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LEASE OF REAL PROPERTY

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THIS LEASE is made by and between VERNON O. NORVALL and MARY C. NORVALL, husband and wife, Lessors; and KLAMATH COUNTY, a political subdivision of the State of Oregon, lessee; on the following described real property subject to the following terms, conditions and restrictions. In consideration of the covenants, agreements and stipulation contained herein, the parties agree and covenant as follows:

1. Description of the Premises. Lessors covenant that they are the sole owners of the below described real property; that they have the authority to enter into a lease for the rental and term mentioned below for the described property:

A portion of the E 1/2 of Lot 3, Block
10, First Addition to the City of
Chiloquin, Klamath County, Oregon.

which property is situate on Chocktoot Street, Chiloquin, Oregon, directly behind the Golden Rule Store, consisting of an office, waiting room and bathroom. Said lease includes all furniture, furnishings and fixtures located in said premises on the date possession is taken. The personal property, if any, is described in Exhibit "A" attached hereto and by reference incorporated as fully as if set out in the body of this agreement.

2. Rental and Term. The lease shall be for one year commencing on the 15th day of May, 1978, and ending on Midnight on the 14th day of May, 1979. Lessors further grant to lessee an option to renew for the further period from 12:01 A. M. on May 15, 1979, and ending at Midnight on the 14th day of May, 1982. Lessee shall pay Lessors the sum of \$900 as and for lease payments due under the original lease and the further sum of \$2,700 for the lease extension in the event

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the lease option granted herein is exercised. Such payments shall consist of \$75.00 on execution of this lease as and for the first month's rent, with the additional sum of \$75.00 as monthly rental payment which shall be due beginning June 15, 1978. Lessee may at any time but in no event later than April 15, 1978, give notice in writing of its intention to exercise the lease option which shall be personally delivered to lessors or sent by first class mail to the lessors at the last given address of the lessors. Notice shall be deemed given when posted in the mails.

3. Use of Premises. Lessors and lessee agree that such property shall during the term of this lease be used for the operation of Klamath County Mental Health Center, and for all clinics, programs and business incidental thereto and lessee will make no other use of the premises without lessors' written consent. Lessee will make no unlawful or offensive use of the premises; not suffer any strip or waste thereof; will not permit objectionable noise or odor to escape or to be omitted from the premises or do anything or permit anything to be done upon the premises in any way tending to create a nuisance. Upon termination of this lease or the extension thereto, lessee may remove its personal property, inventory, any equipment from the leased premises and all fixtures installed by lessee of which the removal will not create any undue damage or waste to the structure. The lessee will not allow the leased premises at any time to fall into such a state of repair or disorder as to increase the fire hazard thereon, it shall not install any power machinery on said premises except under the provision and with written consent of the lessors; it shall not store gasoline or other highly combustible materials on said premises at any time; it will not use said

premises in such a way or for such a purpose that the fire insurance rate on the building in which said premises are located is thereby increased or that would prevent the lessors from taking advantage of any rulings of the Insurance Rating Bureau of the state in which said leased premises are situated or its successors, which would allow the lessors to obtain reduced premium rates for long term fire insurance policies. Lessee shall comply at lessee's own expense with all laws and regulations of any municipal, county, state, federal, or other public authority respecting the use of said leased premises. 12246

4. Utilities. The lessee shall pay for all heat, light, power, and other services or utilities save and excepting water and sewer charges used in the above demised premises during the term of this lease.

5. Repairs and Improvements of the Real Property. The lessee shall not be required to make any repairs, alterations, additions or improvements to or upon said premises during the term of this lease, except those hereinafter specifically provided for. The lessors hereby agree to maintain and keep said leased premises including all interior and exterior doors, heating, ventilating and cooling systems, interior wiring, plumbing and drain pipes to sewers or septic tank, in good order and repair during the entire term of this lease at lessors' own cost and expense. Lessee shall, however, replace all glass which may be broken or damaged during the term hereof in the windows and doors of said premises with glass of as good or better quality as that now in use. Lessee agrees that it will make no alterations, additions or improvements to or upon said premises without the written consent of the lessors first being obtained.

The lessors agree to maintain in good order and repair **12247** during the term of this lease the exterior walls, roof, gutters, downspouts and foundations of the building in which the demised premises are situated and the sidewalks thereabouts. It is understood and agreed that the lessors reserve and at any and all times shall have the right to alter, repair or improve the building of which said demised premises are a part, or to add thereto and for that purpose at any time may erect scaffolding and all other necessary structures and upon the demised premises and lessors and lessors' representatives, contractors and workmen for that purpose may enter in or about the said demised premises with such materials as lessors may deem necessary therefor, provided, that said entry does not materially interfere with the use of lessee's premises.

6. Alterations. Lessee will not make or permit any additions, changes or alterations in the premises without first obtaining the written permission of lessors' except that lessee may specifically erect a sign or signs on the exterior of the structure. Further, lessee will not permit any lien to be attached to said building on account of any change of alteration, and will comply at all times with City and County ordinances, or other regulations which may be made with respect to such alteration and the occupancy of said premises.

7. Ice, Snow and Debris. The lessee shall keep the sidewalks in front of the premises free and clear of ice, snow, rubbish, debris and obstruction which may be dangerous to pedestrians or motor vehicles passing the real property.

8. Liability Insurance. The lessee further agrees at all times during the term hereof, at its own expense, to maintain, liability insurance policies, insuring the lessee against all liability for damages to person or property in or about said

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leased premises; the amount of said liability insurance shall not be less than \$100,000 for injury to one person, \$300,000 for injuries arising out of any one accident and not less than \$50,000 for property damage. Lessors covenant at all times during the term hereof to maintain at their own expense, liability insurance policies, insuring lessors at their own expense against all liability for damages to person or property in or about said premises.

9. Damage or Destruction. In the event the leased premises are damaged or destroyed by fire or other casualty, lessee may terminate this lease as of the date of said fire or casualty if said fire or casualty would work to substantially interrupt its use of the premises for a period of 7 days or more before repairs could be effected. In the event of damage to the building by fire or other casualty to the extent of 25 per cent or more of the sound value of said building, the lessors may or may not elect to repair said building; written notice of lessors' election shall be given lessee within 15 days after the occurrence of said damage; if said notice is not so given, lessors conclusively shall be deemed to have elected not to repair; in the event lessors elect not to repair said building, then and in that event this lease shall terminate with the date of said damage; but if the building in which said leased premises are located be but partially destroyed and the damage so occasioned shall not amount to the extent indicated above, or if greater than said extent and lessors elect to repair, as aforesaid, then the lessors shall repair said building with all convenient speed and shall have the right to take possession of and occupy, to the exclusion of the lessee, all or any part of said building in order to make the necessary repairs, and

the lessee hereby agrees to vacate upon request, all or any 12249
part of said building which the lessors may require for the
purpose of making necessary repairs, and for the period of
time between the day of such damage and until such repairs
have been substantially completed there shall be such an abate-
ment of rent as the nature of the injury or damage and its
interference with the occupancy of said leased premises
by said lessee shall warrant; however, if the premises
be but slightly injured and the damage so occasioned shall not
cause any material interference with the occupation of the
premises by said lessee, then there shall be no abatement of
rent and the lessors shall repair said damage with all convenient
speed.

10. Waiver of Subrogation Rights. Neither the lessors
or the lessee shall be liable to the other for loss arising out
of damage to or destruction of the leased premises, or the building
or improvement of which the leased 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 lessors or lessee or by any of their
respective agents, servants or employees. It is the intention
and agreement of the lessors and lessee that the rental reserved
by this lease have been fixed in contemplation that each party
shall fully provide his own insurance protection at his own
expense, and that each party shall look to his respective

insurance carriers 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 the lessors nor the lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured. 12250

11. Eminent Domain. In case of the condemnation or appropriation of all or any substantial part of the said demised premises by any public or private corporation under the laws of eminent domain, this lease may be terminated at the option of either party hereto on 20 days written notice to the other and in that case the lessee shall not be liable for any rent after the date of lessee's removal from the premises.

12. Default. If lessee shall be in arrears in the payment of rent for a period of 31 days or if said lessee shall fail or neglect to do or perform or observe any of the covenants contained herein on their part to be kept and performed, in such event, lessors, or those having his estate in the premises, lawfully may, at their option, immediately or any time thereafter, after demand and notice, enter into and upon said premises or any part thereof and in the name of the whole, and repossess the same of lessors former estate and expel said lessee and those claiming by, through or under lessee, and remove lessee's effects without prejudice to any remedy which otherwise might be used for arrears of rent or preceding breach of covenant, on the re-entry aforesaid, this lease shall terminate.

13. Holding Over. In the event the lessee for any reason shall hold over after expiration of this lease, such holding over shall not be deemed to operate as a renewal or extension of this lease, but shall only create a tenancy from month to month which may be terminated at will at any time

by the lessors.

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14. Attorney's Fees and Court Costs. 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, the losing party agrees to pay such sum as the trial court may adjudge reasonable as attorney's fees to be allowed the prevailing party in such suit or action and in the event any appeal is taken from any judgment or decree in such suit or action, the losing party agrees to pay such further sum as the appellate court shall adjudge reasonable as prevailing party's attorney's fees on such appeal. The lessee agrees to pay and discharge all lessors' costs and expenses, including lessors' reasonable attorney's fees that shall arise from enforcing any provision or covenants of this lease even though no suit or action is instituted.

15. Waiver. Any waiver by the lessors or any breach of any covenant herein contained to be kept and performed by the lessee shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the lessors from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

16. Notices. All notices required by the terms of this lease to be given by one party to the other shall be deemed given if hand delivered in writing to the other party or upon being deposited in the mails of the United States with postage prepaid addressed to the parties at the following addresses:

LESSORS: VERNON O. NORVALL and MARY C. NORVALL

LESSEE: Board of County Commissioners
Klamath County Courthouse Annex
Klamath Falls, Oregon 97601

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17. Delivering Up Premises on Termination. At the expiration of said term or upon any sooner termination thereof, the lessee will quit and deliver up said leased premises and all future erections or additions to or upon the same, broom-clean, to the lessors or those having lessors' estate in the premises, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof, damage by fire, unavoidable casualty and damage by the elements alone excepted, as the same are now in or hereafter may be put in by the lessors.

18. For Sale and For Rent Signs. During the period of 30 days prior to the date above fixed for the termination of said lease, the lessors herein may post on said premises or in the windows thereof signs of moderate size notifying the public that the premises are "for sale" or "for lease."

19. Assignee's Rights. 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 heirs, executors, administrators, successors and, so far as this lease is assignable by the term hereof, to the assigns of such parties.

In construing this lease, it is understood that the lessors or the lessee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and including the plural, the masculine, the feminine and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the respective parties have executed this instrument in duplicate on this, the day and year first

hereinabove written.

By virtue of powers conferred
under Oregon Revised Statutes,
this Lease is exercised by

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KLAMATH COUNTY BOARD OF COMMISSIONERS

BY Neil Kuonen
Chairman

BY Floyd L. Wynne
Commissioner

BY Lloyd Gift
Commissioner

STATE OF OREGON)
County of Klamath) ss

Be it remembered that on this 6th day of June,
1978, before me, the undersigned, appeared Neil Kuonen,
Chairman of the Board, and Floyd L. Wynne and Lloyd Gift,
the County Commissioners,
respectively, to me personally known, who being duly sworn, did say
that he/she, the said Neil Kuonen is the
duly elected, qualified and acting Chairman of the Board of
County Commissioners of Klamath County, Oregon, and that they
the said Floyd L. Wynne and Lloyd Gift
are the duly elected, qualified and acting Commissioners,
respectively, of said County and State; and that the seal affixed
to said instrument is that of said County and State; and said
Chairman and said two Commissioners acknowledge said instrument
to be the free act and deed of said County.

IN WITNESS WHEREOF, I have hereunto set my and seal to
day and year first in this, my certificate, written.

Virginia Bickey
NOTARY PUBLIC FOR OREGON
My Commission Expires: 9/23/80
Vernon O. Norvall
VERNON O. NORVALL, Lessor

Mary C. Norvall
MARY C. NORVALL, Lessor

STATE OF OREGON)
Klamath County) ss

Personally appeared the above named Vernon O. Norvall and
Mary C. Norvall and acknowledged the foregoing instrument
to be their voluntary act and deed. Before me:

Paul B. Kahl
NOTARY PUBLIC FOR OREGON
My Commission Expires: 12/30/79

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STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 8th day of
June A.D., 19 78 at 3:01 o'clock P M., and duly recorded in Vol. 1178
of Deeds on Page 12244.

FEE None

WM. D. MILNE, County Clerk
By Bernice A. DeLoach Deputy