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LEASE OF REAL PROPERTY AND OPTION TO PURCHASE

THIS LEASE is made and executed this 24th day of May, 1993 by and between A. L. BRUNER of 607 Avenue de Teresa, Grants Pass, Oregon 97526, hereinafter referred to as "Lessor", and BERNARD L. SIMONSEN and RHEA E. SIMONSEN, Trustees of the Simonsen Family Trust dated March 20, 1986 of 9390 Highway 140 East, Klamath Falls, Oregon 97603, hereinafter referred to as "Lessees."

W I T N E S S E T H:

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

SECTION ONE
DESCRIPTION OF PREMISES

Lessor leases to Lessees the real property known as the AMB Limousin Ranch located on Kerns Swamp Road, Klamath County, Oregon, more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof.

SECTION TWO
TERM

The term of this lease is for five years from May 1, 1993 and terminating at 11:59 p.m. April 30, 1998.

SECTION THREE
RENT

Lessees agree to pay without demand to Lessor installments of SIXTY THOUSAND DOLLARS (\$60,000) annually beginning May 1, 1994. The succeeding payments are due on the first day of May of each year thereafter during the term of this lease. The total rent for the lease term is TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000). No rent is required to be paid for the first twelve months of the lease term. Lessor agrees to pay all real property taxes and Lessees agree to pay all water and power charges.

SECTION FOUR
USE OF PREMISES

The premises are to be used for agricultural purposes including raising cattle and other related operations. Lessees shall restrict the use to such purposes and shall not use or permit the use of the premises for any other purpose without the written consent of Lessor or Lessor's authorized agent. During the first year of the lease term Lessor shall be allowed to leave his cattle which are presently on the premises. Lessees shall provide the day to day supervision and maintenance of said cattle

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belonging to Lessor. Lessor shall be responsible for any veterinarian expenses and feed other than pasture furnished to said cattle. During the last four years of the lease term Lessees shall notify Lessor if Lessees have the ability to accommodate any of Lessor's cattle on the premises with arrangements to be negotiated. Lessor reserves nonexclusive hunting rights during the term of the lease. Lessees shall have the use of the following personal property: 8 mint sheds; 1 ridger; 1 ditcher; 3 wheel lines; 2 head chutes; and 2 squeeze chutes.

SECTION FIVE RESTRICTIONS ON USE

Lessees shall maintain the qualification of the premises for the farm use special tax assessment during the term of the lease. In the event that Lessees fail to maintain such qualification on all or any portion of the premises, then and in such event Lessees shall be responsible for all financial consequences and hold Lessor harmless therefrom.

SECTION SIX WASTE, NUISANCE, OR UNLAWFUL ACTIVITY

Lessees shall not allow any waste or nuisance on the premises or use or allow the premises to be used for any unlawful purpose.

SECTION SEVEN REPAIRS AND MAINTENANCE

Lessees shall maintain the premises and keep them in good repair at their expense.

SECTION EIGHT DELIVERY, ACCEPTANCE, AND SURRENDER OF PREMISES

Lessor represents that the premises are in fit condition for use by Lessees. Acceptance of premises by Lessees shall be construed as recognition that the premises are in good state of repair and in sanitary condition. Lessees shall surrender the premises at the end of the lease term or any renewal thereof in the same condition as when Lessees took possession allowing for reasonable use and wear and damage by acts of God, including fires and storms.

SECTION NINE ENTRY ON PREMISES BY LESSOR

Lessor reserves the right to enter on the premises at reasonable times to inspect them.

**SECTION TEN
NONLIABILITY OF LESSOR FOR DAMAGES**

Lessor shall not be liable for liability or damage claims for injury to persons or property from any cause relating to the occupancy of the premises by Lessees. Lessees shall indemnify Lessor from all liability, loss or other damage claims or obligations resulting from any injuries or losses of this nature arising out of Lessees' use of the premises. Landlord shall be liable for claims arising out of Landlord's use of the premises.

**SECTION ELEVEN
LIABILITY INSURANCE**

Lessees shall procure and maintain in force at their expense during the term of this lease and any extension thereof liability insurance with insurers and through brokers approved by Lessor. Such coverage shall be adequate to protect against liability for damage claims arising out of accidents occurring in or around the leased premises in a minimum amount of \$1,000,000.00 for each person injured, \$1,000,000.00 for property damage, and \$1,000,000.00 for any one accident. The insurance policies shall provide coverage for contingent liability of Lessor of any claims or losses. The certificates of insurance shall be delivered to Lessor. Lessees shall obtain a written obligation from the insurers to notify Lessor in writing at least 15 days prior to cancellation or refusal to renew any policy. If the insurance policies are not kept in force during the entire term of this lease or any extension thereof, Lessor may procure the necessary insurance and pay the premium therefor, and the premium shall be repaid to Lessor as an additional rent installment.

**SECTION TWELVE
ASSIGNMENT**

Lessees shall not assign or sublease the premises, or any right or privilege connected therewith, or allow any other person except agents and employees of Lessees to occupy the premises or any part thereof without first obtaining the written consent of Lessor. A consent by Lessor shall not be a consent to a subsequent assignment, sublease, or occupation by other persons. An unauthorized assignment, sublease or license to occupy by Lessees shall be void and shall terminate the lease at the option of Lessor. The interest of Lessees in this lease is not assignable by operation of law or otherwise without the written consent of Lessor which consent shall not be unreasonably withheld. Lessor may rent out pasture to third persons.

SECTION THIRTEEN DEFAULT

The appointment of a receiver to take possession of the assets of Lessees, a general assignment for the benefit of the creditors of Lessees, any action taken or allowed to be taken by Lessees under any bankruptcy act, or the failure of Lessees to comply with each and every term and condition of this lease shall constitute a breach of this lease. Lessees shall have 30 days after receipt of written notice from Lessor of any breach to correct the conditions specified in the notice, or if the corrections cannot be made within the 30-day period, Lessees shall have a reasonable time to correct the default if action is commenced by Lessees within ten days after receipt of the notice.

SECTION FOURTEEN LESSOR'S REMEDIES

Lessor shall have the following remedies in addition to any other rights and remedies in the event Lessees breach this lease agreement and fail to make corrections as set forth in SECTION THIRTEEN.

(1) Lessor may re-enter the premises immediately and remove the property and personnel of Lessees and arrange for the care of Lessees' property at Lessees' expense.

(2) After re-entry, Lessor may terminate the lease giving 30 days' written notice of termination to Lessees. Without such notice, re-entry will not terminate the lease. On termination, Lessor may recover from Lessees all damages proximately resulting from the breach, including the cost of recovering the premises and the worth of the balance of this lease over the reasonable rental value of the premises for the remainder of the lease term, which sum shall be immediately due Lessor from Lessees.

(3) After re-entry, Lessor may relet the premises or any part thereof for any term without terminating the lease, at such rent and on such terms as he may choose. Lessor may make alterations and repairs to the premises. The duties and liabilities of the parties if the premises are relet as provided herein shall be as follows:

(a) In addition to Lessees' liability to Lessor for breach of this lease, Lessees shall be liable for all expenses of the reletting, for the alterations and repairs made, and for the difference between the rent received by Lessor under the new lease agreement and the rent installments that are due for the same period under this lease;

(b) Lessor, at his option, shall have the right to apply the rent received from reletting the premises (1) to reduce Lessees' indebtedness to Lessor under the lease, not including indebtedness for rent, (2) to the expense of reletting and alterations and repairs made, (3) to rent due under this lease, or (4) to payment of future rent under this lease as it becomes due.

If the new Lessees do not pay a rent installment promptly to Lessor, and the rent installment has been credited in advance of payment to the indebtedness of Lessees other than rent, or if rentals from the new Lessees have been otherwise applied by Lessor as provided for herein, and during any rent installment period under this lease, Lessees shall pay Lessor the deficiency separately for each rent installment deficiency period and before the end of that period. Lessor may at any time after such reletting terminate the lease for the breach on which Lessor based the re-entry and relet of the premises.

(4) After re-entry, Lessor may procure the appointment of a receiver to take possession and collect rents and profits of the business to Lessees, and if necessary, to collect the rents and profits the receiver may carry on the business of Lessees and take possession of the personal property used in the business of Lessees and use them in the business without compensating Lessees. Proceedings for appointment of a receiver by Lessor shall not terminate and forfeit this lease unless written notice of termination has been delivered to Lessees as provided herein.

SECTION FIFTEEN ATTORNEY'S FEES

If Lessor files an action to enforce any agreement contained in this lease, or for the breach of any covenant or condition, Lessees shall pay Lessor's reasonable attorney's fees for the services of Lessor's attorney in the action including attorney's fees on appeal, all fees to be fixed by the court.

SECTION SIXTEEN EMINENT DOMAIN

Eminent domain proceedings resulting in the condemnation of a part of the premises leased herein, but leaving the remaining premises usable by Lessees for the purpose of their business, will not terminate this lease unless Lessor, at his option, terminates the lease by giving written notice of termination to Lessees. The effect of any condemnation, where the option to terminate is not exercised, will be to terminate the lease as to the portion of the premises condemned, and the lease of the remainder of the demised premises shall remain intact. The rental for the remainder of the lease term shall be reduced by the amount that the usefulness of the premises has

been reduced for the business purposes of Lessees. Lessees hereby assign and transfer to Lessor any claim they may have to compensation for damages as a result of any condemnation.

**SECTION SEVENTEEN
OPTION TO PURCHASE**

Lessor grants to Lessees the option to purchase the premises at any time during the term of this lease or any extension thereof provided that Lessees are not in default of the terms of the lease agreement. Lessees shall give to Lessor no later than December 31, 1997 notice in writing of Lessees' exercise of this option to purchase. The purchase price shall be ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000) provided that a determination is made on or before May 1, 1998 that the premises has water rights superior to the rights of the United States Bureau of Reclamation. In the event that no such determination has been made as to water rights by May 1, 1998, then and in such event the purchase price shall be ONE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$1,400,000).

If the option is exercised, Lessor shall within 60 days after delivery to him of the notice of exercise secure and submit to Lessees for examination by their attorney evidence of merchantable title in the property by a preliminary title report of a qualified title insurance company doing business in the state of Oregon. Within 30 days thereafter, Lessees shall give notice in writing to Lessor of any defects in or objections to the title as so evidenced. Lessor shall clear the title of defects and objections so specified. If Lessor fails to clear title to the extent herein required or to submit evidence of his ability to do so prior to closing and such failure continues for 150 days after the date of exercise of the option, Lessees may clear title to the extent so required and charge the cost of clearing to Lessor or at their option may terminate the contract by giving 30 days' notice to Lessor.

Title to be conveyed as herein provided shall be merchantable title free and clear of all liens, encumbrances, restrictions, and easements, except land use regulations of record and easements recorded after May 24, 1993.

An escrow shall be opened with a title company doing business in Klamath County, Oregon to be agreed upon between Lessor and Lessees within 30 days after the exercise of the option. All necessary documents shall be delivered to the escrow agent and all payments required hereunder including payment of the balance of the purchase price shall be made to the escrow agent. Lessor and Lessees shall execute such escrow instructions not inconsistent with the terms of this option as may be requested by the escrow agent from time to time.

Real property taxes for the current year shall be prorated between the parties as of the date of closing of escrow. The sale transaction shall close when the escrow agent is able to comply with the provisions hereof. If closing is not accomplished within 180 days from the date of exercise of the option or such extended period thereafter as provided for by escrow instructions, at the election of either party the escrow shall be terminated and all deposits made on the account of the purchase price and instruments deposited into escrow shall be returned to the respective parties entitled thereto.

Any notice hereunder shall be given in writing to the party for whom it is intended in person or by certified mail. This option and the contract resulting from the exercise thereof shall bind and inure to the benefit of the heirs, administrators, executors, successors, and assigns of the respective parties. All rights of Lessees hereunder may be assigned only with the written consent of Lessor which consent shall not be unreasonably withheld. The purchase price shall be due and payable in full upon delivery of a Warranty Deed or upon such terms as the parties may mutually agree. Lessor and Lessees agree to cooperate in a reasonable manner to facilitate a 1031 exchange of real property if Lessees exercise their option to purchase. If the option is not closed or extended by written agreement between the parties the option shall terminate July 1, 1998.

SECTION EIGHTEEN REPRESENTATION BY ATTORNEY

The parties hereto acknowledge that this lease agreement was prepared by Michael L. Brant, 325 Main Street, Klamath Falls, Oregon solely on behalf of Lessor and that said attorney in no way represents Lessees. Lessees are encouraged to seek independent legal counsel of Lessees' choice.

SECTION NINETEEN BINDING EFFECT

The covenants and conditions herein contained shall apply to and bind the heirs, legal representatives, and assigns of the parties hereto, and all covenants are to be construed as conditions of this lease.

IN WITNESS WHEREOF, the parties have executed this lease at Klamath Falls, Oregon, the day, month, and year first

above written.

LESSOR:

A. L. Bruner
A. L. Bruner

STATE OF OREGON)
) ss.
County of Klamath)

Before me this 24th day of May, 1993, personally appeared the above-named A. L. Bruner, Lessor, and acknowledged the foregoing instrument to be his voluntary act and deed.



Michael L. Brant
Notary Public for Oregon
My Commission Expires: 1/22/97

LESSEES:

Bernard L. Simonsen
Bernard L. Simonsen, Trustee
of the Simonsen Family Trust
dated 3/20/86 and individually

Rhea E. Simonsen
Rhea E. Simonsen, Trustee
of the Simonsen Family Trust
dated 3/20/86 and individually

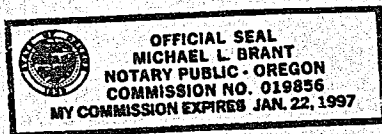
STATE OF OREGON)
) ss.
County of Klamath)

Before me this 24th day of May, 1993, personally

LEASE OF REAL PROPERTY AND OPTION TO PURCHASE

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appeared the above-named BERNARD L. SIMONSEN and RHEA E. SIMONSEN, Trustees of the Simonsen Family Trust dated 3/20/86 and as individuals, Lessees herein, and acknowledged the foregoing instrument to be their voluntary act and deed.



Michael L. Brant
Notary Public for Oregon
My Commission Expires: 1/22/93

PARCEL 1:

In Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

Section 2: Government Lots 4 and 10

Section 3: S 1/2 S 1/2

Section 9: NE 1/4, E 1/2 NE 1/4 NW 1/4, The East 20 acres of Government Lot 12; E 1/2 SE 1/4, and Government Lots 1, 2, 3, 8, 9, 10 and 11

Section 10: N 1/2 NW 1/4, SW 1/4 NW 1/4, W 1/2 SW 1/4, Government Lots 8, 9, 10, 11 and 12. ALSO that part of Section 10 described as follows:

Beginning at a point at which the present boundary fence intersects the meander line on the Easterly border of tule marsh on right or west bank of Klamath River approximately North 14 degrees 5' East 33.20 chains from the fractional section corner common to Sections 10 and 15 on said meander line; thence along the boundary fence North 14 degrees 30' East 4.30 chains; thence North 29 degrees East 7.00 chains; thence North 26 degrees 15' East 8.75 chains to said meander line; thence back along said meander line South 51 degrees 30' West 1.00 chains; thence South 26 degrees 15' West 8.00 chains; thence South 30 degrees 15' West 7.00 chains; thence South 6 degrees West 4.00 chains, more or less, to the point of beginning.

BUT EXCEPTING FROM Lots 8 and 9 above, the following parcel:

Beginning at the fractional section corner common to Sections 10 and 15, 27.60 chains East of the section corner common to Sections 9, 10, 15 & 16, Township 40 South, Range 8 East of the Willamette Meridian; thence West .50 chains to the present boundary fence; thence following said fence North 52 degrees 35' East .40 chains; thence North 14 degrees 30' East along said fence 32.80 chains, more or less, to the meander line of the East boundary of the tule marsh on the right or West bank of the Klamath River; thence following said meander line South 6 degrees West 11.4 chains; thence South 23 degrees 15' East 7 chains; thence South 3 degrees 30' East 8 chains; thence South 65 degrees 45' West 10.45 chains to the point of beginning.

EXHIBIT "A" CONTINUED - Page 2

AND EXCEPTING FROM Lot 12 above the following parcel:

Beginning at the fractional section corner between Sections 10 and 11, 6.38 chains South of the section corners common to Sections 2, 3, 10 and 11, Township 40 South, Range 8 East of the Willamette Meridian; thence along the meander line South 67 degrees 15' West 19.80 chains, more or less, to the present boundary fence; thence North 63 degrees 30' East 20.60 chains, more or less, to the section line between Sections 10 and 11; thence South 1 degree West along the section line 1.55 chains to the point of beginning.

Section 15: Lot 2; and all that part of Lot 1 lying South of a line drawn East and West from a point 6.69 chains South of Fractional section corner common to Sections 15 and 16. AND ALSO Lot 19.

SAVING AND EXCEPTING THEREFROM: Beginning at the fractional section corner common to Sections 10 and 15, 27.60 chains East of the corner common to Sections 9, 10, 15 and 16, Township 40 South, Range 8 East of the Willamette Meridian; thence along the meander line South 46 degrees 30' West 20.60 chains; thence South 61 degrees 15' West 15.13 chains, more or less, to the boundary fence at the fractional section corner common to Sections 15 and 16; thence North 1 degree East .25 chains to a fence corner; thence North 52 degrees 35' East along said boundary fence 34.80 chains, more or less, to the North section line of Section 15; thence East 50 links to the point of beginning.

Section 16: Government Lots 7, 8, 9, 10, 15, 16, 17 and the SW 1/4 NE 1/4

PARCEL 2:

Lots 1, 2, 3 and 4, Section 10, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, EXCEPTING the following portion thereof conveyed to Ruth Kerns Ray, by deed recorded on Page 583, Volume 107 of Deed Records of Klamath County, Oregon.

All that part of Section 10, Township 40 South, Range 8 East of the Willamette Meridian, described as follows:

EXHIBIT "A" CONTINUED - Page 3

Beginning at a point at which the present boundary fence intersects the meander line on the Easterly border of the tule marsh on the right or West bank of Klamath River, approximately North 14 degrees 5' East 33.20 chains from the fractional section corner common to Sections 10 and 15 on the said meander line; thence along the boundary fence North 14 degrees 30' East 4.30 chains; thence North 29 degrees East 7.00 chains; thence North 26 degrees 15' East 8.75 chains to the said meander line; thence back along said meander line South 51 degrees 30' West 1.00 chains; South 26 degrees 15' West 8.00 chains; thence South 30 degrees 15' West 7.00 chains; thence South 6 degrees West 4.00 chains, more or less, to the point of beginning.

ALSO Lot 1 of Section 15, Township 40 South, Range 8 East of the Willamette Meridian, EXCEPTING the following portion thereof conveyed to Ruth Kerns Ray by Deed recorded on Page 583, Volume 107 of Deed Records of Klamath County, Oregon.

All that part of Lot 1, Section 15, Township 40 South, Range 8 East of the Willamette Meridian, lying South of a line drawn East and West from a point 6.69 chains South of the fractional section corner common to Sections 15 and 16, a stone marking the Northwest corner of said Lot 1, Section 15.

ALSO Lot 1 of Section 11 and Lots 17 and 18 of Section 15, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

ALSO all that part of Lot 6, Section 11, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the fractional section corner between Sections 10 and 11, 6.38 chains South of the sections corner common to Sections 2, 3, 10 and 11, Township 40 South, Range 8 East of the Willamette Meridian; thence North 55 degrees 15' East along the meander line 9.07 chains to the present boundary fence; thence South 63 degrees 30' West 8.60 chains along said fence to the section line; thence South 1 degree West 1.55 chains to the point of beginning.

ALSO all that part of Section 10, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the fractional section corner between Sections 10 and 11, 6.38 chains South of the section corner common to Sections 2, 3, 10 and 11, Township 40 South, Range 8 East of the Willamette Meridian; thence along the meander line South 67 degrees 15' West 19.80 chains, more or less, to the present boundary fence; thence North 63 degrees 30' East 20.60 chains, more or less, to the section line between Sections 10 and 11; thence South 1 degree West along the section line, 1.55 chains to the point of beginning.

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EXHIBIT "A" CONTINUED - Page 4

ALSO all that part of Section 10, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the fractional section corner common to Sections 10 and 15, 27.60 chains East of the section corner common to Sections 9, 10, 15 and 16, Township 40 South, Range 8 East of the Willamette Meridian; thence West .50 chains to the present boundary fence; thence following said fence North 52 degrees 35' East .40 chains; thence North 14 degrees 30' East along said fence 32.80 chains, more or less to the meander line on the East boundary of the tule marsh on the right or West bank of the Klamath River; thence following said meander line South 6 degrees West 14.00 chains; thence South 23 degrees 15' East 7.00 chains; thence South 3 degrees 30' East 8.00 chains; thence South 65 degrees 45' West 10.45 chains to the point of beginning.

ALSO all that part of Section 15, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the fractional section corner common to Sections 10 and 15, 27.60 chains East of the section corner common to Sections 9, 10, 15 and 16, Township 40 South, Range 8 East of the Willamette Meridian; thence along the meander line South 46 degrees 30' West 20.60 chains; thence South 61 degrees 15' West 15.13 chains, more or less to the boundary fence at the fractional section corner common to Sections 15 and 16; thence North 1 degree East .25 chains to a fence corner; thence North 52 degrees 35' East along said boundary fence 34.80 chains, more or less, to the North section line of Section 15; thence East 50 links to the point of beginning.

EXCEPTING THEREFROM any portion of the above described property lying within the N 1/2 NE 1/4 of Section 10, and the N 1/2 NW 1/4 of Section 11, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

PARCEL 3:

Government Lot 1 of Section 11 and Government Lot 1 of Section 10.

EXCEPTING THEREFROM any portion lying within the S 1/2 NE 1/4 of said Section 10, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon.

PARCEL 4:

Government Lot 6, Section 11, Township 40 South, Range 8 East of the Willamette Meridian, in the County of Klamath, State of Oregon, SAVE AND EXCEPT that portion thereof described as follows:

Beginning at the fractional section corner between Sections 10 and 11, 6.38 chains South of the section corner common to Sections 2, 3, 10 and 11, Township 40 South, Range 8 East of the Willamette Meridian; thence North 55 degrees 15' East along the meander line 9.07 chains to the present boundary fence; thence South 63 degrees 30' West 8.60 chains along said fence to the section line; thence South 1 degree West 1.55 chains to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Brandsness & Brandsness the 7th day
of June A.D., 19 93 at 11:04 o'clock A M., and duly recorded in Vol. M93
of Deeds on Page 13003
Evelyn Biehn County Clerk
By Pauline M. Anderson

FEE \$95.00