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Linda Smith, County Clerk
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PREPARED BY AND UPON RECORDING RETURN TO:

CIT SMALL BUSINESS LENDING CORPORATION
640 Plaza Drive, Suite 200
Highlands Ranch, CO 80129
Attn: Christina Benney

SUBORDINATION, ATTORNMEN AND ESTOPPEL AGREEMENT

447257

THIS AGREEMENT, entered into this 19th day of October, 2004 is between Douglas D. McInnis and Joy M. McInnis ("Borrower"), and Klamath Veterinary Services, Inc. ("Tenant") and CIT SMALL BUSINESS LENDING CORPORATION ("Lender").

Recitals

WHEREAS, Tenant, by virtue of a certain lease dated October 19, 2004, (the "Lease"), entered into with Borrower as landlord, a copy of the Lease has been provided to Lender which is the correct and most current lease and to which there have been no addendums added, and a copy of said Lease is attached hereto as Exhibit "B", has leased the real property known as 6360 South Sixth Street, Klamath Falls, OR 97601, of which is more particularly described on Exhibit "A" attached hereto and by reference incorporated herein (the "Premises");

WHEREAS, Borrower has requested that Lender make a loan (the "Loan") to be secured by a lien on real estate from Borrower to Lender (the "Mortgage/Deed of Trust") encumbering the Premises; and

WHEREAS, Lender has required as a condition for the making of the Loan that a Subordination Agreement and Estoppel Letter be executed by Tenant, whereby the Lease is subordinated to the Mortgage/Deed of Trust.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below and in order to induce Lender to make the Loan, the parties do hereby agree and covenant as follows:

A. Tenant hereby certifies, represents, warrants, confirms, covenants and agrees for the benefit of Lender as follows:

1. Tenant is "tenant" or "lessee" under the Lease.
2. The Lease is in full force and effect and has not been modified, altered, amended, changed, supplemented, terminated or superseded in any manner.
3. The Lease constitutes a complete statement of the agreements, covenants, terms and conditions of Tenant and Borrower with respect to the Premises, and there are no other agreements or understandings between Borrower and Tenant with respect to the Premises or the Lease.
4. The Lease and all rights of Tenant thereunder are and shall at all times continue to be subject and subordinate in all respects to the terms and provisions of the Loan and the Mortgage/Deed of

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Trust and to all renewals, modifications and extensions thereof, subject to the terms and conditions set forth in this Agreement.

5. The primary term of the Lease is for Two (2) years, commencing on Oct. 19, 2004 and ending on Oct. 19, 2006 Tenant has Ten (10) option(s) of two (2) years each to renew and extend the term of the Lease.

6. Rents due monthly during the primary term of the Lease are currently paid no more than one month in advance.

7. All agreements and conditions of the Lease to be performed or complied with by Borrower relating to the improvements or the use of the Premises have been satisfied and the improvements were fully and timely completed and have been approved and accepted by Tenant.

8. Tenant has accepted possession and is in actual occupancy of the Premises and as of the date of this Agreement, there are no defenses to Borrower's enforcement of its rights under the Lease.

9. Tenant has no charges, liens, claims, credits or offsets against rentals under the Lease.

10. Borrower is holding no security to secure Tenant's obligations; no rents have been prepaid, except as provided in paragraph 6 above, and there are no periods of free rentals applicable to the term of the Lease, except as specified in the Lease. In no event will Tenant look to Lender for the return of any security deposit.

11. Without Lender's prior written consent, Tenant and Borrower will not (a) modify or in any manner alter the agreements, covenants, terms or conditions of the Lease or any modification or amendment thereto specified herein; (b) waive or release performance of any obligation under the Lease or under any modification or amendment thereto specified herein; (c) accept surrender, abandonment, cancellation or termination of the Lease; (d) pay or accept the rent or any other sums becoming due under the terms of the Lease more than one month in advance unless the Lease or any modification or amendment specified herein provides otherwise; or (e) accept waiver of or release from the performance of any obligations under the Lease.

12. From time to time upon request, Tenant will timely execute and deliver Estoppel Letters to Lender or Lender's designees or assigns, including any instrument that may be necessary or appropriate to evidence attornment. Tenant hereby irrevocably appoints Lender its attorney-in-fact to execute and deliver for and on behalf of Tenant any such instrument.

13. Tenant has not subleased, nor will Tenant sublease in the future, any portion of the Premises and Tenant has not assigned, nor will Tenant assign in the future, whether outright or by collateral assignment, all or any portion of Tenant's rights under the Lease.

B. By reason of the execution of this Agreement, no duty or responsibility is imposed upon Lender to perform or comply with any of the terms, provisions or conditions of the Lease required to be performed by Borrower.

C. If Lender acquires the Premises pursuant to a foreclosure proceeding or deed in lieu thereof, Tenant will attorn to Lender as successor to Borrower under the terms of the Lease, unless Lender elects to terminate the Lease and the rights of Tenant to the possession of the Premises. Tenant waives the right, if any, under any statute or rule of law now or hereinafter in effect, which may allow Tenant to terminate the Lease or to surrender possession of the Premises in the event any proceeding is brought by Lender, and Tenant agrees that unless and until Lender elects to terminate the Lease and extinguish Tenant's leasehold estate, the Lease will not be effected in any way by any proceeding.

D. In the event the Mortgage/Deed of Trust is foreclosed for any reason, and Lender does not elect to terminate the lease, Lender will succeed to the interest of Borrower under the Lease and Tenant will be bound to Lender under all of the terms of the Lease for the balance of the term thereof remaining with the same force and effect as if Lender were landlord under the Lease. Tenant shall be under no obligation to pay rent to Lender until Tenant receives written notice from Lender that it has succeeded to the interest of Borrower under the Lease, or until Tenant receives notice from Lender pursuant to any assignment of leases and rents executed by Borrower in connection with the Loan. To the extent of the then remaining balance of the term of the Lease the respective rights and obligations of Tenant and Lender upon such attornment shall be the same as now set forth in the Lease.

E. In the event Lender succeeds to the rights of Borrower as landlord under the Lease, Lender shall not be (a) liable for any act or omission of any prior landlord, including Borrower, (b) subject to any offsets or defenses which Tenant may have against any prior landlord, (c) bound by any rent or additional rent which Tenant might have paid for more than thirty (30) days in advance, (d) bound by any amendment or modification of the Lease made without Lender's consent, (e) bound by any lease provisions with respect to landlord's obligation to complete any construction on the Premises, or (f) liable to Tenant under the Lease to any extent beyond Lender's interest in the Premises.

F. This Agreement may be modified only in writing, signed by the parties or their respective successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties, their respective heirs, successor and assigns; it being expressly understood that all references to "Lender" shall be deemed to include not only Lender but also its successors and assigns, including any purchaser at a foreclosure sale.

G. A standard mortgagee clause naming Lender as Mortgagee shall be added to any and all insurance policies required to be carried under the Lease or Mortgage/Deed of Trust, and the insurance proceeds are to be applied in the manner specified in the Mortgage/Deed of Trust. Such standard mortgagee clause shall also provide for non-cancellation of the policy without at least thirty (30) days prior written notice to Lender. Borrower and Tenant shall provide Lender with copies of the endorsement containing such standard mortgagee clause, together with a complete copy of the exclusions and exceptions section of the insurance policy(ies) within twenty (20) days after the execution of this Subordination, Attornment and Estoppel Agreement.

H. Whenever Borrower or Tenant shall give notice to the other of a breach of any of the conditions, covenants, or provisions of this Lease, Borrower and Tenant agree to also send a copy of such notice to Lender at P.O. Box 1529, Livingston, New Jersey 07039-1529, Attention: Small Business Lending, Portfolio Administration Group.

I. Borrower and Tenant affirm that as of the date of this Agreement, there are no breaches of any of the covenants, conditions or provisions of the Lease.

J. Notwithstanding the terms of the Lease, in the event of breach of any of the covenants, conditions, or provisions of the Lease by Borrower, Tenant agrees that Borrower shall have thirty (30) days from the date Borrower receives notice, specifying such breach, to cure said breach. Tenant further agrees that Lender shall also have a reasonable period of time to cure such breach, which period of time shall include, if necessary, the time necessary for Lender to secure possession of the Premises.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth above.

BORROWER:

Douglas D. McInnis
Douglas D. McInnis, Individual

Joy M. McInnis
Joy M. McInnis, Individual

STATE OF OREGON

COUNTY OF Hamath

This instrument was acknowledged before me on October 19, 2004, by Douglas D. McInnis and Joy M. McInnis.

Notary Public for: Brenda P. Rodriguez

My Commission Expires: 9-6-05

TENANT:

Klamath Veterinary Services, Inc., an Oregon Corporation

By: Douglas D. McInnis

Douglas D. McInnis, President

By: Douglas D. McInnis

Douglas D. McInnis, Secretary

STATE OF OREGON

COUNTY OF Hamath

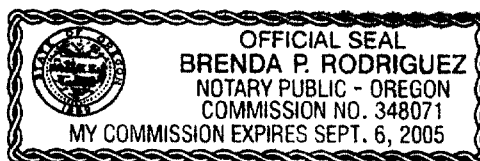
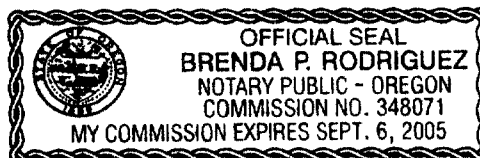
This instrument was acknowledged before me on October 19, 2004 by Douglas D. McInnis as President and Secretary of Klamath Veterinary Services, Inc.

Notary Public for: Brenda P. Rodriguez

My Commission Expires: 9-6-05

(Signatures and Acknowledgements Continue on Following Page)

Initials DM Jm



72855

LENDER:

CIT Small Business Lending Corporation

By: Kathleen M. Klima

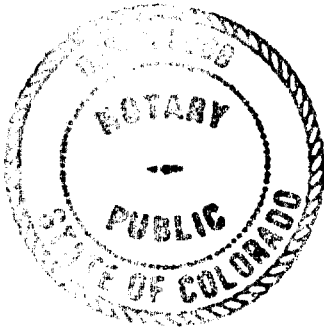
KATHLEEN KLIMA, ASST. VP

STATE OF COLORADO)

) ss

COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this 22 day of October 2007
by Kathleen M. Klima as Asst Vice President respectively of CIT Small
Business Lending Corporation, A Delaware corporation, on behalf of the corporation.



Debra Cobb
Notary Public

My commission expires: 3-11-2008

Initials _____

EXHIBIT A

72856

REAL PROPERTY IN THE COUNTY OF KLAMATH, STATE OF OREGON, DESCRIBED AS FOLLOWS:

6360 S. 6TH STREET, KLAMATH FALLS, OREGON

A PARCEL OF LAND SITUATED IN THE NE ¼ SW ¼ OF SECTION 1, TOWNSHIP 39 SOUTH, RANGE 9 E.W.M., MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH BEARS NORTH 0°51' WEST 462.3 FEET, NORTH 89° 06' EAST 262.2 FEET, AND SOUTH 46° 09' EAST 198.4 FEET FROM THE SOUTHWEST CORNER OF SAID NE ¼ SW ¼; THENCE CONTINUING SOUTH 46° 09' EAST, A DISTANCE OF 106.0 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE CONTINUING SOUTH 46° 09' EAST A DISTANCE OF 124.0 FEET TO A 5/8" IRON PIN; THENCE NORTH 43° 51' EAST A DISTANCE OF 384.0 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF THE KLAMATH FALLS-LAKEVIEW HIGHWAY, 30 FEET SOUTHWESTERLY AT RIGHT ANGLES FROM ITS CENTER-LINE; THENCE NORTH 46° 09' WEST ALONG SAID RIGHT-OF-WAY LINE, A DISTANCE OF 124.0 FEET TO A ½ " IRON PIN; THENCE SOUTH 43° 51' WEST A DISTANCE OF 384.0 FEET, MORE OR LESS TO THE POINT OF BEGINNING.

LESS AND EXCEPTING PORTION HERETOFORE CONVEYED TO STATE OF OREGON, BY AND THROUGH ITS DEPARTMENT OF TRANSPORTATION, HIGHWAY DIVISION, BY DEED RECORDED IN VOLUME M73, PAGE 15379, RECORDS OF KLAMATH COUNTY, OREGON.

TAX PARCEL NUMBER: 508114 AND P844402

EXHIBIT "B"

LEASE

THIS AGREEMENT is made on the date set opposite the signature of each party below by and between DOUGLAS D. MCINNIS and JOY M. MCINNIS, as Landlord (hereinafter referred to as "Landlord"), and KLAMATH VETERINARY SERVICES, INC., an Oregon corporation, as Tenant (hereinafter referred to as "Tenant"). In consideration of the mutual promises and covenants contained herein the parties hereby agree as follows:

1. **LEASE.** In consideration of the covenants, agreements and stipulations herein contained on the part of Tenant to be paid, kept and faithfully performed by said Tenant, Landlord has, by this agreement, devised and leased to Tenant the real property described on Exhibit "A" attached hereto and, by this reference, made a part hereof. The real property leased hereby is referred to as the "property" or "premises".
2. **TERM.** Tenant shall have and hold the premises for a period from October 22, 2004 to and including October 21, 2006. Notwithstanding any other provision of this lease, or any provision of Oregon Law, this lease may be terminated by Tenant upon the giving of ninety (90) days notice. Tenant shall have ten (10) options to renew this lease for additional periods of two years each, at the end of the original term of this lease and at the end of each extension except there shall be no option to renew at the end of the tenth extension. The terms of each renewal period shall be the same except for rent, which shall be increased, but not decreased, by the change in the consumer price index (all cities) during the original term or the preceding extension, as the case may be. Tenant may exercise any option by giving Landlord written notice of Tenant's intent not later than 30 days before the end of the original term or extension as the case may be.
3. **BASIC RENT.** Tenant shall pay to Landlord as rent for the property the sum of \$5,000.00 per month, paid in advance on the first day of each month.
4. **ADDITIONAL RENT.** Any sum which Tenant is required to pay to Landlord or to third parties pursuant to the terms of this Lease shall be additional rent.
5. **LANDLORD'S WARRANTY.** Landlord warrants that it is the owner of the premises and that it has the right to lease the premises. Landlord will defend Tenant's right to quiet enjoyment of the premises from the lawful claims of all persons during the term of this Lease.
6. **CONDITION OF PROPERTY.** Tenant accepts the land, buildings, improvements and all other aspects of the property in their present condition, **AS IS**, including latent defects, without any representations or warranties, express or implied, unless they are in writing and signed by Landlord. Tenant agrees that he has ascertained, from sources other than Landlord, the applicable zoning, building, housing and other regulatory ordinances and laws and

that he accepts the property with full awareness of these ordinances and laws as they may affect the present use or any intended future use of the property and Landlord has made no representations with respect thereto.

7. **USE.** The premises shall be used for the purpose of a veterinary clinic and hospital and for not other purpose without the written consent of Landlord, which consent shall not be unreasonably withheld.

8. **RESTRICTIONS ON USE.** In connection with use of the premises Tenant shall:

a. Conform to all applicable laws and regulations of any public authority affecting the premises and the use thereof and correct at Tenant's own expense any failure of compliance created through Tenant's fault or by reason of Tenant's use.

b. Refrain from any activity which would make it impossible to insure the premises against casualty, which would increase the insurance rate on the premises or which would prevent Landlord from taking advantage of any ruling of the Oregon Insurance Rating Bureau or its successor allowing Landlord to obtain reduced premium rates for long-term fire insurance policies.

c. Refrain from any use which would be reasonably offensive to other tenants or owners or users of neighboring premises or which would tend to create a nuisance or damage the reputation of the premises.

d. Refrain from storing on or discharging from or onto the property any hazardous wastes or toxic substances including, but not limited to, those defined in 42 USC Sections 9601 to 9657, as amended.

e. Refrain from loading the floors beyond the point considered safe by a competent engineer or architect selected by Landlord.

f. Refrain from making any marks on or attaching any sign, insignia, antenna, aerial or other device to the exterior or interior walls, windows or roof of the premises without the written consent of Landlord, which consent shall not be unreasonably withheld.

g. Allow no highly flammable or explosive materials to remain on the premises.

9. **MAINTENANCE.** Tenant shall provide all maintenance for the real property, at the expense of Tenant.

10. **TRADE FIXTURES.**

a. All fixtures, other than Tenant's trade fixtures, placed upon the premises during the term of this Lease shall, at Landlord's option, become the property of Landlord. If Landlord so elects, Tenant shall remove any or all fixtures which would otherwise remain on the property of Landlord and Tenant shall repair any physical damage resulting from such removal. If Tenant fails to remove such fixtures, Landlord may perform such removal and charge the cost to Tenant, with such cost bearing interest at the rate of twelve percent (12%) per annum from and after the date of expenditure until paid.

b. Prior to the expiration or termination of this Lease term, Tenant shall remove all furnishings, furniture and trade fixtures which remain its property. If Tenant fails to remove said property, such failure shall be considered an abandonment of the property and Landlord may retain the property and all rights of Tenant with respect thereto shall cease or, by notice given to Tenant in writing within twenty (20) days after removal was required, Landlord may elect to hold Tenant to its obligation of removal. If Landlord elects to require Tenant to remove the property, Landlord may effect a removal and place the property in public storage for Tenant's account. Tenant shall be liable to Landlord for the cost of removal, the transportation to storage and the storage, with interest on all such expenses at the rate of twelve percent (12%) per annum from and after the date of such expenditure by Landlord.

11. **ALTERATIONS PROHIBITED.** Tenant shall make no improvements or alterations of any kind to the premises without first obtaining Landlord's written consent.

12. **WASTE.** Tenant shall not cause or allow any strip or waste of the premises.

13. **ENTRY FOR INSPECTION.** Landlord shall have the right to enter upon the premises at any time during normal business hours to determine Tenant's compliance with this Lease, to make necessary repairs to the building or to the premises or to show the premises to any prospective tenant or purchaser and, in addition, Landlord shall have the right, at any time during the last two (2) months of this Lease, to place and maintain upon the premises notices for leasing or selling of the premises, which notices shall be approved by Tenant who shall not unreasonably withhold approval.

14. **SURRENDER -- CONDITION.** Upon expiration of the lease term or earlier termination as a result of default, Tenant shall return the premises to Landlord in the same condition as existed at the beginning of this Lease. Any personal property remaining on the property upon the expiration of this Lease shall conclusively be presumed to be abandoned by Tenant.

15. **UTILITIES.** Tenant shall pay, when due, all charges for electricity, gas, garbage removal, telephone service and any other utilities of any kind furnished to the premises.

16. **LIABILITY INSURANCE.** Before taking possession of the premises, Tenant shall procure and, thereafter, during the term of the Lease, shall continue to carry, at Tenant's expense, public liability and property damage insurance, naming both Landlord and Tenant as insureds, in a responsible company with limits of not less than One Million Dollars (\$1,000,000.00) single limit coverage. Such insurance shall cover all risks arising, either directly or indirectly, out of Tenant's activities on the premises or out of any condition existing on the premises, whether or not related to an occurrence caused or contributed to by Landlord's negligence; shall protect Tenant against the claims of Landlord as a result of the obligations assumed by Tenant under Paragraph 35 hereof; and shall protect Landlord and Tenant against claims of third persons. Certificates evidencing such insurance and bearing endorsements

requiring ten (10) days written notice to Landlord prior to any change or cancellation shall be furnished to Landlord prior to Tenant's occupancy of the property.

17. **FIRE INSURANCE.** Before taking possession of the premises, Tenant shall procure and, thereafter, during the term of the lease, shall continue to carry the following insurance at Tenant's cost: fire insurance with extended coverage, insuring the property for its replacement value. Such insurance shall cover all risks arising either directly or indirectly out of Tenant's activities on the premises or out of any condition existing on the premises, whether or not related to an occurrence caused or contributed to by Landlord's negligence, and shall protect Landlord and Tenant against claims of third persons. Certificates evidencing such insurance and bearing endorsements requiring ten (10) days written notice to Landlord prior to any change or cancellation shall be furnished to Landlord prior to Tenant's occupancy of the property. Such insurance shall name both Landlord and Tenant as insureds.

18. **PROPERTY TAXES.** Tenant shall pay as due, all general and real property taxes and special assessments levied against the premises. Tenant shall pay, as due, all taxes on its personal property located on the premises.

19. **ASSIGNMENT AND SUBLEASE.** No part of the property may be assigned, mortgaged or subleased, nor may a right of use of any portion of the property be conferred on any third person by any other means without the prior written consent of Landlord. This provision shall apply to all transfers by operation of law. If Tenant is a corporation, this provision shall apply to any sale of a controlling interest in the stock of the corporation. No consent in one (1) instance shall prevent the provision from applying to a subsequent instance.

20. **LIENS.**

a. Except with respect to activities for which Landlord is responsible, Tenant shall pay, as due, all claims for work done on the premises and for services rendered or material furnished to the premises and shall keep the premises free from any liens. If Tenant fails to pay any such claims or to discharge any lien, Landlord may do so himself and collect said cost from Tenant as additional rent. Any amount such amount expended by Landlord shall be payable on demand and shall bear interest at the rate of twelve percent (12%) per annum from and after the date the amount was expended by Landlord. Such action by Landlord shall not constitute a waiver of any right or remedy which Landlord may have as a result of default by Tenant.

b. Tenant may withhold payment of any claim in connection with a good faith dispute over the obligation to pay, so long as Landlord's property interests are not jeopardized. If a lien is filed as a result of non-payment, Tenant shall, within ten (10) days after knowledge of the filing, secure the discharge of the lien or deposit with Landlord cash or a sufficient corporate surety bond or other surety satisfactory to Landlord in an amount sufficient to discharge the lien, plus any costs, attorneys' fees and other charges which could accrue as a result of a foreclosure or sale under the lien.

21. **DEFAULT.** The following shall be events of default:

a. Failure of Tenant to promptly pay rent or any other charge within ten (10) days after it is due.

b. Failure of Tenant to comply with any term or condition or to fulfill any obligation of this Lease, other than the payment of rent or other charges, within twenty (20) days after written notice by Landlord specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the twenty (20) day period, this provision shall be complied with if Tenant begins correction of the default within the twenty (20) day period and, thereafter, proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

c. Insolvency of Tenant; an assignment by Tenant for the benefit of creditors; the filing by Tenant of a voluntary petition in bankruptcy; an adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant; the filing of any involuntary petition of bankruptcy and failure of Tenant to secure a dismissal of the petition within thirty (30) days after filing; the attachment or levying of execution on the leasehold interest and the failure of Tenant to secure discharge of the attachment or release of the levy of execution within ten (10) days. If Tenant consists of two (2) or more individuals or business entities, the events of default specified in this paragraph shall apply to each individual unless, within ten (10) days after an event of default occurs, the remaining individuals produce evidence satisfactory to Landlord that they have unconditionally acquired the interest of the one causing the default. If this Lease has been assigned, the events of default so specified shall apply only with respect to the one then exercising the rights of Tenant under this Lease.

d. Failure of Tenant, for thirty (30) days or more, to occupy the property for one (1) or more of the purposes permitted under this Lease, unless such failure is excused under other provisions of this Lease. Such failure shall be considered an abandonment of the property.

22. REMEDIES ON DEFAULT -- TERMINATION. In the event of a default, this Lease may be terminated, at the option of Landlord, by notice in writing to Tenant. If this Lease is not terminated by election of Landlord or otherwise, Landlord shall be entitled to recover from Tenant damages for the default. If the Lease is terminated, Tenant's liability to Landlord for damages shall survive such termination and Landlord may re-enter, take possession of the premises and remove, by legal action or by self-help with the use of reasonable force, any persons or property.

23. REMEDIES ON DEFAULT -- RE-LETTING. Following re-entry or abandonment, Landlord may re-let the premises and, in that connection, may make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but Landlord shall not be required to re-let for any use or purpose other than that specified in this Lease or which Landlord may reasonably consider injurious to the premises or to any tenant which Landlord may reasonably consider objectionable. Landlord may re-let all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

24. **LANDLORD'S RIGHT TO CURE DEFAULTS.** If Tenant fails to perform any obligation under this Lease, Landlord shall have the option to do so after thirty (30) days written notice to Tenant. All of Landlord's expenditures to correct the default shall be reimbursed by Tenant on demand with interest at the rate of twelve percent (12%) per annum from and after the date of expenditure by Landlord until paid.

25. **EMINENT DOMAIN -- TOTAL TAKING.** If a condemning authority takes all of the leased premises or a portion sufficient to render the remaining premises reasonably unsuitable for the use which Tenant is then making of the premises, the lease shall terminate as of the date the title vests in the condemning authorities. Landlord shall be entitled to all of the proceeds of condemnation, and Tenant shall have no claim against Landlord as a result of the condemnation.

26. **EMINENT DOMAIN -- PARTIAL TAKING.** If a portion of the premises is condemned and Paragraph 25 does not apply, this Lease shall continue on the following terms:

a. Landlord shall be entitled to all of the proceeds of condemnation and Tenant shall have no claim against Landlord as a result of the condemnation.

b. Landlord shall proceed as soon as reasonably possible to make such repairs and alterations to the premises as are necessary to restore the remaining premises to a condition as comparable as reasonably practicable to the condition existing at the time of the condemnation.

c. After the date on which title vests in the condemning authority or an earlier date on which alterations or repairs are commenced by Landlord to restore the balance of the property in anticipation of taking, the rent shall be reduced in proportion to the reduction in value of the premises and an economic unit to Tenant on account of the partial taking.

27. **SALE IN LIEU OF CONDEMNATION.** Sale of all or any part of the premises to a purchaser with the power of eminent domain in the face of a threat or probability of the exercise of that power shall be treated as a taking by condemnation.

28. **INDEMNIFICATION.** Tenant shall indemnify and defend Landlord from any claim, loss or liability arising out of or related to any activity of Tenant on the premises or any condition of the premises while in the possession or under the control of Tenant, including any such claim, loss or liability which may be caused or contributed to, in whole or in part, by Landlord's own negligence or failure to effect any repair or maintenance required by this Lease. Landlord shall have no liability to Tenant for any loss or damage caused by third parties or by any condition of the premises.

29. **ESTOPPEL CERTIFICATE.** Either party, within twenty (20) days after notice from the other, will execute and deliver to the other party a certificate stating whether or not this Lease has been modified and that it is in full force and effect and specifying any modifications or alleged breaches by the other party. The certificate shall also state the amount of monthly base rent, the dates to which rent has been paid in advance and the amount of any security deposit or

prepaid rent. Failure to deliver the certificate within the specified time shall be conclusive upon the party of whom the certificate was requested that the Lease is in full force and effect and has not been modified, except as may be represented by the party requesting the certificate.

30. **NON-WAIVER.** Waiver by either party of strict performance of any provisions of this Lease shall not be considered a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

31. **WAIVER OF SUBROGATION.** Neither party shall be liable to the other, or to the other's successors or assigns, for any loss or damage caused by fire or by any of the risks enumerated in a standard fire insurance policy with an extended coverage endorsement and, in the event of an insured loss, neither party's insurance company shall have a subrogated claim against the other.

32. **ATTORNEYS' FEES.** If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover, in addition to costs, such sum as any trial or appellate court may adjudge reasonable as attorneys' fees.

33. **NOTICES.** Any notice required or permitted under this Lease shall be given when actually delivered or forty-eight (48) hours after deposited in United States mail as certified mail addressed to the addresses in this paragraph or to such other address as may be specified by either of party in writing:

Landlord's address: 8321 Hill Road
Klamath Falls, OR 97601

Tenant's address: 2128 Oregon Avenue
Klamath Falls, OR 97601

34. **SUCCESSION.** Subject to the above-stated limitation on transfer of Tenant's interest, this Lease shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

35. **RECORDATION.** This Lease shall not be recorded without the consent in writing of Landlord. Landlord shall execute and acknowledge a memorandum of this Lease in a form suitable for recording and Tenant may record the memorandum.

36. **ENTIRE AGREEMENT.** This Lease is the entire agreement between the parties and may not be modified except by writing signed by both parties hereto.

37. **NUMBER, GENDER AND CAPTIONS.** As used herein, the singular shall include the plural and the plural shall include the singular. The masculine and neuter genders shall each include the masculine, feminine and neuter genders, as the context requires. All

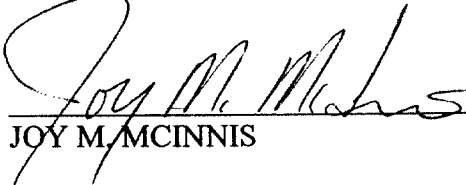
72864

captions used herein are intended solely for convenience or reference and shall in no way limit any of the provisions of this Lease.

LANDLORD:

Dated: October 19, 2004

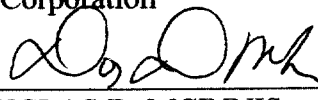
By: 
DOUGLAS D. MCINNIS

By: 
JOY M. MCINNIS

TENANT:

Dated: October 19, 2004

KLAMATH VETERINARY SERVICES, INC.
An Oregon Corporation

By: 
DOUGLAS D. MCINNIS
PRESIDENT

72865

Exhibit "A"

Real property in the County of Klamath, State of Oregon, described as follows:

6360 S. 6th Street

A parcel of land situated in the NE1/4 SW1/4 of Section 1, Township 39 South, Range 9 E.W.M., more particularly described as follows:

Beginning at a point which bears North 0° 51' West 462.3 feet, North 89° 06' East 262.2 feet, and South 46° 09' East 198.4 feet from the Southwest corner of said NE1/4 SW1/4; thence continuing South 46° 09' East, a distance of 106.0 feet to the true point of beginning of this description; thence continuing South 46° 09' East a distance of 124.0 feet to a 5/8" iron pin; thence North 43° 51' East a distance of 384.0 feet to the Southerly right-of-way line of the Klamath Falls-Lakeview Highway, 30 feet Southwesterly at right angles from its center-line; thence North 46° 09' West along said right-of-way line, a distance of 124.0 feet to a 1/2" iron pin; thence South 43° 51' West a distance of 384.0 feet, more or less, to the point of beginning.

LESS AND EXCEPTING portion heretofore conveyed to State of Oregon, by and through its Department of Transportation, Highway Division, by deed recorded in Volume M73 Page 15379, records of Klamath County, Oregon.

Tax Parcel Number: 508114 and P844402