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KERNS BROTHERS REAL ESTATE  
Rt. 5 Box 1416  
Klamath Falls, Ore. 97603

Vol. 1187 Page 22488LEASE AGREEMENT

1. PARTIES. This lease, dated September 21, 1987, is made between KERNS BROTHERS REAL ESTATE, a co-partnership consisting of James William Kerns, John Paul Kerns, and Robert Benjamin Kerns, (herein called "Landlord") and Automated Office Systems (herein called "Tenant").

2. PREMISES. Landlord hereby leases to Tenant and Tenant leases from Landlord for the term, at the rental, and upon all of the conditions set forth herein, the S.W. portion of that certain building located upon the real property described on the attached Exhibit "A" and containing approximately 1950 square feet, with a frontage of 25 feet and a depth of 78 feet, also known as 1939 Austin Avenue, Klamath Falls, Oregon 97603.

3. TERM. The initial term shall be for four years, with a one year option, commencing on the 21st day of September, 1987 and ending on the 21st day of September, 1991.

3.1 OPTIONS TO EXTEND. Tenant is granted an option to extend the initial term of this lease on all of the provisions herein contained for a one year period provided Tenant shall give written notice of the exercise of the option to Landlord at least thirty days prior to the expiration of the initial term. In the event the option is exercised, the rental for the said one year period shall be negotiated between both parties.

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4. RENT. Commencing on the 21st day of September, 1987, a monthly rental of \$800.00 shall be paid, and a like sum paid on the 21st day of each and every month during the term of this lease.

5. USE. The premises shall be used and occupied for a retail office equipment and supply business.

6. MAINTENANCE BY LANDLORD. Landlord shall at its expense maintain the roof, foundation, heat and air conditioning units, underground or otherwise concealed plumbing, exterior walls (excluding all glass, windows and doors) of the building in good repair and condition.

7. MAINTENANCE BY TENANT. Tenant shall at its expense maintain all other parts of the building, keeping the interior premises in good order, condition and repair. On the last day of the term hereof, or on any sooner termination, Tenant shall surrender the premises to Landlord in good condition, broom clean ordinary wear and tear excepted.

8. ALTERATIONS AND ADDITIONS. Tenant shall not, without Landlord's consent, make any alterations, improvements, or additions in, on, or about the premises.

9. LIABILITY INSURANCE; INDEMNITY. During the term of this lease, the Tenant shall at its expense maintain general public liability insurance against claims for personal injury, death or property damage occurring in, upon or about the premises and on any sidewalks directly adjacent to the premises.

Tenant shall indemnify, defend and hold Landlord harmless from any and all claims arising from Tenants use of the premises or from the conduct of its business, or from any loss, expense or claims arising out of any injury or damage, unless such damage or injury result from Landlord's act or neglect.

10. REAL PROPERTY TAXES. Landlord shall pay all real property taxes and assessments applicable to the premises during the term of the lease in full when due.

If during the second full real estate tax year after the beginning date of this lease or during any subsequent year of the primary term of this lease or any renewal thereof, the real estate taxes levied against the premises for such tax year shall be in excess of the taxes levied the first year after the beginning date of this lease, Tenant shall pay to Landlord, as additional rental, upon presentation of photocopies of the tax statements, the amount of such excess.

11. UTILITIES. Landlord shall provide at the beginning of this lease the normal and customary utility service connections in the premises. Tenant shall pay all charges for water, gas, heat, light, power, and telephone used on the premises.

12. DEFAULT BY TENANT. If Tenant shall fail to pay any installment of the rent on the date that the same is due and such failure shall continue for a period of thirty days, Landlord shall have the option to terminate this lease, in which event Tenant shall immediately surrender the premises to Landlord.

13. INSURANCE. The Landlord shall keep the leased property insured throughout the term of this lease against loss or damage by fire and such other risks as may be included in the broadest form of extended coverage insured in the amount of the replacement value of the structure.

14. INFLATION ADJUSTMENT. After the third year of this lease a check will be made of the NATIONAL ALL CITIES CONSUMERS PRODUCTS PRICE INDEX. The rent will be increased by a percentage equal to the change in the price index from the starting date of this lease.

15. SIGNAGE. Lessor agrees that if no city, county or state code prohibits such, that Lessee may at his expense, erect signage along Austin Avenue.

EXECUTED this 30th day of OCTOBER, 1987.

KERNS BROTHERS REAL ESTATE

BY:

James William Kerns  
JAMES WILLIAM KERNS

TITLE:

Owner & Partner

AUTOMATED OFFICE SYSTEMS

BY:

TITLE:

Mrs.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Kerns Brothers Real Estate the 17th day of December A.D., 19 87 at 12:57 o'clock P M., and duly recorded in Vol. M87 of Deeds on Page 22488.

FEE \$20.00

Evelyn Biehn, County Clerk  
By Pat Smith