

LEASE AGREEMENT AND OPTION TO PURCHASE

'01 SEP 14 PM 2:32

THIS AGREEMENT between Ernst Brothers, L.L.C., an Oregon limited liability company (Ernst), of 1 Mountain View Drive, P.O. Box 637, Gilchrist, Oregon 97737, as Lessor, hereafter called Ernst, and Ed Staub & Sons Petroleum, Inc., a California corporation authorized to do business in Oregon (Staub), of 1440 North 4th Street, P.O. Box 671, Lakeview, Oregon 97630, as Lessee, hereafter called Staub:

1. Property. Ernst agrees to lease to Staub, and Staub agrees to lease from Ernst, the real property located in Crescent, Oregon, more specifically described in Exhibit "A" attached hereto.
2. Term. The term of this lease shall be for thirty (30) years beginning with the first day of September, 2001, and continuing through August 31, 2031.
3. Rental. In consideration of Ernst entering into this Lease Agreement, Staub agrees to pay to Ernst the sum of \$500.00 per month on or before the last day of every month during which this agreement is in effect, with the first such monthly payment to be due on or before September 30, 2001. Provided, however, that the monthly rental shall be adjusted at the end of every five (5) year period during which this Lease Agreement is in effect based upon the change in the Cost Price Index (CPI) as determined by the U.S. Department of Labor which is most applicable to the State of Oregon. For example, if the CPI increases by ten percent (10%) between September 1, 2001, and September 1, 2006, the monthly rental called for herein shall increase from \$500.00 per month to \$550.00 per month beginning with the month of September, 2006. In no case, however, shall the rental price be less than the \$500.00 per month base rent provided for herein.

oc

bl cash

rt: Dan Brown

4. Use of Premises. The property being leased to Staub is currently being utilized for a petroleum products bulk plant and card-lock operation. Staub shall continue to use the property for commercial purposes and shall be entitled to make permanent improvements thereto, which improvements shall remain with the real property upon the termination of this Lease Agreement unless Staub exercises the option to purchase referred to hereafter.

In that regard, however, the parties acknowledge that contemporaneously herewith stockholders in Staub and others are entering into an agreement to purchase the petroleum products bulk plant and card-lock operations as set forth in Paragraph 16 hereafter, and, in connection therewith, shall be entitled to remove the tanks, pumps and other accessories utilized in connection therewith from the property upon the termination of this Lease Agreement.

In addition, Staub's use of the property shall be in accordance with the following provisions:

(A) Staub shall conform to all laws and regulations of any governing entity whose laws and regulations are binding upon the premises.

(B) Staub shall make no illegal use of the premises nor use the premises or allow the premises to be used in such a manner as to create a nuisance, either public or private, during the terms of this Lease Agreement.

5. Insurance. During the term of this Lease Agreement, Staub shall obtain and maintain fire and casualty insurance with extended coverage in an amount equal to the full insurable value of the improvements upon the premises, which insurance shall show Ernst as one of as the insured party therein. In the event of loss, all proceeds shall be paid first to Ernst to the extent of Ernst's interest therein and then to Staub, unless within sixty (60) days after the date of the loss, Staub exercises its right to replace or repair the property damaged by the fire or casualty. In

the event Staub exercises its right to repair the property, Staub shall be entitled to utilize the proceeds from the insurance to the extent necessary in order to complete the repairs. Staub shall be required to obtain such insurance coverage as soon as feasible and provide Ernst proof of such insurance coverage.

In addition, Staub will obtain and maintain liability insurance upon the real property for the term of this Lease Agreement, which policy shall show Ernst as one of the insured and which policy shall be in the aggregate amount of not less than \$2,000,000.00. Staub shall be required to obtain such insurance coverage as soon as feasible and provide Ernst with proof of such insurance coverage.

6. Real Property Taxes. During the term of this Lease Agreement, Ernst shall be responsible for the real property taxes accruing upon the property and shall pay the same when due and prior to delinquency.

7. Covenants of Lessee. During the term of this Lease Agreement, Staub agrees as follows:

(A) To maintain the property in good repair, normal wear and tear excepted. In this regard, both parties acknowledge that pollution due to hazardous waste is presently located upon the premises, and that it shall be the obligation of Ernst to pay for any corrective steps necessary or required during the terms of this Lease Agreement to eliminate such hazardous waste pollution. Provided, however, that Staub shall be responsible for the cost of curing any hazardous waste pollution created by Staub during the term of this Lease Agreement.

(B) To allow Ernst, its agents, or representatives to come upon the property at a reasonable time and in a reasonable manner to make inspections of the premises.

8. Utilities. Staub shall be responsible for the prompt payment when due and prior to delinquency of all utility expense incurred by Staub in connection with the use of the leased premises during the term of this Lease Agreement, including but not limited to electricity, telephone, sewer and water.

9. Assignment and Successors. This agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and assigns.

10. Default. A default shall occur if:

(A) Staub fails to make any rent payment within thirty (30) days of when due.

(B) Staub fails to perform any obligation imposed by this Lease Agreement and does not correct or commence correction of such failure within thirty (30) days after receipt of written notice specifying the manner in which Staub is in default.

11. Remedies of Lessor. In the event of a default by Staub, Ernst shall have the rights granted by law to enforce the terms of this Lease Agreement.

12. Attorney's Fees. In any suit or action brought on this Lease Agreement or in relation thereto, the prevailing party in such suit or action shall be entitled to recover, in addition to all other sums allowed by law, such sums as the court may adjudge to be reasonable as attorney's fees, both in the lower court and on appeal, whether such suit or action is for enforcement, rescission or novation of any or all of the provisions herein.

13. Notices. All notices deemed necessary by the parties shall be in writing and shall either be delivered to the other party in person or by mailing said notice to the other party at the addresses previously set forth herein. All such notices mailed shall be sent by certified or registered mail, return receipt requested and shall be conclusively deemed received three (3) days after mailing.

14. Option to Purchase. As an added consideration to Staub for entering into this Lease Agreement, Ernst grants to Staub the option to purchase the leased premises upon the following terms and conditions:

(A) This option shall be exercised by Staub at any time during which this Lease Agreement is in effect.

(B) The purchase price shall be \$50,000.00, payable in cash at time of closing. Provided, however, that the purchase price shall be adjusted at the end of every five (5) year period during which this Lease Agreement is in effect, based upon the U.S. Department of Labor CPI which is most applicable to the State of Oregon. For example, if the CPI increases by ten percent (10%) between September 1, 2001, and September 1, 2006, the purchase price for the five (5) year period beginning September 1, 2006, shall be \$55,000.00. In no case, however, shall the purchase price be less than the \$50,000.00 base purchase price provided for herein.

(C) Staub shall exercise its option to purchase by giving written notice to Ernst. Upon such notice being given, a closing escrow shall be established at a title company mutually acceptable to the parties located in Lake, Klamath, or Deschutes County, Oregon. All costs incurred in connection with this closing escrow shall be borne by the parties equally, except as hereafter specifically provided.

(D) Upon Staub exercising this option to purchase, Ernst shall obtain within a reasonable time, at Ernst's cost, an owner's policy of title insurance showing the title of Ernst to be merchantable and subject only to those standard exceptions contained in title insurance policies.

15. Legal Representation. The parties acknowledge that this Lease Agreement was prepared by James C. Lynch, Attorney at Law, Lakeview, Oregon, acting solely as the attorney for Staub.

16. Contingency. The parties acknowledge that contemporaneously herewith the parties are entering into an agreement wherein Staub is purchasing certain property from Ernst. In addition, certain stockholders in Staub, as well as others, are also contemporaneously herewith entering into an agreement to purchase property from Ernst. In that regard, the parties agree that in the event either of the other two agreements referred to herein do not close contemporaneously herewith, then this Lease Agreement and Option to Purchase shall be null and void and of no further force and effect.

17. Option to Terminate. In the event Staub is not able to utilize the property for any reason whatsoever for a petroleum products bulk plant or a card-lock operation, then Staub shall have the right to terminate this Lease Agreement upon giving written notice of not less than thirty (30) days to Ernst. In addition, Staub shall have the right to terminate this Lease Agreement without any reason upon giving written notice of not less than one (1) year to Ernst.

LESSOR:

ERNST BROTHERS, L.L.C.

By: Wayne G. Ernst Dated: 8-30-01
Wayne G. Ernst, Manager

By: William Ernst Dated: 8-30-01
William Ernst, Manager


By: John Ernst Dated: 8-30-01
John Ernst, Manager and Member

By: Jan Houck Dated: 8-30-01
Jan Houck, Manager and Member

47001

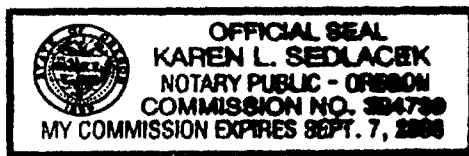
LESSEE:

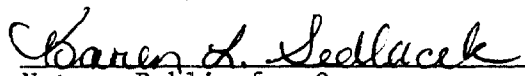
ED STAUB & SONS PETROLEUM, INC.

By: 
David E. Staub, President

Dated: 8-28-01

This instrument was acknowledged before me on August 28, 2001, by
David E. Staub as President of Ed Staub & Sons Petroleum, Inc.




Notary Public for Oregon
My Commission Expires: 09-07-2003

*Exhibit A***PARCEL 1:**

A parcel of land, the same containing portions of the SW 1/4 of the SW 1/4 and the SE 1/4 of the SW 1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, the said parcel of land being described as follows:

Beginning at a point on the East line of the said SW 1/4 of the SW 1/4 of said Section 30, which point is marked by a 30 inch steel bar monument and which point is located South 0° 17' 46" West a distance of 331.74 feet from the Northeast corner of the said SW 1/4 of the SW 1/4 of Section 30 (said corner being also marked by a 30 inch steel bar monument); thence South 89° 10' 03" East for 77.42 feet along the South line of the N 1/2 of the NW 1/4 of the SE 1/4 of the SW 1/4 to an intersection with the Westerly boundary of the right of way of The Dalles-California State Highway, said right of way having a total width of 60 feet, to a 30 inch steel bar monument; thence in a Southwesterly direction along the curved Westerly boundary of said right of way, the said curve having a radius of 1940.00 feet, for a distance of 145.10 feet (the chord of said portion of said curve bearing South 32° 35' 42" West for a distance of 145.06 feet) to a 30 inch steel bar monument located on the East boundary of the said SW 1/4 of the SW 1/4 of Section 30; thence North 0° 17' 46" East along the said subdivision line for a distance of 38.66 feet to a steel bar monument, which point is further located South 0° 17' 46" West a distance of 84.72 feet from the point of beginning above described; thence South 39° 33' 20" West for 157.82 feet to a 30" steel bar monument; thence North 50° 26' 40" West for 154.53 feet to a 30 inch steel bar monument located on the Southeasterly boundary of the right of way of the Gilchrist Lumber Company Railroad, said right of way having a width of 100 feet; thence North 39° 37' 00" East along said right of way boundary for a distance of 346.42 feet to a 30 inch steel bar monument located on the East line of the said SW 1/4 of the SW 1/4 of Section 30, which point is also located South 0° 17' 46" West, a distance of 172.90 feet from the Northeast corner of the said SW 1/4 of the SW 1/4 of said Section 30; thence along said subdivision line South 0° 17' 46" West, a distance of 158.84 feet to the point of beginning.

PARCEL 2:

That portion of Lot 4 (SW 1/4 SW 1/4) of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a point on the East side of said Lot 4, which is South 0° 17' 46" West, a distance of 430.76 feet from the Northeast corner of said Lot 4, which point is also the intersection of the relocated Westerly right of way line of The Dalles-California Highway with the Easterly line of said Lot 4; thence North 0° 17' 46" East a distance of 14.3 feet to a point; thence South 39° 33' 20" West along the Easterly line of property conveyed to Standard Oil Company of California by deed recorded in Volume 125 at Page 318, Deed Records of Klamath County, a distance of 132.82 feet; thence South 50° 26' 40" East a distance of 34.0 feet, more or less, to the relocated Westerly right of way line of The Dalles-California Highway; thence Northeasterly along said Westerly right of way line to the point of beginning.

EXCEPTING THEREFROM that portion of the SW 1/4 of the SW 1/4 of Section 30, Township 24 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at a point which is South 0° 17' 46" West, a distance of 416.46 feet, and South 39° 33' 20" West, a distance of 132.82 feet from the Northeast corner of said SW 1/4 of the SW 1/4 of Section 30; thence South 39° 33' 20" West, a distance of 25 feet to a point; thence North 50° 26' 40" West, a distance of 154.53 feet to a point; thence North 39° 37' East, a distance of 25 feet to a point; thence South 50° 26' 40" East, a distance of 154.53 feet, more or less, to the point of beginning.

EXCEPT from above described parcels that portion conveyed to the State of Oregon, by and thru its State Highway Commission by Bargain and Sale Deed recorded December 11, 1943 in Book 160 at Page 405, Deed Records of Klamath County, Oregon.

SUBJECT TO all easements, reservations, restrictions and rights of way of record or apparent on the ground, including but not limited to the following:

1. The rights of the public in and to that portion of the herein described property lying within the limits of roads and highways.
2. The subject property lies within the boundaries of the Crescent Fire District and is subject to the levies and assessments thereof.
3. The subject property lies within the boundaries of the Crescent Sanitary District and is subject to the levies and assessments thereof.
4. An easement created by instrument, including the terms and provisions thereof, dated November 4, 1939, in favor of B. G. Stevens and Emma Stevens and Standard Oil Company of California and its customers and patrons for road purposes, recorded November 7, 1939, in Book 125 at Page 318, Klamath County Deed Records.
5. Reservation of mineral rights, and the easement implied thereby above and below the surface of the ground for the extraction of such minerals, contained in deed, dated August 11, 1980, in favor of Chevron U.S.A., Inc., a California Corporation, recorded August 29, 1980, in Book M-80 at Page 16490, Klamath County Deed Records.

Tax Information: Code 103; Map No. R-2409030CC-01100-000; Key No. R154264

State of Oregon, County of Klamath
 Recorded 09/14/01 at 2:32 p. m.
 In Vol. M01 Page 46995
 Linda Smith,
 County Clerk Fee\$ 61⁰⁰