

Ret: KERNS BROTHERS REAL ESTATE
Rt. 5, Box 1416
Klamath Falls, OR 97601

LEASE AGREEMENT

1. PARTIES. This lease, dated Dec 1, 1988, is made between KERNS BROTHERS REAL ESTATE, a co-partnership consisting of James William Kerns, John Paul Kerns, and Robert Benjamin Kerns, (herein called "Landlord") and Ken's Music (herein called "Tenant").

2. PREMISES. Landlord hereby leases to Tenant and Tenant leases from Landlord for the term, at the rental, and upon all of the conditions set forth herein, the S.W. portion of that certain building located upon the real property described on the attached Exhibit "A" and containing approximately 1950 square feet, with a frontage of 25 feet and a depth of 78 feet, also known as 1939 Austin Avenue, Klamath Falls, Oregon 97603.

3. TERM. The initial term shall be for six months, commencing on the 10 day of December, 1988, and ending on the 10 day of June, 1989.

4. OPTIONS TO EXTEND. Tenant is granted an option to extend the initial term of this lease on all of the provisions herein contained for a three year period provided Tenant shall give written notice of the exercise of the option to Landlord at least thirty days prior to the expiration of the initial term.

5. RENT. Commencing on the 10 day of December, 1988, a monthly rental of \$800.00 shall be paid, and a like sum paid on the 15 day of each and every month during the term of this lease.

88 DEC 8 AM 11 17

6. USE. The premises shall be used and occupied for a retail musical instrument and supply business.
7. MAINTENANCE BY LANDLORD. Landlord shall at its expense maintain the roof, foundation, underground or otherwise concealed plumbing, exterior walls (excluding all glass, windows and doors) of the building in good repair and condition.
8. MAINTENANCE BY TENANT. Tenant shall at its expense maintain all other parts of the building, keeping the interior premises in good order, condition and repair. On the last day of the term hereof, or on any sooner termination, Tenant shall surrender the premises to Landlord in good condition, broom clean, ordinary wear and tear excepted.
9. ALTERATIONS AND ADDITIONS. Tenant shall not, without Landlord's consent, make any alterations, improvements, or additions in, on, or about the premises.
10. LIABILITY INSURANCE; INDEMNITY. During the term of this lease, the Tenant shall at its expense maintain general public liability insurance against claims for personal injury, death or property damage occurring in, upon or about the premises and on any sidewalks directly adjacent to the premises. Tenant shall indemnify, defend and hold Landlord harmless from any and all claims arising from Tenant's use of the premises or from the conduct of its business, or from any loss, expense or claims arising out of any injury or damage, unless such damage or injury result from Landlord's act or neglect.
11. REAL PROPERTY TAXES. Landlord shall pay all real property taxes and assessments applicable to the premises during the term of the lease in full when due.

11. REAL PROPERTY TAXES (cont.). If during the second full real estate tax year after the beginning date of this lease or during any subsequent year of the term of this lease or any renewal thereof, the real estate taxes levied against the premises for such tax year shall be in excess of the taxes levied the first year after the beginning date of this lease, Tenant shall pay to Landlord, as additional rental, upon presentation of photocopies of the tax statements, the amount of such excess.

12. UTILITIES. Landlord shall provide at the beginning of this lease the normal and customary utility service connections in the premises. Tenant shall pay all charges for water, gas, heat, light, power, and telephone used on the premises.

13. DEFAULT BY TENANT. If Tenant shall fail to pay any installment of the rent on the date that the same is due and such failure shall continue for a period of thirty days, Landlord shall have the option to terminate this lease, in which event Tenant shall immediately surrender the premises to Landlord.

14. INSURANCE. The Landlord shall keep the leased property insured throughout the term of this lease against loss or damage by fire and such other risks as may be included in the broadest form of extended coverage insured in the amount of the replacement value of the structure.

EXECUTED this 1 day of December, 1988.

KERNS BROTHERS REAL ESTATE

BY: James Kerns

TITLE: Partner

KEN'S MUSIC

BY: Ken Embrey

TITLE: Owner

STATE OF OREGON)

County of Klamath)

ss. December 1, 1988.

Personally appeared the above-named James Kerns and
acknowledged the foregoing instrument to be his voluntary act.
Before me:



Judy Brostertius
Notary Public for Oregon

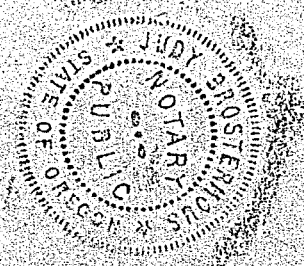
My Commission expires: 1-20-92

STATE OF OREGON)

County of Klamath)

ss. December 1, 1988.

Personally appeared the above-named Ken Embry and
acknowledged the foregoing instrument to be his voluntary act.
Before me:



Judy Brostertius
Notary Public for Oregon

My Commission expires: 1-20-92

WESTVOLD & ASSOCIATES**ENGINEERING & SURVEYING**TELEPHONE 894-3401
2311 SUMMIT LANE • KLAMATH FALLS, OREGON 97601
July 21, 1982**LEGAL DESCRIPTION
FOR
FABRIC STORE PROPERTIES**

A tract of land situated in Tract 33A, Enterprise Tracts subdivision, in the NW $\frac{1}{4}$ of Section 3, T39S, R9EWM, Klamath County, Oregon, more particularly described as follows:

Beginning at the corner monument marking the Northwest corner of said section 3; thence S00°00'30"E, along the westerly boundary of said section 3, 826.8 feet, more or less, to its intersection with a line parallel with and 75 feet distant at right angles northeasterly from the centerline of South Sixth Street as the same is now located and constructed; said parallel line being also the northerly right of way line of said street; thence S55°52'30"E, along said parallel line 1741.84 feet to a 5/8-inch iron pin marking the easterly right of way line of Austin Street with the location of said point being in conformance with record of survey No. 939 filed in the office of the Klamath County Surveyor, which contains the original owner's certification of original property corners; thence N34°07'30"E at right angles to said South Sixth Street and along the easterly right of way line of said Austin Street a distance of 250.00 feet to the northwest corner of that tract of land described in D.V. M69, page 10247 as recorded in the Klamath County deed records; thence S55°52'30"E 205.28 feet; thence N34°07'30"E, generally along the southeasterly edge of an existing building and its southwesterly extension, 154.27 feet to the southerly line of the parcel conveyed by D.V. M72, page 6088 as recorded in the Klamath County deed records, said point being the TRUE POINT OF BEGINNING of this description; Thence N55°52'30"W, along the said southerly line, 205.28 feet to the southeasterly right of way line of said Austin Street; thence S34°07'30"W, along said right of way line, 154.27 feet to the northwesterly corner of said D.V. M69, page 10247; thence S55°52'30"E 205.28 feet; thence N34°07'30"E 154.27 feet to the TRUE POINT OF BEGINNING, containing 31,669 square feet; TOGETHER WITH a 4-foot roof overhang and side-walk easement northeasterly of and parallel to the following described line; Beginning at the TRUE POINT OF BEGINNING; thence N55°52'30"W 90.28 feet; and SUBJECT TO a 4-foot side-walk easement southwesterly of, being adjacent with and parallel to the above described easement.

Joseph S. Westvold
Joseph S. Westvold

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Kerns Brothers Real Estate the 8th day
of Dec. A.D. 19 88 at 11:17 o'clock AM., and duly recorded in Vol. M88
of Deeds on Page 20913
Evelyn Biehn
County Clerk
By Quinn Mulholland

FEE \$28.00