachment	Vise

8719

EXHIBIT "2"