

SECOND AMENDMENT TO LEASE

THIS LEASE AMENDMENT is entered into by and between the CITY OF SALEM, OREGON, a municipal corporation ("Lessor") and JHS CAPITAL ADVISORS, LLC, a Florida based LLC, ("Lessee") successor in interest to PAULSON INVESTMENT COMPANY, INC. ("Assignor"), for the purpose of amending that certain LIBERTY SQUARE LEASE AGREEMENT (the "Lease") dated December 13, 1999.

In consideration of the covenants and promises herein contained, the parties agree as follows:

1. Effective April 10, 2012, JHS Capital Advisors, LLC, (JHS), acquired Paulson Investment Company's (Paulson) Salem Assets. Paulson hereby assigns to JHS all of Paulson's leasehold interest in the Premises. JHS hereby assumes all of the obligations required of Paulson under the terms of the Lease and shall replace Paulson as Lessee and all rights and obligations of Lessee are hereby transferred to JHS.

2. Notices to Lessee shall be sent to the following address until otherwise notified in writing by Lessee:

JHS Capital Advisors, LLC
Attn: Ana Carter, CFO
501 E. Kennedy Boulevard, Suite 1400
Tampa, Florida 33602

3. With this Amendment, the term of the Lease is hereby extended for a period of three years commencing November 1, 2014 and continuing through October 31, 2017.

4. Article I - (2) of the Lease is hereby deleted and replaced with the following: Option to Renew - Provided Lessee is not in default, Lessee shall have the option to renew this lease for one - three (3) year option commencing November 1, 2017. Lessee shall exercise such renewal option by notifying Lessor in writing no later than May 1, 2017, of its intent to exercise this option. During the extended term, all terms and conditions of the lease shall remain in full force and effect.

5. Lessor shall contribute fifty-percent (50%) of all costs associated with painting and carpet replacement in the Premises, provided however, Lessor's contribution shall not exceed \$12,500. Upon receipt of satisfactory evidence of completion of work and payment by Lessee, Lessor will reimburse Lessee for its share of costs associated with the paint and carpet replacement.

6. In all other respects, the terms and conditions of the original agreement remain in full force and effect.

IN WITNESS WHEREOF the parties have executed this instrument in their respective names by their duly authorized representatives as of the date above written.

LESSEE:

JHS CAPITAL ADVISORS, LLC

By: 
Ana Carter, CFO

Date: 4/11/2012

LESSOR:

CITY OF SALEM

By: 
Linda Norris, City Manager

Date: 4/18/2012

ASSIGNOR:

PAULSON INVESTMENT CO., INC.

By: 
Trent Davis, President and CEO

Date: 4-11-2012



May 25, 2011.

Trent Davis, President
PAULSON INVESTMENT COMPANY
811 S.W. Naito Parkway, Suite 200
Portland, Oregon 97204

Dear Mr. Davis:

This letter shall serve to confirm receipt of your notice of intent to renew the lease for office space at 195 Liberty Street S., Salem, Oregon. Accordingly, the lease between Paulson Investment and the City of Salem will be renewed for another three year period commencing, November 1, 2011 and continuing through October 31, 2014.

Please do not hesitate to contact me if you should require anything further.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne Majors", with a long horizontal line extending to the right.

Dianne Majors
Real Property Services Specialist
(503) 588-6178 x 7594

Cc: James Sturdivant

LEASE EXTENSION AGREEMENT

THIS AGREEMENT made and entered into this 13 day of May, 2008, between the CITY OF SALEM, OREGON ("Lessor") and PAULSON INVESTMENT COMPANY, INC. ("Lessee"), for the purpose of extending the terms and conditions of a certain LIBERTY SQUARE LEASE AGREEMENT (the "Lease") dated December 13, 1999.

In consideration of the covenants and promises herein contained, the parties agree as follows:

1. Lessee has exercised two options, as provided in the Lease, to extend the Lease through October 31, 2005, and October 31, 2008, respectively.

2. Lessor recognizes Lessee's notice dated February 25, 2008, exercising Lessee's right to renew the Lease for a three year period under the same terms and conditions set forth in said lease agreement, except as provided in Paragraph 4 herein. With this extension, Lessee has exercised three of five extension options granted in the Lease.

3. The Lease is hereby renewed for a period of three years commencing November 1, 2008 and continuing through October 31, 2011.

4. Lessor and Lessee acknowledge and agree that due to release dates of the index used for rent increases under Article II - Rental of the Lease, annual rent increases in accordance with Article II shall become effective on or about October 1st of each year.

5. In all other respects, the terms and conditions of the original agreement remain in full force and effect.

IN WITNESS WHEREOF the parties have executed this instrument in their respective names by their duly authorized representatives as of the date above written.

LESSEE:
Paulson Investment, Inc.

LESSOR:
City of Salem

By: Trent Davis
Trent Davis, President

By: Linda Norris
Linda Norris, City Manager Pro Tem

LEASE EXTENSION AGREEMENT

THIS AGREEMENT made and entered into this 17 day of October, 2005, between the CITY OF SALEM OREGON, (Agency) ("Lessor"), and PAULSON INVESTMENT COMPANY, INC. ("Lessee"), for the purpose of extending the terms and conditions of a certain LIBERTY SQUARE LEASE AGREEMENT (the "original agreement") dated December 13, 1999.

In consideration of the covenants and promises herein contained, the parties agree as follows:

1. Lessor recognizes Lessee's letter request of March 17, 2005, that PAULSON INVESTMENT COMPANY, INC. exercises its right for a second renewal of the original agreement for a three-year period under the same terms and conditions set forth in said lease agreement.
2. The original agreement is renewed for a period of three years commencing on November 1, 2005.
3. Ownership of the leased property was conveyed on August 6, 2004, from the Urban renewal Agency of the City of Salem, Oregon, a quasi municipal corporation to the City of Salem, Oregon, a municipal corporation.
4. In all other respects, the terms and conditions of the lease agreement remain in full force and effect.

IN WITNESS WHEREOF the parties have executed this instrument in duplicate in their respective names by their duly authorized representatives as of the date above written.

LESSEE:
Paulson Investment, Inc.

By: Trent Davis
Trent Davis, President

LESSOR:
City of Salem, Oregon

By: Robert G. Wells
Robert G. Wells, City Manager

LEASE EXTENSION AGREEMENT

THIS AGREEMENT made and entered into this 26 day of August, 2002, between the URBAN RENEWAL AGENCY OF THE CITY OF SALEM OREGON, (Agency) ("Lessor"), and PAULSON INVESTMENT COMPANY, INC. ("Lessee"), for the purpose of extending the terms and conditions of a certain LIBERTY SQUARE LEASE AGREEMENT (the "original agreement") dated December 13, 1999.

In consideration of the covenants and promises herein contained, the parties agree as follows:

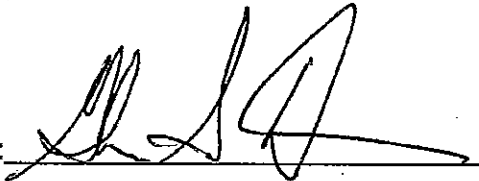
1. Lessor recognizes Lessee's letter request of August 14, 2002, that PAULSON INVESTMENT COMPANY, INC. exercises its right for a renewal of the original agreement for a three-year period under the same terms and conditions set forth in said lease agreement.

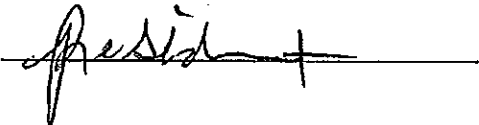
2. The original agreement is renewed for a period of three years commencing on November 1, 2002.

3. In all other respects, the terms and conditions of the lease agreement remain in full force and effect.

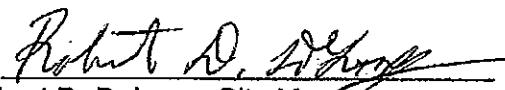
IN WITNESS WHEREOF the parties have executed this instrument in duplicate in their respective names by their duly authorized representatives as of the date above written.

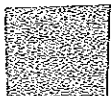
LESSEE:
Paulson Investment, Inc.

By: 

Its: 

LESSOR:
Urban Renewal Agency of the City of
Salem, acting by and through the City of
Salem, Oregon

By: 
Robert D. DeLong, City Manager



**AMENDMENT
TO
LIBERTY SQUARE LEASE**

THIS AMENDMENT between the CITY OF SALEM, OREGON, as successor to the Urban Renewal Agency of the City of Salem, Oregon ("Lessor") and PAULSON INVESTMENT COMPANY, INC. ("Lessee").

RECITALS:

- (a) Pursuant to the Liberty Square Lease (the "Lease") dated December 13, 1999, the Urban Renewal Agency of the City of Salem as Lessor leased to Paulson Investment Company, Inc. as Lessee certain real property located in the Liberty Square Parkade structure, in Marion County, Oregon, as described in the Lease (the "Premises");
- (b) The Lease was renewed via Lease Extension Agreement, dated October 17, 2005;
- (c) Lessor and Lessee wish to amend the Lease for the purpose of increasing the square footage of the leased premises and adjusting the rent and for other purposes as provided in this Amendment.

AGREEMENT. In consideration of the mutual benefits and obligations set forth herein, the parties agree as follows:

Section 1. Amendment to Exhibit A. The attached Exhibit A dated 4/15/06 is substituted for Exhibit A to the Lease. The Premises leased to Lessee are the combined premises commonly known as 165 Liberty St. SE and 195 Liberty St. SE, consisting of 3,821 square feet, which is the Floor Area.

Section 2. Amendment to Article II - RENTAL. Article II - RENTAL of the Lease is hereby amended to add the following:

- (3) On and after May 1, 2006, the minimum monthly rent for the Premises is \$3,973.84,
 - (a) Lessor will participate in the cost of improvements itemized in Exhibit B when completed. Lessor's participation will be in the form of a rent credit in the amount of not more than \$8,700.00, at the rate of \$725.00 per month for 12 months beginning with the rental payment first due following the effective date of this Amendment.
 - (b) The parties agree the next annual adjustment pursuant to subparagraph (2) will occur on July 1, 2006 based on the minimum monthly rental of \$3,973.84.

Section 3. Amendment to ARTICLE III - PREMISES. Article III-PREMISES of the Lease is hereby amended to add the following:

- (3) Lessee shall make no improvements to the Premises without prior written approval of Lessor. Lessee shall construct the improvements in accordance with the final plans and

specifications approved by Lessor. The work shall be performed in compliance with all applicable laws, ordinances, and regulations, and in a good and professional manner. Lessor shall have the right to inspect the work at reasonable intervals subject to the supervision of Lessee and in a manner that will minimize any interference with the work.

Section 4. Amendment to Article XXII-NOTICE. Article XXII-NOTICE of the Lease is hereby amended to substitute the City of Salem, Leasehold Supervisor, Real Estate Division, 350 Commercial Street NE, Salem, Oregon 97301 for the Urban Renewal Agency of the City of Salem, Oregon.

Section 5: Amendment to ARTICLE XXIII-MISCELLANEOUS.

Article XXIII-MISCELLANEOUS of the Lease is hereby amended to add :

(5) Time is of the essence of this agreement.

Section 6: Approval of improvements. Lessor approves the preliminary plans and specifications for leasehold improvements attached as Exhibit B. Lessor's approval of the improvements does not relieve Lessee of the obligation to obtain and comply with any required governmental permits including those which may be necessary from the City of Salem.

Section 7: Effective Date. Except as set forth in Section 1 of this Amendment, the effective date of this Amendment to Liberty Square Lease shall be May 1, 2006.

Section 8: Full Force and Effect. All provisions of the Lease not specifically modified by this Amendment shall remain in full force and effect.

IN WITNESS WHEREOF the parties have caused this Agreement to be signed in their respective names by their duly authorized representatives as of the dates set forth below:

LESSOR:

CITY OF SALEM, an Oregon
municipal corporation

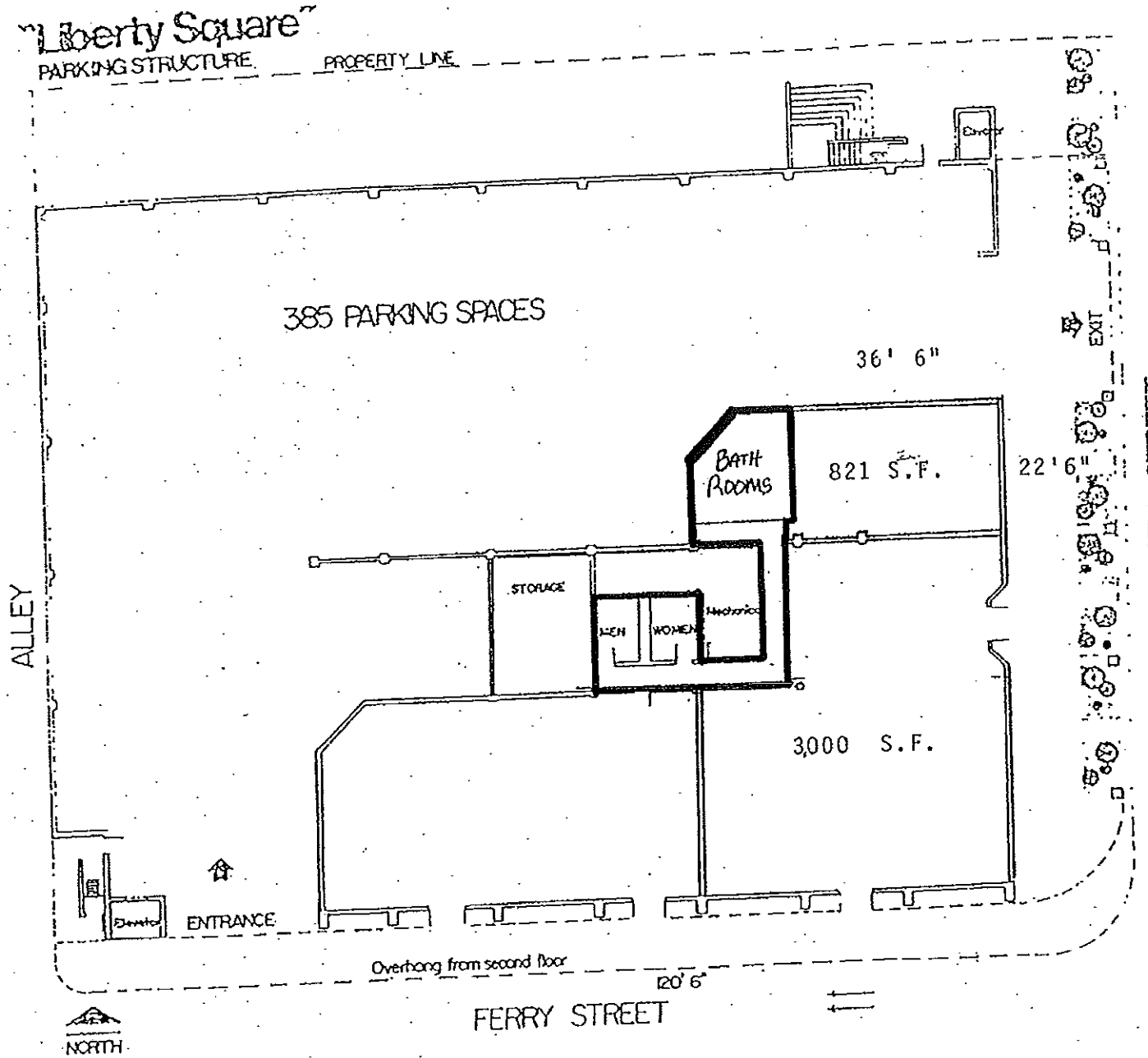
By: Robert Wells
Its: City Manager
Date: 04/28/06

LESSEE:

PAULSON INVESTMENT
COMPANY, INC.

By: [Signature]
Its: President/CEO
Date: 4-24-06

EXHIBIT A



4/15/06

Scope of Project

for expansion into 165 Lib.

821

Exhibit B

SCOPE OF PROJECT

The scope of this project is to convert existing Office space into additional Office space for Paulson Investment Company Inc. @ 195 Liberty Street S.E., Salem, Or.
There is no proposed change of use in this project.
This is Tenant improvement only.

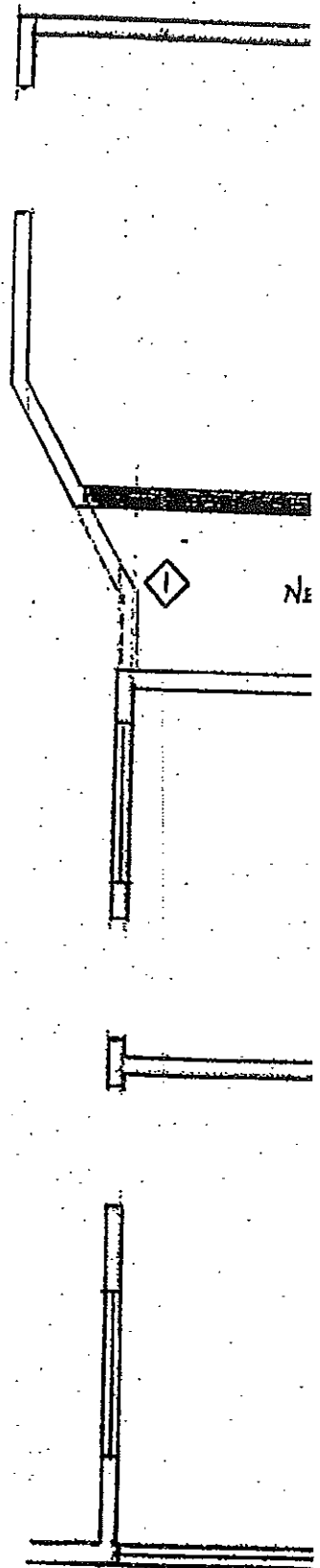
The existing Building is Commercial Space at the ground level of a multi-level Parking Garage. The floor is Concrete slab on grade. Interior walls are Cold Formed Steel Studs.
There are no Structural Changes to the Building.

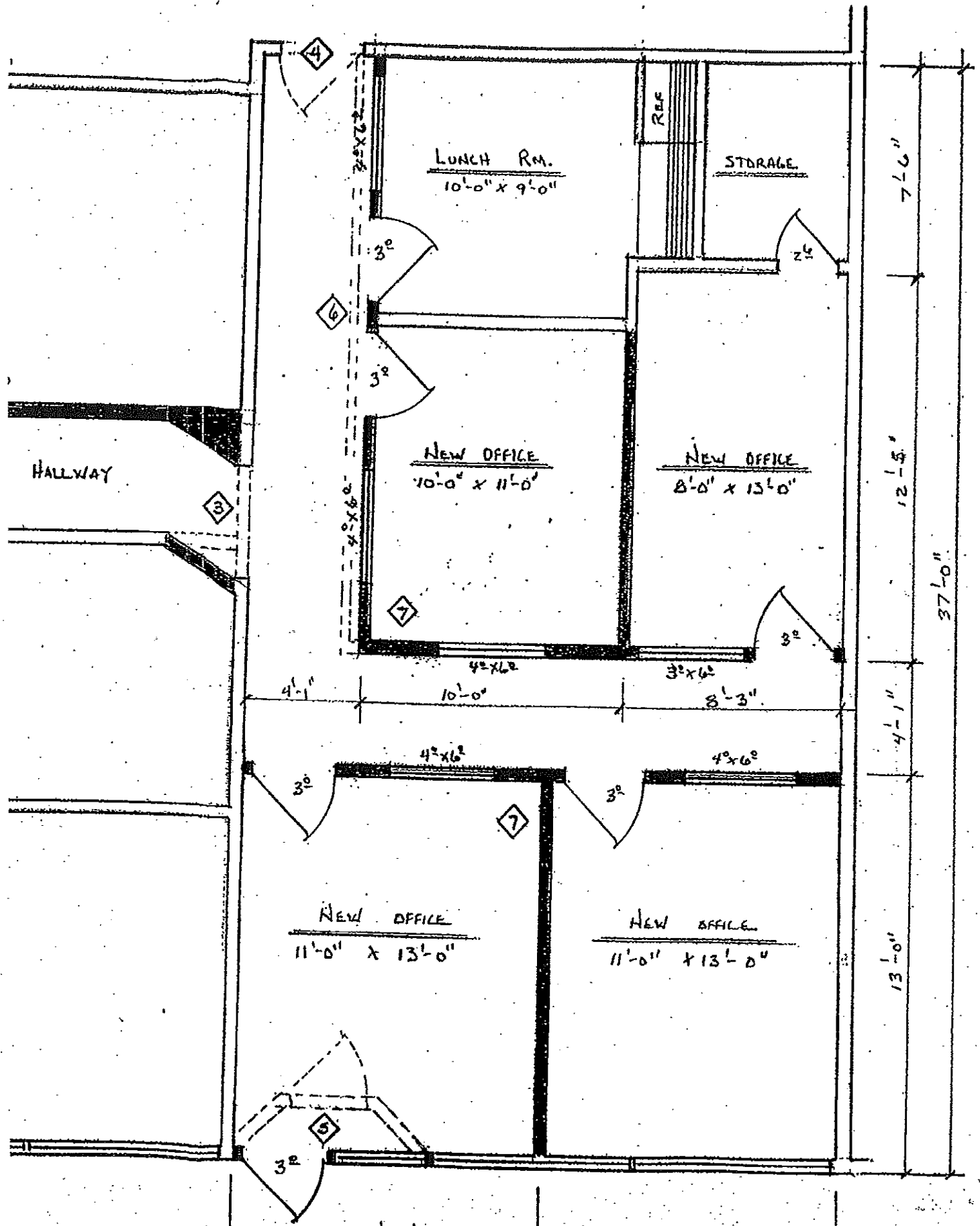
All work is to be performed by State of Oregon Registered Commercial Contractors.

NOTES

- 1 Remove existing wall section to create access to new Hallway.
- 2 Add new Wall in existing Room to create new Hallway
- 3 Add new doorway thru existing wall for Hallway access.
- 4 Move existing Door in widened Hallway.
- 5 Remove and replace existing Exit Door for new Emergency Exit.
- 6 Move existing wall to create expanded 48" hallway
- 7 Add new walls to create additional Office space.

* **FIELD VERIFY ALL MEASUREMENTS
WITH GENERAL CONTRACTOR.**





LIBERTY SQUARE LEASE

THIS LEASE THIS LEASE made and entered into as of the 13th day of December, 1999*, by and between URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON, hereinafter referred to as "Lessor," and PAULSON INVESTMENT COMPANY, INC., hereinafter referred to as "Lessee."
** effective November 1, 1999. [Signature]
WITNESSETH [Signature]

WHEREAS, Lessor is the owner of certain real property shown on the attached Exhibit "A," and which will hereinafter be referred to as the "Lease Premises," which premises are a part of a structure known as "LIBERTY SQUARE."

NOW, THEREFORE, in consideration of the payment of the rental charges by Lessee, and the covenants, agreements, and stipulations herein contained on the part of Lessee and Lessor to be kept and performed, Lessor does hereby lease, let, and demise to Lessee, the premises at 195 Liberty SE., shown on attached Exhibit "A."

TO HAVE AND TO HOLD the said described premises, for the term and for the rental charge, and upon the conditions hereinafter set forth;

ARTICLE I - TERM

(1) The term of this lease is for a period of three (3) years, beginning November 1, 1999 and ending October 31, 2002.

(2) If Lessee has fully and faithfully complied with all the terms of this lease, Lessee shall have the right, at its option, to renew this lease for five (5) further and consecutive three (3) year terms commencing on the day following the termination of the original term. Lessee shall exercise such renewal option by sending written notice to Lessor by certified mail, and the receipt of such notice on or before the 180th day preceding the last day of each expiring term shall be a sufficient exercise thereof. Upon receipt by Lessor of the notice, this lease shall be in full force and effect for the renewal term in accordance with terms and conditions herein, including adjusting minimum monthly rent by reference to consumer's price index and additional rent provisions as stated in Article II.

ARTICLE II - RENTAL

(1) Initial minimum monthly rent of Two Thousand Nine Hundred Twenty-one and 69/100 Dollars (\$2,921.69) payable monthly, in advance, on the first day of each calendar month without setoff or deduction, commencing November 1, 1999, or when Lessee opens for business, whichever is earlier and ending October 1, 2002. If rent is unpaid after the 10th of each month, Lessee will be subject to a late charge of Seventy-five and no/100 Dollars

(\$75.00) per day, computed to include the first day due and continuing until both rent and late charges are fully paid. Any dishonored check shall be treated as unpaid rent and shall be subject to the same charges plus Twenty-five and no/100 Dollars (\$25.00) as special handling fee and must be made good by cash, money order or certified check within twenty-four (24) hours of notification.

(2) Commencing on July 1, 2000, and each twelve (12) month interval thereafter, it is the intent of the parties to increase the monthly minimum rent to equal the percentage increase, if any, in the cost of living measured by the UW Bureau of Labor Consumer Price Index, for urban wage earners and clerical workers (Revised Series) (CPI-), published for the date closest to July 1 of each year for Portland, Oregon. But in no event shall the minimum rent be increased more than seven (7%) percent for each twelve (12) month adjustment period.

The percentage increase, if any, in the minimum monthly rent shall be determined by a comparison of the index figure of the cost of living between July 1 preceding the commencement of any succeeding twelve (12) month period and with that July 1 preceding the immediate completed twelve (12) month period. The adjusted increased monthly rent for any twelve (12) month interval shall become the new minimum base rent and the basis for determining the percentage increase for any succeeding twelve (12) month period, subject to the aforesaid limitation that the adjusted minimum base rent for each twelve (12) month adjustment shall not be increased more than seven (7%) percent. In no event will the rent at any time be decreased.

If the Bureau of Labor Statistics changes the base period, any such changed base period, while in effect, shall be substituted and used in its place. The converted index figures for the month immediately preceding the month in which this lease term commences shall be substituted for and used in the place of the index number originally to be used. In the event the Bureau of Labor Statistics discontinues publication of the Consumer Price Index, Lessor and Lessee thereafter shall accept and adopt a comparable index of statistics with respect to the purchasing power of the consumer dollar as published by a responsible financial periodical of generally recognized authority chosen by mutual agreement of the parties.

ARTICLE III - PREMISES

In consideration of the leasing of the lease premises, and the mutual covenants and agreements hereinafter contained, each party does hereby expressly covenant and agree to and with the other as follows:

(1) Lessee accepts said leasing, letting, and grants and agrees to pay to Lessor the rentals above stated during the terms of this lease, at the time and in the manner aforesaid.

(2) Lessee is responsible for all building interior improvements in said building consisting generally of:

- (a) All special wiring and plumbing, and mechanical items.
- (b) All interior decoration.
- (c) All floor covering.
- (d) All special partitions.
- (e) All modifications to the heating, ventilation, and air conditioning system occasioned by special partitions.
- (f) Plumbing of hot and cold water services.
- (g) All fixtures.
- (h) Any other items required by law for the use of the premises contemplated by Lessee.
- (i) Returning the interior walls and ceiling upon termination to its condition upon acceptance of this Lease.

Upon the termination of this lease, but subject to the terms of Article X, said building interior standard improvements shall remain on the premises as Lessor's property. The improvements provided for and contemplated in this paragraph are limited to the specific items.

ARTICLE IV - TAXES AND INSURANCE EXPENSES

Commencing with the date that the rental begins under this lease and for the balance of the term of this lease, Lessee agrees to pay to Lessor the amount of:

- (1) Taxes and assessments levied and assessed for any such year upon the leased premises and the underlying realty, including common areas, if any.
- (2) The cost to Lessor of the insurance required to be maintained by Lessor on the premises under Article VII of the lease. Such sum for any partial year of the term hereof shall be prorated on a time basis.
- (3) Payment shall be made in the following manner:
 - (a) From and after the date of commencement of rental under this lease, and thereafter on the first day of each calendar month of the

term of this lease, Lessee shall pay to Lessor an amount estimated by Lessor to be the monthly sum payable hereunder by Lessee.

Lessor may adjust the monthly estimated sum at the end of each calendar quarter on the basis of Lessor's experience and reasonable anticipated costs. Lessor shall provide Lessee a copy of any property tax statement attributable to Lessee. Lessee shall be permitted to appeal any such tax assessment to the board of tax appeals, and as permitted by law. Should Lessee be entitled to a refund as a consequence of any such appeal, Lessee shall be entitled to offset such refund against next rent thereafter due under subparagraph (a).

(b) Within thirty (30) days following the end of each calendar year; or at Lessor's option, each tax year, Lessor shall furnish Lessee a statement covering the year just expired showing the total of such tax and insurance expenses payable by Lessee for such year and the payments made by Lessee with respect to such period as set forth in subparagraph (a). If the sums payable for such expenses exceed Lessee's payments so made, Lessee shall pay Lessor the deficiency within ten (10) days after receipt of such statement. If said payments exceed the sums payable for such expenses, Lessee shall be entitled to offset the excess against payments next thereafter to become due Lessor as set forth in said subparagraph (a).

The term "Floor Area" as used throughout this lease shall be deemed to mean and include all areas for the exclusive use and occupancy by a tenant of Lessor, measured from the exterior surface of exterior walls (and from the extensions thereof, in the case of openings) and from the center of interior demising partitions, including mezzanines, warehousing or storage areas, clerical or office areas, and employee area being the retail area at grade level.

In the event the premises and the underlying realty are not separately assessed, but are part of a larger parcel for assessment purposes (hereinafter referred to as the "larger parcel"), "taxes and assessments levied and assessed upon the premises and the underlying realty including common areas" shall mean a fractional portion of said taxes and assessments on the larger parcel (including taxes and assessments on any common areas thereon) the numerator of which shall be the Floor Area of the premises and the denomination of which shall be the Floor Area of all the areas available for exclusive use and occupancy by tenants of the larger parcel, whether or not actually occupied and open for business, provided that an equitable adjustment shall be made for buildings which are only partially completed on the date such taxes and assessments become a lien. With respect to any assessments which may be levied against or upon the premises and the underlying realty including common areas, or which under the laws then in force may be evidenced by improvements or other bonds, or may be paid in annual installments, only the amount of such annual installment (with appropriate proration for any partial year) and statutory interest shall be included within the computation of the annual taxes and assessments levied against the premises and the

underlying realty including common areas. In the event the cost to Lessor of the insurance that Lessor is required to maintain on the premises under Article VII of this lease is not separately charged to Lessor by its insurance carrier, the portion of such cost applicable to the premises shall be that proportion of such cost which the Floor Area of the premises bears to the Floor Area of all the areas available for exclusive use and occupancy by tenants of Liberty Square, whether or not actually occupied and open for business, covered by such insurance.

If at any time during the lease term under the laws of the United States Government, the State of Oregon, Marion County, or the City of Salem, or any political subdivision thereof in which the premises are situated, a tax or excise or rent or any other tax against Lessor on account of rentals payable to Lessor hereunder, such tax or excise shall be considered "taxes" for the purpose of this Article IV, excluding, however, from such tax or excise all general income taxes, gift taxes, inheritance taxes and estate taxes.

ARTICLE V - POSSESSION AND USE

(1) Lessee agrees that the lease premises shall be used to conduct and carry on a stock brokerage business, including all lawful activities related or incidental thereto, and for no other purpose without the written consent of Lessor.

(2) Lessee agrees that he will keep and maintain the interior of the building in good order and repair.

ARTICLE VI - UTILITY SERVICE

(1) Lessee agrees to pay for all heat, light, water, power, and other services or utilities used by Lessee or subtenants on the lease premises during the term of this lease, including the expense for separate metering of any utility.

In addition to the minimum base rent specified in Article II, Lessee shall pay, monthly in advance, a utility charge to reimburse Lessor for utilities furnished by Lessor, if any, to the premises. Said utility charge shall be estimated from time to time by Lessor and shall be initially based on a typical layout comparable to Lessee's use of the premises, but shall be subject to adjustment at the end of each calendar year or partial calendar year during the term of this lease. Lessor agrees, however, that the utility charge to Lessee for utilities furnished by Lessor shall not exceed those of the local public utility company if its services were furnished directly to Lessee. In the event Lessee fails to pay any such amount to Lessor within ten (10) days after receipt by Lessee from Lessor of a bill therefor, or upon failure of Lessee to pay any other sums required under this lease within ten (10) days from the date such payments are due, and until all such amounts are paid in full, Lessor may cut off and discontinue, without further notice to Lessee, any

such utilities furnished to the premises by Lessor. The Urban Renewal Agency has the right to monitor and increase pro rata utility charge based upon excessive usage.

(2) Lessor shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished the premises, and no such failure or interruption shall entitle Lessee to terminate this lease.

ARTICLE VII - INDEMNITY - INSURANCE - WAIVER OF SUBROGATION

(1) Lessor shall at all times from and after substantial completion of the premises maintain in effect a policy or policies of insurance covering the first floor building of which the premises are a part, in the amount no less than eighty percent (80%) of full replacement cost (exclusive of the cost of excavations, and footings) from time to time during the term of this lease or the amount of such insurance Lessor's mortgage lender requires Lessor to maintain, whichever is the greater, providing protection against any peril generally included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism, and malicious mischief. Lessor's obligation to carry the insurance provided for hereon may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Lessor, provided that the coverage afforded will not be reduced or diminished by reason of the use of such blanket policy of insurance.

(2) Lessee covenants with Lessor that Lessor shall not be liable for any damage or liability of any kind for any injury to or death of persons or damage to property of Lessee or any other person from and after substantial completion of the premises, from any cause whatsoever, by reason of the use, occupancy and enjoyment of the premises by Lessee or any person thereon or holding under said Lessee, and Lessee will indemnify and save harmless Lessor from all liability whatsoever, on account of any such real or claimed damage or injury and from all liens, claims, and demands arising out of the use of the premises and its facilities, or any repairs or alterations which Lessee may make upon said premises.

(3) Lessee shall obtain and maintain a policy of liability insurance in form and coverage approved by Lessor, providing coverage of at least \$200,000 bodily injury, \$100,000 property damage and \$500,000 aggregate per occurrence.

Lessee shall furnish Lessor a certificate, on a form to be provided by Lessor, evidencing such coverage and any renewal thereof, which certificate shall show the following endorsements to the liability policy:

(a) The policy shall cover on an "occurrence" basis.

(b) The policy shall cover contractual liability.

(c) Broad Form property damage.

(d) "The City of Salem, Oregon, its officers, agents, and employees" as additional named insured.

(e) An endorsement stating that coverage is primarily insurance and that no other insurance effected by the City will be called upon to contribute to a loss under this coverage.

(f) An endorsement stating that the policy shall not be canceled or reduced without thirty (30) days notice of such cancellation or reduction given to Lessor.

(4) Neither Lessor nor Lessee shall be liable to the other for loss arising out of damage to or destruction of the premises, or the building, improvement, or common area of which the premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Lessor or Lessee or of any of their respective agents, servants, or employees. Each party shall look to its respective insurance carrier for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this lease. Neither Lessor nor Lessee shall have any interest or claim on the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

(5) Lessee shall be responsible for the maintenance of the plate glass on the premises but shall have the option either to insure the risk or to self-insure.

ARTICLE VIII - MECHANICS' LIENS

Lessee agrees that it will pay or cause to be paid all costs for work done by it or caused to be done by it on the premises, and Lessee will keep the premises free and clear of all mechanics' liens and other liens on account of work done for Lessee or persons claiming under it. Lessee agrees to and shall indemnify, defend, and save Lessor free and harmless against liability, loss, damage, costs, attorney's fees and all other expenses on account of claims in lien of laborers or materialmen or other for work performed or materials or supplies furnished for Lessee or person claiming under it.

ARTICLE IX - ADVERTISING

No advertising medium shall be utilized by Lessee which emanate from and can be heard or experienced outside Lessee's premises, including without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, radios, or television.

Lessee may display signs in accordance with the provisions of the "Tenants Graphic Standards" made a part hereof and on file with Lessor.

ARTICLE X - FIXTURES AND PERSONAL PROPERTY

Any trade fixtures, signs and other personal property of Lessee not permanently affixed to the premises shall remain the property of Lessee and Lessor agrees that Lessee shall have the right, provided Lessee be not in default under the terms of this lease, at any time, and from time to time, to remove any and all of its trade fixtures, signs, and other personal property which it may have stored or installed in the premises, including but not limiting the same to counters, shelving, showcases, mirrors, and other moveable personal property. Lessee, at its expense, shall immediately repair any damage occasioned to the premises by reason of the removal of any such trade fixtures, signs, and other personal property, and upon the last day of the lease term or a date of earlier termination of this lease, shall leave the premises in a neat and clean condition, free of debris.

All improvements to the premises by Lessee, including but not limited to light fixtures, floor coverings, and partitions, but excluding trade fixtures and signs, shall become the property of Lessor upon expiration or earlier termination of this lease.

Lessee shall have the right to remove or dispose of said items at its option on the expiration or termination of this lease, or any extension or renewal thereof; and Lessee shall not be obligated or required to make any restoration or repair to the building or the lease premises on account of the removal of said items; however, Lessee agrees to use all reasonable care in the removal of said items so as to minimize damage to the building.

ARTICLE XI - SUBLETTING - ASSIGNMENT

A. Lessee shall not assign, sublease or license the whole or any part of the Leased Premises or any rights granted hereunder without prior written consent of Lessor which consent shall not be unreasonably withheld.

B. Each and every request by Lessee for consent to assignment, sublease or license during the Lease term shall be accompanied by an administration fee of TWO HUNDRED FIFTY DOLLARS (\$250.00), and failure of Lessee to pay such fee shall be deemed sufficient cause for withholding of consent by Lessor. Said

fee is deemed earned when received and is not refundable regardless of the consequences.

C. In the event of assignment, sublease, or license of the Leased premises as provided in this section, Lessee shall remain obligated and liable under all the terms and conditions of this lease as if there had been no assignment, sublease, or license. Any assignment, sublease, or license shall provide that nothing in such assignment, sublease, or license shall be construed so as to modify in any way the provisions of this Lease, and that in the event of conflict between the language of this Lease and the language of the assignment, sublease, or license, the language of this lease will govern.

ARTICLE XII - REPAIRS AND MAINTENANCE

Lessee agrees at all times, from and after substantial completion of the premises, and at its own cost and expense, to repair, replace, and maintain in good and tenantable condition the premises and every part thereof (except that portion of the premises to be maintained by Lessor as hereinafter provided), and including without limitation the utility meters, pipes and conduits, all fixtures, air conditioning and heating equipment within the leased premises and other equipment therein, all Lessee's signs, locks and closing devices, floor coverings, including carpeting, or other special flooring, and all such items of repair, maintenance, alteration, and improvement or reconstruction as may at any time or from time to time be required by a governmental agency having jurisdiction thereof. All glass, both exterior and interior, is at the sole risk of Lessee, and any glass broken shall be promptly replaced by Lessee with glass of the same kind, size, and quality.

Subject to the foregoing provisions hereof, Lessor shall keep and maintain in good and tenantable condition and repair the exterior walls, structural parts of the premises and structural floor, pipes and conduits outside the premises for the furnishing to the premises of various utilities (except to the extent that the same are the obligation of the appropriate public utility company) provided, however, that Lessor shall not be required to make repairs necessitated by reason of the negligence of Lessee or anyone claiming under Lessee, or by reason of the failure of Lessee to perform or observe any conditions or agreements to this lease contained, or caused by alterations, additions, or improvements made by Lessee or anyone claiming under Lessee.

As used in this Article the expression "exterior walls" shall not be deemed to include plate glass, security grilles, or similar enclosures.

Upon any surrender of the premises, Lessee shall redeliver the premises to Lessor in good order, condition and state of repair, ordinary wear and tear and casualty damage excepted, and excepting such items of repair as may be Lessor's obligation hereunder.

Lessee agrees to permit Lessor and its authorized representatives to enter the premises at all times during usual business hours for the purpose of inspecting the same. Lessee further covenants and agrees that Lessor may go upon the premises and make any necessary repairs to the premises and perform any work therein:

(1) Which may be necessary to comply with any laws, ordinance, rules, or regulations or any public authority; or

(2) That Lessor may deem necessary to prevent waste or deterioration in connection with the premises if Lessee does not make or cause such repairs to be made or performed or cause such work to be performed promptly after receipt of written demand from Lessor; or

(3) That Lessor may deem necessary to perform construction work incidental to any portion of Liberty Square adjacent to, above, or below the premises. Nothing herein contained shall imply any duty on the part of Lessor to do any such work which under any provisions of this lease Lessee may be required to do, nor shall it constitute a waiver of Lessee's default in failing to do the same. (No exercise by Lessor of any rights herein reserved shall entitle Lessee to any damage for any injury or inconvenience occasioned thereby nor to any abatement of rent. In the event Lessor makes or causes any such repairs to be made or performed, as provided for herein, Lessee shall pay the cost thereof to Lessor, forthwith, as additional rent upon receipt of a bill therefor, except for that work as provided in subparagraph (3) above which will be at the sole cost and expense of Lessor).

ARTICLE XIII - RECONSTRUCTION

In the event the leased premises are totally or partially destroyed by fire or other casualty, the following provisions will apply:

(1) If such destruction does not exceed thirty percent (30%) of the value of the premises, or if the lease is not terminated under the provisions of (2) or (3) below, Lessor shall forthwith repair.

(2) If such destruction exceeds thirty percent (30%) of the value of the premises, Lessee, at his option, can terminate the lease.

(3) If such destruction exceeds fifty percent (50%) of the value of the premises, either party can terminate the lease.

(4) During the period Lessor is to repair said damages, Lessee shall be entitled to a prorated abatement of rent until the premises are fit for use and occupancy.

ARTICLE XIV - COMMON AREA

The term "common areas" refers to rest rooms and corridors within the exterior boundaries of Liberty Square which are now or hereafter made available for general use, convenience of Lessor, and other persons entitled to occupy Floor Areas in Liberty Square.

Lessee and its employees and invitees are authorized, empowered, and privileged to use the common areas in common with other persons during the term of this lease. Lessor agrees, without cost or expense to Lessee, to construct or cause to be constructed the common areas generally upon the area shown on the site plan attached hereto and marked Exhibit "B," and to maintain and operate, or cause to be maintained and operated (except as hereinafter provided with reference to cost of maintenance), said common area at all times following completion thereof, for the benefit and use of customers and patrons of Lessee, and of other tenants and occupants of the land constituting Liberty Square of which the premises are a part.

Lessor shall keep or cause to be kept said common areas in a neat, clean, and orderly condition, properly lighted, and shall repair any damage to the facilities thereof, but all expenses in connection with said common area shall be charged and prorated in the manner hereinafter set forth. It is understood and agreed that the phrase be construed to include, but not be limited to, all sums expended in connection with said common area for all general maintenance and repairs, resurfacing, or painting, re-striping, cleaning, sweeping and janitorial services, security, lighting, heating and other utilities; lighting systems; personnel to implement such services including real and personal property taxes and assessments on the improvements and land comprising said common area; any tax imposed or assessed against any insurance on the common area (under which Lessee shall be named as an additional insured).

Lessee shall pay to Lessor, Lessee's prorated share of such common area expenses in the following manner:

From and after the date the rental provided for in this lease has commenced, Lessee shall pay Lessor on the first day of each calendar month of the term of this lease an amount estimated by Lessor to be Lessee's share of such common area expenses. The foregoing estimated monthly charge may be adjusted by Lessor at the end of any calendar quarter on the basis of Lessor's experience and reasonably anticipated costs.

Within thirty (30) days following the end of each calendar quarter or, at Lessor's option, each calendar year, Lessor shall furnish Lessee a statement covering the calendar quarter or year just expired, showing the total of such common area expenses, the amount of Lessee's share of such common area expenses for such calendar quarter or year and the payments made by Lessee with respect to such period. If Lessee's share of such common area expenses exceed Lessor's payments so made, Lessee shall pay Lessor the deficiency within

ten (10) days after receipt of such statement. If said payments exceed Lessee's share of such common area expenses, Lessee shall be entitled to offset the excess against monthly payments next thereafter to become due Lessor. Lessee's share of the total common area expenses for the previous calendar quarter or year shall be that portion of all such expenses which is equal to the proportion thereof which the number of square feet of Floor Area in the leased premises bears to the total number of square feet of rentable ground Floor Area in Liberty Square which are from time to time occupied and open for business as of the commencement of each calendar quarter.

Failure of Lessee to pay any of the charges as in this Article required to be paid shall constitute a default under the terms hereof in like manner as failure to pay rental when due.

Lessor shall also have the right to establish, and from time to time change, alter and amend, and to enforce against Lessee and the other users of said common areas such reasonable rules and regulations as may be deemed necessary or advisable for the proper and efficient operation and maintenance of said common area. The rules and regulations herein provided may include, without limitation, the hours during which the common area shall be open for use.

ARTICLE XV - DEFAULT BY LESSEE


This lease is upon the express condition that, if any one or more of the following events of default shall occur, to-wit:

- (1) Lessee shall fail to pay the rent herein reserved or any part thereof or other charges and payments required by the terms of this lease within ten (10) days after written notice of Lessee's failure to make such payment has been given by Lessor to Lessee; no such written notice shall be required if written notice for a previous similar default shall have been given to Lessee during the twelve (12) month period preceding;
- (2) Lessee shall fail to observe or perform any other of the covenants herein contained and on the part of Lessee to be observed and performed, and such failure shall continue for a period of thirty (30) days after written notice thereof given by Lessor to Lessee and to any other entity which under the terms of this lease is entitled to such notice;
- (3) Lessee shall abandon the leased premises;
- (4) Lessee shall become bankrupt or insolvent, or seek protection under any provision of the Bankruptcy Act, or if any assignment be made of Lessee's property for the benefit of its creditors or if the property subject to this lease shall be subjected to execution by creditors; then Lessor, upon the occurrence of any such event of default, or at any time thereafter during the continuance of such default, may terminate this lease by giving written notice

to Lessee. The notice of failure of compliance given under paragraph (a) above, and upon such termination, Lessor then, or any time thereafter, may re-enter the leased premises and may expel and remove from the lease premises Lessee and those claiming under Lessee and their effects, at Lessee's expense and store the same without demand or notice or resort to any legal process and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby, or Lessor may then or at any time thereafter bring an action for possession of said premises or any part therefor as provided by law, all without prejudice to any other remedy or right of action which Lessor may have for arrears of rent or for any proceeding or other breach of contract. The foregoing shall not be a limitation upon the rights or remedies of Lessor, but shall be in addition to any rights or remedies which Lessor may have at law or equity.

ARTICLE XVI - DEFAULT BY LESSOR

In the event Lessor shall neglect or fail to perform or observe any of the covenants, provisions, or conditions contained in this lease on its part to be performed or observed, Lessor shall cure such default within thirty (30) days after written notice of such default has been given by Lessee (or if more than thirty (30) days shall be required because of the nature of the default, then Lessor shall proceed diligently to cure such default).

If the premises or any part thereof are at any time subject to a first mortgage or a first deed of trust and this lease or the rentals due from Lessee hereunder are assigned to such mortgagee, trustee, or beneficiary (called assignee for purpose of this Article only) and Lessee is given written notice thereof, including the post office address of such assignee, the Lessee shall give written notice to assignee specifying the default in reasonable detail, and affording such assignee a reasonable opportunity to make performance for and on behalf of Lessor. If and when the said assignee has made performance on behalf of Lessor, such default shall be deemed cured. 

If, after such notice to Lessor and assignee if any, Lessor and assignee shall fail to cure such default as provided herein, Lessee, as its sole remedy at law or in equity, shall have the right to cure any such default at Lessor's expense, including in such expenditure all costs and attorney's fees incurred to cure such default or breach of lease. Lessee shall have no right to terminate this lease except as herein otherwise specifically provided.

ARTICLE XVII - EMINENT DOMAIN

In the event the entire premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, this lease shall terminate and expire as of the date of such taking, and Lessee shall thereupon be released from any liability thereafter accruing hereunder.

In the event more than fifteen percent (15%) of the square footage of Floor Area of the premises is taken under the power of eminent domain by any public or quasi-public authority, or if by reason of any appropriation or taking, regardless of the amount so taken, the remainder of the premises is not one undivided parcel of property, either Lessor or Lessee shall have the right to terminate this lease as of the date Lessee is required to vacate a portion of the premises upon given notice in writing of such election within thirty (30) days after receipt by Lessee from Lessor of written notice that said premises have been so appropriated or taken. In the event of such termination, both Lessor and Lessee shall thereupon be released from any liability thereafter accruing hereunder. Lessor agrees immediately after learning of any appropriation or taking to give Lessee notice in writing thereof.

If this lease is terminated in either manner hereinabove provided, Lessor shall be entitled to the entire award or compensation in such proceedings, but the rent and other charges for the last month of Lessee's occupancy shall be prorated and Lessor agrees to refund to Lessee any rent or other charges paid in advance. Lessee's right to receive compensation or damages for its fixtures and personal property and for moving gear relocation expenses shall not be affected in any manner hereby.

If both Lessor and Lessee elect not to so terminate this lease, Lessee shall remain in that portion of the premises which shall not have been appropriated or taken as herein provided, or in the event less than fifteen percent (15%) of the square footage of Floor Area of the premises shall be appropriated under the power of eminent domain by any public or quasi-public authority, and the remainder thereof is an undivided parcel of property, then in either such event Lessor agrees, at Lessor's cost and expense, to as soon as reasonably possible restore the premises on the land remaining to a complete unit of like quality and character as existed prior to such appropriation or taking; and thereafter the minimum annual rental shall be reduced on an equitable basis, taking into account the relative value of the portion taken as compared to the portion remaining; and Lessor shall be entitled to receive the total award or compensation in such proceedings.

For the purpose of this Article, a voluntary sale of conveyance in lieu of condemnation, but under treatment of condemnation, shall be deemed an appropriation.

ARTICLE XVIII - ATTORNEY'S FEES

In case suit or action is instituted to enforce compliance with any of the terms, covenants, or conditions of this lease, or to collect the rental which may become due hereunder, or any portion thereof, each party agrees to pay, in addition to the costs and disbursements provided by statute, such additional sum as the court may adjudge reasonable for attorney's fees to be allowed the prevailing party in said suit, or any appeal therefrom.

ARTICLE XIX - SUBORDINATION, ATTORNMENT

Upon written request of Lessor, or any first mortgage holder or beneficiary of Lessor, Lessee will, in writing, subordinate its rights hereunder to the lien of any first mortgage or first deed of trust, now or hereafter in force against the land and building of which the premises are a part, and upon any building hereafter placed upon the land of which the premises are a part, and to all advances made or hereafter to be made upon the security thereof upon receiving a nondisturbance agreement from the holder of such mortgage, deed of trust or other instrument..

The provisions of this Article to the contrary notwithstanding, so long as Lessee is not in default hereunder, this lease shall remain in full force and effect for the full term hereof.

In the event of any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Lessor covering the premises, Lessee shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Lessor under this Lease, provided that the purchaser shall acquire and accept the premises subject to this lease.

Within ten (10) days after written request therefor by Lessor, or in the event of any sale, assignment or hypothecation of the premises or the land thereunder by Lessor, an offset statement shall be required from Lessee. Lessee agrees to deliver in recordable form a certificate addressed to any such proposed mortgage or purchaser or to Lessor certifying that this lease is in full force and effect (if such be the case) and that there are no defenses or offsets thereto or stating those claimed by Lessee.

ARTICLE XX - DOWNTOWN PARKING DISTRICT

Lessee acknowledges and agrees to be bound by the rules, regulations, and tax in the Salem Downtown Parking District, which governs the public parking in the district in which the property, which is the subject of this lease, is located.

Lessee's failure to pay the business taxes in the Downtown Parking District, when due, or Lessee's failure to abide by the rules and regulations of the Downtown Parking District shall, at Lessor's option, constitute a default under this lease.

ARTICLE XXI - PARKING OF VEHICLES

The obtaining and furnishing of suitable parking facilities for Lessee's own use and for the use of Lessee's employees is the sole responsibility of Lessee. Lessee and its employees shall not park vehicles on the street in the Downtown

Parking District nor in Liberty Square unless permitted under the lawful ordinances or permits.

Lessee further agrees that upon written notice from Lessor, Lessee will within five (5) days, furnish to Lessor the vehicle license numbers assigned to Lessee's vehicles and the vehicles of all employees of Lessee and will promptly notify Lessor of any changes.

ARTICLE XXII - NOTICE

Any notice required by the terms of this lease to be given by one party hereto to the other or desire to be given shall be sufficient if in writing, contained in a sealed envelope, deposited in the United States certified or registered mails, with postage thereon fully prepaid, and if intended for Lessor herein, then addressed to said Lessor at:

Urban Renewal Agency of the City of Salem, Oregon
340 Commercial St NE
Salem, Oregon 97301

and if intended for Lessee, then addressed to said Lessee at:

Paulson Investment Company, Inc.
Suite 200, 811 SW Naito Parkway
Portland, OR 97204

Any such notice shall be deemed conclusively to have been delivered to the addressees thereof forty-eight (48) hours after the deposit thereof in said United States registered mail.

ARTICLE XXIII - MISCELLANEOUS

(1) In the event Lessee for any reason shall hold over after the expiration of this lease, or the extension thereof, such holding over shall not be deemed to operate as a renewal or extension of this lease, other than as in herein provided, but shall create only a tenancy from month-to-month which may be terminated at will at any time by Lessor.

(2) Lessee may from time to time make such changes and alterations to the premises as may become necessary to permit the modern operation of these premises, provided Lessee first obtains Lessor's written approval to do so. Such approval shall not be unreasonably withheld.

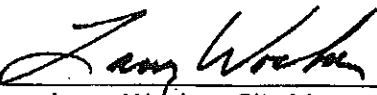
(3) Any waiver by Lessor of any breach of any covenants herein contained to be kept and performed by Lessee shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessor from

declaring a forfeiture for any succeeding breach, either of the same condition or covenant, or otherwise.

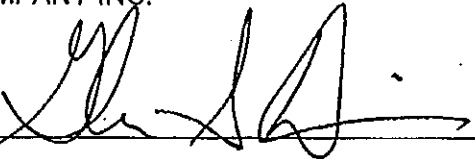
(4) All rights, remedies, and liabilities herein given to or imposed upon either of the parties hereto shall extend to, inure to the benefit of and bind, as the circumstances may require, the successors of the parties and insofar as this lease is assignable by the terms hereof, the assigns of the parties.

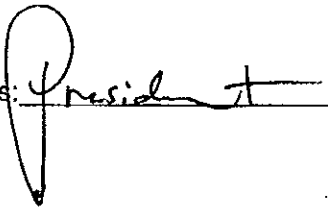
IN WITNESS WHEREOF, the parties hereto have executed this lease in duplicate as of the date and year in this instrument first above written.

LESSOR:
URBAN RENEWAL AGENCY OF
THE CITY OF SALEM, OREGON

By: 
Larry Wacker, City Manager

LESSEE:
PAULSON INVESTMENT
COMPANY INC.

By: 

Its: 
President

Exhibit

"Liberty Square"

PARKING STRUCTURE

PROPERTY LINE

