

LEASE

THIS LEASE, made and entered into this 1 day of ~~August~~ ^{Sept.} 1978, by and between JOHN McCORMICK ("Lessor") and BEATRICE L. JOHNSON, an unmarried woman ("Lessee"), is as follows:

1. DEMISED PREMISES

Lessor agrees to and does hereby lease, demise and let unto Lessee, and Lessee does hereby take and hire from Lessor, that certain real property together with the improvements thereon (the "Premises") described as 40 acres, more or less, on Highway 62, Chiloquin, Oregon, being Tax lots 1800 and 3100, subject to all easements, restrictions, reservations, rights of way, mortgages or deeds of trust of records.

In addition to the Premises herein, Lessor also leases to Lessee and Lessee hires from Lessor on the terms and conditions set forth in this lease, all personal property physically present on the Premises as of the date of this agreement, a detailed inventory of which is attached hereto as Exhibit "A" and incorporated herein by reference.

2. NO PARTNERSHIP

Lessor shall in no event be construed, held or become in any way or for any purpose a partner, associate or joint venturer of Lessee or any party associated with Lessee in the conduct of her business or otherwise.

3. TERM OF LEASE

The term of this lease shall commence on ~~August 15~~ ^{Sept. 1}, 1978, and shall terminate on ~~August 14~~ ^{Sept. 1}, 1983, unless sooner terminated as set forth herein.

4. POSSESSION

Lessor shall give possession at the beginning of the term of this lease, and rent shall abate pro-rata for the period of any delay in so doing.

5. RENTAL

The basic annual rent payable by Lessee to Lessor for the use and occupation of the Premises shall be the sum of \$3,600.00 per year payable in equal monthly installments of \$300.00 each on the fifteenth day of each month commencing on ~~August~~ ^{Sept.} 15, 1978, and continuing monthly thereafter throughout the term of the lease. *one 13.19*

Lessee shall pay to Lessor, in addition to all other sums to be paid under this Lease, on written demand from Lessor, all of the real property taxes which shall be assessed against the Premises during the term of this Lease, in excess of the real property taxes assessed as of the date of execution of this Lease, which were in the sum of \$700.00.

The monthly rental payments shall be paid to Lessor at 48-822 Desert Flower, Palm Desert, California 92260 or at such other address as Lessor subsequently advises Lessee.

6. REPRESENTATIONS AND WARRANTIES OF LESSOR

Lessor hereby makes the following representations and warranties regardless of what investigations Lessee shall have made with respect thereto, each of which individual representations and warranties (i) is material and being relied upon by Lessee, and (ii) is true in all respects as of the date hereof and shall be true in all respects on the lease commencement date;

a. Lessor is the sole owner of the entire right, title and interest in and to the Premises.

b. Lessor has obtained all required consents, releases and permissions and has complied with all applicable statutes, laws, ordinances and regulations of any kind or nature in order to effectively vest in Lessee the exclusive right of possession to the Premises.

c. There is no plan, study or effort by any government authority or agency or any non-governmental person or entity which in any way affects or would affect the present zoning of the Premises or the use of the Premises as presently permitted by such zoning designa-

tion.

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d. There is no existing, proposed or contemplated plan to widen, modify or realign, any street or highway, or any existing, proposed or contemplated eminent domain proceedings that would affect the Premises in any way whatsoever.

e. Lessor is not involved or aware of any pending or threatened litigation which does or will affect the Premises.

f. There are no actions or proceedings pending or threatened against Lessor before any court or administrative agency in any way connected with the Premises.

g. All laws, ordinances, rules and regulations (including, but not limited to, those relating to zoning, building, fire, health and safety) of any government or any agency, body or subdivision thereof bearing on the construction, operation, ownership or use of the Premises have been complied with by Lessor.

h. Neither this Lease, nor anything provided to be done hereunder, including, but not limited to, the transfer of possession of the Premises, violates or shall violate any contract, agreement or instrument to which Lessor is a party or which affects the Premises or any part thereof.

i. Lessor is not in default in respect of any of his obligations or liabilities pertaining to the Premises. Lessor has not received any notice or knowledge that any party to any Trust Deed, or Mortgage considers any breach or default to have occurred thereunder; nor has Lessor any reason to believe that there is likely to be a default in the future under any of the same.

7. USE OF PREMISES

The Premises are leased to Lessee for use as a residence and for the planting, growing and harvesting of crops, during the proper seasons, on all of the tillable land of the Premises, and for the feeding, pasturing, maintenance and production of livestock and livestock products.

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8. IMPROVEMENTS; CONSTRUCTION; ALTERATIONS

At any time and from time to time during the term of this Lease, Lessee may, but is not obligated to, construct or otherwise make new improvements on any part or all of the Premises, and may, (but is not obligated to) demolish, remove, replace, alter, relocate, reconstruct, or add to any existing improvements on the Premises in whole or in part, and to modify or change the contour or grade, or both, of the land. Any proposed improvement shall be submitted first by Lessee to Lessor in writing for his written approval. Upon completion of any such approved improvements, Lessor shall execute a promissory note to Lessee for the costs of said improvements, and said note shall accrue interest at the rate of 9% per annum with principal and interest all due and payable to Lessee on or before August 15, 1983. Said note shall also be secured by a deed of trust on the Premises. The word "improvements" as used in this Lease includes, without limitation, all buildings, structures, fixtures (including the trade fixtures of subtenants), paving, landscaping and other physical improvements on the Premises. Once any work or construction, alteration, improvement, or demolition has begun, Lessee shall with reasonable diligence prosecute the same to conclusion. All construction, alteration, and work of improvement shall be performed in a good and workmanlike manner, and shall comply with all applicable governmental permits and laws. Lessee agrees that Lessor shall have the right to enter upon the Premises to post notices of nonresponsibility. Lessor agrees from time to time during the term upon written request from Lessee, to execute and deliver any instrument, release, or other document that may be required by any equipment supplier, vendor and/or Lessor whereby Lessor waives and/or releases any rights it may have or acquire with respect to any equipment to trade fixtures Lessee or any subtenant may affix to the Premises and agreeing that the same do not constitute realty regardless of the manner same are attached to the Premises.

9. MAINTENANCE AND REPAIR BY LESSOR

Lessor shall be under no obligation and shall not be liable for any failure to make any repairs during the term of this lease. Lessee shall assume full responsibility for the maintenance and repair of the Premises during the term of this Lease.

10. DANGEROUS MATERIALS

Lessee shall not keep on the Premises any item of a dangerous, inflammable, or explosive character that might unreasonable increase the danger of fire on the leased Premises or that might be considered hazardous or extra hazardous by any responsible insurance company.

11. UTILITIES

Lessee shall be responsible for arranging for and paying for all utility services required on the premises.

12. COMPLIANCE WITH LAWS

Lessee covenants and agrees that throughout the term of this Lease, without cost to Lessor, she will comply with all laws and ordinances and the orders, rules and regulations and requirements of all Federal and State government departments.

13. ASSIGNMENT AND SUBLETTING

Without the prior written consent of Lessor, Lessee shall not assign this Lease, or sublet or grant any license to use the Premises or any part thereof. A consent by Lessor to one assignment, subletting, or license shall not be deemed to be a consent to any subsequent assignment, subletting or license. An assignment subletting or license without the prior written consent of Lessor, or an assignment or subletting by operation of law, shall be void and shall, at Lessor's option, terminate this Lease.

14. INDEMNITY AND PUBLIC LIABILITY

Lessee covenants at all times to save Lessor harmless from all loss, liability, cost or damages, including attorney's fees, and expenses that may occur or be claimed with respect to any person or persons, corporation, property or chattels on or about the Premises or to the

Premises itself resulting from any act done or omission by or through Lessee, her agents, employees, invitees or any other person on the Premises by reason of the Lessee's use or occupancy or resulting from Lessee's non-use, or possession of said Premises any and all loss, cost liability, or expense resulting therefrom; and at all times to maintain said Premises in a safe and careful manner.

15. PERSONAL PROPERTY

Lessor shall not be liable for any loss or damage to any of Lessee's personal property in or about the Premises, regardless of the cause of such loss or damage.

16. INSURANCE

a. Lessee shall at all times during the term hereof, at her own cost and expense, procure and maintain in force and effect a policy or policies of comprehensive public liability insurance, assuring against loss, damage or liability for injury to or death of persons and loss or damage to property occurring from any cause whatsoever in, upon or about the Premises, in a minimum amount of \$100,000.00 for each person injured, \$300,000.00 for any one accident, and \$25,000.00 for property damage.

Lessor shall be the named assured under said policy, and Lessee agrees to delivery a copy of said policy to Lessor. Lessee agrees to obtain a written obligation from the insurer to notify Lessor in writing at least 30 days prior to cancellation or refusal to renew said policy. Lessee agrees that if such insurance policy is not kept in force during the entire term of this Lease and any extension thereof, Lessor may procure the necessary insurance and pay the premium therefor, and that such premium shall be repaid to Lessor as an additional rent installment for the month following the date for which said premium is paid.

b. Lessor shall at all times during the term hereof, at his own cost and expense, procure and maintain in force a policy or policies of a standard form of fire with extended coverage insurance

covering the premises, the improvements thereon and improvements in the course of construction in an amount equal to the full insurable value thereof. The present value of the structure is deemed to be \$60,000.00.

Lessor agrees to supply Lessee with a copy of said fire insurance policy.

17. LIENS

At no time during the term of this Lease shall Lessee suffer or permit any liens of mechanics, laborers, materialmen or others to attach to the Premises or any part thereof as the result of any work, labor, improvements, materials or supplies rendered, made, done or suffered to or upon the Premises; and if any such lien shall be placed against the Premises, Lessee shall take all possible steps to remove such liens within the shortest possible period of time. Lessee shall not be responsible for any liens placed upon the premises as the result of the act or omission of Lessor.

18. LESSEE'S RIGHT TO PURCHASE

Should Lessor decide to sell the Premises, he shall first offer it to Lessee to purchase. Lessee shall have 20 days from the time said offer to sell is presented to her by Lessor within which to agree upon a purchase price, terms of sale and to open an escrow with Lessor. If 20 days elapse without the foregoing having been accomplished, Lessor may offer the Premises for sale to any third party of his choice provided that for a period of six (6) months any purchase price or terms of such sale agreed upon with a third party are not less favorable than any offered by Lessee.

19. MUTUALITY

Performance of any duty imposed on either party by this Lease is conditioned on the other party's full performance of all duties imposed upon it by this Lease.

20. ABANDONMENT

Lessee shall not, without notifying Lessor in writing, abandon

the Premises or allow the Premises to become vacant or deserted.

21. LESSOR'S RIGHT TO TERMINATE FOR BREACH OF LEASE

Lessor may, at his option, terminate this Lease on Lessee's breach of any term, condition, or covenant hereof, on giving three (3) days written notice of such termination to Lessee, except that in the case of default in the payment of rent, or breach of a condition or covenant that may still be performed, Lessee shall have the right to pay the rent in default or perform the condition or covenant within such three (3) day period.

22. WAIVER OF ONE BREACH, NOT WAIVER ON OTHERS

Waiver by Lessor of any breach of any covenant, or duty of Lessee under this Lease is not a waiver of a breach of any other covenant or duty of Lessee, or of any subsequent breach of the same covenant or duty.

23. ATTORNEY'S FEE

Should either party hereto institute any action or proceeding in court to enforce any provision hereof or for damages by reason of an alleged breach of any provision of this Lease, the prevailing party shall be entitled to receive from the losing party such amount as the court may adjudge to be reasonable attorneys' fees for the services rendered the prevailing party in such action or proceeding.

24. INTERPRETATION

This agreement shall be construed as a whole and in accordance with its fair meaning. Organization is for convenience and shall not be used in construing meaning.


25. ENTIRE AGREEMENT

This lease contains the entire agreement between the parties, and no modifications of this lease shall be binding upon the parties unless evidenced by an agreement in writing signed by the Lessor and Lessee after date hereof.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures as of the day and year first above written.

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(714) 346-6188


JOHN MCCORMICK, Lessor


BEATRICE L. JOHNSON, Lessee

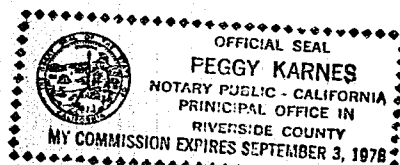
STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

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On August 8th, 1978, before me, the undersigned, a Notary Public in and for said State, personally appeared JOHN McCORMICK, known to me to be the person whose name he subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.

Peggy Karnes
NOTARY PUBLIC



STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On August 8th, 1978, before me, the undersigned, a Notary Public in and for said State, personally appeared BEATRICE L. JOHNSON, known to me to be the person whose name she subscribed to the within instrument and acknowledged that she executed the same.

WITNESS my hand and official seal.

Peggy Karnes
NOTARY PUBLIC

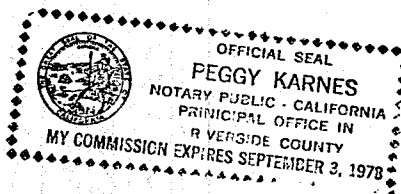


EXHIBIT A

PERSONAL PROPERTY ON THE PREMISES

1. Refrigerator
2. Stove
3. Miscellaneous pots and pans

STATE OF OREGON; COUNTY OF KLAMATH; ss.
 led for record ~~at request of~~
 * 13th day of November A. D. 1978 at 11:02 A M., and
 duly recorded in Vol. M78, of Deeds on Page 25386
 Wm D. MILNE, County Clerk
 By *Barbara Chiloch*

Fee \$30.00

Beatrice L. Johnson

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*P.O. Box 743
 Chilozuni, Ore.*

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