

LEASE AGREEMENT

AND

CONTRACT OF SALE

THIS AGREEMENT, made and entered into this 29 day of September, 1977, by and between CLOYCE E. BARNES and SUE B. BARNES, husband and wife, hereinafter called "Barnes" or "Lessor" and E. W. KITTELL and BARBARA S. KITTELL, Trustees, under a trust agreement dated August 27, 1976, hereinafter called "Kittell" or "Lessee".

RECITALS:

A. Swan Lake Moulding Co., an Oregon corporation, is the owner of a parcel of real property described as follows:

Beginning at an iron axle on the Northerly right of way line of Shasta Way, which marks the Southeast corner of "Elm Park" Subdivision, and which iron axle also lies North 89°08' East along the section line a distance of 2370.3 feet and North 0°49' West a distance of 15.0 feet from the iron pin which marks the Southwest corner of SECTION 34, Twp. 38 S., R. 9, EWM, in Klamath County, Oregon, and running thence: Continuing North 89°08' East along the Northerly right of way of Shasta Way a distance of 232.0 feet to an iron pipe; thence North 0°49' West parallel to the East line of "Elm Park" a distance of 116.0 feet to an iron pipe; thence North 89°08' East 60.0 feet to an iron pipe; thence North 0°49' West 184.0 feet to an iron pipe; thence North 89°08' East 5.0 feet to an iron pin; thence North 1°17' East a distance of 372.0 feet to an iron pin which lies on the Southerly right of way line of the U.S.R.S. "A" Canal; thence North 50°26' West along Course "E" following the Southerly right of way line of the U.S.R.S. "A" Canal a distance of 406.4 feet to an iron pin which lies on the East line of "Elm Park" extended Northerly; thence South 0°49' East along the East line of "Elm Park" and its extension, a distance of 935.4 feet; more or less, to the point of beginning; said tract containing 5.35 acres, more or less of land in Enterprise Tracts No. 26 and 22A situated respectively in the SE¼ of the SW¼ and the SW¼ of the SE¼ of Section 34, Twp. 38 S., R. 8, EWM, Klamath County, Oregon

hereinafter referred to as "the real property".

B. On or about March 30, 1970 Swan Lake Moulding Co., as Lessor, entered into a lease agreement with Terence L. Boyer and Patricia E. Boyer, as Lessees, a copy of said agreement is attached hereto and marked as "Exhibit A".

C. On or about December 1, 1975 Terence L. Boyer and Patricia E. Boyer, assigned their interest in said lease to Vernon D. Lehman and Loretta V. Lehman with the consent of Swan Lake Moulding Co., to

1. LEASE AGREEMENT AND CONTRACT OF SALE

said assignment.

D. On or about September 30, 1976 Vernon D. Lehman and Loretta V. Lehman subleased the real property to Barnes, together with a contract of sale of that business known as "Plaza Mobile Park" and all improvements upon the premises.

E. Barnes have obtained from Swan Lake Moulding Co., an extension of the Lease Agreement as marked "Exhibit A" until the 31 day of MARCH, 19²⁰⁰⁸, under the same terms and conditions as the Lease Agreement; said extension of lease agreement is marked "Exhibit B" and attached hereto.

F. Kittell desires to lease the real property from Barnes and purchase from Barnes the improvements and business known as "Plaza Mobile Park" situated thereon, and Barnes desires to lease the real property and sell the improvements and business known as "Plaza Mobile Park" to Kittell.

W I T N E S S E T H:

In consideration of the covenants herein contained, the parties agree as follows:

THE LEASE AGREEMENT

Lessors hereby lease to Lessees the real property above-described for a term expiring March 1, 1980 and thereafter said lease shall renew itself for five year intervals without any written lease agreement being entered into, however such renewals shall not extend beyond March 31, 2008. If Lessees desire to terminate this lease they shall do so no later than 6 months before the expiration of any renewal term by written notice to the Lessor.

The Lessors and Lessees agree to the following conditions of the lease:

1. RENTAL: The Lessees agree to pay the same rental under all the same terms and conditions Lessees would be obligated to pay under the terms of Paragraphs 1 & 2 of Lease Agreement marked as "Exhibit A" attached hereto. It is understood and agreed that the current rental is \$441.70 per month and will next be subject to a cost of living adjustment on March 30, 1979.

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2. TAXES: In addition to the rentals provided for Lessees shall promptly pay all taxes and assessments imposed against the subject premises of every nature and kind, subsequent to the date of the lease and during the full term thereof and file xerox copies thereof with Lessor. Said taxes and assessments shall include but not be limited to all state, county and city taxes, and assessments of South Suburban Sanitary District and irrigation and water assessments. Lessor, however, agrees that it shall advance the sewer hook-up and monthly charges and Lessees shall, on presentation to them of receipts therefore and for said taxes and assessments, immediately reimburse Lessor therefor.

3. USE OF PREMISES: Lessees shall use said premises only for mobile home sites which they shall construct and install to meet all regulations and requirements of Oregon State Laws and Regulations, and they shall at all times during said term so maintain the same and shall keep the premises clean and landscaped. All water, electricity and gas lines shall be underground and shall be protected against corrosion. They shall properly drain the premises and roads shall be paved thirty feet wide, except that the entrance shall be paved 22 feet wide and the road on the east side shall be 20 feet wide. No alcoholic beverages shall be sold upon the premises. Lessees shall furnish Lessor detailed plans showing location of utilities as each portion of the mobile home site is constructed or remodeled.

4. LIABILITY INSURANCE: Lessees shall throughout the term provide and pay for public liability and property damage insurance in the sum of \$100,000 for one person and \$300,000 for an occurrence and in the amount of \$25,000 for property damage, which insurance shall also name Barnes, and all other individuals named in the extension of Lease Agreement in Paragraph E of Recitals above, as an insured and a copy of the policy and premium receipts shall be filed with Lessor.

5. LIENS AND ENCUMBRANCES: Lessees agree to hold Lessor and said leased premises free and harmless from any liens, judgments or encumbrances created or suffered by Lessees and from any and all liability,

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penalties, losses, damages, costs and expenses, causes of action, claims or judgments arising from injury during said term to persons or property of any nature occasioned by any act or acts, omission or omissions of Lessees, their employees, agents or servants, and growing out of or in any manner connected with the use and occupation of the leased premises, and including all legal costs and charges, including counsel fees incurred in or about such matters and the defense of any action arising out of the same, or in discharging said premises, or any part thereof, from any and all liens that may be placed thereon for charges incurred by Lessees; provided however, that in the event any lien shall be filed or claimed against said leased premises, Lessees shall have a right to litigate the same as they may see fit to do, but in such event Lessees shall post a bond, or adequate cash moneys, for the full satisfaction and discharge of any such lien to guarantee the discharge thereof in the event the outcome of any such litigation should be adverse to Lessees. Said bond shall be written by any commercial surety authorized to transact business in the State of Oregon. Lessor shall have the right to post notices of its non-liability for any license at any time during the term of this lease.

6. PEACEFUL POSSESSION: Lessor covenants and agrees that so long as Lessees are not in default herein, Lessees shall have the quiet and peaceful possession of the leased premises during the full term thereof. It is understood and agreed, however, that Lessor shall have access to the leased premises for any reasonable purpose of inspection. Lessees covenant and agree that they will in the conduct of their business and their occupancy and use of said premises fully comply with all federal, state and municipal laws, ordinances and regulations, and that they will not suffer nor commit any nuisance or other acts against public policy.

7. REPAIRS AND IMPROVEMENTS: Lessees agree to keep all of the improvements established or erected upon said premises in good repair at all times. No substantial alteration or change shall be made in

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in such improvements without written consent of Lessor. Upon the termination of this lease all of said improvements shall revert to Lessor.

8. WASTE OR DAMAGE: Lessees covenant and agree that they will use the leased premises solely for a total mobile home sales and operations reasonably incidental thereto, and for no other purpose, without the written consent of Lessor; provided further, that they will keep and maintain the leased premises in a clean and orderly condition and will not commit nor suffer to be committed any waste, injury or damage to the leased premises, and upon expiration of the term of this lease, or upon any prior termination thereof, they will return the leased premises in good condition, reasonable wear and depreciation from normal use, damage from fire or other casualty excepted.

9. NOTICES: All notices required to be given to Lessor hereunder shall be directed to 4140-A Adelaide Street, Klamath Falls, Oregon, and all notices required to be given to Lessees shall be directed to 3333 Shasta Way, Klamath Falls, Oregon. Any notices required to be given hereunder shall be given by United States certified mail, or the equivalent thereof. In the event either party should desire to change the address at which notices are to be directed, the same shall be accomplished by United States certified mail, directed to addresses as set forth herein.

10. DEFAULT: If Lessees fail or default in the faithful performance or keeping of any of the terms, provisions or conditions of this lease to be kept and performed by them during said term, or if Lessees do not properly and fully make any payment of rent within the time stipulated, time being of the essence of this lease, then Lessor, at its option, may terminate and end this lease and all rights of Lessees hereunder, and re-enter said premises and remove all persons and property therefrom and take over and operate the business thereat, and in that event Lessor shall succeed to the interest of Lessees in any sublease of the premises or any part thereof, and Lessees shall, at the request

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of Lessor, assign all such subleases to Lessor; provided however, that before exercising the option hereby granted to terminate this lease, Lessor shall first notify Lessees in writing and give Lessees 30 days in which to remove such breach or default, if any in fact exists. The rights and remedies herein provided for shall in no way be deemed to be exclusive and shall be in addition to such other rights and remedies as Lessor may have at law or in equity for the collection of rent or to enforce any of the covenants and conditions hereof. In the event suit or action is instituted to enforce the terms and provisions of this agreement, or for breach thereof, the prevailing party in such suit or action shall be entitled to such sum as attorney's fees, including attorney's fees and costs incurred in prosecuting said claim through the Oregon Supreme Court, or any other Court of Appeal.

Lessor shall, in the event of any default, and without terminating said lease, have the right (but not the obligation) to enter into and upon the property and collect rentals and apply the same upon payment becoming due upon this lease and the obligation under the contract of sale hereinafter set forth.

11. WAIVER: The waiver of any breach of terms, covenants or conditions contained herein shall not be construed a continuing waiver of any such breach thereafter.

12. ASSIGNMENT OR SUBLETTING: This lease shall not be assigned or sublet by Lessees without written consent of Lessor first had and obtained. Lessor shall not unreasonably withhold such consent. In the event Lessor and Lessees cannot mutually agree to any such proposed assigning or sub-letting, such shall be submitted to arbitration by Lessor selecting a bank officer, Lessees selecting a bank officer, and the two bank officers selecting a third bank officer, and both Lessor and Lessees shall hereby be bound by the decision of said arbitrators.

13. It is understood and agreed by the parties hereto that the Lessee is purchasing certain improvements to the above-mentioned real

property under the portion herein called CONTRACT OF SALE and that any breach or default under said contract of sale is a breach or default of this lease agreement.

14. Lessees understand that Lessors are obligated under that Lease Agreement that is attached hereto and marked as "Exhibit A" and extension of Lease Agreement marked as "Exhibit B" and Lessees agree that they will in no way through their acts, conduct or default cause Lessors to default upon their obligation to SWAN LAKE MOULDING CO.

- THE CONTRACT OF SALE -

Barnes agree to sell and Kittells agree to buy the business known as "Plaza Mobile Park" consisting of approximately 55 mobile home spaces, complete with electricity, water and sewer hookups, trailer pads, landscaping, streets and all other improvements excepting personal property belonging to the tenants for a consideration of \$180,000.00 payable as follows:

A. \$54,000.00 upon the execution of this agreement, receipt of which is hereby acknowledged.

B. The balance of \$126,000.00 to carry interest at 8 percent per annum from October 1, 1977 to be paid as follows:

(i) Interest of 8 percent, only, to be paid on or before November 10, 1977 and December 10, 1977. Barnes shall be under no obligation to accept any payment of principal prior to January 2, 1978.

(ii) Monthly payments of \$1,000.00 per month, including interest at 8 percent per annum with the first such payment to be due on or before January 10, 1978 and a like payment on or before the 10th day of each month thereafter until the whole amount of principal and interest is paid in full.

(iii) In addition to the payments above mentioned, Kittells agree to pay the sum of \$10,000.00 on or before March 1, 1978 but not before January 2, 1978.

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1. KITTELL'S OBLIGATIONS: Kittells warrant and covenant that:

A. They will not sell, exchange, lease or otherwise dispose of the collateral, or any part thereof, or suffer or permit any lien, levy or attachment thereon or security interest therein or financing statement to be filed with reference thereto, other than that of Barnes.

B. They will maintain the collateral in good condition and repair and preserve the same against waste, loss, damage or depreciation in value other than by reasonable wear.

C. They will keep the collateral fully insured against loss or damage by fire, theft and such other hazards. Copies of said policies shall be delivered to Barnes.

D. They will pay, when due, all taxes, license fees and assessments relative to the collateral and its use.

2. GENERAL PROVISIONS: The parties mutually agree:

(a) All of the terms herein and the rights, duties and remedies of the parties shall be governed by the laws of Oregon. Any part of this agreement contrary to the law of any state having jurisdiction shall not invalidate other parts of this agreement in that state.

(b) All of the benefits of this agreement shall inure to Barnes, his successors in interest and assigns and the obligations hereunder shall be binding upon Kittells, their legal representatives, successors and assigns.

(c) Barnes agree to retire the assumed business name "Plaza Mobile Park" and Kittell has the right to use said assumed business name during the term of this agreement.

(d) Kittells acknowledge that they have made an independent investigation and inspection of the business and business property and they are entering into this contract without relying on any statement or representation by Barnes or any agent of Barnes.

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3. COMPLIANCE BY KITTELL: Upon full payment of the amount due hereunder by Kittell and the faithful performance of the conditions of this Contract of Sale and the Lease Agreement attached hereto, Barnes will deliver to Kittell a Bill of Sale of all improvements and an assignment of that certain lease wherein Swan Lake Moulding Company is Lessor, together with the Extension of Lease.

4. DEFAULT: Time is of the essence hereof. Kittells shall be in default under this agreement upon the happening of any of the following events or conditions:

(a) Kittell's failure to pay, when due, the principal of or interest on said note or obligations, or any installments thereof;

(b) Kittell's failure to keep, observe or perform any provisions of this agreement or any other agreement between them and Barnes, including the accompanying lease agreement.

(c) The discovery of any misrepresentation, or material falsity of any warranty, representation or statement made or furnished by Kittells to Barnes, whether or not in connection with this agreement.

(d) Loss, theft, destruction of or substantial damage to any of the collateral, if caused by Kittells.

(e) Failure or termination of the business of, or commencement of any insolvency or receivership proceedings by or against Kittells, or if Kittells ^{quit 9/29/77} become insolvent.

5. REMEDIES OF BARNES: Upon Kittell's default, Barnes shall have each and all rights and remedies granted to him by the Uniform Commercial Code of Oregon. Kittells agree to pay Barnes reasonable attorney's fees and other expenses incurred by the latter in retaking, holding, preparing for sale and realizing on said collateral. Should suit or action be instituted on this contract, or any part thereof, Kittells agree to pay (1) plaintiff's reasonable attorney's fees to be fixed by the trial court, and (2) on appeal, if any, similar fees in the appellate court to be fixed by the appellate court, and all said

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sums shall be included in the obligations secured hereby. In addition, Barnes may declare the accompanying lease agreement in default and pursue his remedies as a Lessor.

IN WITNESS WHEREOF the parties hereto have affixed their hands and seals to the foregoing Lease Agreement and Contract of Sale this 29 day of September, 1977.

Cloyce E. Barnes
Cloyce E. Barnes
Sue B. Barnes
Sue B. Barnes

LESSORS

E. W. Kittell
E. W. Kittell
Barbara S. Kittell
Barbara S. Kittell

LESSEES

STATE OF OREGON }
County of Klamath } ss. Sept. 29, 1977.

Personally appeared the above-named CLOYCE E. BARNES and SUE B. BARNES, husband and wife, and acknowledged the foregoing instrument to be their voluntary act. Before me:

Paul
Notary Public for Oregon
My Commission expires: 5/29/78

STATE OF Hawaii }
County of Mauai } ss. September 22, 1977.

Personally appeared the above-named E. W. KITTELL and BARBARA S. KITTELL, husband and wife, and acknowledged the foregoing instrument to be their voluntary act. Before me:

Return to: MTC
Tax Statements to:
E. W. Kittell
3240 C San Amadeo
Laguna Hills, CA 92653

Graw H. Thompson
Notary Public for
My Commission expires:
Notary Public, Second Judicial
Circuit, State of Hawaii
My commission expires March 1978

10. LEASE AGREEMENT AND CONTRACT OF SALE

EXHIBIT A.

18240

LEASE AGREEMENT

1
2 THIS AGREEMENT, made and entered into at Klamath Falls, Oregon, this 30th
3 day of March, 1970, by and between SWAN LAKE MOULDING COMPANY, an Oregon Corpor-
4 tion, as Lessor, and TERENCE L. BOYER and PATRICIA E. BOYER, husband and wife,
5 as Lessees,

6 WITNESSETH:

7 Lessor in consideration of the payments and agreements hereinafter mentioned
8 to be made and performed by Lessees does hereby lease, demise and let unto said
8 Lessees the real property in Klamath County, Oregon, described as follows:

9 Beginning at an iron axle on the Northerly right of way line of Shasta Way,
10 which marks the Southeast corner of "Elm Park" Subdivision, and which iron
10 axle also lies North 89°08' East along the section line a distance of 2370.3
11 feet and North 0°49' West a distance of 15.0 feet from the iron pin which
11 marks the Southwest corner of Section 34, Twp. 38 S., R. 9, E.W.M., in Klamath
12 County, Oregon, and running thence: Continuing North 89°08' East along
12 the Northerly right of way of Shasta Way a distance of 232.0 feet to an iron
13 pipe; thence North 0°49' West parallel to the East line of "Elm Park" a dis-
13 tance of 116.0 feet to an iron pipe; thence North 89°08' East 60.0 feet to an
14 iron pipe; thence North 0°49' West 184.0 feet to an iron pipe; thence North
14 89°08' East 5.0 feet to an iron pin; thence North 1°17' East a distance of
15 372.0 feet to an iron pin which lies on the Southerly right of way line of
15 the U.S.R.S. "A" Canal; thence North 50°26' West along Course "E" following
16 the Southerly right of way line of the U.S.R.S. "A" Canal a distance of 406.4
16 feet to an iron pin which lies on the East line of "Elm Park" extended North-
17 erly; thence South 0°49' East along the East line of "Elm Park" and its ex-
17 tension, a distance of 935.4 feet, more or less, to the point of beginning;
18 said tract containing 5.35 acres, more or less, of land in Enterprise Tracts
18 No. 26 and 22A, situated respectively in the SE¼ of the SW¼ and the SW¼ of
19 the SE¼ of Section 34, Twp. 38 S., R. 8, E.W.M., Klamath County, Oregon.

20 Subject to all existing contracts for irrigation and/or drainage with the
20 U.S.R.S. and the K.I.D.; and rights of way for irrigation ditches and drain-
21 age ditches; to rules, regulations and assessments of the South Suburban San-
21 itary District within which district said land is situated; to an easement
22 until June 8, 1974, over the 15 feet of said land adjoining Course "E" for
22 passage of livestock belonging to W. M. Raymond.

23 TO HAVE AND TO HOLD the same unto Lessees for the term from April 1, 1970,
24 and including March 31, 1975. Thereafter, said lease shall renew itself for five
24 year intervals without any written lease agreement being entered into. If Lessees
25 desire to terminate the lease during any renewal period, they shall, before the
25 expiration of each five year renewal term, give Lessor written notice of their
26 intent to terminate such lease. Such notice shall be given no later than six months
26 before the expiration of any renewal term. In no event, shall this lease renew
27 itself for more than five successive renewal terms.

28 1. In consideration of this leasing Lessees covenant and agree to pay unto
29 Lessor as rental at its office near Klamath Falls, Oregon, the sum of \$300.00
30 net on August 1, 1970, and the further sum of \$300.00 net on the first day of
31 every month thereafter during said term excepting as such amount may be modified
32 as hereinafter set forth.

DANONS, DANONS
& FORDSON
ATTORNEYS AT LAW
KLAMATH FALLS, ORE.

Lease - Page 1.

2. Lessees further covenant as follows:

Notwithstanding the provisions of paragraph 2 hereof, it is agreed that aforesaid monthly rental is a minimum rent payable each month as provided for in paragraph 2 hereof. In addition thereto, and by reason of the length of this lease, it is agreed that said rental may be adjusted upward, based on increased cost of living, but that said upward increase must be determined as follows: At the end of each three years during the life of this lease Lessor and Lessees shall consult the latest "Consumer Price Index, All Items for the United States" of the monthly Labor Review published by the United States Department of Labor, Bureau of Labor Statistics, and in this connection it is agreed that at the time of executing this lease, the index for all items is shown to be 131.3% per months of 1957-59 which is for the month of December, 1969, and if, during the continuance of this lease said price index as shown by said publication discloses an increase over said index figure of 131.3%, then the monthly rental herein provided shall be proportionately raised based on said increase. Once changed by being increased, the resultant rentals shall continue in effect until the next change that may be required by said statistics. It is also the intent of this agreement that if, after an increase in rental is made as agreed above, the cost of living index should then decline, a like reduction in the rental figure shall be effected in accordance with the foregoing terms; provided again that in no event shall the rental figure be reduced below the minimum figure indicated above. It is further agreed that should the Consumer Price Index above specifically described be replaced and supplanted by a new federal government statistic which is intended to and does take the place of the foregoing statistic, that then said new statistic shall govern and control in connection herewith; provided, however, that any increase or decrease shall further allow for any increase or decrease in the superseded index.

3. In addition to the rentals provided for Lessees shall promptly pay all taxes and assessments imposed against the subject premises of every nature and kind, subsequent to the date of the lease and during the full term thereof and file Xerox copies thereof with Lessor. Said taxes and assessments shall include but not be limited to all state, county and city taxes, and assessments of

1 South Suburban Sanitary District and irrigation and water assessments. Lessor
2 however, agrees that it shall advance the sewer hook-up and monthly charges and
3 Lessees shall on presentation to them of receipts therefor and for said taxes
4 and assessments immediately reimburse Lessor therefor.

5 4. Lessees shall use said premises only for mobil home sites which they
6 shall construct and install to meet all regulations and requirements of Oregon
7 State Laws and Regulations, and they shall at all times during said term so ma
8 tain the same and shall keep the premises clean and landscaped. All water, el
9 tricity and gas lines shall be underground and shall be protected against cor
10 sion. They shall properly drain the premises and roads shall be paved thirty
11 feet wide, except that the entrance way shall be paved 22 feet wide and the
12 on the east side shall be 20 feet wide. No alcoholic beverages shall be sold
13 on the premises. Lessees shall furnish Lessor detailed plans showing location
14 utilities as each portion of the mobil home site is constructed or remodeled.

15 5. Lessees shall throughout the term provide and pay for public liability
16 and property damage insurance in the amount of \$100,000.00 for one person and
17 \$300,000.00 for an occurrence and in the amount of \$25,000.00 for property da
18 age, which insurance shall also name Lessor as an insured and copy of the pol
19 and premium receipts shall be filed with Lessor.

20 6. It is within the contemplation of the parties that Lessees may require
21 major financing in connection with the construction of the improvements. Less
22 agrees to subordinate its interest and title in said premises to the extent o
23 60% of the cost of the improvements for a period of ten years to a maximum of
24 \$40,000.00 if Lessees cannot secure financing without such subordination, pr
25 vided that Lessees shall furnish Lessor paid bills showing said improvements.
26 Lessor shall not sign the note nor covenant to pay any mortgagee but shall ex
27 cute the mortgage with Lessees.

28 Lessees shall bear any and all cost connected with any financing of the
29 construction of the improvements on the premises hereby let, including the co
30 of title insurance. Provided further that Lessees shall not at the end of
31 aforesaid mortgage period, or in the interim, extend the existing mortgage o
32 refinance on a basis by which Lessor is required to subordinate to any such
lender, without the written consent of Lessor.. Said mortgage shall be for a

1 for a term of not over 5 years and in an amount not in excess of \$4000

2 7. Lessor's agreement herein to subordinate for the term of the mortgage

3 to be given by Lessees is conditioned upon a collateral agreement by mortgage

4 or mortgagees, with Lessor, that Lessor will be given written notice by mort-

5 gagee or mortgagees of any default by Lessees in their note or mortgage oblig-

6 tion. And such collateral agreement between mortgagee or mortgagees and Lessor

7 shall further provide that notwithstanding strict foreclosure covenants con-

8 tained in any mortgage or mortgages to which Lessor as the landowner will be

9 mortgagor, Lessor shall have not less than 90 days after written notice from

10 mortgagee or mortgagees within which Lessor may, at its option, cure any def-

11 prior to the institution of foreclosure proceedings by mortgagee or mortgagee.

12 And still further provided that until said notice to Lessor and the expiration

13 of 90 days, the balance of the unpaid principal with accrued interest, and of

14 indebtedness secured by said mortgage or mortgages, shall not be deemed to be

15 been accelerated by virtue of any default so as to render the total indebted-

16 due and payable, but Lessor shall have the opportunity to reinstate by curing

17 the then existing defaults. In the absence of such a collateral agreement,

18 Lessor shall not be obligated to subordinate its title to the subject premises

19 or enter into any mortgage or mortgages.

20 Should Lessees become in default with mortgagee or mortgagees, and notice

21 given to Lessor, and Lessor, at its option, cures the default or defaults and

22 carries out the obligations of the note, notes, mortgage or mortgages, all of

23 Lessor's expenditures therefor shall draw interest until repaid at the rate of

24 8% per annum, to be payable by Lessees on demand, and Lessor may, at its option

25 sue to collect any and all of the aforesaid payments without terminating the

26 lease and without affecting the right to terminate this lease at any future

27 time. And in the event such suit or action is instituted, Lessor shall be en-

28 titled to such sums attorney's fees as the Court may adjudge reasonable there-

29 in, including attorney's fees and costs incurred in prosecuting said claim

30 through the Oregon Supreme Court or any other Court of Appeal. Any failure

31 default by Lessees in the faithful performance of keeping any of the coven-

32 or any note, notes, mortgage or mortgages, pertaining to the subject premises

1 shall constitute a failure or default in the performance of this lease agree-
 2 ment. Provided further, that upon the expiration or termination of this lease
 3 Lessees shall, at their expense, pay and clear any and all liens and other
 4 encumbrances then against the property subject to this lease.

5 8. Lessees agree to hold Lessor and said leased premises free and harmless
 6 from any liens, judgments or encumbrances created or suffered by Lessees (other
 7 than those subordination mortgages expressly provided for herein) and from any
 8 and all liability, penalties, losses, damages, costs and expenses, causes of
 9 action, claims or judgments arising from injury during said term to persons or
 10 property of any nature occasioned by any act or acts, omission or omissions of
 11 Lessees, their employees, agents or servants, and growing out of or in any
 12 manner connected with the use and occupation of the leased premises, and inclu-
 13 ing all legal costs and charges, including counsel fees incurred in or about
 14 such matters and the defense of any action arising out of the same, or in dis-
 15 charging said premises, or any part thereof, from any and all liens (other than
 16 the mortgages referred to above) that may be placed thereon for charges incur-
 17 red by Lessees; provided however, that in the event any lien shall be filed or
 18 claimed against said leased premises, Lessees shall have a right to litigate
 19 the same as they may see fit to do, but in such event Lessees shall post a
 20 bond, or adequate cash moneys, for the full satisfaction and discharge of any
 21 such lien to guarantee the discharge thereof in the event the outcome of any
 22 such litigation should be adverse to Lessees. Said bond shall be written by
 23 any commercial surety authorized to transact business in the State of Oregon.
 24 Lessor shall have the right to post notices of its non-liability for any liens
 25 at any time during the term of this lease.

26 9. Lessor covenants and agrees that so long as Lessees are not in default
 27 herein, Lessees shall have the quiet and peaceful possession of the leased
 28 premises during the full term thereof. It is understood and agreed, however,
 29 that Lessor shall have access to the leased premises for any reasonable purpose
 30 of inspection. Lessees covenant and agree that they will in the conduct of
 31 their business and their occupancy and use of said premises fully comply with
 32 all federal, state and municipal laws, ordinances and regulations, and that

1 they will not suffer nor commit any nuisance or other acts against public policy.
 2 10. Lessees agree to keep all of the improvements established or erected up
 3 on said premises in good repair at all times. No substantial alteration or
 4 change shall be made in such improvements without written consent of Lessor.
 5 Upon the termination of this lease all of said improvements shall revert to
 6 Lessor.

7 11. Lessees covenant and agree that they will use the leased premises solely
 8 for a mobile home sales and operations reasonably incidental thereto, and for no
 9 other purpose, without the written consent of Lessor; provided further, that
 10 they will keep and maintain the leased premises in a clean and orderly condition
 11 and will not commit nor suffer to be committed any waste, injury or damage to
 12 the leased premises, and upon expiration of the term of this lease, or upon any
 13 prior termination thereof, they will return the leased premises in good condi-
 14 tion, reasonable wear and depreciation from normal use, damage from fire or
 15 other casualty excepted.

16 12. All notices required to be given to Lessor hereunder shall be directed
 17 to P. O. Box 428, Klamath Falls, Oregon, and all notices required to be given
 18 to Lessees shall be directed to 30. Box 1540, Klamath
 19 Falls, Oregon. Any notices required to be given hereunder shall be given by
 20 United States certified mail, or the equivalent thereof. In the event either
 21 party should desire to change the address at which notices are to be directed,
 22 the same shall be accomplished by United States certified mail, directed to
 23 addresses as set forth herein.

24 13. If Lessees fail or default in the faithful performance or keeping of
 25 any of the terms, provisions or conditions of this lease to be kept and performed
 26 by them during said term, or if Lessees do not properly and fully make any pay-
 27 ment of rent within the time stipulated, time being of the essence of this lease,
 28 then Lessor, at its option, may terminate and end this lease and all rights of
 29 Lessees hereunder, and re-enter said premises and remove all persons and prop-
 30 erty therefrom and take over and operate the business thereat, and in that
 31 event Lessor shall succeed to the interest of Lessees in any subleases of the
 32 premises or any part thereof, and Lessees shall, at the request of Lessor,

1 assign all such subleases to Lessor; provided however, that before exercising
 2 the option hereby granted to terminate this lease, Lessor shall first notify
 3 Lessees in writing and give Lessees 30 days in which to remove such breach or
 4 default, if any in fact exists. The rights and remedies herein provided for
 5 shall in no way be deemed to be exclusive and shall be in addition to such
 6 other rights and remedies as Lessor may have at law or in equity for the collec-
 7 tion of rent or to enforce any of the covenants and conditions hereof. In the
 8 event suit or action is instituted to enforce the terms and provisions of this
 9 agreement, or for breach thereof, the prevailing party in such suit or action
 10 shall be entitled to such sum as attorney's fees, including attorney's fees and
 11 costs incurred in prosecuting said claim through the Oregon Supreme Court, or
 12 any other Court of Appeal.

13 Lessor shall, in the event of any default, and without terminating said
 14 lease, have the right (but not the obligation) to enter into and upon the prop-
 15 erty and collect rentals and apply the same on the first mortgage and upon pay-
 16 ments becoming due on this lease.

17 14. The waiver of any breach of terms, covenants or conditions contained
 18 herein shall not be construed a continuing waiver or a waiver of any such
 19 breach thereafter.

20 15. This lease shall not be assigned or sublet by Lessees without written
 21 consent of Lessor first had and obtained. Lessor shall not unreasonably with-
 22 hold such consent. In the event Lessor and Lessees cannot mutually agree to
 23 any such proposed assigning or sub-letting, such shall be submitted to arbitra-
 24 tion by Lessor selecting a bank officer, Lessees selecting a bank officer, and
 25 the two bank officers selecting a third bank officer, and both Lessor and
 26 Lessees shall hereby be bound by the decision of said arbitrators.

27 16. In the event Lessees shall have faithfully performed all agreements
 28 herein contained on their part to be kept and performed, Lessor grants unto
 29 Lessees the option to extend this lease for the further term of nine years to
 30 and including March 31, 2000, with the same provisions as to increases or de-
 31 creases in rental every three years.

32 IN WITNESS WHEREOF, Lessor, pursuant to resolution of its Board of Directors

18747

1 duly and legally adopted, has caused these presents to be executed by its Presi-
2 dent and its Secretary and its corporate seal to be hereunto affixed, and
3 Lessees have hereunto set their hands and seals, all on the day and year first
4 herein written.

SWAN LAKE MOULDING COMPANY

By *Alfred D. Collier*
its President

By *Dorothy V. Collier*
its Secretary
LESSOR

(SEAL)

Terence L. Boyer (SEAL)
Patricia E. Boyer (SEAL)
LESSEES

STATE OF OREGON)
County of Klamath) SS

On this 21st day of April, 1970, before me appeared Alfred D. Collier and
Dorothy V. Collier, both to me personally known, who being duly sworn, did say
that he, the said Alfred D. Collier is the President, and she, the said Dorothy
V. Collier, is the Secretary of Swan Lake Moulding Company, the within named
Corporation, and that the seal affixed to said 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 Alfred D. Collier
and Dorothy V. Collier 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.

Notary Public for Oregon
My Commission Expires: 7-15-75

STATE OF OREGON)
County of Klamath) SS

April , 1970

Personally appeared the above named Terence L. Boyer and Patricia E. Boyer,
husband and wife, and acknowledged the foregoing instrument to be their volun-
tary act and deed.

Before me:

Anna H. M. L.
Notary Public for Oregon
My Commission Expires: April 12, 1973

EXTENSION OF LEASE AGREEMENT

THIS AGREEMENT, made and entered into this ____ day of _____, 1977, by and between SWAN LAKE MOULDING COMPANY, an Oregon corporation, hereinafter called "Swan Lake", or "Lessor", and CLOYCE E. BARNES and SUE B. BARNES, husband and wife, hereinafter called "Barnes" or "Lessee".

R E C I T A L S:

A. Swan Lake is the owner of a parcel of real property which is the subject of a Lease Agreement dated the 30th day of September, 1970 wherein Swan Lake is Lessor and Terence L. Boyer and Patricia E. Boyer, husband and wife, are Lessees. The termination date of said lease is March 31, 2000. A copy of said lease agreement is attached hereto, marked as "Exhibit A".

B. On or about December 1, 1975 Terence L. Boyer and Patricia E. Boyer assigned their interest in said lease to Vernon D. Lehman and Loretta V. Lehman with the consent of Swan Lake Moulding Co. to said assignment.

C. On or about November 30, 1976 Vernon D. Lehman and Loretta V. Lehman, husband and wife, sub-leased said real property to Barnes with the consent of Swan Lake Moulding Co.

D. Barnes desire to lease said premises to E. W. Kittle and Barbara S. Kittell, Trustees under a Trust Agreement dated September 26, 1976, and desire to have the lease extended to March 1, 2008.

NOW THEREFORE, in consideration of the covenants herein contained the parties agree as follows:

1. That Swan Lake Moulding Co. hereby consents to the leasing of the premises from Barnes to E. W. Kittle and Barbara S. Kittell, Trustees under a Trust Agreement dated ^{August} September 26, 1976, subject to all of the terms and conditions of the Lease Agreement dated September 30, 1970 and Kittles will become obligated to Swan Lake Moulding

STATE
County
Barnes
be their

for the performance of said lease agreement.

2. The Lease Agreement of September 30, 1970 shall be extended to March 31, 2008 under all the same terms and conditions as in the original lease agreement, including but not limited to Paragraph 2, Page 2 and the right of Lessee to terminate six months prior to March 31, 2000 and March 31, 2005.

IN WITNESS WHEREOF the parties have hereto set their hands and seals the day and year first hereinabove written.

SWAN LAKE MOULDING COMPANY, an
Oregon corporation

By: /s/ ALDRED D. COLLIER
President

By: /s/ DOROTHY V. COLLIER
Secretary

/s/ CLOYCE E. BARNES
Cloyce E. Barnes

/s/ SUE B. BARNES
Sue B. Barnes

STATE OF OREGON)
) ss. _____, 1977.
County of Klamath)

Personally appeared Alfred D. Collier, who being sworn, stated that he is President, and Dorothy V. Collier, who being sworn, stated that she is Secretary of Swan Lake Moulding Company, and that said instrument was signed in behalf of said corporation by authority of its board of directors; and they acknowledged said instrument to be its voluntary act and deed. Before me:

Notary Public for Oregon
My Commission expires: _____

STATE OF OREGON)
) ss. _____, 1977.
County of Klamath)

Personally appeared the above-named Cloyce E. Barnes and Sue B. Barnes, husband and wife, and acknowledged the foregoing instrument to be their voluntary act. Before me:

Notary Public for Oregon
My Commission expires: _____

2. EXTENSION OF LEASE AGREEMENT

"EXHIBIT B"

GANONG & SISEMORE
Attorneys at Law
540 Main Street
KLAMATH FALLS, ORE.
97601
503/882-7228

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A copy of
On or about
their interest
consent of Swan Lake
Consent to Sublease