



Council Business Meeting

March 5, 2024

Agenda Item	Lease Agreement with Becker Properties for Space at 2345 Ashland St #103	
From	Tighe O'Meara	Police Chief
Contact	Tighe.omeara@ashland.or.us 541-552-212	
Item Type	Requested by Council <input type="checkbox"/> Update <input type="checkbox"/> Request for Direction <input type="checkbox"/> Presentation <input type="checkbox"/> Consent <input checked="" type="checkbox"/> Public Hearing <input type="checkbox"/> New Business <input type="checkbox"/> Unfinished Business <input type="checkbox"/>	

SUMMARY

Staff is seeking Council permission to enter into a lease for police office space at 2345 Ashland St #103, currently Suds Ur Duds.

POLICIES, PLANS & GOALS SUPPORTED

N/A

BACKGROUND AND ADDITIONAL INFORMATION

For some time, the Ashland Police Department (APD), as well as community members, business owners and others, have noticed an increased presence of negative behavior within the Ashland Street business corridor. The APD has, in response to these observations, established a defined patrol area, roughly along Ashland Street and between Normal and the southbound I-5 interchange, and has dedicated one full time sworn officer (40 hours per week) to patrol just that area. APD has worked to establish an office presence in the area as well, with the Tolman Creek Shopping Plaza being recognized as the most ideal location. Specifically, the small shopping strip including the proposed location has been recognized as the area with the most consistent negative behavior. The APD approached and worked with Becker Properties (landlord), owners of this location, and reached an agreement to establish an office presence within the Suds Ur Duds laundry business. The agreement includes the build-out of a small office that will be secured from the rest of the business and accessed via a dedicated door off the front of the building. City of Ashland IT staff members have been working with the construction company identified by the property owners to make sure sufficient IT infrastructure is in place including data, voice, and security cameras. APD anticipates contracting with a private security company to provide a burglar alarm as well.

It the department's hope that having a marked and known police office in the area will bring a decrease to the negative behavior in the area. This will also give business owners and community members alike a place to locate a police officer in the area.

The build-out is expected to take two to three weeks.





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FISCAL IMPACTS

The rent for the space is \$1,000 per month, with \$1,100 due at signing. The City will also cover landlord's construction costs to Verity Construction, approximately \$32,288.

This money is not designated within the current budget but can be absorbed in the police department's budget because of several vacant positions.

SUGGESTED ACTIONS, MOTIONS and/or OPTIONS

Staff requests that the Council authorize the City Manager to enter into this agreement immediately. If the Council decides against authorizing this, APD will continue to staff the patrol area with a dedicated officer for 40 hours per week, but the APD will continue to lack an office presence in the area.

I move Council authorize the City Manager to enter into a lease agreement with Becker Properties for a police office at 2345 Ashland Street effective immediately.

REFERENCES & ATTACHMENTS

Lease agreement with Becker Properties.

**TOLMAN CREEK PLAZA
BECKER PROPERTIES, LLC LEASE**

In Consideration of the rent to be paid and the conditions, covenants and agreements hereinafter set forth to be kept and performed by Lessee, Lessor hereby leases to Lessee and Lessee does hereby take, accept and hire from Lessor the premises hereinafter described for the period, and at the rental, subject to, and upon the terms and conditions herein set forth as follows:

ARTICLE I

FUNDAMENTAL LEASE PROVISIONS:

DATE OF LEASE:	February 14 th 2024
SHOPPING CENTER:	Tolman Creek Plaza
LESSOR:	Becker Properties, LLC
LESSEE:	City of Ashland, Oregon-Police Department
USE OF PREMISES:	Police Station
PREMISES ADDRESS (ARTICLE II):	2345 Ashland St # 103 (Shared Space) Ashland, OR 97520
APPROXIMATE FLOOR AREA:	170 Square Feet approximately
COMMENCEMENT DATE (ARTICLE III):	March 15 th 2024
EXPIRATION DATE (ARTICLE III):	March 31 st , 2031
FIXED MINIMUM RENT (ARTICLE IV): (Fixed Min rent includes CAM Fees)	\$1,000.00
MANAGEMENT FEES:	10%
ADJUSTMENTS (ARTICLE IV):	Rent adjusts January 1 st of each year CAMs included in Monthly Rent.
SECURITY DEPOSIT (ARTICLE XXI):	No Deposit required.
DUE AT SIGNING:	\$1,100.00
LEASE RENEWAL OPTION:	Two (2) Five (5) Year Options

PROVISIONS: Lessor to work with Lessee to complete remodel as outlined in construction proposal from Verity Construction, Exhibit B. Lessee will pay to Contractor for Construction improvements.

Exhibits:

A - Site Plan

A-1 - Unit Description

B - Legal Description

C - Lessee's work

C-1 – Verity Construction Proposal

ADDRESSES FOR NOTIFICATIONS:

TO LESSOR:

Becker Properties, LLC
TOM BECKER
1175 E. Main St., Ste. 2B
Medford, OR 97504
541-973-2556

Email: accountant@becker-properties.com
propertymanager@becker-properties.com

TO LESSEE:

City of Ashland, Ashland Police Department
Sabrina Cotta, City Manager
1155 East Main Street
Ashland, OR 97520
541-552-2142

tighe.omeara@ashland.or.us
Legal_division@ashland.or.us

References in this Article I to other Articles are for convenience and designate some of the other Articles where references to the particular Fundamental Lease Provisions appear. Each reference in this Lease to any of the Fundamental Lease Provisions contained in this Article I shall be construed to incorporate all of the terms provided under each applicable lease term set forth herein. In the event of any conflict between any Fundamental Lease Provision and the balance of the Lease, the latter shall control.

ARTICLE II THE PREMISES:

Section 2.01 Description

(a) Lessor leases to Lessee and Lessee hires from Lessor those certain premises ("Premises"), which are located in the Shopping Center, is depicted on Exhibit A, Site Plan and legally described on Exhibit B ("Shopping Center"). This Lease is made for the terms, at the rental, and upon all the conditions and agreements set forth in this document. The Premises shall consist on the land outlined on the Site Plan attached hereto as Exhibit A, and the store unit identified as: **2345 Ashland St # 103 (Shared Space), Ashland, OR 97520**. It is expressly understood the Premises includes the roof and exterior face of walls; however, the use of the foregoing is expressly reserved to Lessor.

(b) Lessee shall have the non-exclusive use of the "common areas" of the Shopping Center, as the same shall exist from time to time, all as more particularly specified in Article XI. This Lease is or shall be subject to covenants, conditions, reservations, restrictions, easements, rights, rights of way and other matters to which

reference is made to be recorded in the Office of the County Recorder in which the Premises are located, and Lessee agrees to abide by same.

(c) The depiction of possible uses, occupants, or locations of buildings on Exhibit A creates no warranty or representation that any of all of such uses, occupants or buildings will ever exist or continue to exist. Lessee acknowledges that Lessor may change the shape, size, location number and extent of the improvements shown on Exhibit A and eliminate or add any improvements to any portion of the Shopping Center.

(d) Upon at least 24 hours' actual notice, and provided that at least one employee of Lessee is present, Lessor reserves and shall at all reasonable times have the right to enter the Premises to inspect the Premises including any mortgagees and prospective purchasers and/or prospective tenants; to post notices of non-responsibility and "for lease" signs, to prevent waste, to repair the Premises (if Lessee fails to do so), and any portion of the building of which the Premises are a part ("Building"), and to install, repair, replace, maintain and inspect any utilities serving any portion of the Premises, the Building or the Shopping Center without abatement of rent, and may for such purposes erect scaffolding and other necessary structures and undertake any other construction activities where reasonably required by the character of the work to be performed, always providing the entrance to the Premises shall not be materially blocked, and the business of Lessee shall not be materially interfered with unnecessarily. Lessee hereby waives any claim for damages for any injury, inconvenience to or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby

Section 2.02 Right to Sell

Lessor also reserves the right, at any time, to sell all or any portions of the Shopping Center.

ARTICLE III **TERM:**

Section 3.01

The term of this Lease shall begin on the Commencement Date and shall terminate upon the expiration date as specified in the applicable Fundamental Lease Provisions.

Section 3.02 Commencement Date

The Commencement Date shall be the earliest of the following dates: (I) the date which is the number of days specified in the applicable Fundamental Lease Provision or (ii) the date on which Lessee opens for business in the Premises. Lessee shall have no right, without Lessor's prior written consent, to enter the Premises or deliver materials or start construction until Lessor so authorizes.

Section 3.03 Renewal Option(s).

If Lessee is not in default with any provision of this Lease, then each option period shall automatically commence beginning the day after the stated Expiration Date as provided under Article 1 of the Fundamental Lease Provisions. The New Expiration date will then be adjusted to coincide with the extension time of the option period. AUTOMATIC RENEWAL UNLESS CANCELLED. IF LESSEE OR LESSOR DOES NOT WANT THE OPTION TO AUTOMATICALLY RENEW, THEN, LESSEE OR LESSOR MUST GIVE WRITTEN NOTICE, OF THEIR DESIRE NOT TO EXTEND THE LEASE AGREEMENT AND TO CANCEL THE OPTION EXTENTION, TO THE OTHER PARTY AT LEAST 180 TO 210 DAYS BEFORE THE LEASE EXPIRATION DATE.

ARTICLE IV **RENT:**

Section 4.01 Payment of Rent

Lessee hereby covenants and agrees to pay rent to Lessor in the form of "fixed rent", at times collectively referred to as "rent". The payment of rent shall begin on the Commencement Date. Rent, and all other sums payable by Lessee under this Lease, shall be paid when due without prior notice or demand therefore, (unless expressly provided for in this Lease), shall be payable without any deductions, setoffs, or counterclaims whatsoever,

and rent shall be paid at the office of Lessor, unless otherwise notified. Time is of the essence in the payment of rent.

Section 4.02 Rent

Lessee shall pay to Lessor, as rent hereunder, the aggregate of the following:

(a) Fixed Minimum Rent. Lessee shall pay to Lessor for each calendar month during the Lease term the Fixed Minimum Rent specified in the applicable Fundamental Lease Provision, Should the term of this Lease commence on a day other than the first (1st) day of a month, the first monthly installment of Fixed Minimum Rent shall be prorated on the basis of a thirty (30) day month and shall be paid with the rental payment for the first full calendar month of the term of this Lease. Thereafter, all rent shall be paid in advance on the first day of the month throughout the term of this Lease.

(b) Additional Rent. None.

(c) Rent Increases. The Fixed Minimum Rent shall be increased, but in no event decreased, on January 1st ("Adjustment Date") of each calendar year of the term of the Lease. The base for computing such adjustments shall be the Consumer Price Index-West -C, All Urban Consumers Price Indexes of Pacific Cities (All Items, 1982-84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is published for the month of the Commencement Date ("Beginning Index"). If the Index published for the month of October immediately preceding the Adjustment Date ("Adjustment Index") has increased over the Beginning Index, the Fixed Minimum Rent paid for the immediately following calendar year shall be increased by the result obtained by multiplying the Fixed Minimum Rent by the percentage increase, if any, in the Adjustment Index over the Beginning Index, This new Fixed Minimum Rent shall be used for the calculation of the following adjustment period, If the term of the Lease commences on a date other than the 1st day of a calendar year, the initial adjustment required hereunder will be determined by increasing the Fixed Minimum Rent by the pro rata portion of the percentage increase in the Adjustment Index over the Beginning Index allocable to that portion of the term of the lease that has transpired during the initial calendar year of this Lease. Notwithstanding anything herein to the contrary, in no event shall the Fixed Minimum Rent, as adjusted, be less than one hundred four percent (104%) of the Fixed Minimum Rent payable to Lessor for the month of December immediately preceding each Adjustment Date, regardless of the Commencement Date. If the Index is discontinued, Lessor shall select another similar index that reflects consumer prices

ARTICLE V USE OF PREMISES:

Section 5.01 Use: Police Station

Lessee shall occupy and use the Premises only for the purposes and under the trade name specified in the Fundamental Lease Provisions and the Premises shall not be used or occupied for any other purpose without the prior written consent of Lessor.

Lessee shall not:

(a) Use or permit the Premises to be used for any purpose other than that set forth in this Article V and further covenants and agrees to comply promptly with all statutes, ordinances, rules, orders or regulations of any governmental authority regulating the use or occupation of the Premises.

(b) Use or permit the use of the Premises in any manner that will tend to create a nuisance or disturb other Lessees or occupants or the Shopping Center or tend to injure the reputation of the Shopping Center, or to use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, Lessee shall not use or permit the Premises to be used for the sale of any merchandise or services (other than those specifically described in Section 5.01) as to which Lessor may have granted an exclusive right to any other lessee within the Shopping Center.

(c) Conduct or permit to be conducted in the Premises any fire sale, auction, bankruptcy sale, second-hand sale, going-out-of-business sale or other promotions or sales without Lessor's prior written consent, except for periodic sales in the normal course of business.

(d) Allow any activity to be conducted on the Premises or store any material on the Premises which will increase premiums for or violate the terms of any insurance policy maintained by or for the benefit of Lessor or the Shopping Center. In no event shall any explosive, radioactive, hazardous, or dangerous materials be stored at the Premises, except that any Ashland Police or Oregon State Police equipment and firearms are permitted.

(e) Use or allow the Premises to be used for sleeping quarters, dwelling rooms on the Premises without Lessor's prior written consent.

(f) Obstruct, place any merchandise, vending or amusement machines on, or otherwise use in the conduct of its business, any part of the common area of the Shopping Center, including the sidewalks in front of the Premises.

(g) Erect or install any exterior signs or window or door signs, advertising media or window or door lettering or placard, install any exterior lighting, plumbing fixtures, shades or awnings; make any exterior decoration or painting; build any fences, walls barricades or other obstructions; or install any radio, television, phonograph, antennae, loud speakers, sound amplifiers, flashing or revolving lights, or similar devices on the roof, exterior walls or in the window of the Premises, or make any changes to the store front without Lessor's prior written consent. Any signs, lights, advertising material, loud speakers or anything installed by Lessee on the Premises which may be seen, heard or experienced outside the Premises must be designated or approved by Lessor in writing, Lessee shall not solicit business, display, paint or place, or cause to be placed, painted or placed, any handbills, bumper stickers, or other advertising devices on any vehicles parked in the common area of the Shopping Center, nor shall Lessee distribute or cause to be distributed in the Shopping Center any handbills or other advertising devices.

(h) Interfere with any other lessee's use of the common area or cause or permit any waste on the Premises or in the Shopping Center.

Lessee shall:

(1) Lessee shall use for office, clerical or other non-selling purposes only such space in the Premises as is from time to time reasonably required for Lessee's business in the Premises.

(2) Operate all of the Premises continuously during the entire term of this Lease with due diligence and efficiency, Lessee shall provide sufficient personnel. The nature of Lessee's business will determine the actual hours of operation necessary to successfully operate the business, but it is anticipated that the hours may fluctuate on a daily basis and that the hours of operation vary, including opening and closing after midnight.

(3) This section intentionally left blank.

(4) Keep the Premises, entrances thereto, walkways adjacent thereto, loading platforms, service areas, garbage and refuse storage areas free from obstruction and clean and neat and arrange for the prompt and frequent pickup of rubbish at such intervals as Lessor may direct.

Section 5.02 Use of Common Area

(a) Lessor covenants that the Shopping Center's Common Areas, as they exist from time to time, shall be available for Lessee's non-exclusive use, in common with all other users authorized by Lessor, for ingress, egress and parking during the term of the Lease, subject to; (i) any taking under the power of eminent domain, (ii) casualty damage to the common area improvements, and (iii) any construction in the Shopping Center that is in accordance with Article II. Lessor reserves the right to change the entrances, exits, traffic lanes and the boundaries and locations of such common areas, as well as the size and number of buildings in the Shopping Center, and to increase or decrease the size thereof or that of the Shopping Center or both.

(b) Lessor shall keep the common areas or that portion thereof owned from time to time by Lessor in a neat and clean and orderly condition, and shall repair any damage to the facilities thereof, but all expenses and costs in connection with said common area shall be charged and prorated in a manner set forth in Section 11.03 hereof.

(c) Lessor shall also have the exclusive right, but not the obligation, to regulate and control the common areas or that portion thereof owned from time to time by Lessor and Lessee agrees to conform to such rules and regulations as Lessor may establish.

ARTICLE VI UTILITIES;

Section 6.01 Utility Services

(a) Lessee will pay for their own electricity.

(b) Furnishing of Services. Lessor reserves the right to furnish electrical services to Lessee. In that event, Lessee shall pay monthly, in advance, \$150.00 an amount estimated by Lessor to reimburse for electricity, utility services furnished by Lessor. Such average monthly charge of \$150.00, is an estimate by Lessor and may be revised from time to time, said monthly charge or charges shall be subject to actual consumption. Adjustments in

Lessee's share of such charge shall be made within thirty (30) days following the end of each calendar quarter or, at Lessor's option, each calendar year.

ARTICLE VII TAXES:

Section 7.01 Real Property Taxes:

(a) Beginning with the Commencement Date and for the balance of the term of this Lease, Lessor will pay all property taxes for Lessees premises as part of Lessee's rent.

Section 7.02 Definitions and Pro-rations

(a) Blank

ARTICLE VIII REPAIRS AND MAINTENANCE:

(a) Notwithstanding the fact that some of the following items are not part of the Premises hereunder, however, they shall be maintained, repaired and replaced by Lessor. Such items shall include but not be limited to: the roof, exterior walls, foundation and structural portion of the buildings of which the Premises are a part, exterior trim, all underground and overhead utilities and service lines, HVAC and plumbing, drops located outside the parameters of the Premises and painting and staining of exterior walls, trim or accessories, at such intervals as Lessor shall determine, which works shall be performed by Lessor. Lessor shall have no obligation for any repairs under this Article until a reasonable time after receipt by Lessor of written notice of the need for such repairs. Lessee waives the provisions of any law permitting Lessee to make repairs at Lessor's expense.

(b) Lessee shall keep the Premises, the adjacent walks and corridors at all times in a neat, clean and sanitary condition, free from waste and debris and shall neither commit nor permit any waste or nuisance. Lessee agrees at all times, from and after the Commencement Date, at Lessee's own cost and expense, to repair, replace and maintain in good condition and state of repair the Premises and every part thereof (excluding only those items to be maintained by Lessor).

ARTICLE IX ALTERATIONS:

Section 9.01 Alterations and Additions

Lessee shall not make any alterations, additions, modifications or changes to the Premises without Lessor's prior written consent, which may be withheld in Lessor's sole and reasonable, absolute discretion. Lessor may require, as a condition to granting such approval, that Lessee demonstrate and secure its ability to complete and pay for the alterations, additions and changes. No alterations, additions, or changes shall be made to any storefront, the exterior walls or roof of the Premises, nor shall Lessee erect any mezzanine or increase the size of same without the prior written consent of Lessor. Lessee shall be directly responsible for any and all damage resulting from any alterations, additions and changes. All alterations, additions, or changes to be made to the Premises which require the consent and approval of Lessor, shall be under the supervision of a competent architect or competent licensed structural engineer and made in accordance with plans and specifications with respect thereto, to the extent the approval of an architect or engineer is required by applicable law, approved in writing by Lessor before the commencement of the work. All work with respect to any alterations, additions and changes must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. Upon completion of such work, Lessee shall file for record in the office of the County Recorder where the Shopping Center is located, a Notice of Completion as permitted by law. Unless the terms of Lessors consent states otherwise, such alterations, additions and changes shall at Lessors option and be considered improvements shall not be removed by Lessee without Lessors prior written consent but shall become a part of the Premises upon installation. All changes, alterations and improvements shall be performed and done strictly in accordance with all applicable laws and ordinances relating thereto. Lessee shall have the work performed in such a manner as not to obstruct the access of any other lessee or occupant of the Shopping Center.

ARTICLE X MECHANIC'S LIENS:

Section 10.1 Lessee agrees that it will pay or cause to be paid all costs for work done, or caused to be done, by it

on the Premises, and Lessee will keep the Premises and Shopping Center free and clear of all mechanic's liens and other liens on account of work done for Lessee or persons claiming under it. Lessee agrees to and shall indemnify, defend and save Lessor, the Premises and Shopping Center free and harmless against any and all liability, loss, damage, costs, attorneys' fees and all other expenses on account of claim of lien of laborers or material liens or others for work performed or materials or supplies furnished to Lessee or persons claiming under it. In addition, Lessee shall keep Lessee's leasehold interest and any of those improvements to the Premises which are, or become property of Lessor pursuant to this Lease free and clear of all liens of attachment or judgment liens.

ARTICLE XI COMMON AREAS:

Section 11.01 Common Areas.

Lessor hereby grants to Lessee the non-exclusive right in common with others during the term of this Lease to use the common areas (as hereinafter defined) of the Shopping Center for itself, its employees, agents, customers, invites, and licensees. Lessor shall have the sole right to place vending or amusement devices and public telephones on the common area. Lessor shall at all times have the right to utilize the Common Area for promotions, exhibits, rides, outdoor shows, displays, automobile and other product shows, the leasing of kiosks and food facilities, landscaping, decorative items and any other use which, in Landlord's judgment, tends to attract customers to, or benefit customers of, the Shopping Center.

Section 11.02 Cost of Maintenance of Common Areas

(a) The term "common areas" refers to all areas within or adjacent to the Shopping Center from time to time made available for general use, convenience and benefit of Lessee and other persons entitled to occupy the Premises in the Shopping Center, including, without limitation, automobile parking areas, driveways, sidewalks, open and enclosed courts and malls, landscaped and planted areas, canopies, trellises, awnings, down spout, gutters and Shopping Center signs (although the Shopping Center signs are available to Lessee only upon such terms and conditions as Lessor may agree in writing).

ARTICLE XII INSURANCE AND INDEMNITY:

Section 12.01 Insurance

(a) Lessor's Obligations. At all times during the term of this Lease, Lessor shall maintain in full force and effect, with insurance companies licensed to do business in the State of Oregon and otherwise satisfactory to Lessor in its sole discretion, one or more policies including the following cover ages:

(1) General public liability and property damage insurance against claims for bodily injury, death or property damage occurring in or upon the common area with limits of coverage of not less than \$1,000,000.00 combined single limit. Lessor may increase the foregoing limits if it deems such increase desirable to protect Lessor and Lessee.

(2) Fire, extended coverage, vandalism, malicious mischief, earthquake, loss of rental income, and sprinkler leakage (if building contains sprinklers) insurance in such form and with such covered perils as Lessor deems appropriate in its sole discretion insuring the buildings and other improvements on the Premises in an amount equal to the full replacement cost thereof less standard underground exclusions. All proceeds shall belong to and be the sole property of Lessor and Lessee hereby assigns to Lessor or its nominee all of Lessee's right, title and interest thereto.

Lessor shall have the right to maintain blanket policies with the foregoing limits.

(b) Lessee's Obligations. At all times during the term of this Lease, Lessee shall maintain in full force and effect with insurance companies licensed to do business in the State of Oregon and otherwise satisfactory to Lessor, in its sole discretion one or more policies evidencing the following coverage, a certificate of which shall be

submitted to Lessor prior to Lessee's undertaking any of the work required of Lessee pursuant to:

(1) Comprehensive general liability and property damage insurance insuring all premises-operations, independent contractors, products and completed operations and contractual liability arising from the operation, possession, maintenance or use of the Premises or ways immediately adjacent thereto with limits of liability of not less than \$500,000.00 for each person, \$50,000.00 for each occurrence for property damage, or a combined single limit of \$1,000,000.00. Lessee shall increase the foregoing limits if Lessor deems such increase desirable to protect Lessee and Lessor.

(2) Comprehensive automobile liability and property damage insurance insuring all owned, non-owned and hired vehicles used in the conduct of the Lessee's business and operated upon or parked upon the common area with limits of liability of not less than \$1,000,000.00 combined single limit for death or injury to one or more persons in a common accident or occurrence, and \$50,000.00 for each occurrence for property damage. Lessee shall increase the foregoing limits if Lessor deems such increase desirable to protect Lessee and Lessor.

(3) Standard Form Worker's Compensation and Employer's Liability insurance covering all Lessee's employees for injury or illness suffered in the course of or arising out of their employment, providing Statutory Worker's Compensation benefits and employer's Liability Limits.

(4) Plate glass insurance covering the full replacement cost of plate glass, frames and lettering thereon within and part of the Premises to include a safety Glazing Material Endorsement, any deductible provisions of which are solely for the account of Lessee.

(5) Fire, extended coverage, vandalism and malicious mischief and other perils at Lessor's discretion, insurance in an amount equal to the actual cash value of all furniture, fixtures, stock equipment, including fixtures and improvements and betterments installed by Lessee in the Premises, any deductible provisions of which are solely for the account of Lessee.

(6) At all times during which Lessee is doing construction work in the Premises, "All Risk" builders risk insurance with limits of coverage not less than one hundred percent (100%) of full replacement cost of Lessee's leasehold improvements and owner's and contractor's protective insurance and independent contractor's insurance with coverage of at least \$1,000,000.00 for a single occurrence and for property damage.

All insurance provided by Lessee shall name Lessor, its officers, employees and agents, each mortgagee of Lessor and such other persons or entities as Lessor may from time to time designate, as additional insured, as their respective interests may appear. No such policy may contain a deductible amount greater than \$5,000.00 unless approved by Lessor in writing. Prior to Lessee's accepting possession of the Premises or undertaking any work in the Premises, and at least thirty (30) days prior to the expiration date of any such insurance policy, Lessee shall provide Lessor with a certification of such insurance coverage. Each such insurer shall be licensed to do business within the State of Oregon and shall be rated "A" or better as to policyholder rating and "X" or better as to financial rating in Best's Key Rating Guide and shall be otherwise satisfactory to Lessor in its sole and absolute discretion. All such insurance policies shall contain the following provisions: (i) the agreement of the insurer to give Lessor and each mortgagee of Lessor at least thirty (30) days' notice by registered mail prior to cancellation, change in coverage, termination, lapse or any other material change in said policies or any of them, (ii) waiver of subrogation rights against Lessor and Lessee, (iii) agreement that said policies are primary and non-contributing with any insurance that may be carried by Lessor, (iv) a statement that the insurance shall not be invalidated should any insured waive in writing prior to a loss any or all right to recovery against any party for loss accruing to the property described in the insurance policy, (v) a cross-liability endorsement, and (vi) a statement that no act or omission of Lessee shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained. Lessee's insurance may be in the form of a general coverage or blanket policy covering the Premises provided that Lessor, its officers, employees and agents, each mortgagee of Lessor and such other persons or entities as Lessor may from time to time designate are specifically named therein as additional insureds and provided further, that the requirements of this paragraph are otherwise met.

All proceeds of such property insurance shall, at the election of Lessor, be paid to Lessor and held in trust and may be used for the repair or replacement of the plate glass, fixtures, equipment or contents insured in the event this Lease shall terminate for any cause while such proceeds are held by Lessor. Lessor shall have the right to apply such funds for the redevelopment of the Premises. A duplicate original of all such policies, or certificates of insurance, shall be delivered to Lessor at least thirty (30) days prior to the expiration or cancellation of any such policy. In the event Lessee fails at any time during the term of this Lease to obtain such insurance or to provide such evidence thereof, Lessor shall have the right but not the duty to procure such insurance, and Lessee shall pay to Lessor the costs and expenses thereof plus interest at the rate of 12% within ten (10) days after demand therefore.

Lessee and Lessor waive any right of subrogation against the other party hereto subject to approval of their respective insurance carriers.

Section 12.02 Indemnity

Lessee agrees and this Lease is made upon the express condition that Lessor shall not be liable, responsible, or in any way accountable to Lessee, Lessee's agents, employees, servants, customers or invitees, or to any person whomever for any loss, theft or destruction of a damage (including, but not limited to, any damage caused by rainstorm or other water damage) to any goods, wares, merchandise, fixtures or other property stored, kept, maintained or displaced in, on or about the Premises, or in, on or about the facilities, the use of which Lessee may have in conjunction with this Lease, nor for injury to or death of any person or persons who may at any time be using, occupying or visiting the Premises or thereabouts regardless of the nature or cause of such injury, damage or destruction, unless caused by the negligence or willful misconduct of Lessor, Lessee agrees to indemnify, defend, hold harmless and protect Lessor, its agents and employees from any and all costs and expenses, liability and claims for damages to or loss of property (including Lessee's property) or injury to or death of persons (including Lessee, its agents, employees, visitors or invitees) directly or indirectly resulting from anything occurring from any cause on or about the Premises, in connection with the maintenance or operation of Lessee's business, occupation or use of the Premises. Lessee shall discharge any judgment or compromise rendered against or suffered by Lessor as a result of anything indemnified against hereunder and shall reimburse Lessor as a result of anything indemnified against hereunder and shall reimburse Lessor for any and all costs, fees, or expenses incurred or paid by Lessor.

ARTICLE XIII **DAMAGE AND DESTRUCTION:**

In the event the Premises, or any part thereof, shall be damaged by any casualty, this Lease shall remain in full force and effect, without abatement of rent or any other charges (except as expressly set forth in this paragraph) and Lessor shall repair such damages to the extent of "Lessor's Work" as set forth in Exhibit C, if any that may be; attached hereto and made a part hereof, as a rapidly as reasonably possible, unless caused by the negligence or willful misconduct of Lessor. Lessee shall be responsible for the repair, restoration and replacement of "Lessee's Work" if any that may be, as set forth in Exhibit C, its stock in trade, trade fixtures, furnishings, furniture, equipment and other personal property. In such event, Fixed Minimum Rent shall abate to the extent Lessor receives rental loss insurance proceeds attributable to the Premises-- In the event of complete destruction of the Leased Premises, Lessee shall have the right to terminate their Lease if there is not an alternative suitable Premises for the Lessee to use in the Shopping Center to substitute for the existing space. In the event of relocation, Rents may need to be adjusted based on square footage utilized by Lessee.

ARTICLE XIV **ASSIGNMENT AND SUBLETTING:**

Lessor has entered into this Lease in order to obtain for the benefit of the Shopping center Lessee's trade name and the products, services and specific merchandise mix associated with Lessee's business, and the following prohibitions are expressly agreed to by Lessee in consideration of such fact. Lessee shall not assign this Lease or any interest therein, whether voluntarily, by operation of law, or otherwise, and shall not sublet the Premises or any part thereof (collectively referred to herein as "Conveyance"), except with Lessor's prior written consent and approval.

Any such Conveyance, even with the approval of Lessor, shall not relieve Lessee from liability for payment of all rent and other charges payable hereunder or from the obligations to keep and be bound by the terms, conditions and covenants of this Lease. The acceptance of rent from any person other than Lessee shall not be deemed to be a waiver of any of the provisions of this Lease, or consent to the Conveyance. Consent to any Conveyance shall not be deemed consent to any future Conveyance. Any merger, consolidation or transfer of corporate shares of Lessee, if Lessee is a corporation, so as to result in a change in the present voting control of the Lessee by the person or persons owning a majority of said corporate shares on the date of this Lease, shall constitute a Conveyance and be subject to the conditions of this paragraph.

Any attempted or purported assignment, transfer, sublease, mortgage or other encumbrance of Lessee's leasehold interest hereunder or any part of such interest, whether voluntary or by operation of law, without the prior

written consent of Lessor shall be void and shall constitute a default hereunder and confer no rights whatsoever on third parties.

ARTICLE XV **LESSEE'S DEFAULT:**

Section 15.01

The following shall be deemed to be acts of default under this Lease:

(a) Upon not less than 10 days' written notice from Lessor, should Lessee shall fail, neglect or refuse to pay any installment of Fixed Minimum Rent, Percentage Rent, Additional Rent or any other payment or charge, including, without limitation, penalty charges, required to be paid by Lessee hereunder at the time and in the amount as herein provided, or pay any moneys agreed by it to be promptly when and as the same shall become due and payable during the term of the Lease.

(b) The failure of Lessee to commence its build-out of the Premises when required by Article II, if applicable, or to open its business in the Premises within thirty (30) days after the Commencement Date unless otherwise provided in this Lease.

(c) The occurrence of a Conveyance without Lessor's prior written consent.

(d) Lessee shall fail, neglect or refuse to keep and perform any of the other covenants, conditions, stipulations or agreements herein contained and covenanted and agreed to be kept and performed by Lessee and such default shall continue for a period of more than fifteen (15) days after notice in writing given to Lessee by Lessor (which notice shall be in lieu of, not in addition to, any notice required under applicable law); provided however, that if the cause for giving such notice, Lessee shall be deemed to have complied with such notice if Lessee has commenced to cure such default within said fifteen (15) day period and is diligently prosecuting such cure to completion.

(e) Any attachment or levy of execution or similar seizure of the Premises or Lessee's merchandise, fixtures or other property at the Premises or any foreclosure, repossession or sale under any chattel mortgage, security agreement or conditional sales contract covering Lessee's merchandise, fixtures or other property at the Premises, or the filing of any petition by or against Lessee or any guarantor of this Lease under any chapter of the Bankruptcy Act, or the adjudication of Lessee or any guarantor of this Lease as a bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of the assets of Lessee or any guarantor of this Lease, for the benefit of creditors, or any other action taken or suffered by Lessee or any guarantor of this lease under any state or federal insolvency or bankruptcy act and the continuation thereof for more than twenty (20) days.

(f) Lessee's failure to maintain employees.

No re-entry or re-letting of the Premises of any nature served under unlawful detainer action or the filing of any unlawful detainer or similar action shall be construed as an election by Lessor to terminate this Lease unless a written notice of such intention is given by Lessor to Lessee, and notwithstanding any such re-letting without such termination, Lessor may at any time thereafter elect to terminate this Lease.

Except in the case of Lessor's negligence or willful misconduct, Lessee hereby waives all claims or demands for damages that may be caused by Lessor in reentering and taking possession of the Premises as herein above provided and all claims or demands which may result from the destruction of or injury to the Premises and all claims or demands for damages or loss of property belonging to Lessee or to any other person or firm that may be in or about the Premises at the time of such reentry.

Nothing contained in this Lease shall limit Lessor to the remedies set forth in this Article and upon Lessee's default Lessor shall be entitled to exercise any right or remedy provided by law, or in equity, including, but without limitation, the right to obtain injunctive relief and the right to recover all damages caused by Lessee's default in the performance of any of its obligations under this Lease.

Neither this Lease nor any interest herein nor any estate created hereby shall pass by operation of law under any state or federal insolvency or bankruptcy act to any trustee, receiver, assignee for the benefit of creditors or any other person whatsoever without the prior written consent of Lessor.

In addition, Lessor needs to file eviction to retake possession set if Lessee at any time fails to perform any of its obligations under forth in this Lease, this Lease in a manner reasonably satisfactory to Lessor, Lessor shall have the right, but not the obligation, upon giving Lessee at least five (5) days prior to written notice of its election to do so (but in the event of any emergency, no prior notice shall be required), to perform such obligations on behalf

of and for the account of Lessee and to take all such action to perform such obligations. In such event, Lessor's costs and expenses incurred therein shall be paid for by Lessee forthwith upon demand therefore, with interest thereon from the date Lessor performs such work at the maximum legal rate permitted by law. The performance by Lessor of any such obligation shall not constitute a waiver thereof or a release of Lessee there from.

Lessee acknowledges that late payments by Lessee to Lessor of rent and other amounts due under this Lease will cause Lessor to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges and late charges that may be imposed on Lessor by the terms of any encumbrance and notes secured by any encumbrance covering the Premises. Therefore, if any installment of rent or other amount due from Lessee is not received by Lessor when due, Lessee shall pay to Lessor an additional sum of ten percent (10%) of the overdue amount as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Lessor will incur by reason of late payment by Lessee. Acceptance of any late charge shall not constitute a waiver of lessee's default with respect to the overdue amount, nor prevent Lessor from exercising any of the other rights and remedies available to Lessor. Past due monies shall bear interest at 12% per annum. Monies received shall first apply to late charges, then interest, then other charges, then rent as provided herein.

ARTICLE XVI **DEFAULT BY LESSOR:**

Lessor shall in no event be charged with default in the performance of any of its obligations hereunder unless and until Lessor shall have failed to perform such obligations within thirty (30) days (or such additional times as is reasonably required to correct any such defaults) after written notice by Lessee has been received by Lessor, Lessee shall not have the right to exercise any remedy provided for herein or at law unless and until Lessee shall have delivered a written notice to any lender holding a trust deed against the Premises or the Shopping center or portion thereof specifying wherein Lessor has failed to correct or remedy such default, which such notice may not be delivered until after the expiration of the period set forth herein for Lessor remedy such default and shall grant to the lender an additional equal period within which to cure such default. In the event Lessee receives any money judgment resulting from any default or other claim arising under this Lease, such judgment shall be satisfied only out of the profits, but not gross rent or other income, actually received by Lessor from the operation of Shopping Center (herein called "Lessor's Profits"). In no event shall Lessee have the right to levy execution against any property of Lessor other than its interest in Lessor's Profits as hereinabove expressly provided, and Lessee hereby waives, to the extent permissible under law, any right to satisfy any money judgment against property of Lessor other than Lessor's Profits. If Lessor's Profits are insufficient for the payment of any such judgment, Lessee will not institute any further action, suit, claim or demand, in law or equity against Lessor for or on account of such deficiency. This Agreement is executed by any partner(s) or principal(s) of Lessor solely as such partner(s) or principle(s) of the same and not in their own individual capacities. No advisor, trustee, director, officer, partner, employee, beneficiary, shareholder, participant or agent of Lessor whatsoever (collectively, the "Parties") shall be personally liable in any manner or to any extent under or in connection with this lease, and Lessee and its successors and assigns, and, without limitation, all other persons, partnerships, corporations and entities shall look solely to Lessor's interest in Lessor's Profits as hereinabove expressly provided for the payment of any claim or for any performance, and shall not seek any damages against any of the Parties. The limitation of liability provided in this Article XVI is in addition to, and not in limitation of, any limitation of liability applicable to Lessor or such advisors, trustee, directors, officers, partners, employees, beneficiaries, shareholders, participants or agents of Lessor provided by law or by any other contract, lease, agreement or instrument. No default by Lessor under this Lease shall give Lessee the right to terminate this Lease.

ARTICLE XVII **EMINENT DOMAIN:**

If there is any taking of, or damage to, all or any part of the Premises or any interest therein because of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer of any part of the Premises or any interest therein made in avoidance of the exercise of the power of eminent domain (all of the foregoing being hereinafter referred to as a "Taking") prior to or during the term of this Lease, the rights and obligations of Lessor and Lessee with respect to such taking shall be as follows:

(a) If there is a Taking of all of the Premises, this Lease shall terminate as of the date of such Taking.

(b) If twenty-five percent (25%) or more of the floor area of the Premises shall be Taken, or twenty-five percent (25%) of the land area of the Shopping Center shall be Taken (regardless of whether or not any part of the Premises is Taken), then in that event, Lessor shall be entitled to elect either to terminate this Lease or to rebuild the remainder of the Premises or the Shopping Center. Lessor shall give written notice to Lessee of its election no later than ninety (90) days after the date Lessor receives notice that possession or title to the portion of the Premises or Shopping Center subject to such Taking has vested in the condemner.

If this Lease is terminated in accordance with the provisions of this Article XVII, such termination shall become effective as of the date physical possession of the particular portion is taken or immediate possession is ordered. The parties shall be released from all further liability hereunder after such date. If this Lease is not terminated as provided in this Article XVII, or if less than twenty-five percent (25%) of the floor area of the Premises shall be Taken, the annual Fixed Minimum Rent set forth in Section 4.02 for the remainder of the Term of this Lease shall be reduced by the proportion which the number of square feet of floor area of the Premises taken bears to the total ground floor area of the Premises immediately before the Taking and Lessee's pro rata share shall be recalculated as of the date physical possession of the particular portion is taken.

The entire award or compensation in such proceedings, whether for a total or partial taking or for diminution in the value of the leasehold or for the fee shall belong to and be the property of Lessor, and Lessee hereby assigns to Lessor all Lessee's interest in any award. However, Lessee shall have the right to recover from the condemning authority, but not from Lessor's award such compensation as may be separately awarded or recoverable by Lessee's own right on account of any and all cost or loss which Lessee might incur in removing Lessee's merchandise, furniture and fixtures, and for relocation costs and such other relief as Lessee may be entitled to under then current law.

ARTICLE XVIII RULES AND REGULATIONS:

Section 18.01

Lessee shall faithfully observe and comply with the rules and regulations that Lessor shall from time to time promulgate and/or modify for operation of the Shopping Center. The rules and regulations shall be binding upon the Lessee upon delivery of a copy of them to Lessee, provided that such rule or regulation does not substantially modify the bargain of this agreement. Lessor shall not be responsible to Lessee for the nonperformance of any said rules and regulations by any other lessees or occupants.

ARTICLE XIX RIGHT OF ENTRY:

Section 19.01 Entry by Lessor

Upon at least 24 hours actual notice and provided at least one employee is present, Lessor reserves, and shall at any and all times have, the right to enter the Premises to inspect the same, to submit said Premises to prospective purchasers or tenants, to post notices of no responsibility, to repair the Premises and any portion of the building of which the Premises are a part that Lessor may deem necessary or desirable, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed., always providing that the entrance to the Premises shall not be unreasonably blocked thereby, and further providing that the business of the Lessee shall not be interfered with unreasonably. Lessee hereby waives any claim for damages or for any injury or inconvenience to or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby.

ARTICLE XX CONSTRUCTION:

Section 20.01 Construction of Premises

Lessee shall complete, at its own expense, the Lessee's Work so designated on Exhibit C, if any is attached hereto and made a part hereof. All other work of any character, whether performed by Lessor or Lessee, shall be at Lessee's sole expense. All work to be performed by either party shall be done in accordance with plans and specifications to be approved by Lessor and in accordance with all applicable building codes and regulations

governing said construction and in accordance with Exhibit C and all such improvements confirm whether City of Ashland wants to retain any improvements, shall at once become the property of Lessor at option of Lessor.

If applicable, upon execution of this Lease, Lessee will have prepared by a licensed architect at its expense, plans and specifications for the Lessee's Work designated on Exhibit C and shall deliver a full set of plans to Lessor within thirty (30) days following notice from Lessor that said plans are required, Lessor shall have the right to approve, disapprove or require modification of said plans and specifications which changes shall be made by Lessee and revised plans submitted promptly to Lessor for approval. The foregoing procedure shall be followed until an approved set of plans and specifications have been prepared. Within thirty (30) days after completion of said construction of the Premises, Lessee shall deliver to Lessor a set of "as build" drawings.

Lessor shall perform for Lessee such work as Lessor elects to perform and Lessee shall perform the remainder thereof. In any event, such work shall be done at Lessee's sole expense.

Any changes in the work described in Exhibit C or the plans and specifications requested by Lessee or required by any governmental authority shall be at Lessee's sole expense. Lessee shall pay Lessor any costs which Lessee is required to pay pursuant to this Paragraph within five (5) days following Lessor's periodic billings therefore.

ARTICLE XXI **SECURITY DEPOSIT:**

Section 21.01 Security Deposit: No deposit is required.

ARTICLE XXII **MISCELLANEOUS:**

Section 22.01 Estoppel Certificates and Financial Information

(a) Lessee shall at any time and from time to time, upon five (5) days prior written notice from Lessor, execute, acknowledge and deliver to Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, as in full force and effect) and the dates to which the Fixed Minimum Rent and other charges are paid in advance, if any; and (ii) acknowledging that there are not, to Lessee's knowledge, any uncured defaults under this Lease or circumstances or facts that with notice of the passage of time or both would constitute a default (if any are claimed, specifying such defaults). Any such statements may be conclusively relied upon by any prospective buyer or lien holder of the Premises or of all or a portion of the Shopping Center of which the Premises are a part.

(b) Lessee shall also at any time and from time to time, upon five (5) days prior written notice from Lessor, execute, acknowledge and deliver to Lessor current financial statements and information in writing for review by any prospective buyer or lien holder of the Premises or all or any portion of the Shopping Center of which the Premises are a part.

Section 22.02 Effect of Sale of Transfer

If Lessor sells or transfers all or any portion of the building or other improvements and land of which the Premises are a part, then Lessor, on consummation of the sale or transfer, shall be released from any liability that accrues under this Lease after that date. If any security deposit or prepaid rent has been paid by Lessee, Lessor may transfer the security deposit or prepaid rent to Lessor's successor, in which event Lessor shall be discharged from any further liability for the security deposit or prepaid rent.

Section 22.03 Floor Area

"Floor Area" as used in this lease means, with respect to the Premises, and with respect to each store area separately leased in the Shopping Center, the approximate number of square feet of floor space set forth in the Fundamental Lease Provisions, respectively, of this Lease and other store area leases. Floor Areas are approximate and may or may not include mezzanines and outside selling areas. No deduction or exclusions from Floor Area shall be made by reason of architectural or functional indentations, columns, stairs, elevators, escalators, truck loading areas, or other interior construction or equipment located in the Premises or in the buildings in the Shopping Center. The Lessee shall not be entitled to any reduction in rent or other adjustment if the actual square footage is less than the Floor Area represented on the Fundamental Lease Provisions.

Section 22.04 Signs and Outdoor Improvements

(a) Lessee shall affix and maintain upon the exterior walls of the Premises or the building of which the Premises are a part, signs identifying Lessee's business which signs shall comply with the general sign criteria established by Lessor from time to time for the Shopping Center, or as approved for a specific Lessee by Lessor. In addition to the foregoing, Lessee may affix and maintain upon the glass panes and supports of the show windows signs, advertising placards, names, insignia, trademarks and descriptive material as shall have first received the prior written approval of Lessor as to size, type, color, location, copy, nature, and display qualities. All such material must comply with any general sign criteria established by Lessor from time to time for the Shopping Center, or as approved for a specific Lessee by Lessor.

(b) Lessee shall not install any awnings, canopies or trellises at the Premises without the prior written consent of the Lessor, and no sign showcase, vending machines, bicycle rack, rocking horse or other similar mechanical device, merchandise, shopping cart rack, obstruction, or any advertising device of any kind shall be placed, stored or allowed by Lessee to remain in or on the parking or common areas of the Shopping Center without the prior written consent of the Lessor.

Section 22.05 Severability

Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect.

Section 22.06 Time of the Essence

Time is of the essence with respect to the performance of every provision of this Lease.

Section 22.07 Captions

The article and paragraph captions contained in this Lease are for convenience only and shall not limit, amplify or otherwise constitute a part of this Lease or be considered in the construction or interpretation of any provision hereof.

Section 22.08 Notices

All notices and other communications under this Agreement must be in writing and will be deemed to have been given if delivered personally, sent by electronic mail, mailed by certified mail or delivered by an overnight delivery service (with confirmation) to the parties at the address or e-mail address set forth in the Fundamental Lease Provisions (or at such other address or e-mail address as a party may hereafter designate by like notice to the other parties): Any notice or other communication will be deemed to be given (1) on the date of the personal delivery or transmission by electronic mail, except that transmission by electronic mail after 4:00 p.m. recipients local time will be deemed to be given the following business day, (2) at the expiration of the 3rd day after the date of deposit in the United States mail, or (3) on the date of the confirmed delivery by overnight delivery service.

Section 22.09 Quitclaim Deed

At the expiration or earlier termination of this Lease, Lessee shall, upon the request of Lessor, execute, acknowledge and deliver to Lessor, within five (5) days after such request, any Quitclaim Deed or other documents to remove the cloud of this Lease from the Premises.

Section 22.10 Joint and Several Obligations

If more than one person executes this Lease as Lessee, their obligation hereunder are joint and several, and any act or notice of or to, or refund to, or the signature of, any one or more of them in relation to renewal or termination of this Lease, or under or with respect to any of the terms hereof, shall be fully binding upon each and all persons executing this Lease as Lessee.

Section 22.11 Brokers

Except as otherwise noted in the applicable Fundamental Lease Provisions, Lessee warrants that it has no dealings with any real estate broker or agent in connection with the negotiation of this Lease and agrees to indemnify and hold Lessor harmless from and against any claims for commissions, fees, or expenses asserted by others on the basis that they were acting as Lessee's broker or agent.

Section 22.12 Waiver.

The waiver by Lessor of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding default by Lessee of any term, covenant or condition of this Lease, other than the failure of the Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding default at the time of acceptance of such rent.

Section 22.13 Recording.

Lessee shall not record this Lease, any memorandum of this Lease, or any other document that refers directly or indirectly to this Lease. Lessee shall, upon request of Lessor, execute, acknowledge, and deliver to Lessor a "short form" memorandum of this Lease for recording purposes.

Section 22.14 Merchant's Association.

Not applicable

Section 22.15 Holding Over.

If Lessee or any party claiming under Lessee remains in possession of the Premises, or any part thereof, after any termination of this Lease, no tenancy or interest in the Premises shall result therefore, but such holding over shall be an unlawful detainer and all such parties shall be subject to immediate eviction and removal, and Lessee shall pay upon demand to Lessor during any period which Lessee shall hold the Premises after the Term has expired, as damages, Rent at the rate of one hundred fifty percent (150%) of all Fixed Minimum Rent, Percentage Rent, Additional Rent and other sums to be paid by Lessee pursuant to this Lease, applicable to the period immediately preceding the expiration of earlier termination of the term of this Lease.

Section 22.16 Surrender of Premises.

(a) On expiration or termination of the Lease, Lessee shall surrender to Lessor the Premises and all of Lessee's improvements and alterations in good condition and state of repair (except for ordinary wear and tear occurring after all maintenance and repair required of Lessee and except for destruction to the Premises covered by Article XII and resulting in termination of the Lease), excluding alterations that Lessee has the obligation to remove under Section 9.01. On expiration or termination of the Lease, Lessee shall have removed all personal property and shall have performed all restoration made necessary by the removal of any alterations or such personal property.

(b) Lessor can elect to retain and deem abandoned or dispose of, in any manner, any alterations or Lessee's personal property that Lessee does not remove from the Premises on expiration or termination of the Lease provided Lessor gives such notice as may be required by law. Title to any such alterations or Lessee's personal property that Lessor elects to retain or dispose of shall vest in Lessor. Lessee waives all claims against Lessor for any damage to Lessee resulting from lessor's retention or disposition of any such alterations or Lessee's personal property. Lessee shall be liable to Lessor for Lessor's costs for removing, storing and disposing of any alterations or Lessee's personal property.

(c) If Lessee fails to surrender the Premises to Lessor as required by this Section 22.16, Lessee shall hold Lessor harmless from any damages resulting from Lessee's failure, including, without limitation, claims made by a succeeding occupant resulting from Lessee's failure to surrender the Premises.

Section 22.17 Advertising.

Not applicable

Section 22.18 Relationship of the Parties.

Nothing herein contained, either in the method of computing rent or otherwise, shall create between the parties hereto, or be relied upon by others as creating, any relationship or partnership, association, joint venture, or otherwise. The sole relationship of the parties hereto shall be that of Lessor and Lessee.

Section 22.19 Cumulative Remedies.

No remedy or election given by any provision of this Lease shall be deemed exclusive unless so indicated, but it shall, whenever possible, be cumulative with all other remedies in law or equity and as otherwise herein specifically provided.

Section 22.20 Covenants and Conditions.

Each term and each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

Section 22.21 Binding Effect.

Subject to any provisions hereof restricting assignment by Lessee, this Lease binds, applies and inures to the benefit of, as the case may require, the respective successors and assigns of Lessor and Lessee.

Section 22.22 Lessee and Person Defined: Use of Pronouns

The word "Lessee" shall be deemed and taken to mean each and every person or party mentioned as a Lessee herein, be the same one or more. The word "person" as used in this lease includes any individual, partnership, corporation, association, trust or group of two or more of any of them or any combination. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one lessee and to either corporations, associates, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

Section 22.23 Venue; Construction.

This Lease shall be governed by and construed pursuant to the laws of the State of Oregon. Any action or proceeding seeking to enforce any provision of this agreement or biased on any right arising out of this Agreement must be brought against any of the parties in Jackson County Circuit Court of the State of Oregon and each of the parties consent to the exclusive jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection too such venue. The provisions of this Lease shall be conclusively deemed written jointly by Lessor and Lessee and this Lease shall not be construed by either party.

Section 22.24 Execution of Lease by Lessor.

The submission of this document for examination and negotiation does not constitute an offer to Lease, or a reservation of, or option for, the Premises and this document becomes effective and binding only upon the execution and delivery hereof by Lessor and Lessee. All negotiations, considerations, representations and understandings between Lessor and Lessee are incorporated herein and may be modified or altered only by agreement in writing between Lessor and Lessee's agent, or their successors, and Lessee, and no act or omission of any employee or other agent of Lessor or of Lessor's broker shall alter, change or modify any of the provisions hereof.

Section 22.25 Subordination

(a) This Lease, at lessor's option shall be subordinate to any mortgage, deed of trust or any other hypothecation for security now or later placed upon the real property of which the building and Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. However, if any mortgagee or trustee shall elect to have this Lease prior to such mortgage or deed of trust, and shall give written notice thereof to Lessee, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior or subsequent to the date of said mortgage or deed of trust or the date of the recording thereof.

(b) The subordination of this Lease to any such mortgage or deed of trust placed on such real property after the execution of this Lease shall be subject to the following:

(1) In the event the sale of the real property of which the building and Premises are a part (pursuant to foreclosure or the exercise of a power of sale under any such mortgage, deed of trust or other security instrument) Lessee shall attorn to the purchaser and recognize such person as the Lessor under this Lease.

(2) Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default at the time of any termination described in subparagraph (i) above and so long as Lessee shall thereafter pay the rent and observe and perform all of the provisions of this Lease is otherwise terminated pursuant to its terms.

(c) Lessee agrees to execute any documents in addition to this Lease which may be required to effectuate such subordination or to make this Lease Prior to the lien of any mortgage or deed of trust, as the case may be, and failing to do so within 10 days after written demand, does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to do so.

Section 22.26 Attorney's Fees and Collection Agencies

In case suit shall be brought for any breach of this Lease, including, without limitation, unlawful detainer of the Premises, or for the recovery of any rent or other amounts due under the provisions of this Lease, or because of the breach of any covenant herein contained on the part of Lessee to be kept or performed, the prevailing party shall be entitled to reasonable attorneys' fees, both in the trial court and on appeal, which shall be fixed by the court, or in any compromise or settlement, such attorneys' fee shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. If Lessor shall employ the services of a Collection Agency by reason of any default or failure of timely performance by Lessee and suit is not brought thereof, Lessee shall pay to Lessor all Collection Agency fees so incurred by Lessor in addition to regular debt owed.

Section 22.27 Plats and Riders.

Clauses, plats, riders and addendums, if any, affixed to this Lease are a part hereof.

Section 22.28 Representation of Signers.

Each person signing this Lease on behalf of Lessee represents and warrants that he has the requisite authority to do so. Upon demand, Lessee shall furnish Lessor with the documentation of Lessee's due formation (if Lessee is a partnership or corporation) and such authority.

Section 22.29 Force Majeure.

Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage.

Section 22.30 Waiver of Redemption.

Lessee hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Lessee being evicted or dispossessed for any cause, or in the event of Lessor obtaining possession of the Premises by reason of the violation by Lessee otherwise. The rights given to Lessor herein are in addition to any rights that may be given to Lessor by any statute or otherwise.

Section 22.31 Representations and Agreements of Lease.

Lessor reserves the absolute right to affect such other tenancies in the Shopping Center as Lessor, in the exercise of its business judgment, shall determine to best promote the interests of the Shopping Center. Lessee does not rely on the fact, nor does Lessor represent that, any specific Lessee or number of Lessees shall during the term of this Lease occupy any space in the Shopping Center. This Lease is and shall be considered to be the only agreement between the parties hereto and their representatives and agents. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are representations and agreements contained in this Lease.

Section 22.32 Other Shopping Center Uses.

It is understood that other portions of the Shopping Center may be used for the conduct of business identical to or similar to the business to be conducted by Lessee in the Premises. The enumeration in the Lease of uses or businesses permitted to be conducted in the Premises shall not be construed to give Lessee exclusive right to conduct such business within the Shopping Center except as provided in this agreement and shall not be construed to limit or restrict Lessor's' right to other tenants within the Shopping Center to operate businesses identical to or similar to the business or Lessee except as limited by this paragraph. The enumeration in this Lease of uses or businesses permitted to be carried on by Lessee in the Premises shall not be construed as a covenant, express or

implied, that the Premises are usable for such purposes.

Section 22.33 Lessee's Consent to Certain Proceedings.

Lessee understands that Lessor may subdivide the Shopping Center or obtain governmental approval to record a parcel map lot line adjustment, parcel map waiver, Certificate of Compliance or otherwise attempt to make possible the division of or further division of the Shopping Center into several separate and distinct parcels for any purpose whatsoever including, without limitation, sale, lease or financing. Lessee further understands that Lessor may attempt to create condominiums or stock cooperatives out of any present or future building located in the Shopping Center. Lessee agrees that, if in connection with any of the above procedures, Lessee shall deliver such written consent in the form requested by Lessor or such institution or agency within five (5) days of such request. Furthermore, Lessee irrevocably appoints Lessor as Lessee's attorney-in-fact for providing such consent.

Section 22.34 Lease Subject to Agreements.

It is specifically understood and agreed that this Lease is subject to conditions, covenants, restrictions, grants of easement and/or restrictions and easement agreements and any master leases if Lessor is the Lessee under such master leases and not the fee owner.

Section 22.35 Lessor's Right to Remodel Shopping Center.

Lessor shall have the right, but not the obligation, at any time, throughout the term of this Lease, to remodel all or any part of the Shopping Center. As part of any remodeling, or as to the entire extent of the remodeling, Lessor may adopt new exterior sign criteria and may remodel the front facade of the building of which the Premises are a part. In that event, and in the event as part of said remodeling, Lessee's exterior sign for the Premises may be required to be removed. Lessor may, after notice to Lessee, at its cost and expense, remove the existing exterior sign and replace it with a temporary banner sign identifying Lessee's operation of its business from the Premises. Removal of existing signs and erection of new sign banners shall be accomplished at the same time so that the Premises will at all times have exterior signs identifying Lessee's business. If new exterior sign criteria are adopted by Lessor, Lessee shall, at its expense, erect the new sign(s) within three (3) years of receipt of Lessor's notice of new sign criteria and the parties shall immediately execute an amendment to this Lease replacing the pertinent portion of the prior sign criteria. Remodeling for purposes of this paragraph means any addition to, change to, modification or refurbishing of the improvements in the Shopping Center, including the building of which the Premises are a part, made during the term of this Lease. Lessor represents to Lessee that any remodeling of the Shopping center or the building of which the Premises are a part shall be performed by Lessor or caused to be performed by Lessor in such a manner as to prevent material adverse impact on Lessee or the operation of its business from the Premises. Lessee hereby waives any claim for damages for any injury or inconvenience to or temporary interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby.

Section 22.36 Hazardous Waste.

(a) Lessee shall not cause or permit any Hazardous Material (as defined in Section 22.36(d) below) to be brought, kept or used in or about the Shopping Center by Lessee, its agents, employees, contractors or invitees. Lessee indemnifies Lessor from and against any breach by Lessee of the obligations stated in the preceding sentence, and agrees to defend and hold Lessor harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Shopping Center, damages for the loss of restriction or use of rentable or usable space of any amenity of the Shopping Center, damages arising from any adverse impact or marketing of space in the Shopping Center, and sums paid in settlement of claims, attorney's fees at trial and on appeal, consultant fees, and expert (fees) which arise during or after the term of this Lease as a result of such breach. This indemnification of Lessor by Lessee includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Shopping Center. Without limiting the foregoing, if the presence of any Hazardous Material on the Shopping Center caused or permitted by Lessee results in any contamination of the Shopping Center, Lessee shall promptly take all actions at its sole expense as are necessary to return the Shopping Center to the condition existing prior to the introduction of any such Hazardous Material to actions and the contractors to be used by Lessee shall first be obtained, which approval shall not be unreasonably

withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Shopping Center and so long as such actions do not materially interfere with the use and enjoyment of the Shopping Center by the other tenants thereof.

(b) Lessor and Lessee acknowledge that Lessor may become legally liable for the costs of complying with Laws (as defined in Section 22.36(e) below) relating to Hazardous Material which are not the responsibility of Lessor or the responsibility of Lessee (including the following: (i) Hazardous Material present in the soil or ground water on the Shopping Center of which Lessor has no knowledge as of the effective date of this Lease; (ii) a change in Laws which relate to Hazardous Material which made that Hazardous Material which is present on the Property as of the effective date of this Lease, whether known or unknown to Lessor, a violation of such new Laws; (iii) Hazardous Material that migrates, flows, percolates, diffuses, or in any way moves on, to or under the Shopping Center after the effective date of this Lease; or Hazardous Material present on or under the Shopping Center as a result of any discharge, dumping or spilling (whether accidental or otherwise) on the Shopping Center by other lessees of the Shopping Center or their agents, employees, contractors, or invitees, or by others. Accordingly, Lessor and Lessee agree that the cost of complying with Laws relating to Hazardous Material on the Shopping Center for which Lessor is legally liable and which are paid or incurred by Lessor shall be a Repair and Maintenance Cost (and Lessee shall pay Lessee's Proportionate Share thereof in accordance with Article (VIII) unless the cost of such compliance, as between Lessor and Lessee, is made the responsibility of Lessee pursuant to Section 22.36(a) above. To the extent of any such Repair and Maintenance Cost relating to Hazardous Material is subsequently recovered or reimbursed through insurance, or recovery from responsible third parties, or other action, Lessee shall be entitled to a proportionate reimbursement through insurance, or recovery from responsible third parties, or other action, lessee shall be entitled to a proportionate reimbursement to the extent it has paid its share of such Operating Cost to which such recovery or reimbursement relates.

(c) It shall not be unreasonable for Lessor to withhold its consent to any proposed Conveyance as defined in Article XI if (i) the proposed transferee's anticipated use of the Premises involves the generation, storage, use, treatment, or disposal of Hazardous Material; (ii) the proposed transferee has been required by any prior lessor, lender, or governmental authority to take remedial action in connection with Hazardous Material containing a property if the contamination resulted from such Transferee's actions or use of the property in question; or (iii) the proposed transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

(d) As used herein, the term "Laws" mean any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Material affecting the Shopping Center, including, without limitation, 42 USC Section 9601-9657, Oregon Revised Statutes, Chapter 466, or by any other rule or regulation governing the property.

Section 22.37 Waiver of Jury Trial.

BOTH PARTIES, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS LEASE OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS LEASE OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF EITHER OF THEM. NEITHER PARTY SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER PARTY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH PARTIES.

XXIII PROHIBITED OPERATIONS

No use or operation will be made, conducted or permitted on or with respect to all or any part of the Premises for the

following uses:

- (1) Adult book or adult video store;
- (2) Automotive Maintenance or Repair Facility;
- (3) Abortion Clinic or Other Facility where Abortions are Performed
- (4) Drug Rehabilitation Center

THE LESSEE ACKNOWLEDGES AND AGREES THAT IT IS INTENDED THAT THIS IS A NET, NET, NET LEASE THAT IS COMPLETELY CAREFREE TO THE LESSOR, EXCEPT AS EXPRESSLY SET OUT IN THIS LEASE; THAT THE LESSOR IS NOT RESPONSIBLE DURING THE TERM FOR ANY COSTS, CHARGES, EXPENSES, AND OUTLAYS OF ANY NATURE WHATSOEVER ARISING FROM OR RELATING TO THE PREMISES, OR THE USE AND OCCUPANCY THEREOF, THE CONTENTS THEREOF, OR THE BUSINESS CARRIED ON THEREIN, AND THE LESSEE SHALL PAY ALL CHARGES, EXPENSES, COSTS AND OUTLAYS OF EVERY NATURE AND KIND RELATING TO THE PREMISES EXCEPT AS EXPRESSLY SET OUT IN THIS LEASE.

IT IS UNDERSTOOD THAT THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES HERETO AFFECTING THIS LEASE AND THIS LEASE SUPERSEDES AND CANCELS ANY AND ALL PREVIOUS NEGOTIATIONS, ARRANGEMENTS, BROCHURES, AGREEMENTS AND UNDERSTANDINGS, IF ANY, BETWEEN THE PARTIES HERETO AND THEIR AGENTS AND REPRESENTATIVES OR DISPLAYED BY LESSOR TO LESSEE WITH RESPECT TO THE SUBJECT MATTER THEREOF, AND NONE SHALL BE USED TO INTERPRET OR CONSTRUE THIS LEASE. IT IS FURTHER AGREED BY AND BETWEEN THE PARTIES HERETO THAT THERE SHALL BE NO MODIFICATION OR AMENDMENT OF THIS LEASE, EXCEPT AS MAY BE EXECUTED IN WRITING BETWEEN THE PARTIES HERETO.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease as of the day and year first above written.

LESSOR: **Becker Properties, LLC**

LESSEE: **City of Ashland Oregon
Police Department
Sabrina Cotta, City Manager**

By: _____
Tom Becker Date

By: _____
Sabrina Cotta, City Manager Date
For City of Ashland Oregon, Police Department

IF LESSEE IS A CORPORATION, THE AUTHORIZED OFFICERS MUST SIGN ON BEHALF OF THE CORPORATION AND INDICATE THE CAPACITY IN WHICH THEY ARE SIGNING. THE LEASE MUST BE EXECUTED BY THE PRESIDENT OR VICE-PRESIDENT AND THE SECRETARY OR ASSISTANT SECRETARY, UNLESS THE BYLAWS OR A RESOLUTION OF THE BOARD OF DIRECTORS SHALL OTHERWISE PROVIDE, IN WHICH EVENT, THE BYLAWS OR A CERTIFIED COPY OF THE RESOLUTION, AS THE CASE MAY BE, MUST BE ATTACHED TO THIS LEASE. ALSO, THE APPROPRIATE CORPORATE SEAL MUST BE AFFIXED.

Exhibit A

Site Plan

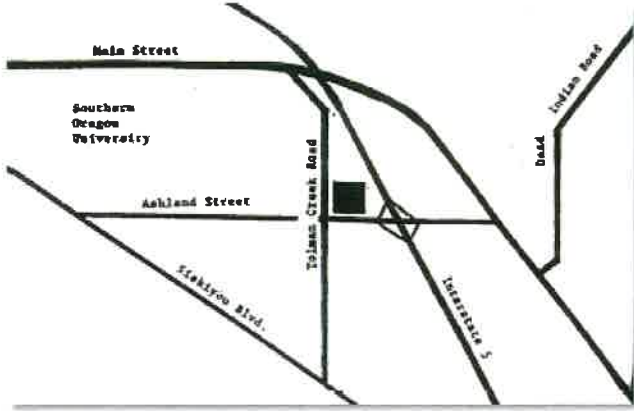
TOLMAN CREEK PLAZA

BECKER PROPERTIES

1175 E. Main Street. Suite 2B

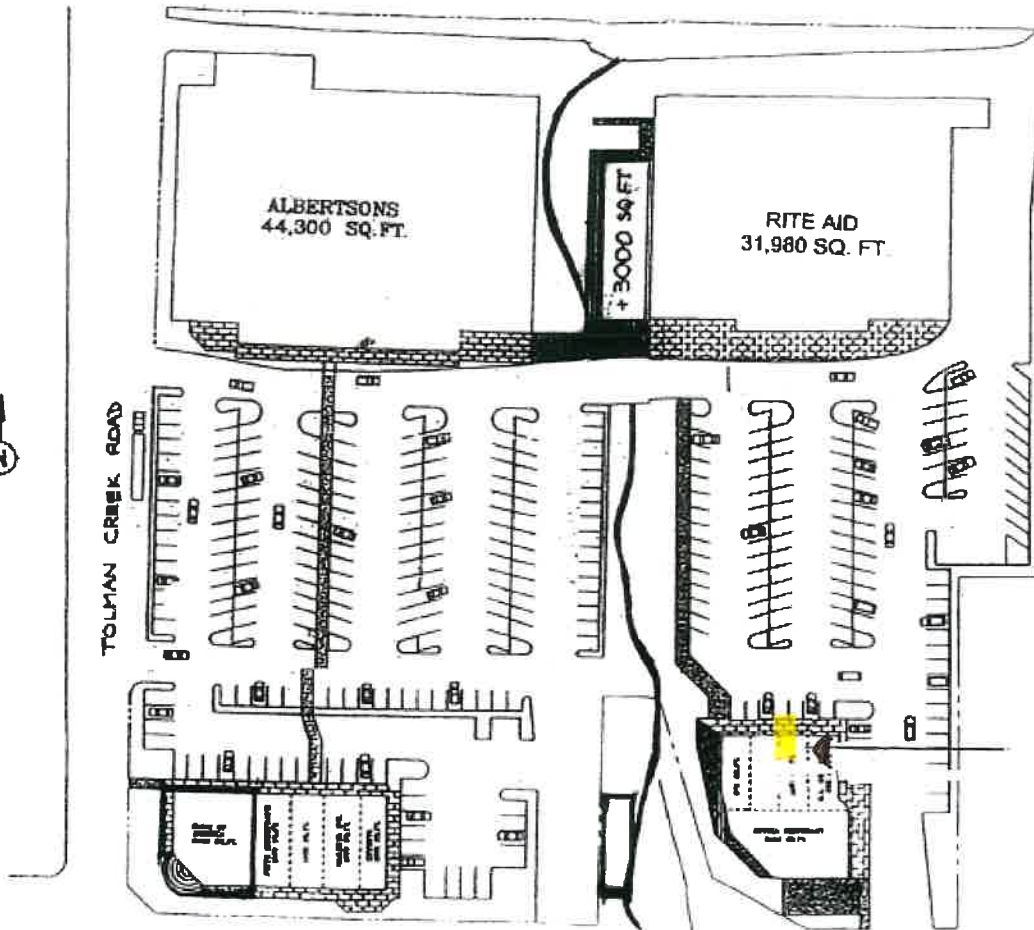
Medford, OR 97504

541-973-2557



PROJECT:

- Located on the NWQ Interstate 5 & Ashland Street
- Anchored by Albertson's Market & Rite Aid Drug Store
- Land Area 8.19 Acres
- Building Area 94,187 Sq. Ft.
- Parking 316 Stalls



HIGHWAY 66

Information contained herein has been obtained from sources deemed reliable, but no warranties are made with respect to the accuracy. Site plan is subject to change without notice.

EXHIBIT A-1
LEGAL DESCRIPTION
TOLMAN CREEK PLAZA
Approximately 170 square feet
2345 Ashland St. # 103 (shared Space)

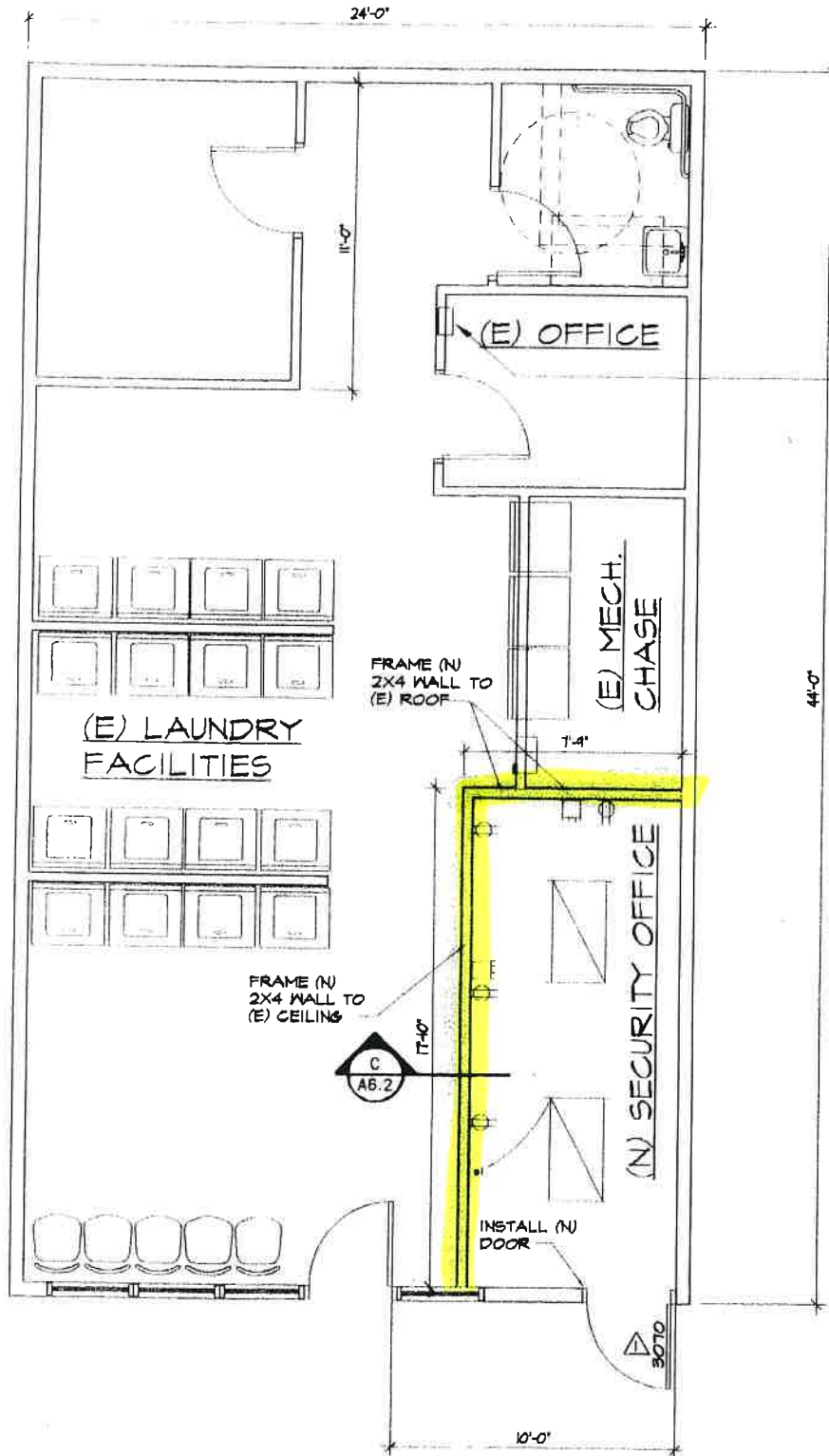


EXHIBIT B
LEGAL DESCRIPTION

Parcel 1:

Parcel 1 of Minor Land Partition Plan No. P-72-1991, filed as No. 12541 in the office of the Country surveyor of Jackson County, Oregon, and in Book 2, Page 72, of the "Record of Partitions Plats" in Jackson County, Oregon.

Parcel 2:

Parcel 2 of Minor Land Partition Plan No. P-72-1991, filed as No. 12541 in the office of the Country surveyor of Jackson County, Oregon, and in Book 2, Page 72, of the "Record of Partitions Plats" in Jackson County, Oregon.

Parcel 3:

Parcel 3 of Minor Land Partition Plan No. P-72-1991, filed as No. 12541 in the office of the Country surveyor of Jackson County, Oregon, and in Book 2, Page 72, of the "Record of Partitions Plats" in Jackson County, Oregon.

Parcel 4:

Parcel 4 of Minor Land Partition Plan No. P-72-1991, filed as No. 12541 in the office of the Country surveyor of Jackson County, Oregon, and in Book 2, Page 72, of the "Record of Partitions Plats" in Jackson County, Oregon.

EXHIBIT C

LESSEE'S WORK

- o 2345 Ashland St # 103 (Shared Space) to be built out for Police Substation.
- o Lessee has requested Lessor to Coordinate Management of Construction Project. Lessor to Manage all improvements to the premises as outlined in **Article XX Construction** under section 20.01 to be performed by Verity Construction.
- o Lessee to reimburse Lessor for all expenses incurred upon completion of remodel with Certificate of Occupancy. Construction Remodel includes: Ashland Building Department permits, interior walls, flooring, front door, electrical outlets, lighting, HVAC, Contractor Fees for Construction and Management Services to Lessor and all additional vendor services used to complete the remodel for the construction of Police Substation Lessee agreed to.
- o See Attached Proposal provided by Verity Construction C-1

Verity Construction, LLC

PO Box 1507
 Medford, OR 97501
 (541) 326-7242
<http://www.verityconstructionllc.com>



Estimate Proposal

Suds Ur Duds TI Estimate

BETWEEN THE OWNER:

Amy Smith
 1175 E Main
 Medford, OR 97504

AND THE CONTRACTOR:

Verity Construction, LLC
 PO Box 1507
 Medford, OR 97501

FOR THE PROJECT:

Suds Ur Duds TI
 2345 Ashland St. Unit 203
 Ashland, OR 97520

Estimate Proposal

Demolition \$ 2,017.75

- Includes:*
- Asbestos testing
 - Removal of approx. 20 ft of wall
 - Demo carpet in new area
 - Disposal

Framing \$ 2,156.72

- Includes:*
- Material and labor for a 2x4 wall 17' long and up to the T-bar
 - Framing through the T-bar will be additional

 - Frame opening in the exterior wall to accept a new storefront door
 - Patch siding after framing is done

Electrical \$ 5,174.09

- Includes:*
- Relocating (2) existing trigger lights
 - (4) New LED troffers
 - (1) New switch for lights
 - (2) Cat6 cables
 - (4) 110V receptacles
 - Demo

HVAC \$ 10,081.54

- Includes:*
- Install (1) high sidewall head mini split
 - Indoor unit location to be verified with Verity Construction prior to installation
 - Outdoor unit to be located on roof
 - Crane service
 - Start up

Insulation \$ 288.25

- Includes:*

- Sound insulation for new 17 ft wall

Drywall \$ 2,788.82

Includes:

- Hang, tape, and texture drywall for new 17 ft wall
- Drywall patching for new entry door

Finish Carpentry \$ 6,918.00

Includes:

- Supply and install new storefront entry door with one way film

Paint \$ 936.81

Includes:

- New walls and existing on the inside of the new room to match
- Touch up paint where needed
- Exterior siding paint touch-up

**Assumes owner has paint to match existing in Suds-Ur-Duds*

Flooring \$ 1,178.90

Includes:

- Install new Glue-down LVP flooring based on 170 sq ft.
- Vinyl base installed in new room and on the outside of the new wall

(Flooring allowance is in allowances)

Estimate Subtotal: \$ 31,540.88

Allowances

LVP material

LVP \$ 748.00

The allowance is based on \$4.67 per sq ft. at 160 square feet

LVP material \$ 748.00

Allowances Total: \$ 748.00

Project Total

Estimate Subtotal: \$ 31,540.88

Allowances Total: \$ 748.00

Grand Total: \$ 32,288.88

ARTICLE 1. TIME OF COMPLETION

1. The work to be performed under this contract shall be commenced on an agreed-upon date once the contract is executed. Time is of the essence. The following constitutes substantial commencement of work pursuant to this proposal and contract: When materials and/or project coordinator arrive on site.

2. FORCE MAJEURE: If the performance of this contract or any obligation under this contract is prevented, restricted, or interfered with by causes beyond either party's reasonable control ("Force Majeure"), and if the party unable to carry out its obligations gives the other party prompt written notice of such event, then the obligations of the party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure shall include, but not be limited to, acts of God, fire, explosion, vandalism, storm, casualty, illness, injury, general unavailability of materials or other similar occurrence, orders or acts of military or civil.

ARTICLE 2. PROGRESS PAYMENTS

1. A DOWN PAYMENT will be due upon signing this contract, in the amount of 20% of the contract total.

2. Billings for progress payments on this contract shall be submitted twice a month and payment is to be received within 10 business days of each progress invoice.

3. We reserve the right to review and revise the fee and project schedule should any revisions be made. Change orders will be submitted before the commencement of work and will be billed in full to be paid upon signing.

4. There will be a \$250.00 fee to prepare a change order once the contract has been signed.

5. Because of potentially significant revenues from other projects foregone by Verity Construction to take on this project, if this project is canceled by the client, Verity Construction reserves the right to invoice any cost that has incurred as a result of the job, including any profit that would have been made in the interim.

6. Late Payments/Non-Payment for Services Provided: After 30 Days non-payment, a 2.5% finance fee will be added to the total amount due. After 60 Days non-payment, a 2.5% finance fee will be added to the total amount due. After 90 Days non-payment, the account will be placed with a third-party collection agency or otherwise collected through legal channels, and/or the account will be reported to all three major credit bureau reporting agencies and will be added to your credit report.

7. The Contractor reserves the right to stop work and will not be responsible for missed deadlines, increased fees, or other costs or ramifications to the project because of late or non-payment of the balance owed.

ARTICLE 3. EXPLANATION OF PROPERTY OWNER'S RIGHTS

1. Consumers have the right to receive the products and services agreed to in the contract.

2. Consumers have the right to resolve disputes through the means outlined in the contract (refer to Article 5).

3. Consumers have the right to file a complaint with the CCB.

ARTICLE 4. GENERAL PROVISIONS

1. All work shall be completed in a workmanlike manner and in compliance with all building codes and other applicable laws.

2. Additional work required by the governing authority, including but not limited to, City and County Building Departments shall require an approved change order before work can commence.

3. To the extent required by law, individuals duly licensed shall perform all work and shall be authorized by the law to perform said work.
4. The contractor may at its discretion engage subcontractors to perform work hereunder, provided the contractor shall fully pay said subcontractor and in all instances remain responsible for the proper completion of this contract.
5. All change orders shall be in writing and signed by both the general contractor and customer/owner, and shall be incorporated in, and become part of the contract, with the additional funds becoming part of the contract amounts.
6. Contractor warrants it is adequately insured for injury to its employees and others incurring loss or injury as a result of the acts of the contractor or its employees, or subcontractors.
7. Contractor agrees to remove all debris and leave the premises in broom clean condition.
8. Contractor shall not be liable for any delay due to circumstances beyond its control.
9. Contractor warrants all work for a period of twelve months following completion. However, if the materials have been provided by the client, or if the client requests work to be performed against the contractor's or affiliates advice, the materials and/or work will not be covered under warranty.
10. In the event, the owner shall fail to pay any periodic or installment payment due hereunder, The contractor may cease work without breach pending payment or resolution of any dispute.

ARTICLE 5. DISPUTE RESOLUTION

1. If a dispute arises out of or relates to this contract or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Construction Industry Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution technique.

ARTICLE 6. OTHER TERMS

1. This agreement applies only to those items listed in the attached contract bid. Any additions to the construction work will require a change order to be signed by both parties.
2. Due to changes in material costs, pricing on bids is subject to change after 30 days.

ARTICLE 7. ADVERTISING CONSENT

1. Verity Construction has the right to photograph and or video your project for advertising purposes. These photographs and or videos will be posted on but not limited to Facebook, Instagram, Verity Construction's website, and other media platforms. We will not share or disclose any personal information, including site address or street name, client's name, or specific pictures that may disclose the client's home location, or any other content that may have a negative impact on the client. The client does have the right to review content before it is posted to a media platform. If this is the desire of the client this needs to be disclosed on the signing of this contract. If not, Verity Construction assumes the right to post content without review consent.

VERITY CONSTRUCTION & DATE

CLIENT & DATE