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LEASE

THIS LEASE, made and entered into this 14th day of, MAY, 1982; by and between JAMES C. BAILEY and BARBARA L. BAILEY, husband and wife, hereinafter referred to as the "Lessors", and TOM ARNOLD d/b/a TOM ARNOLD LOGGING COMPANY, hereinafter referred to as the "Lessee", WITNESSETH:

1. Description. The Lessors, for and in consideration of the rentals hereinafter provided and the covenants and agreements hereinafter contained, hereby demise, let and lease unto the Lessee the following described premises:

A tract of land located in the West half of the Southeast Quarter of the Northwest Quarter (W $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 21, Township 3 North, Range 8 East W.M., described as follows:

Beginning at the Southwest corner of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 21, Township 3 North, Range 8 East W.M.; thence N 0° 48' 57" E 1104.81 feet along the west line of said SE $\frac{1}{4}$ of the NW $\frac{1}{4}$; thence S 88° 05' 29" E 30 feet to the initial point of the tract hereby described; thence N 0° 48' 57" E 186.81 feet to a point 40 feet distant southerly from the north line of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$; thence S 88° 05' 29" E 229.04 feet; thence S 0° 57' 22" W 186.81 feet; thence N 88° 05' 29" W 229 feet more or less to the initial point.

Contains 0.98 acres more or less.

2. Length of Term and Rent. This lease shall be for the term of sixty (60) months, beginning June 1, 1982, and ending June 1, 1987, for a rental of Six Hundred Dollars (\$600.00) a month, beginning June 1, 1982, with similar payments on the 1st day of each succeeding month thereafter throughout the term of this lease. Said monthly payments shall be made to the Lessors at the following address: _____

3. Insurance. Lessee agrees to maintain liability insurance covering the activities to be conducted upon the leased premises, said activities to be limited to a shop to service log trucks and other business relating to logging operations. Lessors shall be responsible to insure the building on said premises against loss due to fire but not the contents thereof.

3. Said premises are accepted by Lessee in their present condition, and shall be kept in good order, condition and repair during the term of this lease by Lessee at Lessee's expense.

4. Lessee agrees to quit and surrender said premises at the expiration of this lease without notice, and in good order, condition and repair, damage by the elements of fire excepted.

5. This lease, or any part hereof, shall not be sublet or assigned by Lessee without the written consent of Lessors.

6. Lessee agrees to keep said premises in a clean and sanitary condition, and not to commit or permit any waste, damage, or injury to said premises and to keep the grounds upon which said premises are situated in good order, and not to let or permit any rubbish to be deposited or accumulated thereon.

7. Lessee agrees not to commit or permit anything to be done or carried on upon said premises that is contrary to any law of the State of Washington or city ordinance.

8. Lessors or Lessors' agent shall have access to said premises at all reasonable hours for the purpose of making inspection of said premises.

9. Lessee agrees to pay for all light, heat and water used in or charged against said premises during the term of this lease.

10. If said premises shall be destroyed by fire or the elements to such an extent as to render the same untenable, this lease shall terminate.

11. Lessee shall make no alterations, additions or improvements in said premises without the previous consent of Lessors first had in writing and in the event such consent is given all such alterations, additions or improvements shall be made at the sole expense of Lessee and shall become the property of the Lessors, and shall remain in and be surrendered with the premises as a part thereof at the termination of this lease, without disturbance, molestation or injury.

12. If any rents above reserved or any part thereof shall be and remain unpaid when the same become due, or if the Lessee shall violate or default in any of the covenants, agreements or terms of

this lease, then it shall be optional for the Lessors to declare this lease forfeited and the said term ended, and to re-enter said premises, with or without process of law, using such force as may be necessary to remove all persons or chattels therefrom, and the Lessors shall not be liable for damages by reason of such re-entry or forfeiture; but notwithstanding such re-entry by the Lessors, the liability of the Lessee for the rent provided for herein shall not be relinquished or extinguished for the balance of the term of this lease.

13. The covenants, conditions and terms of this lease shall be binding upon the respective parties and their successors and assigns.

14. If, it becomes necessary for either party to employ an attorney or begin a lawsuit, by reason of any default in the performance of any provision of this lease, the prevailing party shall be entitled to attorney's fees and costs of such suit.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

LESSORS:

(James C. Bailey)
JAMES C. BAILEY
(Barbara L. Bailey)
BARBARA L. BAILEY

LESSEE:

(Thomas F. Arnold)
(TOM ARNOLD d/b/a)
(TOM ARNOLD LOGGING COMPANY)

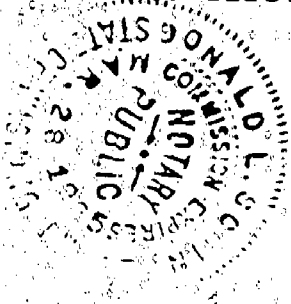
STATE OF WASHINGTON)

ss.

County of Skamania)

On this 14th day of MAY, 1982, before me a Notary Public in and for the State of Washington, personally came JAMES C. BAILEY and BARBARA L. BAILEY, husband and wife, and TOM ARNOLD, to me known to be the Lessors and Lessee respectively described in and who executed the within instrument, and acknowledged that they signed and sealed the same as their free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal, the day and year in this certificate first above written.



(Thomas F. Arnold)
Notary Public in and for the State of Washington, residing at Stevenson