

1 THIS INDENTURE OF LEASE, Made and entered into as of the 1 day  
 2 of APR 1, 1977, by and between LOVENESS COMPANY, herein-  
 3 after called "Lessor", and HOLL LOGGING COMPANY, hereinafter called  
 4 "Lessee";

W I T N E S S E T H :

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 6 In consideration of the covenants, agreements and stipulations  
 7 herein contained on the part of the Lessee to be paid, kept and faith-  
 8 fully performed, the Lessor does hereby Lease, demise and let unto the  
 9 said Lessee those certain premises, as is, situated in the County of  
 10 Klamath and State of Oregon, which the parties acknowledge that they  
 11 know and have staked out themselves and to their satisfaction, being  
 12 a portion of other property owned by Lessor.

To Have and To Hold the above described premises for a term of five  
 (5) years commencing April, 1977 and terminating on March 31, 1982.

1. Rental: Lessee shall pay Lessor, in advance, an annual rental  
 of Six Hundred and No/100 (\$600.00) Dollars. The first year's rental  
 shall be paid on or before the date that Lessee takes possession of the  
 premises and thereafter the annual rental shall be paid on or before  
 April 1 of each calendar year until the total base rental of Three Thou-  
 sand and No/100 (\$3,000.00) Dollars is paid in full.

2. Increase in Taxes: As rental in addition to the base rent,  
 Lessee agrees to pay to Lessor, upon demand, any increase in tax or  
 assessments levied against the property subject to this Lease which are  
 allocated to improvements placed thereon by Lessee. If any increase  
 occurs in the last year of the term of this lease, Lessee shall pay a pro  
 rata thereof based on the ratio of the months of his occupancy during the  
 fiscal year of 1982-1983 as the same bears to the full fiscal year of  
 1982-1983.

3. Business to be Conducted on the Premises: Lessee shall use the  
 premises during the term of this Lease for the purpose of constructing a  
 shop and providing a parking area for its logging equipment, and other  
 services incidental thereto.

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1           4. Extension of Term of Lease: If Lessee fully and faithfully  
2 performs the covenants and agreements on the part of Lessee herein con-  
3 tained, Lessee shall have the option to extend the term of this Lease  
4 upon the same terms and conditions as herein specified for an additional  
5 period of five (5) years from the end of the term of this Lease, with the  
6 exception of rental. Rental for the extension of this Lease shall be an  
7 amount equal to the aggregate of the base annual rental of Six Hundred  
8 and No/100 (\$600.00) Dollars plus an increase thereof based upon any  
9 increase in the Cost of Living Index as of March 31, 1982. Computation  
10 of such increase shall be determined as follows: The sum of Six Hundred  
11 and No/100 (\$600.00) Dollars shall be multiplied by a fraction, the  
12 numerator of which shall be the difference between the anniversary index  
13 and the base index (provided such difference is in excess of the base  
14 index) and the denominator of which shall be the base index. If the  
15 difference is not in excess of the base index, no computation shall be  
16 made. For the purposes of this paragraph, the following terms shall apply:

17           a. Cost of Living Index: The term "Cost of Living Index"  
18 shall mean the all-cities average cost of living index promulgated  
19 by the Bureau of Statistics of the Department of Labor of the United  
20 States of America, or any successor or substitute therefor, includ-  
21 ing any adjustments which reflect any modification of such cost of  
22 living index factors in years following the base index year.

23           b. Base Index: The term "Base Index" shall mean the cost of  
24 living index as of April 1, 1977.

25           c. Anniversary Index: The term "Anniversary Index" shall mean  
26 the cost of living index as of the "Anniversary Date".

27           d. Anniversary Date: The term "Anniversary Date" shall mean  
28 March 31, 1982.

29 The result of such multiplication shall then be divided by twelve (12)  
30 and the sum so arrived at shall be added to the base annual rent to  
31 form the new base annual rent. In making such computations, consideration  
32 shall be given to adjustments to reflect the true increase in the cost

1 of living index if the agency which promulgates such cost of living  
2 index adjusts its factor to reflect a different percentage. Said option  
3 shall be exercised by said Lessee giving Lessor written notice of Lessee's  
4 exercise of said option by no later than February 1, 1982. If Lessee  
5 gives such written notice, this Lease shall be so extended automatically  
6 without execution of any written agreement, except the parties shall  
7 append to this Lease the amount of the base rent as determined herein.  
8 This option shall be void, however, if Lessee is not in possession of  
9 the premises under this Lease at the time of giving such notice, or if  
10 Lessee is in default under this Lease at the time of an attempt to exer-  
11 cise said option, or if Lessee does not, in fact, exercise such option  
12 in writing on or before February 1, 1982. If Lessee exercises the  
13 aforementioned option, and is in possession under the extension of this  
14 Lease, he shall have a further series of one (1) option for extension  
15 of five (5) years. The first further extension of this Lease shall be  
16 on the same terms and conditions as contained in this Lease, except the  
17 rent of each extension shall be further increased proportionate to any  
18 increase in the cost of living. Such increase shall be determined by the  
19 same formula as previously set forth (except that the base index of such  
20 fraction for the first further five-year extension shall be the Cost of  
21 Living Index as of April 1, 1982). To exercise any of these options to  
22 extend, Lessee must notify Lessor in writing as follows: The written  
23 notification must be made for the first further extension on or before  
24 February 1, 1987. In the event an option is validly exercised, this  
25 Lease shall automatically extend itself for the additional option period  
26 without the execution of any further agreement, except that the parties  
27 shall append to this Lease the amount of base rent arrived at pursuant  
28 to the formula herein contained. Any option, however, shall be void if  
29 the Lessee is not in possession of the premises under this Lease at the  
30 time of giving of such notice, or if Lessee is in default under any of  
31 the terms of this Lease at the time of the exercise of such option, or  
32 if Lessee fails to exercise a prior option, or if Lessee does not, in

1 fact, exercise any options provided for herein in writing on or before  
2 the date specified.

3 5. Acceptance of Premises: Upon taking possession of the demised  
4 premises, Lessee shall be conclusively presumed to have accepted the  
5 same, as is, as satisfactory for Lessee's purposes.

6 6. Improvements: Lessor hereby recognizes that Lessee will be  
7 placing improvements upon the property consisting of a building, fencing  
8 and related equipment. Lessor agrees to furnish water from his wells to  
9 said facilities to the extent that Lessor has water available for that  
10 purpose. Upon the termination of this Lease Agreement, or any extension  
11 thereof, Lessor agrees to purchase from Lessee the improvements placed  
12 upon said property by Lessee at Lessee's cost increased by the Cost of  
13 Living Index to the date of termination, less depreciation upon such  
14 cost based upon a twenty-five year straight-line depreciation schedule  
15 for the number of years the improvements were used. For purposes of this  
16 provision, the Cost of Living Index, shall be computed by multiplying the  
17 cost of the improvements, as they are incurred, by a fraction the numer-  
18 ator of which will be the Cost of Living Index upon the date of termina-  
19 tion and the denominator of which will be the Cost of Living Index as  
20 of the date the improvements were made.

21 7. Addresses: For the purpose of any notice given under the terms  
22 of this Lease, such notice may be given to the parties at their respect-  
23 ive addresses, which are as follows:

- 24 Roll Logging Co., P.O. Box 84, Merrill, OR 97633
- 25 Loveness Company, Star Route, Box 14, Malin, OR 97632

26 Either party may change his address by written notice delivered to the  
27 other party at the address set forth above.

28 8. Use of Premises:

29 a. Proper Use: Lessee will not make any unlawful, improper  
30 of offensive use of said premises; Lessee will not suffer any strip  
31 or waste thereof; Lessee will not permit any objectionable noise or  
32 odor to escape or to be emitted from said premises or do anything

1 or permit anything to be done upon or about said premises in any  
2 way tending to create a nuisance; Lessee will not sell or permit  
3 to be sold any spiritous, vinous or malt liquors on said premises,  
4 excepting such as Lessee may be licensed by law to sell and as may  
5 be herein expressly permitted.

6 9. Utilities: Lessee shall pay for all heat, light, power and  
7 other services or utilities used in the above demised premises during  
8 the term of this Lease. Lessor shall provide Lessee with water to the  
9 extent that Lessor has water available from his own well.

10 10. Repairs and Improvements: All repairs and improvements shall  
11 be the obligation of Lessee.

12 11. Lessor's Right of Entry: It shall be lawful for Lessor, his  
13 agents and representatives, at any reasonable time, to enter into or  
14 upon said demised premises for the purpose of examining into the condition  
15 thereof, or to show the same to prospective purchasers or lenders, or  
16 for any other lawful purpose.

17 12. Right of Assignment: Lessee will not assign, transfer, pledge,  
18 hypothecate, surrender or dispose of this Lease, or any interest herein,  
19 or permit any other person or persons whomsoever to occupy the demised  
20 premises without the written consent of Lessor being first obtained in  
21 writing; this Lease is personal to said Lessee; Lessee's interests, in  
22 whole or in part, cannot be sold, assigned, transferred, seized or taken  
23 by operation at law, or under or by virtue of any execution or legal  
24 process, attachment or proceedings instituted against Lessee, or under  
25 or by virtue of any bankruptcy or insolvency proceedings had in regard  
26 to Lessee or in any other manner, except as above mentioned.

27 13. Liens: Lessee will not permit any lien of any kind, type or  
28 description to be placed or imposed upon the building in which said  
29 leased premises are situated, or any part thereof, or the real estate on  
30 which it stands.

31 14. Exemption of Lessor from Liability, Indemnification by Lessee  
32 and Liability Insurance:

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a. Lessee's Obligation of Indemnity of Lessor: Lessee shall save and hold harmless Lessor from, and hereby indemnifies Lessor against, liability to Lessee or to any other person for or on account of any death or injury to persons, or any damage to property in or about the leased premises or for or on account of any death or injury to persons or any damage to property in or about the leased premises, including the merchandise, fixtures or equipment of lessee that may result by reason of any condition or present or future lack of repair of the leased premises or improvements thereon, or the writing, equipment, furnishings, fixtures, apparatus, or any sign, advertising or display device, awning or other like covering therein or thereon, or by or from any person or persons lawfully or unlawfully upon said premises, or by or from any act, omission or neglect of any such person, or in any manner whatsoever growing out of the past, present or future condition or use of the leased premises or improvements thereon or any part thereof, including any attorney fees and costs.

15. Waiver of Subrogation Rights: Neither Lessor nor Lessee shall be liable to the other for loss arising out of damage to or destruction of the leased premises, or the building or improvement of which the leased premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Lessor or Lessee or by any of their respective agents, servants or employees. It is the intention and agreement of Lessor and Lessee that the rentals reserved by this Lease have been fixed in contemplation that each party shall fully provide his own insurance protection at his own expense, and that each party shall look to his respective insurance

1 carriers for reimbursement of any such loss, and further, that the in-  
2 surance carriers involved shall not be entitled to subrogation under  
3 any circumstances against any party to this Lease. Neither Lessor nor  
4 Lessee shall have any interest or claim in the other's insurance policy  
5 or policies, or the proceeds thereof, unless specifically covered there-  
6 in as a joint assured.

7 16. Eminent Domain: If the premises above demised, or any portion  
8 thereof, excepting such fixtures as Lessee shall have the right to remove  
9 under the terms of this Lease, or any portion thereof, be taken by any  
10 entity having the power of eminent domain pursuant to the laws of eminent  
11 domain and condemnation, all moneys paid for the taking of said real  
12 property or buildings, or both, or of any portion thereof, shall be re-  
13 tained by Lessor, and Lessee shall have no claim against Lessor as a  
14 result of the condemnation. If the entire real property described here-  
15 in shall be taken by such proceeding, this Lease shall terminate as of  
16 the date title vests in the condemning authority, and all moneys paid  
17 under such taking shall be and remain the sole and exclusive property  
18 of Lessor, it being understood and agreed that, upon vacation of the  
19 premises by Lessee, Lessee shall be entitled to the return of any unused  
20 portion of prepaid rental and/or security deposit. Nothing herein con-  
21 tained shall be so construed as to give Lessor any right, title or inter-  
22 est in or to the personal property of Lessee, which Lessee shall have  
23 the right, under the terms of this Lease, to remove. If a partial taking  
24 of the leased premises occurs which makes occupancy of the same for the  
25 purposes of this Lease impractical, this Lease shall terminate as of  
26 the date title vests in the condemning authority, in which event all  
27 the unused portion of any prepaid rentals and/or security deposit as  
28 of the date of vacation of the premises by Lessee shall be returned to  
29 Lessee and all other rentals completely abated. Sale of all or part  
30 of the leased premises to a purchaser with the power of eminent domain  
31 in the face of a threat of probable exercise of such power shall be  
32 treated, for the purposes of this provision, as a taking by eminent  
Indenture of Lease

1 domain or condemnation.

2 17. Payment of Taxes on Lessee's Property: Lessor shall have no  
3 obligation to pay any personal property taxes and assessments levied  
4 by any taxing authority upon the personal property, equipment, fixtures  
5 and inventory of Lessee and that said personal property taxes, assess-  
6 ments and levies, both rolled and not rolled, shall be paid by Lessee.

7 18. Lessee to Maintain Fire Insurance: Lessee shall maintain in-  
8 surance against loss by fire with a reputable insurance company on  
9 Lessee's personal property, equipment, fixtures and inventories, at  
10 Lessee's expense, in such amounts as Lessee shall choose, and Lessor  
11 shall be under no obligation to Lessee to insure the same.

12 19. Notices: Any notice required by the terms of this Lease to  
13 be given by one party hereto to the other or desired so to be given,  
14 shall be sufficient if in writing contained in a sealed envelope, de-  
15 posited in the United States Registered Mails with postage fully pre-  
16 paid, and if intended for Lessor herein, then if addressed to said Lessor  
17 at the address shown in paragraph 7 of this Lease, and if intended for  
18 Lessee, then if addressed to Lessee at the address shown in paragraph 7  
19 of this Lease. Any such notice shall be deemed conclusively to have  
20 been delivered to the addressee thereof 48 hours after the deposit there-  
21 of in said United States Registered Mails.

22 20. Delivering up Premises on Termination: At the expiration of  
23 said term or upon any sooner termination thereof, Lessee will quit and  
24 deliver up said leased premises and all future erections or additions  
25 to or upon the same, broom-clean, to Lessor or those having Lessor's  
26 estate in the premises, peaceably, quietly and in as good order and  
27 condition, reasonable use and wear thereof, damage by fire, unavoidable  
28 casualty and the elements alone excepted, as the same are now in or here-  
29 after may be put in by Lessor.

30 21. Holding Over: In the event Lessee, for any reason, shall hold  
31 over after the expiration of this Lease, such holding over shall not  
32 be deemed to operate as a renewal or extension of this Lease, but shall

1 only create a tenancy from month to month which may be terminated at  
2 will at any time by Lessor.

3 22. For Sale and For Rent Signs: During the period of days prior  
4 to the date above fixed for the termination of this Lease, Lessor herein  
5 may post on said premises or in the windows thereof signs of moderate  
6 size notifying the public that the premises are "for sale" or "for rent"  
7 or "for lease".

8 23. Waiver: Any waiver by Lessor of any breach of any covenant  
9 herein contained to be kept and performed by Lessee shall not be deemed  
10 or considered as a continuing waiver, and shall not operate to bar or  
11 prevent Lessor from declaring a forfeiture for any succeeding breach,  
12 either of the same condition or covenant or otherwise.

13 24. Heirs and Assigns: All rights, remedies and liabilities here-  
14 in given to or imposed upon either of the parties hereto shall extend  
15 to, inure to the benefit of and bind, as the circumstances may require,  
16 the heirs, executors, administrators, successors and, so far as this  
17 Lease is assignable by the terms hereof, to the assigns of such parties.

18 25. Time of the Essence and Remedies by Lessor:

19 a. Time: Time is the essence of this Lease agreement and  
20 that this Lease is upon the express condition that, if Lessee fails  
21 to pay the rental reserved and provided hereunder for a period of  
22 ten (10) days after the same becomes due, or fails to observe, per-  
23 form, keep or comply with any covenant, agreement, condition or  
24 provision of the Lease to be observed, performed, kept or complied  
25 with by Lessee, Lessor, or Lessor's successors in interest, may,  
26 at Lessor's option, immediately, or at any time thereafter while  
27 such default continues, forthwith and without further notice, termi-  
28 nate this Lease, whereupon, without any other act on the part of  
29 Lessor, all rights, interest and estate of Lessee hereunder shall  
30 utterly cease and terminate, and Lessor shall thereupon be reverted  
31 in the full estate of said premises as if this Lease had never been  
32 entered into, and, in such event, Lessee hereby agrees to vacate

1 said premises peaceably and forthwith, and, if Lessee fails to do  
 2 so, Lessor may, without further notice, enter upon said premises,  
 3 or any part thereof, in the name of the whole, and expell Lessee,  
 4 Lessee's agents, employees and representatives therefrom and remove  
 5 therefrom Lessee's property and effects, without legal process and  
 6 without trespassing and without liability for damage or injury to  
 7 person or property, Lessor to retain all prepaid rentals as liquid-  
 8 ated damages for such breach of this Lease, without, in any manner,  
 9 preventing or affecting the rights of Lessor to recover any rentals  
 10 in arrear, hereunder and/or any additional damages actually sus-  
 11 tained by Lessor by reason of or resulting from such default or  
 12 defaults of Lessee and without any prejudice to any remedies which  
 13 might otherwise be used for arrears of rent or proceedings for  
 14 breach of covenant.

15 b. Liability: Lessor may, as Lessee's agent, and without  
 16 being obligated to do so, rent the premises for the best rental  
 17 and best terms then reasonably obtainable without releasing Lessee  
 18 hereunder from any liability for rent or otherwise, applying any  
 19 moneys collected first to the expenses of such repossession and  
 20 such renting, and then to the payment of the rent and all charges  
 21 due or to become due to Lessor under the terms of this present  
 22 Lease, any surplus to be paid to Lessee, who shall remain liable  
 23 for any deficiency of rent under this Lease, with this proviso,  
 24 however, that Lessor may immediately bring action or suit for the  
 25 deficiency of unpaid rent upon the renting of said premises as  
 26 agents of Lessee, and provided further, that no waiver of any breach  
 27 of any covenant herein contained to be kept by Lessee shall be  
 28 deemed or considered as a continuing waiver or a waiver of any sub-  
 29 sequent breach of the same covenant or of any other covenant.

30 26. Attorney Fees and Court Costs: In the event suit or action  
 31 is instituted to enforce compliance with any of the terms, covenants  
 32 or conditions of this Lease, or to collect the rental which may become

1 due hereunder, or any portion thereof, the prevailing party shall re-  
 2 cover from the other party such sum as the trial court may adjudge reason-  
 3 able as attorney fees to be allowed in such suit or action and in the  
 4 event any appeal is taken from any judgment or decree in such suit or  
 5 action, such further sum as the appellate court shall adjudge reasonable  
 6 as attorney fees on such appeal, in addition to costs and disbursements  
 7 allowed by law, Lessee also agrees to pay and discharge all Lessor's  
 8 costs and expenses, including Lessor's reasonable attorney fees, that  
 9 shall arise from enforcing any provisions or covenants of this Lease  
 10 even though no suit or action is instituted.

11 27. Construction: In construing this Lease, it is understood that  
 12 Lessor or Lessee may be more than one person; that if the context so  
 13 requires, the singular pronoun shall be taken to mean and include the  
 14 plural, the masculine, the feminine and the neuter, and that generally  
 15 all grammatical changes shall be made, assumed and implied to make the  
 16 provisions hereof apply equally to corporations and individuals.

17 28. Title: Paragraph headings in this Lease are for convenience  
 18 only and are not to be construed as part of this agreement.

19 IN WITNESS WHEREOF, the respective parties have executed this in-  
 20 strument on this, the day and year first above written, any corporate  
 21 signature being by authority of its Board of Directors.

22 HOLL LOGGING COMPANY

LOVENESS COMPANY

23  
 24 By *William V. Hall*

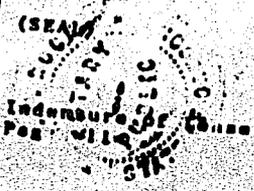
By *[Signature]*

26 STATE OF OREGON )  
 27 County of Klamath ) ss.

28 On this 12 day of April, 1977, personally appeared  
 29 the above named William V. Hall and R. E. Lovness and acknowledged the  
 30 foregoing to be their voluntary act and deed.

Before me:

*Richard [Signature]*  
 Notary Public for Oregon  
 My commission expires: 4-11-81



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1 STATE OF OREGON )  
2 County of Klamath ) ss.

3 On this \_\_\_\_\_ day of \_\_\_\_\_, 1977, personally appeared  
4 the above named \_\_\_\_\_ and acknowledged the  
5 foregoing to be \_\_\_\_\_ voluntary act and deed.  
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7 Before me:  
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(SEAL)

Notary Public for Oregon  
My commission expires: \_\_\_\_\_

STAT \_\_\_\_\_; COUNTY OF KLAMATH; ss.  
Filed for record at request of Steven Zamsky, Attorney  
his 21st day of August A.D. 1981 at 3:20 o'clock P. M., and  
duly recorded in Vol. 881 of Deeds on Page 15000  
By Evelyn Biehn County Clerk  
Fee \$42.00

After recording return to:

STEVEN A. ZAMSKY, P.C.  
110 North 6th, Suite 207  
Klamath Falls, OR 97601

STATE OF OREGON: COUNTY OF KLAMATH: ss.  
Filed for record at request of \_\_\_\_\_  
of \_\_\_\_\_ A.D. 19 87 at 8:45 o'clock \_\_\_\_\_ the \_\_\_\_\_ day  
of \_\_\_\_\_ at \_\_\_\_\_

3.00  
Deeds \_\_\_\_\_ on Page 3483 and duly recorded in Vol. M87  
By Evelyn Biehn County Clerk  
Ann Smith