

LEASE AGREEMENT

AGREEMENT MADE THIS 1st day of August, 1981, between
WARD AND BETTY EDWARDS, hereinafter called the Lessor which expression shall
include their heirs and assigns where the context so requires or admits, and
RALPH EUGENE WARD, hereinafter called the Lessee, which expression shall
include his executors, administrators, and assigns where the context so requires
or admits.

WITNESSETH:

The Lessor does hereby lease and demise unto Lessee the following described
and situated realty upon which Lessee will erect, at cost to Lessee, a building
suitable for commercial use:

That portion of Lot 8, Tax Lot 4600, Township 40 South, Section 6, Range 8
East of the Willamette Meridian, Klamath County, Oregon, beginning
at the Northwest corner of the northerly property line of Lot 8 thence
East 215 feet, thence South 200 feet, thence West 215 feet, thence
North 200 feet to the point of beginning, said property comprising
an acre, more or less.

SECTION 1. TERM OF LEASE

The term of this lease shall be five (5) years, beginning on the 1st
day of August, 1981 and ending with the 1st day of
August, 1986. It is further agreed between the Lessor and Lessee, that Lessee
shall have the right to renew this lease for three successive five year terms
subject to the terms and conditions, excepting rent, herein expressed.

If the Lessee desires to renew this lease he shall notify the Lessor in writing
at least thirty (30) days before the termination of the next preceeding term of
lease of his intent to renew the lease and he shall state the amount of rent he
is desirous of paying for said property for an additional period of five (5) years.
If the Lessor is in accord with the proposal thus made, the proposal shall be
accepted in writing by the Lessor and delivered to the Lessee within ten (10)
days after receipt of the request for renewal. If the Lessor rejects the proposal
made by the Lessee he shall so notify the Lessee and if the Lessor and Lessee can
not agree upon said rental amount then each of the parties hereto shall select an
arbitrator to determine the fair rental value of said property, and if the two
arbitrators can not agree then the two arbitrators shall select a third arbitrator
and the findings of two of the three arbitrators thus selected shall be final and
binding upon both parties hereto. If the two arbitrators selected are unable
to agree upon a third arbitrator,

then a request shall be made of a judge of the Klamath County Circuit Court to select such third arbitrator. No one shall be nominated or act as an arbitrator who in any way is interested in the business or personal affairs of either party.

SECTION 2. RENTAL AMOUNT

In consideration of Lessee's payment to third parties of Lessor's obligations for a septic system, road construction and water lines in the amount of \$2,267.73. It is agreed between the parties that Lessee shall not be obligated nor will rent accrue for the five year term of lease beginning Aug 1, 1981 and ending Aug 1, 1986. Lessee further agrees to pay Lessor as rental for successive terms of lease, should the Lessee exercise his option(s) to renew, a fair rental value, the amount thereof to be agreed upon at such time or by arbitration as set forth above.

SECTION 3. QUIET ENJOYMENT

Lessor warrants and covenants that Lessee, discharging all of its obligations hereunder, shall, and may peaceably and quietly hold and enjoy the demised realty for the term aforesaid.

SECTION 4. INSURANCE

Lessee shall procure and maintain during the term of this lease or any extension thereof, and at his own expense, public liability and property damage insurance in a responsible company with limits of not less than \$100,000 for injury to one person, \$300,000 per accident, and \$50,000 for damage to property. The policy shall name the Lessor and Lessee as insured and a certificate of insurance shall be delivered to Lessor.

SECTION 5. INDEMNITY

Lessee agrees to indemnify and hold Lessor harmless against all actions, claims, demands, costs, damages, or expense of any kind on account thereof, including costs of defense, which may be brought against the Lessor, or which the Lessor may pay or incur by reason of the Lessee's negligent performance or failure to perform any of its obligations under this lease.

SECTION 6. TERMINATION IN CASE OF DESTRUCTION OF BUILDING

In the event said building is substantially destroyed by fire or other casualty then at the election of the Lessee, and upon written notice to Lessor within a reasonable time after such destruction the estate hereby created shall terminate.

SECTION 7. UTILITY EXPENSES

Lessee agrees to promptly pay upon their due date all light, power and/or other utility service charges including garbage and trash removal.

SECTION 8. WATER SUPPLY

Lessor, his heirs or assigns agree to furnish a reasonable quantity of water to said building, without cost to the Lessee, his heirs or assigns, for the duration of this lease or any extension thereof.

SECTION 9. ASSIGNMENT AND SUBLETTING

The Lessee is hereby expressly given and granted the right to assign or sublet the whole or any portion of the premises herein demised. No assignment or subletting shall constitute a novation and Lessee shall not be released from any obligation herein contained unless the parties agree in writing that the assignee shall assume all obligations of the Lessee hereunder, whereupon the Lessee shall be relieved of all responsibility or liability on account of this lease.

SECTION 10. OPTION TO PURCHASE

It is agreed that in the event the Lessor desires to sell and dispose of said realty he shall give the Lessee the preferential right to purchase the same for a sum to be agreed upon at such time. Said Lessor shall notify Lessee of his desire to sell and give Lessee the first opportunity to acquire said premises.

It is further agreed that if the Lessee elects to exercise said option but the parties cannot agree upon a sale price the matter shall be submitted to arbitration in the following manner: The Lessor shall select one appraiser and the Lessee shall select one appraiser; these two appraisers shall select a third appraiser; all appraisers so selected shall be members of the Appraisal Institute (MAI); if the two original appraisers cannot agree to the third appraiser the matter shall be submitted to a Klamath County Circuit Court Judge to select such third arbitrator. The findings of two of the three arbitrators thus selected shall be final and binding upon both parties hereto. No one shall be selected as arbitrator who in any way is interested in the business or personal affairs of either party.

If and when either party shall have a bonafide and arms length offer for the purchase of said realty or building which he is willing to accept, he will prior to accepting the same, give the other party an opportunity to purchase

the realty or building by notifying the other party in writing of such offer, and giving him ten (10) days thereafter in which to make a better offer than the one received.

SECTION 11. LESSEE TO PAY TAXES

The Lessee agrees to pay real and personal property taxes chargeable to the demised premises. Lessee shall be responsible for that portion of real property tax accruing after the date this lease is executed and in the ratio that the square footage of the demised realty bears to the total square footage of the tax unit from which the Lessee's estate is derived.

SECTION 12. USE OF PREMISES

Lessee agrees that he will make no unlawful, improper or offensive use of said premises or any portion thereof and during said term, or any extension thereof, will comply with all rules, laws and ordinances applicable to said premises and the general use thereof. Lessee further agrees that he will not use or permit the use of the premises in any manner that will create a nuisance or a danger to others or unnecessarily disturb other persons.

SECTION 13. SURRENDER

Lessee agrees that at the end of said term or any extension thereof or upon any sooner termination of this lease, to quit and deliver up said realty to the Lessor peaceably and quietly and in as good condition as the same now is.

SECTION 14. OTHER AGREEMENTS

SECTION 15. SUCCESSORS BOUND BY TERMS HEREOF

The Lessor and Lessee agree that all terms of this lease agreement shall be construed as covenants running with the land and that such terms shall extend to and be binding upon the heirs, executors, representatives, successors and assigns of the respective parties hereto and all persons holding through or under them the same as if they were in every case named to the end that this lease shall always bind as the Lessor, the owner or owners of the fee of said realty, and as the Lessee the owner or owners of the leasehold interest hereunder.

SECTION 16. DEFAULT

The following events shall be deemed to be events of default by Lessee under this lease:

(a) If Lessee shall fail to pay the rent on the date that same is due and such failure shall continue for a period of thirty (30) days.

(b) If Lessee shall fail to comply with any term, condition, or covenant of this lease, other than the payment of rent and shall not cure such failure within thirty (30) days after written notice thereof to Lessee; or if such failure cannot reasonably be cured within the said thirty (30) days and Lessee shall not have commenced to cure such failure within thirty (30) days after written notice thereof to Lessee, or if such failure cannot reasonably be cured within the said thirty (30) days and Lessee shall not with reasonable diligence and good faith proceed in the curing of such failure.

(c) If Lessee shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, or if any petition under any section or chapter of the National Bankruptcy Act shall be filed to subject Lessee's affairs to the same, or if a receiver or trustee shall be appointed for all or substantially all of the assets of Lessee.

SECTION 17. LESSOR'S REMEDIES

Upon the occurrence of any of the foregoing events of default, Lessor shall have the option to terminate this lease and enter upon and take possession of the demised premises and remove Lessee and any other person who may be occupying said premises or any part thereof, and relet the premises and receive the rent therefore. Lessor may pursue any other remedy provided by law. Pursuit of the remedy herein provided shall not constitute a forfeiture or waiver of any rent due to Lessor.

W I T N E S S E T H: Our hands and seals this day first above written.

LESSOR

LESSOR
Hans L. Edwards
Betty L. Edwards

LESSEE

LESSEE
Ralph E. Ward

State of Oregon
Klamath County
I, SEESE do hereby certify that
Betty A. Edwards and

State of OREGON: COUNTY OF KLAMATH: ss.

I hereby certify that the within instrument was received and filed for record on the

21st day of September A.D., 1981 at 2:57 o'clock p M., and duly recorded in

Vol M81 of Deeds on page 16810.

Fee \$20.00

EVELYN BIEHN
COUNTY CLERK

By James A. Smith deputy