

LEASE made May 11th, 1981, between CHARLES W. JENKINS and MARGARET MERRY JENKINS, husband and wife, herein referred to as Lessors, and CHERYL D. MOORE, herein referred to as Lessee,

W I T N E S S E T H :

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

SECTION ONE

DESCRIPTION OF PREMISES

Lessors lease to Lessee the premises located at 122 Washington Street, Merrill, Oregon, and described more particularly as follows: Lot 2, Block 29, Original Town of Merrill, Klamath County, Oregon.

SECTION TWO

TERM

The term of this lease is five (5) years, beginning on May 1, 1981, and terminating on April 30, 1986.

SECTION THREE

RENT

Lessee shall pay Lessor installments of \$200.00 each month, beginning on May 1, 1981, with succeeding payments due on the 1st day of each month thereafter during the term of the lease.

SECTION FOUR

USE OF PREMISES

The premises are to be used for the purpose of operating a beauty salon business. Lessee shall restrict her use to such purposes, and shall not use or permit the use of the premises for any other purpose without the written consent of Lessors, or Lessors' authorized agent.

SECTION FIVE

RESTRICTIONS ON USE

Lessee shall not use the premises in any manner that will increase risks covered by insurance on the premises and result in an increase in the rate of insurance or a cancellation of any insurance policy, even if such use may be in furtherance of Lessee's business purposes. Lessee shall not keep, use or sell anything prohibited by any policy of fire insurance covering the premises, and shall comply with all requirements of the insurers applicable to the premises necessary to keep in force the fire and liability insurance.

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Patricia Stewart
325 Main*

SECTION SIX

WASTE, NUISANCE, OR UNLAWFUL ACTIVITY

Lessee shall not allow any waste or nuisance on the premises, or use or allow the premises to be used for any unlawful purpose.

SECTION SEVEN

DELAY IN DELIVERING POSSESSION

This lease shall not be rendered void or voidable by the inability of Lessors to deliver possession to Lessee on the date set forth in Section Two, and Lessors shall not be liable to Lessee for any loss or damage suffered by reason of such a delay; provided, however, that Lessors do deliver possession no later than May 1, 1981. In the event of a delay in delivering possession, the rent for the period of such delay will be deducted from the total rent due under the lease. No extension of the lease shall result from a delay in delivering possession.

SECTION EIGHT

UTILITIES

The rental payment herein required includes fees for electrical service and water.

SECTION NINE

REPAIRS AND MAINTENANCE

Lessee shall maintain the premises and keep them in good repair at her expense, except that side and rear exterior walls and the roof will be maintained in good condition by Lessors. Lessee shall maintain and repair windows, doors, skylights, adjacent sidewalks, the building front, and interior walls.

SECTION TEN

DELIVERY, ACCEPTANCE, AND SURRENDER OF PREMISES

Lessors represent that the premises are in fit condition for use by Lessee. Acceptance of the premises by Lessee shall be construed as recognition that the premises are in a good state of repair and in sanitary condition. Lessee shall surrender the premises at the end of the lease term, or any renewal thereof, in the same condition as when Lessee took possession, allowing for reasonable use and wear, and damage by acts of God, including fires and storms. Before delivery, Lessee shall remove all business signs placed on the premises by Lessee and restore the portion of the premises on which they were placed in the same condition as when received.

SECTION ELEVEN

PARTIAL DESTRUCTION OF PREMISES

Partial destruction of the leased premises shall not render this lease void or voidable, nor terminate it except as herein provided. If the premises are partially destroyed during the term of this lease, Lessors shall repair them when such repairs can be made in conformity with governmental laws and regulations, within 30 days of the partial destruction. Written notice of the intention

609

of Lessors to repair shall be given to Lessee within 30 days of any partial destruction. Rent will be reduced proportionately to the extent to which the repair operations interfere with the business conducted on the premises by Lessee. If the repairs cannot be made within the time specified above, Lessors shall have the option to make them within a reasonable time and continue this lease in effect with proportional rent rebate to Lessee as provided for herein. If the repairs cannot be made in 30 days, and if Lessors do not elect to make them within a reasonable time, either party shall have the option to terminate this lease.

SECTION TWELVE

ENTRY ON PREMISES BY LESSORS

Lessors reserve the right to enter on the premises at reasonable times to inspect them, perform required maintenance and repairs, or make additions, alterations, or modifications to any part of the building in which the premises are located, and Lessee shall permit Lessors to do so. Lessors may erect scaffolding, fences, and similar structures, post relevant notices, and place moveable equipment in connection with making alterations, additions, or repairs, all without incurring liability to Lessee for disturbance of quiet enjoyment of the premises, or loss of occupation thereof.

SECTION THIRTEEN

SIGNS, AWNINGS, AND MARQUEES INSTALLED BY LESSEE

Lessee shall not construct or place signs, awnings, marquees, or other structures projecting from the exterior of the premises without the written consent of Lessors. Lessee shall remove signs, displays, advertisements, or decorations they have placed on the premises that, in the opinion of Lessors, are offensive or otherwise objectionable. If Lessee fails to remove such signs, displays, advertisements, or decorations within 15 days after receiving written notice from Lessors to remove them, Lessors reserve the right to enter the premises and remove them at the expense of Lessee.

SECTION FOURTEEN

BUSINESS SALE SIGNS

Lessee shall not conduct "Quitting Business," "Lost Our Lease," "Bankruptcy," or other sales of that nature on the premises without the written consent of Lessors.

SECTION FIFTEEN

NONLIABILITY OF LESSORS FOR DAMAGES

Lessors shall not be liable for liability or damage claims for injury to persons or property from any cause relating to the occupancy of the premises by Lessee, including those arising out of damages or losses occurring on sidewalks and other areas adjacent to the lease premises during the term of this lease or any extension thereof. Lessee shall indemnify Lessors from all liability, loss, or other damage claims or obligations resulting from any injuries or losses of this nature.

SECTION SIXTEEN

LIABILITY INSURANCE

Lessee shall procure and maintain in force at her expense during the term of this lease and any extension thereof public liability insurance with insurers and through brokers approved by Lessors. Such coverage shall be adequate to protect against liability for damage claims through public use of or arising out of accidents occurring in or around the leased premises, in a minimum amount of \$100,000.00 for each person injured, \$25,000.00 for property damage, and, \$300,000.00 for any one accident. The insurance policies shall provide coverage for contingent liability of Lessors on any claims or losses. The policies shall be delivered to Lessors for keeping. Lessee shall obtain a written obligation from the insurers to notify Lessors in writing at least 15 days prior to cancellation or refusal to renew any policy. If the insurance policies are not kept in force during the entire term of this lease or any extension thereof, Lessors may procure the necessary insurance and pay the premium therefor, and the premium shall be repaid to Lessors as an additional rent installment for the month following the date on which the premiums were paid by Lessors.

SECTION SEVENTEEN

ASSIGNMENT, SUBLEASE, OR LICENSE

Lessee shall not assign or sublease the premises, or any right or privilege connected therewith, or allow any other person except agents and employees of Lessee to occupy the premises or any part thereof without first obtaining the written consent of Lessors. A consent by Lessors shall not be a consent to a subsequent assignment, sublease, or occupation by other persons. An unauthorized assignment, sublease or license to occupy by Lessee shall be void and shall terminate the lease at the option of Lessors. The interest of Lessee in this lease is not assignable by operation of law without the written consent of Lessors.

SECTION EIGHTEEN

BREACH

The appointment of a receiver to take possession of the assets of Lessee, a general assignment for the benefit of the creditors of Lessee, any action taken or allowed to be taken by Lessee under any bankruptcy act, or the failure of Lessee to comply with each and every term and condition of this lease shall constitute a breach of this lease. Lessee shall have 30 days after receipt of written notice from Lessors of any breach to correct the conditions specified in the notice, or if the corrections cannot be made within the 30-day period, Lessee shall have a reasonable time to correct the default if action is commenced by Lessee within ten (10) days after receipt of the notice.

SECTION NINETEEN

REMEDIES OF LESSORS FOR BREACH BY LESSEE

Lessors shall have the following remedies in addition to their other rights and remedies in the event Lessee breaches this lease agreement and fails to make corrections as set for in Section Eighteen:

- (1) Lessors may re-enter the premises immediately and remove the property and personnel of Lessee, store the property in a

511

public warehouse or at a place selected by Lessors, at the expense of Lessee.

(2) After re-entry, Lessors may terminate the lease giving 30 days' written notice of termination to Lessee. Without such notice, re-entry will not terminate the lease. On termination, Lessors may recover from Lessee all damages proximately resulting from the breach, including the cost of recovering the premises and the worth of the balance of this lease over the reasonable rental value of the premises for the remainder of the lease term, which sum shall be immediately due Lessors from Lessee.

(3) After re-entering, Lessors may relet the premises or any part thereof for any term without terminating the lease, at such rent and on such terms as they may choose. Lessors may make alterations and repairs to the premises. The duties and liabilities of the parties if the premises are relet as provided herein shall be as follows:

(a) In addition to Lessee's liability to Lessor for breach of this lease, Lessee shall be liable for all expenses of the reletting, for the alterations and repairs made, and for the difference between the rent received by Lessors under the new lease agreement and the rent installments that are due for the same period under this lease.

(b) Lessors, at their option, shall have the right to apply the rent received from reletting the premises (1) to reduce Lessee's indebtedness to Lessors under the lease, not including indebtedness for rent, (2) to expenses of the reletting and alterations and repairs made, (3) to rent due under this lease, or (4) to payment of future rent under this lease as it becomes due.

If the new lessee does not pay a rent installment promptly to Lessors, and the rent installment has been credited in advance of payment to the indebtedness of Lessee other than rent, or if rentals from the new lessee have been otherwise applied by Lessors as provided for herein, and during any rent installment period, are less than the rent payable for the corresponding installment period, under this lease, Lessee shall pay Lessors the deficiency, separately for each rent installment deficiency period, and before the end of that period. Lessors may at any time after such reletting terminate the lease for the breach on which Lessors based the re-entry and relet of the premises.

(4) After re-entry, Lessors may procure the appointment of a receiver to take possession and collect rents and profits of the business of Lessee, and if necessary, to collect the rents and profits the receiver may carry on the business of Lessee and take possession of the personal property used in the business of Lessee, including inventory, trade fixtures, and furnishings and use them in the business without compensating Lessee. Proceedings for the appointment of a receiver by Lessors, or the appointment of a receiver and the conduct of the business of Lessee by the receiver, shall not terminate and forfeit this lease unless Lessors have given written notice of termination to Lessee as provided herein.

SECTION TWENTY

ATTORNEY'S FEES

If Lessors file an action to enforce any agreement contained in this lease, or for breach of any covenant or condition, Lessee shall pay Lessors reasonable attorney's fees for the services of Lessors' attorney in the action, all fees to be fixed by the court.

SECTION TWENTY-ONE

CONDEMNATION

Eminent domain proceedings resulting in the condemnation of a part of the premises leased herein, but leaving the remaining premises usable by Lessee for the purposes of her business, will not terminate this lease unless Lessors, at their option, terminate the lease by giving written notice of termination to Lessee. The effect of any condemnation, where the option to terminate is not exercised, will be to terminate the lease as to the portion of the premises condemned, and the lease of the remainder of the demised premises shall remain intact. The rental for the remainder of the lease term shall be reduced by the amount that the usefulness of the premises has been reduced for the business purposes of Lessee. Lessee hereby assigns and transfers to Lessors any claim she may have to compensation for damages as a result of any condemnation.

SECTION TWENTY-TWO

CONDITIONAL SALES CONTRACT & SECURITY AGREEMENT PROVISION

This lease agreement is conditioned upon the execution of a Conditional Sales Contract and Security Agreement between Margaret Merry Jenkins and Cheryl D. Moore contemporaneously with the execution of this lease agreement. Lessee shall have the option to terminate this lease any time after payment in full for the business, inventory and equipment of Merry's Beauty Shoppe. Such notice of termination shall be given in writing at least 60 days before such termination.

IN WITNESS WHEREOF, the parties have executed this lease at Klamath Falls, Oregon, the day, month and year first above written.

LESSORS:

Charles W. Jenkins
Charles W. Jenkins
Margaret Merry Jenkins
Margaret Merry Jenkins

LESSEE:

Cheryl D. Moore
Cheryl D. Moore

STATE OF OREGON)
County of Klamath) ss.

Before me this 11th day of May, 1981, personally appeared the above-named CHARLES W. JENKINS and MARGARET MERRY JENKINS, husband and wife, and acknowledged the foregoing instrument to be

