

**MEMORANDUM OF OPTION TO LEASE**

**THIS MEMORANDUM OF OPTION TO LEASE** (this "Memorandum") is made and entered into between **BALIN FARM TRUST**, an Oregon Business Trust ("Optionor"), whose address is 13600 Nomedale Road, Klamath Falls, Oregon 97603 and **PERFECT SOURCE WATER COMPANY, INC.**, an Oregon corporation ("Optionee"), whose address is 538 San Lucas Drive, Solana Beach, California 92075.

**RECITALS**

A. Optionor owns the lands and other interests related thereto as described on **Exhibit "A"** attached to this Memorandum and incorporated herein by this reference (collectively the "Property").

B. Optionor and Optionee are parties to an Option to Lease of even date herewith regarding the Property (the "Agreement").

C. In the Agreement, Optionor granted to Optionee an irrevocable, exclusive and independent right and option to lease the property.

D. Optionor and Optionee desire to enter into and record this Memorandum for the purpose of providing public record notice of the existence of the Agreement.

**AGREEMENTS**

**NOW, THEREFORE**, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee give notice as follows:

1. **RECITALS**. The foregoing recitals are true and correct and incorporated herein by reference.

2. **GRANT OF PARCEL OPTIONS**: Notice is hereby give that Optionor has granted to Optionee the option to lease the Property (the "Option") in accordance with and pursuant to the terms of the Agreement.

3. **DEADLINE**. This Memorandum shall expire on September 1, 2003 unless extended by written instrument signed by Optionor and Optionee recorded in the Public Records of Klamath County, Oregon.

No further documentation shall be required in order for the aforementioned automatic termination of this Memorandum and the notice provided hereby to take effect, and all persons acquiring any right, title or interest in the Property following the automatic termination of this Memorandum pursuant to the foregoing shall be entitled to rely upon such automatic termination without further inquiry or investigation.

4. **PURPOSE**. This Memorandum is for public record notice purposes only. Nothing contained herein is intended to limit, modify or otherwise alter the respective rights and responsibilities of Optionor of Optionee under the Agreement. In the event of conflict between

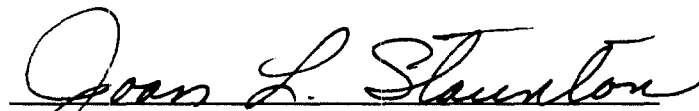
this Memorandum and the Agreement, the Agreement shall control.

5. **EXECUTION.** This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one agreement. To facilitate execution of this Memorandum, facsimile signatures shall be deemed to be original signatures and shall bind the parties, and each party who signs by facsimile agrees to deliver promptly upon request a counterpart with original signatures affixed.

**IN WITNESS WHEREOF**, the parties have executed this Memorandum on the dates set forth below.

**BALIN FARM TRUST, an Oregon Business Trust**

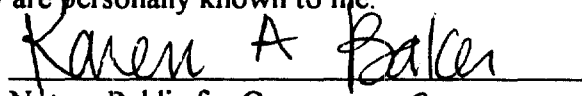
  
Harold E. Balin, Trustee

  
Joan L. Staunton, Trustee

STATE OF OREGON     )  
                                  )  
COUNTY OF KLAMATH    )

SS:

The foregoing Memorandum was acknowledged before me this 20th day of September, 2001 by Harold E. Balin and Joan L. Staunton as Trustee of Balin Farm Trust, an Oregon Business Trust on behalf of said Trust. They are personally known to me.

  
Notary Public for Oregon  
My Commission Expires: 9-28-01



**PERFECT SOURCE WATER COMPANY, INC.**  
an Oregon corporation

\_\_\_\_\_  
Print Name: \_\_\_\_\_

By: John Neubauer  
Name: JOHN NEUBAUER  
Title: PRESIDENT

\_\_\_\_\_  
Print Name: \_\_\_\_\_

Date: 9/19/01

STATE OF \_\_\_\_\_)

SS:

COUNTY OF \_\_\_\_\_)

The foregoing Memorandum was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2001 by \_\_\_\_\_, as \_\_\_\_\_ of **PERFECT SOURCE WATER COMPANY, INC.**, an Oregon corporation, on behalf of the corporation. He ☐ is personally known to me, or ☐ produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Notary Public

Print Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**50552**

No. 5907

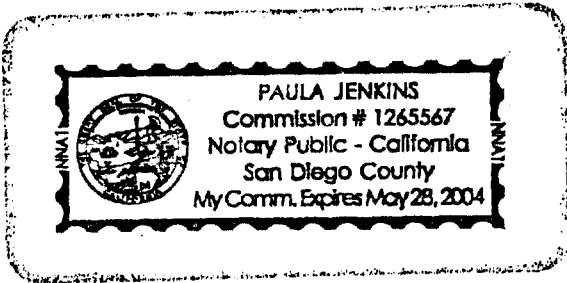
State of CALIFORNIA

County of SAN DIEGO

On 9-19-01 before me, PAULA JENKINS  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared JOHN S. NEUBAUER  
NAME(S) OF SIGNER(S)

☐ personally known to me - OR - ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) (s) are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Paula Jenkins  
SIGNATURE OF NOTARY

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

- ☐ INDIVIDUAL  
☐ CORPORATE OFFICER

TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED  
☐ GENERAL  
☐ ATTORNEY-IN-FACT  
☐ TRUSTEE(S)  
☐ GUARDIAN/CONSERVATOR  
☐ OTHER: \_\_\_\_\_

**SIGNER IS REPRESENTING:**  
NAME OF PERSON(S) OR ENTITY(IES)

\_\_\_\_\_  
 \_\_\_\_\_

**DESCRIPTION OF ATTACHED DOCUMENT**

MEMORANDUM OF OPTION TO LEASE

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

**EXHIBIT "A"**

The land situated in Klamath County, Oregon described as: N½NW¼NW¼ Section 6, Township 41 South, Range 14 East of the Willamette Meridian (the "Land"), together with a portion of the right, title and interest of Owner in and to the underground water lying beneath the real property situated in Klamath County, Oregon more particularly described in **Exhibit "B"** attached hereto and made a part hereof and Owner's rights to extract, transport, store, process, bottle and distribute such water for consumption (the "Water Rights"), and all easements, rights and privileges appurtenant thereto, including, but not limited to, easements for (a) ingress, egress and passage by pedestrian and vehicular traffic, together with the right and easement to install, construct, inspect, maintain, repair, replace and use one or more roads and related improvements over, under and through the Land, (b) providing utilities to the Land and any improvements thereon, including the right and easement to install, construct, inspect, maintain, repair, replace and use any and all utilities lines, pipes, systems, fixtures, equipment and improvements over, under the through the Land, (c) constructing wells and providing water pipelines and related transportation, processing bottling and leasing and distribution facilities including the right and easement to install, construct, inspect, maintain, repair, replace and use any and all pipelines, pumps, storage tanks, bottling facilities, pipes, systems, fixtures, equipment and improvements for the purpose of extracting water from and transporting water over, under and the through the Land and thereafter temporarily storing and loading such water for export and delivery off the property (the "Other Rights"), for the purposes and subject to the terms and conditions set forth herein. For purposes of this Agreement, "Land", "Water Rights" and "Other Rights" shall be referred to collectively as the "Property";

State of Oregon, County of Klamath  
Recorded 10/03/01 at 8.57 a m.  
In Vol. M01 Page 50549  
Linda Smith,  
County Clerk Fee\$ 41<sup>00</sup>