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LEASE AGREEMENT

THIS AGREEMENT made this 7th day of May, 1980, by and between MOTY & VAN DYKE, INC., an Oregon corporation (hereafter "Landlord"), and MOTY and FLETCHER CO., an Oregon corporation (hereafter "Tenant").

RECITALS

- A. Landlord owns the premises hereinafter described and desires to lease the building on said premises to Tenant.
- B. Tenant desires to lease said building from Landlord on the terms hereinafter set forth.

AGREEMENT

1. Premises: In consideration of the mutual covenants contained in this Agreement, Landlord does hereby let and lease to Tenant the certain premises (hereafter the "Premises") located in Klamath County, Oregon, more particularly described as follows:

Lots 4 and 5, Block 83, City of Klamath Falls.

Northerly 30 feet of Lots 6 and 7, Block 77, City of Klamath Falls.

A portion of Lot 8, Block 77, City of Klamath Falls consisting of a strip of land 10 feet wide and 45 feet long running along the westerly boundary of Lot 8 beginning at the northwesterly corner thereof.

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The first floor of the building known as the Bisbee Hotel located on the southerly 70 feet of Lots 6 and 7, City of Klamath Falls assessing to Landlord the southerly 30 feet and the right to use the entrance located on the easterly side of the building for purposes of access.

together with all buildings and improvements, including parking areas and easements pertaining thereto.

2. Term: The term of this lease shall be three years, beginning May 1, 1980, and ending April 30, 1983, both dates inclusive unless sooner terminated as provided herein.

3. Rent: Tenant shall pay as rent the total sum of \$54,000 in equal monthly installments of \$1,500 each, in advance, on the first day of each month during the term of this lease.

4. Option to Renew: Tenant shall have an option to extend this lease on the same terms, except rent, for five additional periods of three years each. Tenant shall exercise such option by giving written notice to Landlord not less than 60 days prior to the expiration of the then existing term. The rent during each extended term shall be the base rent specified in Paragraph 2 adjusted by the ratio of change in the Consumer Price Index for Urban Consumers for Portland, Oregon, between the most recent index available prior to May 1, 1980 and the most recent index prior to commencement of each extended term. If during the term of this lease or any extension thereof the publication of said index shall be discontinued, compar-

able statistics on the cost of living in the city of Portland computed and published by an agency of the federal government shall control.

5. First Refusal on Sale. If during the term of this lease, or any extension thereof, Landlord elects to sell all or any portion of the Premises whether separately or as part of the larger parcel of which the Premises are a part, Tenant shall have the right of first refusal to meet any bona fide offer of sale on the same terms and conditions of such offer. Upon Tenant's failure to meet such bona fide offer within 30 days after notice thereof from Landlord, Landlord shall be free to sell the Premises or portion thereof to such third person in accordance with the terms and conditions of his offer. If the Landlord does not sell said premises to such prospective purchaser on the same terms as the offer of which Tenant has been given notice, all provisions hereof shall apply to any other bona fide proposal received by Landlord. The purchaser shall take such premises subject to all of the terms of this lease. Tenant's right of first refusal shall apply to any judicial sale of any type, in which case the Tenant must give notice of election to purchase to the officer conducting the sale within fifteen (15) days after (a) the terms of purchase by an outsider at such sale become a matter of public record, or (b) the Tenant has received actual notice in writing of the terms, whichever first occurs. Any purchaser at a judicial or bank-

ruptcy sale where the Tenant does not elect to purchase shall take the property subject to all the provisions of this lease. Landlord shall not give, during the term of this lease, or any extension thereof, any similar option to any premises described in this lease. This option shall not apply if Tenant is in default under any of the terms of this lease at the time of the receipt by Landlord of any bona fide offer.

6. Taxes and Assessments: Tenant shall pay when due all taxes and assessments which may be levied or assessed on the Premises and all buildings and improvements thereon, or upon streets or sidewalks in front of or adjoining them, during the term of this lease. All taxes assessed prior to but payable after the effective date of the lease term, and all taxes assessed during the term but payable after the lease term, shall be prorated.

7. Casualty Insurance and Duty to Repair in the Event of Loss by Fire: In the event of the destruction of the building in which said leased premises are located by fire or other casualty, either party hereto may terminate this lease as of the date of said fire or casualty, provided, however, that, in the event of damage to said building by fire or other casualty to the extent of 50 percent or more of the sound value of said building, Landlord may or may not elect to repair said building; written notice of Landlord's said election shall be given to Tenant within 15 days after the occurrence

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of said damage; if said notice is not so given, Landlord conclusively shall be deemed to have elected 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 Landlord elects to repair, as aforesaid, then Landlord shall repair said building with all convenient speed and shall have the right to take possession of and occupy, to the exclusion of Tenant, all or any part of said building in order to make the necessary repairs, and Tenant hereby agrees to vacate upon request, all or any part of said building which Landlord may require for the purpose of making necessary repairs and, for the period of time between the date of such damage and until such repairs have been substantially completed, there shall be such an abatement of rent as the nature of the injury or damage and its interference with the occupancy of said leased premises by said Tenant 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 Tenant, then there shall be no abatement of rent and Landlord shall repair said damage with all convenient speed.

8. Liability Insurance: Tenant shall carry public liability and property damage insurance on the Premises in the single limit

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amount of \$500,000. Landlord shall be named as an additional insured on such policy of insurance. Certificates of such liability shall be furnished to Landlord.

9. Waiver of Subrogation Rights: Neither Landlord nor Tenant shall be liable to the other for any business interruption or any loss or damage to property or injury to or death of persons occurring on the Premises or adjoining property or in any manner arising from or connected with Tenant's use and occupation of the Premises, or the condition thereof, whether or not caused by the negligence or other fault of the Landlord or Tenant or of their respective agents, employees, sub-tenants, licensees, or assignees. This release shall apply only to the extent that such business interruption, loss or damage to property, or injury to or death of persons is covered by insurance, regardless of whether such insurance is payable to or protects the Landlord or the Tenant or both. This release shall be in effect only so long as the applicable insurance policies contain a clause to the effect that this release shall not affect the right of the insured to recover under such policies. Such clauses shall be obtained by the parties whenever possible. Neither Landlord nor Tenant 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 insured.

10. Indemnification of Landlord: Except to the extent

covered by Landlord's insurance, Tenant shall indemnify and defend Landlord from any claim, loss or liability, including any attorney fees and costs, arising out of or related to any activity of Tenant, its agents, servants, customers, sub-tenants and licensees on the Premises or any condition of the Premises under the control of Tenant, except pre-existing conditions of the premises for which Tenant shall have no obligation to indemnify or defend Landlord.

11. Maintenance, Repair and Operation by Tenant: Tenant shall maintain the Premises and all improvements, including site improvements therein, in good condition and repair, reasonable wear and use thereof expected, and shall keep the Premises in a sanitary and sightly condition; provided, however, that Landlord shall be responsible for structural maintenance of the building and the heating and air conditioning systems.

12. Utilities: Tenant shall pay all natural gas, electricity, water, sewer charges, and all other public utilities used or consumed on the Premises during the term of this lease; provided, however, that Landlord shall reimburse Tenant for one-third of the monthly charge for natural gas. Tenant will also be responsible for snow removal on the driveways and parking areas.

13. Use of Premises: Tenant does hereby covenant and agree that it will not, during the term of this lease, make use of the Premises for any purpose or use in violation of the laws of the

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United States, the state of Oregon, or of any law or local public ordinance.

14. Right of Entry by Landlord: Landlord may enter the Premises at any reasonable time for any reasonable purpose.

15. Alteration of Leased Premises: Tenant may make non-structural alterations to the Premises without the prior consent of Landlord. However, Tenant shall make no structural alteration, addition or improvement to the Premises without the prior consent of Landlord.

16. Assignment by Tenant: Tenant shall not assign or sub-let this lease without the prior consent of Landlord which consent shall not be unreasonably withheld.

17. Liens and Encumbrances: Tenant shall keep the Premises and the building located thereon free of all liens and encumbrances during the term of this lease and any extension thereof.

18. Eminent Domain: If the whole of the Premises or any such portion thereof as will make the Premises unsuitable for Tenant's purposes is condemned for any public use or purpose by any legally constituted authority, this lease shall cease from the time when possession is taken by public authority and rental be accounted for between Landlord and Tenant as of the date possession is surrendered to such authority. Such termination shall be without prejudice to the rights of either the Landlord or Tenant to recover compensation

from the condemning authority for any loss or damage caused by such condemnation. Neither Landlord nor Tenant shall have any rights in or to any award made to the other by the condemning authority.

19. Repairs and/or Alteration of Front of Building: Landlord hereby expressly authorizes repairs and/or alteration to the front of the building on the leased premises to meet Tenant's needs. Landlord shall have no duty to undertake such repairs and/or alteration and the initiation of the same shall be the responsibility of Tenant. If Tenant undertakes such repair and/or alteration within six (6) months from the inception of this lease, Landlord shall credit against the rental due hereunder all costs of such repair and/or alteration. The credit shall commence in the month immediately following the completion of such repair and/or alteration.

20. Fixtures: All fixtures, other than Tenant's trade fixtures, placed upon the leased premises during the term of this lease, or any renewal or extension of this lease, shall become the property of Landlord. Movable furniture, decorations, floor coverings (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishings and trade fixtures of Tenant shall remain the property of the Tenant if placed on the leased premises by Tenant and shall be removed by the Tenant upon expiration of the terms of this lease, or any renewal or extension thereof. If Tenant fails to remove those items of property which remain the property of Tenant

upon the expiration of the term of this lease, or any renewal or extension thereof, and Landlord gives Tenant written notice that, if such property is not removed within fifteen (15) days immediately following the giving of such notice, that such property shall conclusively be deemed to be abandoned and Tenant does not, within the fifteen (15) day period following the giving of such notice, remove the same, such property shall conclusively be presumed to be abandoned to Landlord and Landlord may, thereafter, retain such property and all rights of Tenant to it shall vest in Landlord.

21. Default: Each of the following shall be deemed a default by Tenant and a breach of this lease.

21.1. Failure on the part of Tenant to pay any installment of rent which failure persists after the expiration of 30 days from the date Landlord gives written notice to Tenant stating such failure;

21.2. A failure on the part of Tenant to observe or perform any of the other terms, covenants or conditions of this lease, which failure persists after the expiration of 30 days from the date Landlord gives notice to Tenant calling attention to such failure.

However if the failure specified in the notice is of such a nature that it cannot be reasonably corrected within 30 days, then no default shall be deemed to have occurred if Tenant promptly, upon receipt of the notice, commences curing the default and diligently continues to do so until it is corrected.

21.3. The adjudication of Tenant in bankruptcy; the taking by Tenant of the benefit of any other insolvency act or procedure, which term includes any form of proceeding for reorganization or arrangement or rearrangement under the federal bankruptcy laws as well as an assignment for the benefit of creditors; or the appointment of a receiver for Tenant and such receiver remains undischarged for 30 days.

22. Remedies on Default: In the event of a default, Landlord, at its option, may exercise one or more the following remedies in addition to any other remedies available under the law of Oregon then in effect:

22.1. Terminate this lease on ten days written notice to Tenant;

22.2. Recover from Tenant any damages by reason of the default;

22.3. Re-enter, take possession of the Premises and remove any persons or property by legal action or by self help with the use of reasonable force and without liability for damages; and

22.4. Relet the Premises on any reasonable terms and conditions and recover immediately as damages the reasonable costs of reletting. Such damages shall include, without limitation, the costs of any cleaning, refurbishing, removal of Tenant's property and fixtures or any other expense occasioned by Tenant's failure to quit

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the Premises upon termination and to leave them in the required condition, any remodeling costs, legal expenses, including attorney fees, broker commissions, advertising costs and the loss of reasonable rental value from the date of default until a new Tenant is secured.

23. Surrender of Premises on Termination: Upon expiration of this lease or upon earlier termination on account of default, Tenant shall surrender the Premises in as good order and condition as the same are, reasonable use and normal wear and tear excepted. Any holding over by Tenant after the end of the term of this lease shall be on a month-to-month basis only and shall not create any year-to-year or longer tenancy.

24. Quiet Enjoyment: Tenant shall quietly and peaceably hold, possess and enjoy the Premises for the full term of this lease and any extension thereof, and Landlord shall defend the title to the Premises and the use and occupancy of same by Tenant against the lawful claims of all persons, except those claiming under easements or restrictions which may have been granted or imposed with the knowledge and consent of Tenant.

25. Notices: Any notice under this lease shall be in writing and shall be effective when actually delivered or when deposited in the mail registered or certified, addressed to the parties at the addresses set forth below, or such other addresses as

either party may designate by written notice to the other:

TO LANDLORD:

638 Klamath Avenue
Klamath Falls, Oregon 97601

TO TENANT:

219 South Sixth Street
Klamath Falls, Oregon 97601

26. Waiver: Failure of either party to insist on strict performance of any covenant or condition of this lease or to exercise any option contained herein, shall not be construed as a waiver of such covenant, condition or option or any other covenant, condition or option contained herein. The receipt by Landlord of rental payments with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Landlord.

27. Costs and Attorney Fees: In the event suit or action is instituted to enforce any of the terms of this lease, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorney fees at trial or on appeal of such suit or action in addition to all other sums provided by law.

28. Successor Interests: This lease shall be binding upon and inure to the benefit of the parties, their successors and assigns.

29. No Representations: The Tenant is fully familiar with

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the physical condition of the Premises, the building, improvements, fixtures and equipment thereof, and Tenant takes the same in their "as is" condition. The Landlord makes no representations whatsoever in connection with the conditions of the Premises or of the buildings, improvements, fixtures or equipment thereof, and the Landlord shall not be liable for any latent or patent defects therein.

30. Entire Agreement: This lease contains the entire, final and complete agreement between the parties and supersedes and replaces all written and oral agreements heretofore made or existing by and between the parties or their representatives with respect to the lease of the Premises. This lease shall not be modified in any manner except by an instrument in writing executed by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this lease the day and year first above written.

LANDLORD:

MOTY & VAN DYKE, INC.

By G. R. Moty
President

By A. E. Hoffman
Secretary

TENANT:

MOTY and FLETCHER CO.

By Fred A. Fletcher
President

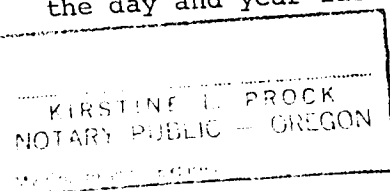
By G. R. Moty
Secretary

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STATE OF OREGON)
) ss
 County of Klamath)

On this 7th day of May, 1980, before me appeared the within named GILBERT R. MOTY and PHILIP C. HOFFMAN, who each being by me first duly sworn, severally declare that they are the President and Secretary respectively of MOTY & VAN DYKE, INC. and that said instrument was signed in behalf of said corporation by authority of its board of directors; and they acknowledged said instrument to be their voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal the day and year last above written.



Kirstine L. Prock
 NOTARY PUBLIC FOR OREGON
 My commission expires: 12/1/80

STATE OF OREGON)
) ss
 County of Klamath)

On this 7th day of May, 1980, before me appeared the within named Fred C. Fletcher and Gilbert R. Moty, who each being by me first duly sworn, severally declare that they are the President and Secretary respectively of MOTY and FLETCHER CO. and that said instrument was signed in behalf of said corporation by authority of its board of directors; and they acknowledged said instrument to be their voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal the day and year last above written.

Kirstine L. Prock
 NOTARY PUBLIC FOR OREGON
 My commission expires: 12/1/80

STATE OF OREGON,)
 County of Klamath)
 Filed for record at request of

Giacomini Jones & Assoc.
 on this 8th day of May A.D. 19 80
 at 3:20 o'clock P M. and duly
 recorded in Vol. M80 of Deeds
 page 8495

WHEN RECORDED PLEASE RETURN TO:

GIACOMINI, JONES & ASSOC.
 ATTORNEYS AT LAW
 635 MAIN STREET
 KLAMATH FALLS, OREGON 97601

Wm. M. E. County Clerk
 By Barbara H. H. H. Deputy
 Fee \$52.50