

REAL PROPERTY LEASE

THREE FIFTY QUEUE

SPRINGFIELD, OREGON

PARTIES:

WATSON-ALBERTS, L.L.C.

("Landlord")

_____ **("Tenant")**

RECITALS:

A. Landlord owns certain real property commonly known as Three Fifty Queue, Springfield, Oregon and more particularly described on Exhibit A attached hereto ("Property") for Tenant's use as the location for Tenant's business.

B. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant the Property, including the buildings and any other improvements now or hereafter located on the Property ("the Property").

AGREEMENTS:

In consideration of the prompt and timely payment of the rental and other charges described in this Lease, and the prompt and complete performance and observance of the covenants and agreements described in this Lease, the parties agree as follows:

1. **PROPERTY TO BE LEASED.** In consideration of the prompt and timely payment of the rental and other charges described in this Lease, and the prompt

and complete performance and observance of the covenants and agreements described in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the property including the building and improvements thereon commonly known as Space # _____, of approximately _____ square feet of Three Fifty Queue, Springfield, Oregon.

2. LEASE TERM.

2.1 **Term.** The term of the Lease shall be for five years commencing on or before _____, 2005 ("Scheduled Commencement Date"), and terminating at 12:00 a.m. midnight on _____, 2010, unless soon terminated in accordance with the terms of this Lease. The actual term of this Lease shall begin on the date ("Commencement Date") which shall be the later of the Scheduled Commencement Date and the date that Landlord tenders possession of the Property to Tenant. Tenant agrees that in the event of the inability of Landlord to deliver possession of the Property on the Scheduled Commencement Date, Landlord shall not be liable for any damage resulting from such inability, and that Tenant shall not be liable for any rent until the time when Landlord deliver possession of the Property to Tenant.

2.2 **Renewal Option.** If this Lease is not then in default Tenant shall have the option to renew this Lease for two five-year terms.

2.2.1 The renewal term shall begin on the day following the date of termination of the preceding term.

2.2.2 Each option to renew must be exercised by written notice to Landlord not less than six months prior to the expiration of the preceding term. The giving of such notice shall be sufficient to make the Lease binding for the renewal term without further act of the parties.

2.2.3 The terms and conditions of the Lease for the renewal term shall be identical to the original term except for the rent.

2.2.4 Rent for the renewal terms shall be the fair market rental of the Property at such time of the renewal. If the parties do not agree upon such rent within sixty days after the notice of election to renew for the second five year term the rent shall be determined by a qualified independent real estate appraiser familiar with commercial rental values in the area. The appraiser shall be chosen by the Landlord, unless Tenant objects in writing, in which case the appraiser shall be mutually agreed upon by the parties. Within thirty days after the appointment of an appraiser, the appraiser shall return his or her decision which shall be final and binding upon both parties.

2.2.5 In no event shall the renewal rent be less than that described in paragraph 3.1 below.

2.2 Construction/Remodeling of Property. Landlord and Tenant hereby agree that Tenant's taking possession of the Property shall be deemed conclusive evidence of tenant's acceptance of the Property in satisfactory condition and in full compliance with all covenants and obligations of Landlord in connection therewith. Tenant agrees that it will accept possession of the Property in an "as is" condition and that no representations, promises to decorate, alter, repair, or improve the Property, either before or after the execution of this Lease regarding the Property, have been made to Tenant by Landlord, except as specifically set forth in this Lease Agreement. Tenant shall perform all Tenant work related to the Property in accordance with Exhibit B, if applicable, attached hereto and shall thereafter install such stock, fixtures and equipment and perform such other work as shall be necessary or appropriate in order to prepare the Property for the opening and continuous operation of Tenant's business.

3. RENT.

3.1 Base Rent. Tenant shall pay to Landlord as base rent the initial monthly sum of \$ _____ during the first year of the Lease term. Annual rent increases of 3.5% shall take place upon the anniversary date of the commencement of the lease term. Rent shall be payable on the first day of each month, in advance, addressed to Watson-Alberts, LLC, P.O. Box 10545, Eugene, Oregon 97440, or at such other place as Landlord may direct, which rent shall be paid without offset or discount of any nature.

3.2 Additional Rent. Tenant shall pay, before delinquent, as additional rent either directly to the taxing district, utility, insurance company, or other creditor, or to Landlord via a "Common Area Maintenance Charge" (see, Section 3.5) the following:

3.2.1 All taxes, charges, and assessments upon Tenant's personal property and fixtures located on the Property.

3.2.2 All real property taxes on the Property, which sum shall be proportioned and pro-rated by Landlord and provided to Tenant within 15 days after receipt by Landlord from the taxing district.

3.2.3 All utility expenses, including but not limited to electricity, heat, light, power, water, telephone, cable, sewage, garbage, gas, and the like.

3.2.4 All insurance and insurance premiums for which Tenant is required to pay pursuant hereto.

3.2.5 All amounts expended by Landlord in discharging Tenant's obligations hereunder.

3.2.6 All repairs and maintenance to the Property, including without limitation, those specified hereinafter.

3.3 Late Payment Charge. If Tenant fails to pay, within Ten (10) days after the due date thereof, any rent or other charge payable by Tenant under this Lease, then Tenant shall be obligated to pay to Landlord (in addition to the overdue principal amount to f the rent or other charge) a late payment charge of the greater of \$50.00 or 5% of the rent or other charge with said late payment charge being compounded monthly, for each month or fraction of a month during which to overdue principal amount remains unpaid.

3.4 Security Deposit. To secure Tenant's compliance with all terms of this lease, Tenant shall pay Landlord, upon the execution of this Lease, the greater of \$3,000.00 or two months Base Rent, as a deposit. The deposit shall be a debt from Landlord to Tenant, refundable within 30 days following expiration of the lease term or other termination not caused by Tenant's default. Landlord shall have the right to offset against the deposit any sums owing from Tenant to Landlord and not paid when due, any damages caused by Tenant's default, the cost of curing any default by Tenant should Landlord elect to do so, and the cost of performing any repair or cleanup that is Tenant's responsibility under this Lease. Offset against the deposit shall not be an exclusive remedy in any of the above cases, but may be invoked by Landlord, as it option, in addition to any other remedy provided by law or this Lease for Tenant's nonperformance. Landlord shall give notice to Tenant each time an offset is claimed against the deposit, and unless the Lease is terminated, Tenant shall within 10 days following such notice deposit with Landlord a sum equal to the amount of the offset so that the total deposit amount, net of offset, shall remain constant throughout the lease term.

It is the parties' intention that the base rent payable to Landlord is a net rent and shall not be reduced or set off by any additional sums due and owing in connection with the Property.

3.5 Common Area Maintenance Charge. All costs and expenses paid or incurred by Landlord during the Lease Term in operating, equipping, securing, protecting, insuring, lighting, ventilating, repairing, replacing and maintaining the common areas at Three Fifty Queue shall be reimbursed by Tenant to Landlord in the amount of Tenant's Pro Rata Share, as defined in Section 3.6. Such costs shall include but not be limited to: cleaning and janitorial services; parking lot sweeping and cleaning; compacting and removal of garbage, rubbish and other refuse; maintenance, repair and repainting of exterior buildings and parking areas; fire protection; maintenance and repair of sprinkler systems, ventilations systems, electrical systems, and plumbing systems; exterior illumination; maintaining and replacing landscaping; management fee; premiums, deductibles and other costs incurred for liability, property damage, fire and extended coverage, and any other casualty or risk insurance; replacement of common area fixtures and equipment; any other items necessary in Landlord's judgment for the operation and maintenance of the common areas in a state of good and sanitary order, condition and repair; and administrative costs equal to ten percent (10%) of the total cost of operating and maintaining the common areas. The annual charges for Common Area Maintenance shall be paid in monthly installments of the first day of each calendar month, in advance, in an amount estimated by Landlord.

3.6 Tenant's Pro Rata Share of Common Area Maintenance Charge.

As used in this Lease, the term "Pro Rata Share" shall mean an amount computed by multiplying the total amount of any tax, expense, assessment or charge to be pro rated by a fraction the numerator of which shall be the number of square feet of floor area in the Property and the denominator of which shall be the number of square feet of gross leasable floor area in Three Fifty Queue.

4. **POSSESSION.** Tenant shall be entitled to possession of the Property, commencing on the Commencement Date of this Lease but in no event prior to the date on which the property is available for occupancy to Tenant and continuing during the term hereof, so long as Tenant is not in default or violation of the terms of this Lease.

5. **USE OF PROPERTY.** Tenant agrees to occupy and use the Property for Tenant's general retail purposes and for no other purpose without the prior written consent of Landlord. Tenant specifically acknowledges that Tenant's proposed usage of the Property is a material inducement to Landlord entering into this Lease, and that as a result thereof, any unpermitted uses of the Property by Tenant shall be grounds for Landlord declaring Tenant in default of this Lease.

5.1 **Restrictions on Use.** Tenant agrees to use the premises in the following manner and under the following restrictions:

5.1.1 To use the premises in a careful, safe, dignified, and proper manner, and in accordance with high standards of a store operation so as to maintain a character in keeping with the standards of Three Fifty Queue.

5.1.2 To pay on demand for any damage to the premises caused by the misuse of such premises by Tenant, his agents, or employees, or by any other person entering upon the premises under the express or implied invitation of Tenant.

5.1.3 Not to use or permit the Property to be used for any purpose prohibited by the laws of the United States or the State of Oregon, or of the ordinances of the City of Springfield or County of Lane.

5.1.4 Not to commit waste nor suffer nor permit waste to be committed on or near the premises.

5.1.5 To 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 by reason of Tenant's use. These include, without limitation, any required alteration of the premises because of Tenant's specific use, and all applicable Federal, State, and local laws, regulations, or ordinances pertaining to air and water quality, hazardous substances, waste disposal, air emissions, and other environmental matters, all zoning and other land

use matters, and utility availability, and with any direction of any public officer or officers, pursuant to law, which shall impose any duty upon Landlord or Tenant with respect to the use or occupancy of the Property.

5.1.6 To refrain from any activity or use which would make it impossible to insure the premises against casualty, which would increase the insurance rate, 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, unless Tenant pays for the additional cost of the insurance.

5.1.7 To refrain from any use which would be reasonably offensive to the Landlord, other tenants or owners or users of adjoining premises which would tend to create a nuisance or damage the reputation of the premises.

5.1.8 To refrain from making any changes to the storefront of the Property; to refrain from installing any exterior lighting, decorations, painting, awnings, canopies, etc.; and, to refrain from installing any sign, insignia, antenna, aerial, or other device which is not usual or normal for the occupancy of the premises, without the written consent of Landlord.

5.1.9 To refrain from using in an unsafe or inappropriate manner any environmentally hazardous materials or waste on the property, and to refrain from creating any potentially hazardous environmental conditions on the property. In this regard, Tenant agrees to take any and all action to ensure that the Property will not be identified by any governmental agency as a site upon which, or potentially upon which environmentally hazardous materials have been or may have been located or deposited as a result of any action by or on behalf of Tenant, during the term of this Lease. In addition, Tenant agrees to refrain from installing any underground storage tank on the premises.

5.2 Notices, Reports and Inspections. Tenant shall immediately notify Landlord upon becoming aware of any of the following:

5.2.1 Any spill, release or disposal of a Hazardous Substance on any of the Property, or in connection with any of its operations if such spill, release or disposal must be reported to any governmental authority under applicable environmental laws.

5.2.2 Any contamination, or eminent threat of contamination, of the Property by Hazardous Substances, or any violation of Environmental Laws in connection with the Property or operations on the Property.

5.2.3 Any order, notice of violation, fine or penalty or other similar action by any governmental authority relating to Hazardous Substances or Environmental Laws and the Property or the operations conducted on the Property.

5.2.4 Any judicial or administrative investigation or proceeding relating to Hazardous Substances or Environmental Laws and to the Property or the operations conducted on the Property.

5.2.5 Any matters relating to Hazardous Substances or Environmental Laws that would give a reasonably prudent landlord cause to be concerned that the value of the Property may be reduced or threatened or that may impair, or threaten to impair, Tenant's ability to perform any of its obligations under this Lease when such performance is due.

6. TENANT'S COMPLIANCE WITH ENVIRONMENTAL LAWS.

Tenant shall cause the Property and the operations conducted thereon to comply with all environmental laws and orders of any governmental authorities having jurisdiction under any environmental laws and shall obtain, keep in effect, and comply with all governmental permits and authorizations required by environmental laws with respect to the Property or operations. Tenant shall furnish Landlord with copies of all such permits and authorizations and any amendments or renewals and shall notify Landlord of any expiration or revocation of such permits or authorizations.

7. ABANDONMENT. Tenant shall not abandon nor vacate the Property at any time during the term hereof. If Tenant shall abandon, vacate, or otherwise surrender the Property or otherwise be dispossessed of the Property, Tenant shall be deemed in default under this Lease and Landlord shall be entitled to pursue all available remedies upon default.

7.1 Definition. For purposes of this paragraph, abandonment shall be deemed an absence from the property for a period of ten (10) days without prior notice to and written consent by Landlord to Tenant for such absence from the property.

8. ACCEPTANCE AND POSSESSION OF PROPERTY.

8.1 Acceptance of Property. Neither Landlord nor any of Landlord's agents, representatives, or assigns, have made any representations with respect to the premises, except as described in this Lease. The taking of possession of the premises by Tenant shall be conclusive evidence that Tenant accepts and takes the same "AS IS" and in the condition, known or unknown, existing at the time of this Lease.

8.2 Surrender of the Property. Subject to the paragraph captioned "Remedies", upon the expiration or sooner termination of this Lease, if Tenant has fully and faithfully performed all of the terms, covenants, and conditions of this Lease to be performed by Tenant, but not otherwise, Tenant shall, at Tenant's sole cost and expense,

remove Tenant's signs and all of Tenant's trade fixtures and equipment (hereinafter referred to as "Tenant's property") from the premises and shall thereupon surrender the premises to Landlord in the same condition as it was delivered to Tenant, reasonable wear and use accepted. If Tenant has not fully and faithfully performed all of the terms, covenants, and conditions of this Lease to be performed by Tenant, Tenant shall not remove Tenant's property from the premises without the written direction to do so from Landlord.

9. INDEMNIFICATION.

9.1 **Indemnity.** Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including without limitation, diminution in value of the Property, damages for the loss or restriction on use of rentable or useable space or of any amenity of the Property, damages arising from any adverse impact on marketability of the space, and sums paid in settlement of claims, attorney's fees, consultant fees, and expert fees) which arise during or after the lease term as the result of contamination by hazardous material as a result of Tenant's use or activities, or the use or activities of Tenant's agents or contractors.

This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean up, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of hazardous material present in the soil or ground water on or under the Property. Without limiting the foregoing, if the presence of any hazardous material on the Property caused or permitted by Tenant or its agents or contractors results in any contamination of the Property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Property to the condition existing prior to the release of any such hazardous material to the Property, provided that Landlord's approval of such action shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long term or short term effect on the Property. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

9.2 **Definition of Hazardous Material.** As used in this Lease, the term "hazardous material" means any hazardous or toxic substance, material or waste, including but not limited to, those substances, materials and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the United States Environmental Protection Agency as hazardous substances (40 CFR Part 303 and amendments thereto), petroleum products, or such other substances, materials, and wastes that are or become regulated under any applicable local, state or federal law.

9.3 **Right to Inspect.** Landlord and its agents shall have the right, but not the duty to inspect the Property at any time to determine whether Tenant is complying with the terms of this Lease. If Tenant is not in compliance with this Lease, Landlord shall have the right to immediately enter upon the Property to remedy any contamination

caused by Tenant's failure to comply, notwithstanding any other provision of this Lease. Landlord shall use its best efforts to minimize interference with Tenant's business, but shall not be liable for any interference caused thereby.

9.4 **Default.** Any default of these sections of this Lease shall be a material default enabling Landlord to exercise any of the remedies set forth in this Lease.

10. REPAIRS AND MAINTENANCE.

10.1 **Definitions.** The term "repair" shall include all necessary actions brought about by Tenant's use of the Property, including those caused by ordinary wear and tear. All repairs shall be at least equal in quality and class as the existing work.

10.2 **Landlord's Obligations.** Landlord shall, at Landlord's cost and expense, be responsible for repairs and maintenance of the roof and gutters, exterior walls, bearing walls, structural members, and foundation.

10.3 **Tenant's Obligations.** Tenant shall make any repairs or alterations required to be made to the Property without exception. Tenant shall comply with laws and regulations or as required by Landlord to ensure the Property remains in as good or better condition as when Tenant took possession.

This is an absolute triple net lease and during the initial term and any renewal term hereof. Landlord shall have no obligation or responsibility to maintain or repair the Property, except to authorize the expenditure of insurance proceeds in accordance with this Lease, and except as provided in Section 10.2, above.

10.4 **Reimbursement for Repairs.** If Tenant fails or refuses to make repairs or perform maintenance required hereby, Landlord may make such repairs and charge the actual costs therefore to Tenant. Such expenditures by Landlord shall be reimbursed by Tenant upon demand as additional rent together with interest at the rate of 9% per annum from the date of expenditure by Landlord.

11. DAMAGE AND DESTRUCTION.

11.1 **Partial Damage.** If the Property is partly damaged, and the paragraph below captioned "Destruction" does not apply, the property shall be repaired by Tenant at Tenant's expense. Repairs shall be accomplished with all reasonable dispatch subject to interruptions and delays from labor disputes and matters beyond the control of Tenant.

11.2 **Destruction.** If the Property is destroyed or damaged such that the cost of repair exceeds 50% of the value of the structure before the damage, Landlord may elect to terminate the Lease as of the date of the damage or destruction by notice given to Tenant in writing not more than (45) days following the date of damage. In the event of such election by Landlord, all rights and obligations of the parties shall cease as of the date of termination, and Tenant shall be entitled to the reimbursement of any prepaid

amounts paid by Tenant and attributable to the anticipated term. If Landlord elects to continue the lease, Tenant shall proceed to restore the Property to substantially the same form as prior to the damage or destruction. Work shall be commenced as soon as reasonably possible, if such determination is made, and thereafter shall proceed without interruption except for work stoppages on account of labor disputes and matters not under control of Tenant.

11.3 Rent Abatement. Except as provided in the paragraph captioned "Landlord's Right of Entry", rent shall be abated during the repair of any damage to the extent the premises are untenantable, except that there shall be no rent abatement where the damage occurred as the result of the fault of Tenant.

12. EMINENT DOMAIN. The parties acknowledge and agree that if the premises, or any part thereof, is taken by eminent domain, or sold under threat of condemnation, Landlord is entitled to all the proceeds resulting therefrom, except any sums allocated to Tenant's reasonable relocation expenses, if any. The parties agree that if the property subject to this Lease, or portion thereof, is taken by eminent domain or under threat of condemnation, and the resulting effect is to frustrate the intent of this Lease, the Lease shall be cancelled effective with the transfer of title to the governmental authority exercising condemnation powers. If the property taken by condemnation does not materially affect the intent of this Lease, then the Lease shall proceed as delineated herein.

Sale of all or part of the Property to a purchaser with the power of eminent domain in the face of a threat or probability of the exercise of the power shall be treated for the purposes of this paragraph as a taking by condemnation.

13. WAIVER OF LIABILITY, INSURANCE, AND INDEMNITY. Tenant acknowledges and agrees that Landlord shall have no liability for any damage or expense caused to Tenant by Tenant's use of the premises or in any manner arising from this Lease, except for Landlord's default under this Lease. Tenant hereby waives any and all right of recovery from Landlord, or its officers, successor or assigns, including incidental or consequential damages, which arise from Tenant's use of the premises or under this Lease, except for Landlord's default under this Lease.

13.1 Liability Insurance. Tenant shall at all times during the term hereof, at Tenant's sole cost and expense, procure and maintain in force and effect a policy or policies of comprehensive public liability insurance issued by an insurance carrier approved by Landlord, insuring against injury occurring on or about the Property, in amounts as follows: \$1 million for injury to one person, \$2 million for injury to two or more persons in one occurrence, and \$500,000.00 for damage to property. Such insurance shall cover all risks arising directly or indirectly out of Tenant's activities on or any condition of the Property, whether or not related to an occurrence caused or contributed to by Landlord's negligence, shall protect Tenant against claims of Landlord on account of the obligations assumed by Tenant and shall protect Landlord and Tenant against claims of third persons. Certificates evidencing such insurance and bearing

endorsements requiring 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.

Tenant shall keep the Property insured at Tenant's expense against fire and other risk covered by a standard fire insurance policy with an endorsement for extended coverage and shall have the same obligations as provided in copies of the policy and certificates as described above.

13.2 Waiver of Subrogation. Landlord and Tenant hereby waive any and all right of recovery from the other or the other's agents and employees for any loss or damage, including consequential loss or damage caused by any peril or perils enumerated in each form of insurance policy required to be maintained hereunder. Each such policy of insurance shall contain an express waiver of any and all rights of subrogation thereunder against Landlord or Tenant as the case may be, such parties' agents and employees.

14. QUIET ENJOYMENT; MORTGAGE PRIORITY.

14.1 Landlord's Warranty. Landlord warrants that it is the owner of the Property and has the right to lease the property and subject to all encumbrances of record, will defend Tenant's right to quiet enjoyment of the Property from the lawful claims of all persons during the lease term.

14.2 Estoppel Certificate. Either party will within (20) days after notice from the other, execute and deliver to the other party a certificate stating whether or not this Lease has been modified and 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.

15. COMPLIANCE WITH LAW. Tenant, at Tenant's expense, shall promptly observe and comply with all present and future laws, orders, regulations, rules, ordinances and requirements of federal, state, county and city governments with respect to the use, care and control of the Property. Notwithstanding any other provision contained herein, Tenant shall be responsible for compliance, at Tenant's expense, with any law, order, regulation, rule, ordinance or requirement requiring physical changes in the Property.

16. ASSIGNMENT AND SUBLEASE. The interest of Tenant under this Lease may not be assigned, wholly or partially, or encumbered, nor may all or any portion of the Property be sublet, without the prior written consent of Landlord. No assignment or sublease, or consent thereto by Landlord, shall relieve Tenant, wholly or partially, from the obligations of Tenant to Landlord under this Lease.

17. **DEFAULT BY TENANT.** Tenant shall be in default of this Lease if at any time during the term this Lease or any extension or renewal thereof (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings in law, in equity or before any administrative tribunal, which might have the effect of preventing Tenant from complying with the terms of this Lease):

17.1 Tenant fails to pay any payment coming due hereunder from Tenant to Landlord within ten (10) days from the due date thereof;

17.2 Tenant violates or fails to perform any other covenant, condition, obligation, or provision of this Lease within ten (10) days after written notice thereof is given to Tenant by Landlord.

17.3 In the event Tenant is in default of this Lease, Landlord shall be entitled to the following remedies, or any other remedy available under applicable law or contained in this Lease:

(a) Without terminating this Lease, Landlord shall be entitled to recover from Tenant any amounts due hereunder, any damages arising out of the violation or failure of Tenant to perform any covenant, condition or provision of this Lease, and any damages due Landlord for reasons related to abandonment by Tenant.

(b) Landlord may elect to terminate this Lease and any and all interest and claim of Tenant by virtue of such Lease, whether such interest or claim is existing or prospective, and to terminate all interest of Tenant in the Property. Such termination shall, at the election of Landlord, also terminate any sublease by Tenant, whether or not Landlord has theretofore consented to such sublease.

(c) Landlord may elect to re-let the Property as an agent for Tenant.

The foregoing remedies shall be in addition to, and shall not exclude, any other remedy available to Landlord at law or in equity. The ten (10) day grace period for the payment of amounts coming due hereunder is in recognition of the ten (10) day grace period for the payment of rent provided by the statutes of the state of Oregon; and shall not be construed as an addition to, or an extension of, such grace period provided by statute. All remedies, to the extent they are not inconsistent with each other, shall be deemed cumulative. The election by Landlord of one remedy shall not prevent the subsequent election by Landlord of an inconsistent remedy.

In the event this Lease is terminated, all obligations and indebtedness of Tenant to Landlord arising out of this Lease prior to the date of such termination shall survive such termination.

Upon such termination, or upon the election by Landlord to relet the Property, Landlord may reenter the Property and take possession thereof and remove any persons and property by legal action or by self-help with the use of reasonable force and without

liability for damages, and Tenant shall indemnify and hold Landlord harmless from any claim or demand arising out of such reentry and removal of persons or property.

In the event Landlord reenters the Property upon termination, or for the purpose of re-letting, Landlord may re-let all or some portion of the Property, 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 a period of rent-free occupancy or other rental concession, and Landlord may, but shall not be required to, re-let the Property for any use or purpose other than specified in this Lease, and Landlord shall not be required to re-let to any tenant which Landlord may reasonably consider objectionable.

In the event of termination by Landlord, Landlord shall be entitled to recover immediately as damages the total of the following amounts:

(a) Any amount by which Tenant's total obligation under this Lease exceed the reasonable rental value of the Property as at the date of default, for the remaining term of this Lease.

(b) The reasonable costs of re-entry and re-letting, including, but not limited to, any expense of cleaning, repairing, altering, remodeling, refurbishing, removing Tenant's property, or any other expense incurred in recovering possession of the Property or re-letting the Property, including, but not limited to, attorney's fees, court costs, broker's commissions and advertising expense.

(c) The loss of rent accruing until the date when a new tenant has been, or with the exercise of reasonable diligence could have been, obtained.

In the event Landlord re-lets the premises as agent for Tenant, Landlord shall be entitled to recover immediately as damages the total of the following amounts:

(a) An amount equal to the total rental coming due for the term of this Lease, computed based upon the periodic rent provided for herein and without discount or reduction for the purpose of adjusting such payment to present value of anticipated future payments, less any payments theretofore applied against such total rental.

(b) The reasonable costs of reentry and re-letting, including, but not limited to, any expense of cleaning, repairing, altering, remodeling, refurbishing, removing Tenant's property, or any other expense incurred in recovering possession of the Property or re-letting the Property, including, but not limited to, attorney's fees, court costs, broker's commissions and advertising expense.

All payments received by Landlord from re-letting shall be applied upon indebtedness and damages owing to Landlord from Tenant, if any, and the balance shall be remitted to Tenant.

18. **CUMULATIVE REMEDIES.** The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Landlord under applicable law. The receipt by Landlord of rent with knowledge of a breach of any covenant in this Lease shall not be deemed a waiver of such breach.

No act or thing done by Landlord or its agents, during the term hereof, shall be deemed an acceptance or a surrender of said premises, and no agreement to accept a surrender of said premises shall be valid unless the same be made in writing by Landlord.

19. **UTILITIES.** Landlord shall furnish no utilities or services, and Tenant shall arrange for, and pay for, all utilities, services, and hook-ups used by Tenant on the Property.

20. **RETURN OF PROPERTY.** Upon the expiration of this Lease, or its termination for any cause, Tenant will return the Property in the order and condition required under the provisions of the preceding paragraph of this Lease, except for ordinary wear and tear and damage resulting from fire, acts of God or other casualty not caused by the negligence or fault of Tenant.

21. **LIENS AND ENCUMBRANCES.** Tenant shall keep the Property free and clear of any and all liens or encumbrances imposed or threatened to be imposed by reason of any contract, act or omission by Tenant.

22. **INJURY TO PROPERTY OR PERSON.** Tenant is to be responsible for the condition of the Property during the term of this Lease and any damage or injury to property or person resulting from the condition of the Property, or the activities of Tenant and Tenant's agents and employees thereon or any independent contractor hired by Tenant or any subtenants of Tenant or person upon the Property with the express or implied consent of Tenant. Tenant shall indemnify and save Landlord harmless from any loss, damage, claim or demand arising out of such condition or activities, whether or not covered by insurance. Tenant shall obtain and maintain in full force and effect liability insurance in amounts not less than: \$1 million for injury to one person, \$2 million for injury to two or more persons in one occurrence, and \$500,000.00 for damage to property, indemnifying Tenant from any liability, claim or demand arising out of such condition or activities, and naming Landlord as an additional insured. Such insurance shall be written by an insurance company authorized to transact business within the state of Oregon, and shall provide that such insurance may not be canceled or terminated in any manner without not less than ten (10) days' written notice to Landlord. A copy of such insurance policy or a certificate evidencing such insurance coverage shall be furnished to Landlord upon written request to Tenant.

23. **HOLDING OVER.** In the event Tenant shall hold over after the expiration of the term of this Lease, or an extended term, such holding over shall be deemed to create a tenancy at will which may be terminated at any time by Landlord or Tenant.

24. **NOTICES.** Any notices required or permitted to be given under the terms of this Lease, or by law, shall be in writing and may be given by personal delivery or certified mail, directed to the parties at the following addresses, or such other address as any party may designate in writing prior to the time of the giving of such notice, or in any other manner authorized by law:

LANDLORD: Watson-Alberts, L.L.C.
 PO Box 10545
 Eugene, Oregon 97440

(541) 954-1978

TENANT:

() _____

Any notice given shall be effective when actually received, or if given by certified mail, then forty-eight (48) hours after the deposit of such notice in the United States mail with postage prepaid.

25. **BINDING EFFECT.** All of the covenants, agreements, conditions and terms contained in this Lease shall be binding upon, apply and inure to the benefit of the successors and assigns of the respective parties hereto, and all said covenants shall be construed as covenants running with the land.

26. **WAIVER.** No waiver of any right arising out of a breach of any covenant, term or conditions of this Lease shall be a waiver of any right arising out of any other or subsequent breach of the same or any other covenant, term or condition or a waiver of the covenant, term or condition itself.

27. **ATTORNEY'S FEES.** If an action is commenced to enforce, rescind or interpret this agreement or the obligations forming a part hereof, including any action or participation in or in connection with a case or proceeding under any chapter of the Bankruptcy Code, or any successor statute, the prevailing party shall be entitled to recover from the other party, and the other party agrees to pay to the prevailing party, in addition to costs and disbursements allowed by law, the prevailing party's reasonable attorney fees at trial or on appeal thereof or therefrom. Attorney fees shall include any attorney services rendered whether or not litigation is commenced and all services rendered prior to the institution of litigation and shall include all costs and expenses of litigation, including depositions, investigator fees and other normal and reasonable charges incurred by the prevailing party, including a reasonable sum for post-judgment collection.

28. **AMENDMENT OR MODIFICATION.** The parties agree that no amendment or modification of this Lease shall be valid or binding unless expressed in writing and executed by the parties in the same manner as the execution of this Lease or by the respective assignees, if any, of Landlord and Tenant.

29. **SUCCESSORS AND ASSIGNS.** Subject to the prohibition against assignment, all terms, conditions, and covenants to be reserved or performed by the parties hereto shall be applicable to and binding upon the parties and their respective heirs, personal representatives, successors and assigns.

30. **TIME IS OF THE ESSENCE.** Time is of the essence in all of the terms, provisions, covenants, and conditions hereof.

31. **USE OF PRONOUNS.** In construing this Lease, whenever the context requires, the singular number includes the plural, the neuter gender includes the masculine or feminine, and conversely.

32. **INTERPRETATION.** The laws of the state of Oregon shall govern the validity, construction, and effect of this Lease.

33. **NO PARTNERSHIP.** As a result of this Lease, Landlord does not, in any way, or for any purpose, become a partner with Tenant in the conduct of its business or otherwise, or a joint venturer or member of a joint enterprise with Tenant.

34. **CAPTIONS.** The captions inserted in this Lease are for convenient reference only and in no way are to be construed as limiting or defining the context of each of such paragraphs.

35. **SEVERABILITY CLAUSE.** If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid, or unenforceable, there be added as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal and enforceable.

36. **ENTIRE AGREEMENT.** This Lease sets forth the entire understanding of the parties and no other representations, warranties, statements, or agreements have been made by either Landlord or Tenant.

DATED effective the ____ day of _____.

LANDLORD:
WATSON-ALBERTS, L.L.C.

By: _____

Its _____

TENANT:

By: _____

GUARANTY OF PERFORMANCE

In consideration of Landlord accepting this Lease Agreement, the terms of which are specifically incorporated herein by reference, the undersigned, unconditionally and irrevocably guarantees the performance of Tenant, of each and every obligation under this Lease Agreement. This guarantee shall be continuing and shall terminate only upon the complete performance by Tenant of its obligations contained in this Lease.

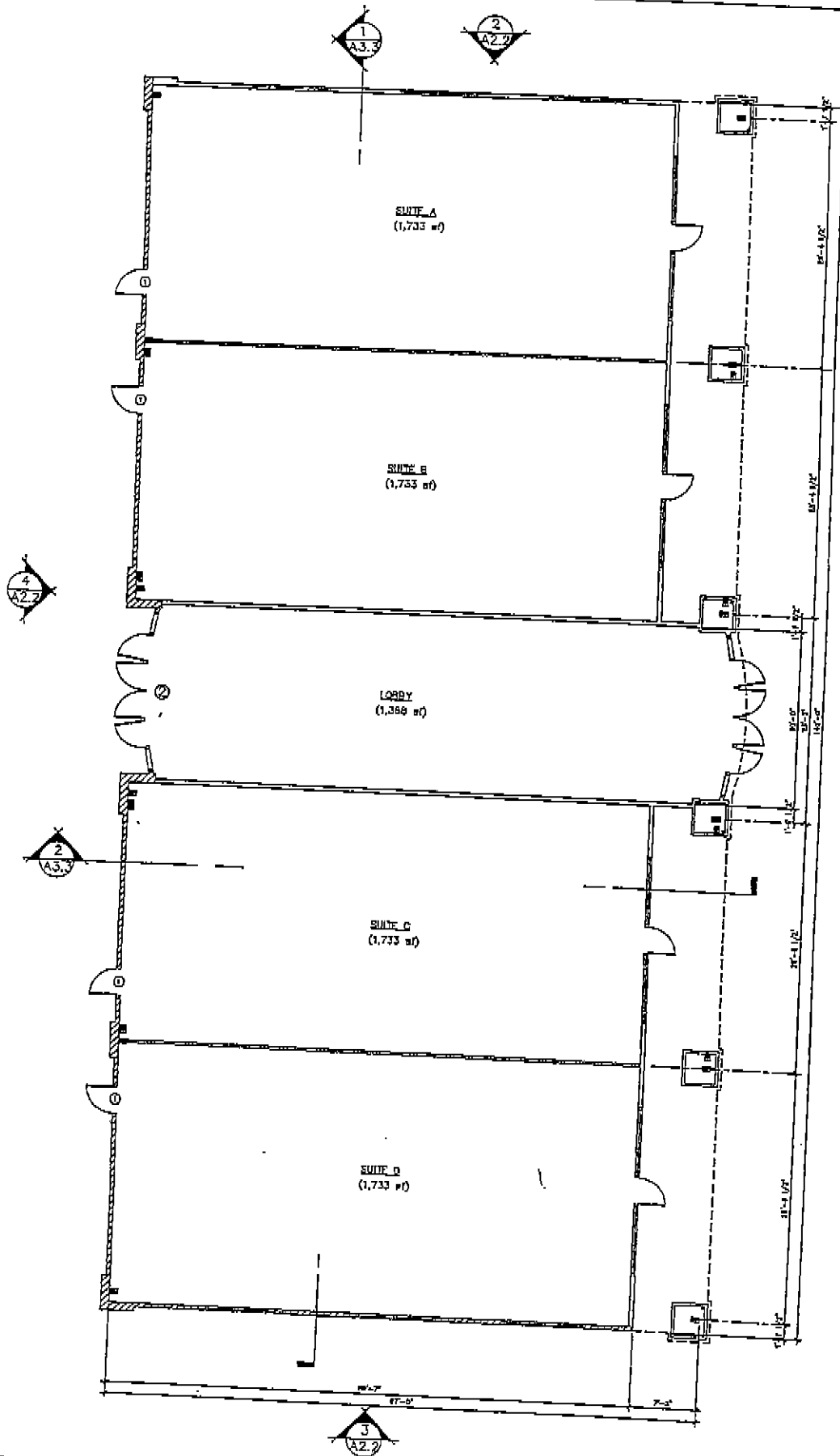
Guarantors consent that it will not be necessary for Landlord to initiate an action or exhaust its legal remedies against Tenant, as a precondition to enforcement of this guarantee. Guarantors consent that this guarantee may be immediately enforced upon default by Tenant under the terms of this Lease Agreement.

Guarantors consent that Landlord may from time to time extend the time for performance or to otherwise modify the obligations of Tenants, and such extensions or modifications thereof will not in any way release or discharge guarantors from their obligations hereunder. This guarantee shall not be released, extinguished, modified or in

any way affected by failure on the part of Landlord to enforce all of the rights and remedies available to it under this Lease Agreement.

GUARANTORS:

EXHIBIT "A"



REGISTERED ARCHITECT
 JOHN L. DEMERS
 EUGENE, OREGON
 STATE OF OREGON

ALBERTS COMMERCIAL
 BUILDING "B"
 SPRINGFIELD
 OREGON

JOHN L. DEMERS, ARCHITECT AIA
 2190 AMIRANTE STREET
 EUGENE OR 97402
 (541)-461-4320 FAX: (541)-461-2208
 EMAIL: jdemers@comcast.net

REVISED:

DATE:
 PROJ.#: 0405

A1.3
 OF

1 BUILDING "B" FLOOR PLAN
 A1.3 GROSS AREA 8,582 SQ.FT.

SCALE: 1/8"

Exhibit "B"

THREE FIFTY QUEUE

Vanilla Shell Landlord-Tenant Responsibilities

Per Unit Specifications (RETAIL BLDG.)

May 1, 2005

Landlord:

- 1) Landlord shall provide Tenant with a Shell with Front Door Glass, Rear Door, and front, rear, and side Partition Walls finished with insulation & textured drywall.
- 2) Electrical: Provide Three Phase 200 Amp. Panel
- 3) Plumbing: One ADA Compliant Bathroom
- 4) HVAC: 3 Ton Unit

Tenant:

- 1) Electrical: Run Service
- 2) Plumbing: Run Lines
- 3) HVAC: Run Ducting
- 5) Flooring: Install
- 6) Drop Ceiling/Lighting: Install
- 7) Paint
- 8) Interior Partition Walls

Exhibit "B"

THREE FIFTY QUEUE

Vanilla Shell Landlord-Tenant Responsibilities

Per Unit Specifications (Downstairs)

September 1, 2004

Landlord:

- 1) Landlord shall provide Tenant with a Shell with Front Door Glass, Rear Door, and front, rear, and side Partition Walls finished with insulation & textured drywall.
- 2) Electrical: Provide Three Phase 200 Amp. Panel
- 3) Plumbing: One ADA Compliant Bathroom
- 4) HVAC: 3 Ton Unit

Tenant:

- 1) Electrical: Run Service
- 2) Plumbing: Run Lines
- 3) HVAC: Run Ducting
- 5) Flooring: Install
- 6) Drop Ceiling/Lighting: Install
- 7) Paint
- 8) Interior Partition Walls

Exhibit "B"

THREE FIFTY QUEUE

Vanilla Shell Landlord-Tenant Responsibilities

Per Unit Specifications (Upstairs)

September 1, 2004

Landlord:

- 1) Landlord shall provide Tenant with a Shell with Front Glass Door, and front, rear, and side Partition Walls finished with insulation & textured drywall.
- 2) Electrical: Provide Three Phase 200 Amp. Panel
- 3) HVAC: 3 Ton Unit

Tenant:

- 1) Electrical: Run Service
- 2) Plumbing: Run Lines
- 3) HVAC: Run Ducting
- 4) Flooring: Install
- 5) Drop Ceiling/Lighting: Install
- 6) Paint
- 7) Interior Partition Walls