

CONVENANT AND CONSENT

RECITALS

1. Thomas L. Stout and Beth Stout, hereinafter called "Stouts," are owners of real property described as:

That portion of the NW1/4 NW1/4 NE1/4 of Section 15, Township 36, Range 6 East of the Willamette Meridian, lying Southwesterly of Oregon State Highway 270, Klamath County, Oregon

hereinafter referred to as Parcel A.

2. Parcel A is adjacent to a certain tract of land described as:

All that portion of the SW1/4SE1/4 of Section 10, Township 36 South, Range 6 East of the Willamette Meridian, in the County of Klamath, State of Oregon, lying Southwesterly of the Oregon State Secondary Highway designated as Lake O' the Woods Highway No. 270, Klamath County, Oregon.

hereinafter referred to as Parcel B. Parcel B is presently known as the Pyramid Motel.

3. There is a disagreement and controversy between the owners of parcel A and Parcel B as to the exact location of the boundary line Parcel A and Parcel B.

4. Stouts believe that a certain portion of one of the Pyramid Motel Buildings encroaches upon Parcel A.

5. This agreement is for the benefit of Harry Barnett, his heirs and successors, hereinafter called "Barnett" who has paid the consideration therefore.

FOR VALUABLE CONSIDERATION RECEIVED, Stouts grant a

- A) Covenant Not To Sue, and
- B) Statement of Permissive Use of the land on Parcel A.

COVENANT NOT TO SUE

A) Stouts, and Stouts' successors, covenant that they will not bring claim or suit or threat of claim or suit against the owners of Parcel B for ejectment, trespass or other claim pertaining to or having to do with any alleged building encroachment as aforescribed, so long as the present building stands. In the event that the encroaching building is removed or destroyed, Mr. and Mrs. Stout reserve the right to utilize an appropriate method to resolve the location of the boundary between the parcels.

GRANT OF PERMISSIVE USE

B) Stouts grant permissive use to the owners of Parcel B for the use of such portion of Parcel A as is occupied by the buildings presently occupying Parcel B. Mr. and Mrs. Stout further agree to do nothing concerning boundaries prior to December 1, 1994. After that time Mr. and Mrs. Stout intend to serve formal notice of their boundary contentions upon the current owner or owners of Parcel B to prevent any adverse use claim from arising. The notice given by Mr. and Mrs. Stout shall be in substantially the following form:

NOTICE:

As the owners of land immediately south of the Pyramid Motel, we give you formal notice that we believe the most southerly outbuilding to be across the boundary line and encroaching upon our property. A survey is attached for your reference.

We intend to take no action to require you to remove the building. We hereby grant permission of your use of the building

in its present location and do not intend for its location or use to develop into title to our property, such as adverse possession.

DEFAULTS

The covenant not to sue shall be considered in default if any of the following occur:

1. Demand or claim is made against Mr. Harry Barnett for breach of warranty of title to Parcel B as a result of any action of Mr. and Mrs. Stout, including but not limited to a formal notice from Mr. and Mrs. Stout to the owners of Parcel B regarding the Stouts' boundary contentions as referred to above.
2. Any breach of the covenant not to sue by Mr. and Mrs. Stout.
3. Any claim made against Mr. Barnett for misrepresentation of the location of the southerly outbuilding which claim is not defensible by Mr. and Mrs. Barnett under the statute of limitations, provided that such claims are precipitated by actions by Mr. and Mrs. Stout.

REMEDIES

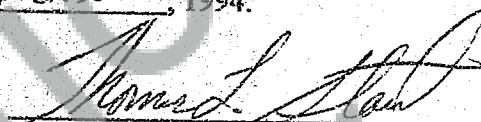
Upon any default of the Covenant Not To Sue, Barnett shall have available the following remedies for any breach:

1. The right to recover from Stouts the following:
 - a. Any and all damages paid by Barnett to third parties or owners of Parcel A as a result of any boundary line dispute or litigation which action is instigated or arises upon action brought by Stouts pertaining to the building encroachment.
 - b. All attorney's fees and court costs incurred by Barnett in defense of any claim brought against Barnett regarding encroachment of the building located on Parcel B encroaching upon Parcel A.

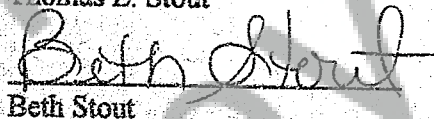
MISCELLANEOUS

1. The recitals of this agreement shall be made a part hereof.
2. This agreement shall be construed by use of the laws of the state of Oregon. If there is any ambiguity in the terms of the agreement it shall be construed as if all parties drafted the agreement.
3. Any dispute as to the terms of this agreement shall be resolved by arbitration under the laws of the state of Oregon and the rules of the Arbitration Service of Portland.
4. This agreement is binding upon the heirs, successors and assigns of Mr. and Mrs. Stout and successive owners of Parcel "A".

Dated this 7 day of September, 1994.



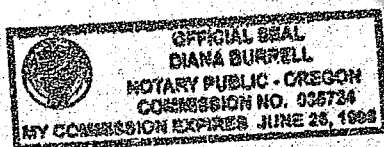
Thomas L. Stout

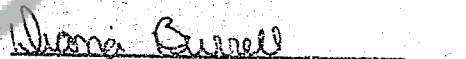


Beth Stout

STATE OF OREGON)
) SS.
County of Klamath)

Personally appeared Thomas L. Stout and Beth Stout, and acknowledged the foregoing instrument to be their voluntary act and deed. Before me.




Notary Public for the State of Oregon
My commission expires 6/26/98

Covenant and Consent Page -

STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of Harry Barnett the 25th day
of March A.D., 19 97 at 9:00 o'clock A. M., and duly recorded in Vol. M97
of Deeds on Page 8702

Return: Harry Barnett

Bernetha G. Letsch, County Clerk

FEE

\$25.00

7.50 c.c.

5502 N.E. 45th Ave.
Vancouver, Wa. 98661

by

