

AGREEMENT

This Agreement is made by and between Evelyn C. Smith, herein called Evelyn, Lafe Z. Smith, herein called Lafe, and Pacific Linen-Mechanics Uniform Service, Inc., an Oregon Corporation, herein called Pacific Linen, as of the 25th day of September, 1989.

WITNESSETH:

1. Evelyn, in consideration of the promises, agreements and covenants of the other parties set forth herein, agrees to sell to Pacific Linen and Pacific Linen agrees to redeem all of the outstanding capital stock of Pacific Linen owned by Evelyn. Evelyn represents and covenants that she owns 4,325 shares of the \$1.00 par value common stock of Pacific Linen; that said stock is unencumbered; and that, subject to the terms of certain stock purchase and stock option agreements between the parties to this Agreement, she has the unrestricted right to sell said stock to Pacific Linen. *and any and all shares of preferred stock own by Evelyn Smith* *235 ECH MRS*

Evelyn further agrees to sell and assign unto Pacific Linen and Pacific Linen agrees to purchase all of Evelyn's right, title and interest in and to the following real property, to-wit:

- (a) Parcel 1: Lots 6, 7 and 8 in Block 83, Klamath Addition to Klamath Falls, Klamath County, Oregon; and
- (b) Parcel 2: Lots 9 and 10 in Block 83 of Klamath Addition to Klamath Falls, Klamath County, Oregon.

Evelyn covenants and represents that parcel 1 is encumbered by that certain contract of sale recorded in volume 79 at pages 4052-53 of the deed records of the Klamath County, Oregon; reservations, restrictions, easements and rights of way of record and those apparent on the land; and real property taxes and assessments for 1989-90 which are now a lien, but are not yet payable.

Evelyn covenants and represents that parcel 2 is encumbered by that certain Trust Deed recorded in volume M80 at pages 16385-86 of the mortgage records of Klamath County, Oregon; the rights, if any, of the current tenant, Julian Echles; reservations, restrictions, easements and rights of way of record and those apparent on the land; and real property taxes and assessments for 1989-90.

Evelyn represents and covenants that the above described parcels of real property are free and clear of all liens, rights, interests and encumbrances, except those set forth above.

SUBJECT TO THE FOLLOWING LAW:

"This Instrument will not allow use of the property described in this Instrument in violation of applicable land use laws and regulations. Before signing or accepting this Instrument, the Person acquiring fee title to the property should check with the appropriate City or County Planning Department to verify approved uses." ORS 93.040

2. Pacific Linen, in consideration of the promises, covenants, and agreements of the other parties set forth herein, agrees to pay to Evelyn Smith the following consideration:

(a) The sum of \$100,000 upon the closing of this transaction, which the parties anticipate will be on or before October 2, 1989;

(b) The sum of \$2,500.00 per month for sixty continuous months, commencing one month after this transaction is closed; and

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(c) That for 60 continuous months Pacific Linen shall: (1) pay for the insurance, maintenance and fuel for the company car used by Evelyn; (2) pay and maintain health insurance for Evelyn substantially similar to the insurance currently provided to Evelyn; (3) pay for Evelyn's telephone service in an amount comparable to average Evelyn's telephone charges during the 12 months prior to the date of this Agreement; and (4) provide free laundry service for Evelyn at Pacific Linen's plant.

3. Pacific Linen agrees to assume, perform and hold Evelyn harmless from the obligations contained in the real estate contract and trust deed, and promissory note secured thereby, described above.

4. Pacific Linen and Lafe agree to hold Evelyn harmless from all debts and obligations of Pacific Linen.

5. Evelyn agrees to deliver to Pacific Linen all of the books, records and other property of Pacific Linen now held by Evelyn or which hereafter coming into Evelyn's possession and control.

7. In the event that Pacific Linen is sold or that any of its assets are sold, other than in the normal course of business, while any of the payments required above remain unpaid, then Evelyn may demand the immediate payment of all unpaid scheduled payments.

8. Lafe hereby guarantees the full and complete performance of the obligations of Pacific Linen set forth herein.

9. Lafe and Margaret Smith hereby waive and release all rights which they may have pursuant to any other agreements between the parties, including, without limitation, any stock purchase and stock option agreements.

10. Lafe, on behalf of himself, his devisees, heirs and legal Representatives, hereby releases and discharges Evelyn Smith and Dolly Smith and their respective estates, heirs and devisees from all claims, known or unknown, which he may have against them.

11. Evelyn hereby agrees to resign her position on the Board of Directors and as an officer of the Corporation, effective on the date this transaction closes.

12. The parties agree to establish a collection escrow at Klamath County Title Company, Klamath Falls, Oregon, and to deposit the following documents in the escrow:

(a) A fully executed copy of this Agreement;

(b) A stock certificate issued in the name of Pacific Linen for 4,325 shares of \$1.00 par value stock of Pacific Linen;

(c) Security Agreements pledging said shares and the real property described above as security for the full and prompt performance of the obligations of Pacific Linen contained in this Agreement; and

(d) Instructions directing the Escrow Agent to deliver all of the documents held by it to Pacific Linen at such time as Escrow Agent has received

on behalf of Evelyn all of the payments required by this Agreement, at such time as Escrow Agent has received on behalf of Evelyn all of the payments required by this Agreement, and directing Escrow Agent to deliver all documents held by escrow agent to Evelyn in the event that Pacific Linen fails to make any payment required hereby when due.

Pacific Linen shall pay all costs incurred in closing this transaction, including Seller's reasonable attorney's fees, and all costs of the collection escrow.

13. Pending the closing of this transaction, the parties agree that no distributions, including distributions of stock options to purchase stock will be made by Pacific Linen, except salaries and expenses paid in the normal course of business. The parties further agree that no transactions or obligations will be made by, for, or on behalf of Pacific Linen except in the ordinary course of business.

14. Lafe and Pacific Linen agree that following the closing of this sale and for so long as any obligations to Evelyn remain incomplete, no material changes will be made to the Financial Structure or business of Pacific Linen.

15. During the term of this Agreement, the shares of stock held in the collection escrow shall not vote.

16. In the event of litigation to enforce this Agreement or any provision of this Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees, including fees on appeal, if any, in addition to other relief awarded.

17. All representations and covenants made in this Agreement shall survive the closing of this transaction and the execution of documents in furtherance of this transaction.

In Witness whereof the parties have executed this Agreement as of the date first herein written.

Pacific Linen

by Evelyn C. Smith

Evelyn C. Smith
Evelyn Smith
Lafe Z. Smith
Lafe Smith
Margaret C. Smith
Margaret Smith

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STATE OF OREGON,

County of Klamath

} ss.

FORM NO. 23 — ACKNOWLEDGMENT
STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 26th day of September, 19 89, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named * * * * EVELYN C. SMITH, LAFE Z. SMITH AND MARGARET SMITH * * * *

known to me to be the identical individual S described in and who executed the within instrument and acknowledged to me that THEY executed the same freely and voluntarily.

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

Shanna Berg
Notary Public for Oregon.

My Commission expires 7-9-93

Addition: Agreement made between Evelyn C. Smith and Lafe Smith and Pacific Linen-Mechanics Uniform Service Inc.

Paragraph 2 page one part b and c should include

- (d) In the event of the death of Evelyn C. Smith payments of \$2,500, as listed above, should be paid monthly for the balance of the contract of 60 months, into her estate to be disposed of as she so wishes.

18. Payment is due starting Nov. 1st 1989 and continuing for 60 months. There is to be a late charge of 1% or \$2.50 a day after 5 days from due date. In event Lafe Smith defaults and repossession is started, Lafe Smith must pay all legal fees and delinquent payments, in full in order to retain business property.

Pacific Linen

by Evelyn C. Smith

Evelyn C. Smith
Lafe Z. Smith
Margaret C. Smith

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STATE OF OREGON

County of Klamath

ss.

FORM NO. 23 — ACKNOWLEDGMENT
 STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 26th day of September, 1989, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named *** EVELYN C. SMITH, LAFE Z. SMITH AND MARGARET SMITH ***

known to me to be the identical individual(s) described in and who executed the within instrument and acknowledged to me that THEY executed the same freely and voluntarily.

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

Shanna Berg
 Notary Public for Oregon.
 My Commission expires 7-9-93

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Evelyn C. Smith the 4th day of Oct. A.D., 19 89 at 4:13 o'clock P.M., and duly recorded in Vol. M89 of Deeds on Page 18777

FEE \$23.00

Return: Evelyn C. Smith
 P.O. Box 1272, Klamath Falls, Or. 97601

Evelyn Biehn, County Clerk

By Pauline Mullendore