

**CHEMEKETA PARKADE LEASE**

This Lease of real property and improvements is by and between THE CITY OF SALEM, an Oregon municipal corporation, ("Lessor") and Rudy's Steakhouse LLC, an Oregon limited liability company ("Lessee").

WITNESSETH

In consideration of the terms and conditions herein contained, Lessor leases to Lessee and Lessee leases from Lessor the Premises hereinafter described.

1. PREMISES:

A portion of the Chemeketa Parkade building (the "Building"), consisting of approximately 1,774 square feet illustrated in Exhibit "1" commonly known as 315 Chemeketa, Salem, Oregon, 97301 (the "Premises"). Exhibit "1" is attached hereto and incorporated by this reference as if fully set forth herein.

2. TERM: The term of this Lease shall be one (1) year and eleven (11) months commencing on September 1, 2017 and continuing through July 31, 2019. Lessee shall be entitled to possession immediately upon the commencement of Term.

A. Renewal Option

If Lessee has fully and faithfully complied with all the terms of this Lease, Lessee shall have the right, at the option of Lessee, to renew this Lease for five (5) three (3) year terms commencing on the date following the termination of the original term and each successive renewal term.

- 1) The option shall be exercised, if at all, by written notice from Lessee to Lessor given not less than ninety (90) days prior to the last day of the then-expiring term.
- 2) The terms and conditions of the Lease for the option term shall be identical with the terms and conditions of this Lease for the primary term, except for rent which shall be adjusted in accordance with Paragraph 3 below.
- 3) In the event Lessee fails to exercise any option within the time and in the manner required herein, said option, and all subsequent options, shall be automatically null and void, unless otherwise agreed to in writing by Lessor.

B. Holdover

Should Lessee holdover the Premises or any part thereof after the expiration of the primary term or any option terms of this Lease, unless otherwise agreed to in writing by Lessor, such holding over shall constitute a tenancy from month to month only, and may be terminated by thirty (30) days written notice of termination. During such holdover tenancy, Lessee shall be bound by all of the terms, covenants and conditions herein specified so far as applicable. Lessee shall pay as base monthly rental in an amount equal to the base monthly rental for the last month under the last expiring term or as may be adjusted by Lessor as described in Section 3 "Rent".

3. RENT:

Lessee shall pay a monthly rent to Lessor during the term of this Lease. Monthly rent is payable in advance on the first day of each month at Lessor's address stated in the Lease or such other places as Lessor may from time to time designate in writing.

Monthly rent not paid within seven (7) days of the due date shall be subject to a late charge of thirty-five and no/100 Dollars (\$35.00) per day, computed to include the first day due and continuing until both rent and late charges are fully paid. Any dishonored check shall be treated as unpaid rent and shall be subject to the same charges plus thirty-five and no/100 Dollars (\$35.00) as special handling fee and must be made good by cash, money order, or certified check within twenty-four (24) hours of notification.

Lessee shall pay monthly base rent as described below. In addition to base rent, Lessee shall also pay all common area, utility, insurance, and property tax (CAM) currently at **\$0.252** per square foot or \$447.66. Lessee's CAM expenses shall be abated through December 31, 2017.

Base Rent during the term and any option term(s) will be paid as follows:

Sept. 1, 2017 – Dec. 31, 2017	\$0.00	(\$0.00/SF)
Jan. 1, 2018 – Dec. 31, 2018	\$1,685.30	(\$0.95/SF)
Jan. 1, 2019 – July 31, 2019	\$1,774.00	(\$1.00/SF)
Aug. 1, 2019 – July 31, 2022	\$1,862.70	(\$1.05/SF)
Aug. 1, 2022 – July 31, 2025	\$1,918.58	(\$1.08/SF)
Aug. 1, 2025 – July 31, 2028	\$1,976.14	(\$1.11/SF)
Aug. 1, 2028 – July 31, 2031	\$2,035.42	(\$1.15/SF)
Aug. 1, 2031 – Oct. 31, 2034	\$2,096.49	(\$1.18/SF)

Rent for a partial month upon the commencement or expiration of the term of this Lease shall be prorated on a per diem basis. The Base Rent amounts indicated above do not include Common Area, utility, insurance, and property taxes, which shall be determined as set forth in this Lease.

4. COMMON AREA:

Wherever required by the context of this Lease, the term "common area" refers to rest rooms and corridors within the exterior boundaries of Chemeketa Parkade not included in the floor area of the Premises and which are now or hereafter made available for the non-exclusive use and convenience of lessees, their employees and invitees, and other permitted users of the Chemeketa Parkade.

Lessee, its employees and invitees are authorized and permitted the nonexclusive use of the common area north of Chemeketa Street during the term of this lease.

Lessor shall maintain and operate, or cause to be maintained and operated the common area at all times, in a neat, clean and orderly condition, reasonably lighted, and shall repair any damage to the common area, provided, however, that all expenses in connection with the maintenance and operation of the common area shall be charged and prorated in the manner hereinafter set forth. It is understood and agreed that the phrase "maintenance and operation" be construed to include, but not be limited to, all sums expended in connection with the common area for all

general maintenance and repairs, resurfacing, or painting, restriping, cleaning, sweeping and janitorial services, security, lighting, heating, water and sewer, any tax imposed or assessed against any portion of the common area, and adequate public liability and property damage insurance on the common area, (under which, Lessee shall be named as additional insured).

Included in the monthly rental specified in Paragraph # 3, Lessee shall pay an amount estimated by Lessor to be the monthly common area charge. The current monthly charge is **\$.252** per square foot of leased space. The common area charge shall be estimated from time to time by Lessor and may be adjusted by Lessor at the end of any calendar quarter during any term of the lease on the basis of Lessor's experience and reasonably anticipated costs.

Within 30 days following the end of each calendar quarter, or at Lessor's option, each calendar year, Lessor shall furnish Lessee a statement covering the calendar quarter or year just expired, showing the total of such common area expenses, and the amount of Lessee's share of each common area expense and the payments made by Lessee with respect to such period. If Lessee's share of such common area expenses exceeds the amount of Lessee's payments in that period, Lessee shall pay Lessor the deficiency within thirty (30) days after receipt an invoice. If Lessee's payments exceed Lessee's share of the common area expenses, Lessee shall be entitled to offset the excess against payments next thereafter to become due Lessor, or to receive a refund if this agreement is not renewed for an additional term.

Lessee's share of the total common area expenses for the previous calendar quarter or year shall be that portion of all such expenses, which is equal to the proportion thereof, which the number of square feet of floor area in the Premises bears to the total number of square feet of rentable ground floor area in the Chemeketa Parkade, which are, from time to time, occupied and open for business as of the commencement of each calendar quarter. Common Area charges will be calculated in accordance with the provisions of Exhibit "2", attached hereto and incorporated herein by reference.

Lessor shall, at all times during the term of this lease, have the sole and exclusive control of the common area and may, at any time and from time to time during the term hereof, exclude and restrain any person from use or occupancy thereof, excepting, however, bona fide customers, patrons of Lessee and other lessees of Lessor, who make use of said area in accordance with the rules and regulations established by Lessor from time to time with respect thereto. The rights of Lessee hereunder in, and to the area in this Article referred to, shall, at all times, be subject to the rights of Lessor, the other lessees of Lessor to use the same in common with Lessee and it shall be the duty of the Lessee to keep all said area free and clear of any obstructions created or permitted by Lessee.

Lessor shall have the right to establish and, from time to time, change, alter, amend, and enforce against Lessee and the other users of said common area, such reasonable rules and regulations as may be deemed necessary or advisable for the proper and efficient operation and maintenance of said common area.

#### 5. TAXES AND INSURANCE EXPENSES:

During the term of this Lease and any extension periods, Lessee agrees to pay to Lessor the amount of:

- 1) Taxes and assessments levied and assessed for any such year upon the Premises and the underlying realty, and other common areas, if any.

- 2) The cost to Lessor of the insurance required to be maintained by Lessor on the Premises, and other common areas if any, under Paragraph 13 of the Lease. Such sum for any partial year of the term hereof shall be prorated.

Payment for taxes and insurance is included in the monthly rent as written in Section 3 "Rent".

A. From and after the date of commencement of the Term, and thereafter on the first day of each calendar month of the Term, Lessee shall pay to Lessor an amount estimated by Lessor to be the monthly sum for taxes and insurance payable hereunder by Lessee. This amount shall be included as part of the monthly billing for the common areas.

Lessor may adjust the monthly estimated sum at the end of each calendar quarter on the basis of Lessor's experience and reasonable anticipated costs. Lessor shall provide Lessee a copy of any property tax statement attributable to Lessee. Lessee shall be permitted to appeal any such tax assessment to the board of tax appeals, and as permitted by law; however, an appeal by Lessee does not relieve Lessee from its obligation to timely pay all charges assessed by Lessor. In the event that Lessee's appeal is successful, and any decision is final and not appealable, Lessee shall be entitled to offset the excess against payments next due to Lessor, or to receive a refund if this Lease is not renewed, or Option exercised for an additional term.

The term "Floor Area" as used throughout this Lease shall be deemed to mean and include all areas for the exclusive use and occupancy by a Lessee of Lessor, measured from the exterior surface of exterior walls (and from the extensions thereof, in the case of openings) and from the center of interior dividing partitions, including mezzanines, warehousing or storage areas, clerical or office areas, and employee area being the retail area at grade level.

In the event the Premises and the underlying land and associated improvements are not separately assessed, but are part of a larger parcel for assessment purposes (hereinafter referred to as the "larger parcel"), "taxes and assessments levied and assessed upon the Premises and the underlying realty including common areas" shall mean a fractional portion of said taxes and assessments on the larger parcel (including taxes and assessments on any common areas thereon) the numerator of which shall be the Floor Area of the Premises and the denominator of which shall be the Floor Area of all the areas available for exclusive use and occupancy by Lessees of the larger parcel, whether or not actually occupied and open for business, provided that an equitable adjustment shall be made for buildings which are only partially completed on the date such taxes and assessments become a lien. With respect to any assessments which may be levied against or upon the Premises and the underlying land and associated improvements including common areas, or which under the laws then in force may be evidenced by improvements or other bonds, or may be paid in annual installments, only the amount of such annual installment (with appropriate proration for any partial year) and statutory interest shall be included within the computation of the annual taxes and assessments levied against the Premises and the underlying land and associated improvements, including common areas. In the event the cost to Lessor of the insurance that Lessor is required to maintain on the Premises under Paragraph 13 of this Lease is not separately charged to Lessor by its insurance carrier, the portion of such cost applicable to the Premises shall be that proportion of such cost which the Floor Area of the Premises bears to the Floor Area of all the areas available for exclusive use and occupancy by Lessees of the Building, whether or not actually occupied and open for business, covered by such insurance.

If at any time during the Lease term under the laws of the United States Government, the State of Oregon, Marion County, or the City of Salem, or any governmental entity thereof in which the Premises are situated, a tax or excise or rent or any other tax against Lessor on account of rentals payable to Lessor hereunder, such tax or excise shall be considered "taxes" for the purpose of this Section 5, excluding, however, from such tax or excise all general income taxes, gift taxes, inheritance taxes and estate taxes.

6. USE OF PREMISES:

The Premises are to be used only for **banquet/meeting** and related purposes, and for no other purpose without the prior written consent of Lessor. No act shall be done in or about the Premises that is unlawful or that will increase the existing rate of insurance on the Building or increase the operating expenses for the Premises above and beyond that reasonable and customarily anticipated. Lessee shall not commit or allow to be committed any waste upon the Premises. Lessee shall at all times comply with any and all laws, regulations or ordinances of any and all governmental authorities relating to the use and occupancy of the Premises and Building and shall observe such reasonable rules and regulations as may be adopted and made available to Lessee by Lessor from time to time for the safety, care, cleanliness of the Premises or the Building, for the preservation of good order on the Premises or the Building, or the efficient maintenance and operation of the Premises or the Building.

7. FIXTURES AND PERSONAL PROPERTY:

Any trade fixtures, signs and other personal property of Lessee not permanently affixed to the Premises shall remain the property of Lessee and Lessor agrees that Lessee shall have the right, provided Lessee be not in default under the terms of this Lease, at any time, and from time to time, to remove any and all of its trade fixtures, signs, and other personal property which it may have stored or installed in the Premises, including but not limiting the same to counters, shelving, showcases, mirrors, and other movable personal property. Lessee, at its expense, shall immediately repair any damage occasioned to the Premises by reason of the removal of any such trade fixtures, signs, and other personal property, and upon the last day of the Lease term or a date of earlier termination of this Lease, shall leave the Premises in a neat and clean condition, free of debris.

All improvements to the Premises by Lessee, including but not limited to light fixtures, floor coverings, and partitions, but excluding trade fixtures and signs, shall become the property of Lessor upon expiration or earlier termination of this Lease.

8. REPAIRS AND MAINTENANCE:

Lessee agrees at all times, from and after substantial completion of the Premises, and at its own cost and expense, to repair, replace, and maintain in good and operable condition the Premises and every part thereof (except that portion of the Premises to be maintained by Lessor as hereinafter provided), and including without limitation the utility meters if any, pipes and conduits, all fixtures, air conditioning and heating equipment within the Premises and other equipment therein, all Lessee's signs, locks and closing devices, floor coverings, including carpeting, or other special flooring, and all such items of repair, maintenance, alteration, and improvement or reconstruction as may at any time or from time to time be required by a governmental agency having jurisdiction thereof. All glass, excluding any smaller upper exterior windows broken by stress fractures, both exterior and interior, is at the sole risk of Lessee, and

any glass broken shall be promptly replaced by Lessee with glass of the same kind, size, and quality.

Lessee shall not make any alterations, additions or improvements in or to the Premises, or add, disturb or in any way change any plumbing, mechanical or electrical systems, or any part thereof, without first obtaining the written consent of Lessor, and, where appropriate, in accordance with plans and specifications approved by Lessor. All damage or injury done to the Premises or Building by Lessee or by any persons who may be in or upon the Premises or Building with the expressed or implied consent of Lessee, including but not limited to the cracking or breaking of glass of any windows and doors, shall be paid for by Lessee and Lessee shall pay for all damage to the Premises or Building caused by acts or omissions of Lessee or Lessee's offices, contractors, agents, invites, licensees or employees.

Subject to the foregoing provisions hereof, Lessor shall keep and maintain in good and tenantable condition and repair the exterior walls, structural parts of the Premises and structural floor, pipes and conduits outside the Premises for the furnishing to the Premises of various utilities (except to the extent that the same are the obligation of the appropriate public utility company) provided, however, that Lessor shall not be required to make repairs necessitated by reason of the negligence of Lessee or anyone claiming under Lessee, or by reason of the failure of Lessee to perform or observe any conditions or agreements to this lease contained, or caused by alterations, additions, or improvements made by Lessee or anyone claiming under Lessee.

As used in this section the expression "exterior walls" shall not be deemed to include plate glass, security grilles, or similar enclosures.

Upon any surrender of the Premises, Lessee shall redeliver the Premises to Lessor in good order, condition and state of repair, ordinary wear and tear and casualty damage excepted, and excepting such items of repair as may be Lessor's obligation hereunder.

Lessee agrees to permit Lessor and its authorized representatives to enter the Premises at all times during usual business hours for the purpose of inspecting the same. Lessee further covenants and agrees that Lessor may go upon the Premises and make any necessary repairs to the Premises and perform any work therein:

- 1) Which may be necessary to comply with any laws, ordinance, rules, or regulations or any public authority; or
- 2) That Lessor may deem necessary to prevent waste or deterioration in connection with the Premises if Lessee does not make or cause such repairs to be made or performed or cause such work to be performed promptly after receipt of written demand from Lessor; or
- 3) That Lessor may deem necessary to perform construction work incidental to any portion of Chemeketa Parkade adjacent to, above, or below the Premises. Nothing herein contained shall imply any duty on the part of Lessor to do any such work which under any provisions of this lease Lessee may be required to do, nor shall it constitute a waiver of Lessee's default in failing to do the same. (No exercise by Lessor of any rights herein reserved shall entitle Lessee to any damage for any injury or inconvenience occasioned thereby nor to any

abatement of rent. In the event Lessor makes or causes any such repairs to be made or performed, as provided for herein, Lessee shall pay the cost thereof to Lessor, forthwith, as additional rent upon receipt of a bill.)

9. UTILITY SERVICE:

Lessee agrees to pay for all heat, light, water, power, and other services or utilities used by Lessee or subtenant on the Lease Premises during the term of this Lease, including the expense for separate metering of any utility. This utility expense shall be included as part of the monthly billing for common areas.

Included in the monthly rental specified in Paragraph #3, Lessee shall pay, monthly in advance, a utility charge to reimburse Lessor for utilities furnished by Lessor, if any, to the Premises. Said utility charge shall be estimated from time to time by Lessor and shall be initially based on a typical layout comparable to Lessee's use of the Premises, but shall be subject to adjustment at the end of each calendar year or partial calendar year during the term of this Lease. Lessor agrees, however, that the utility rate charged to Lessee for utilities furnished by Lessor shall not exceed those of the local public utility company if its services were furnished directly to Lessee. The City of Salem has the right to monitor and increase pro rata utility charge based upon excessive usage.

Lessor shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished the Premises, and no such failure or interruption shall entitle Lessee to terminate this Lease.

Lessor shall not be liable for any loss, injury or damage to property caused by or resulting from any variation, interruption or failure of such services due to any cause whatsoever, or from failure to make any repairs or perform any maintenance, except as provided under Paragraph 17, "Damage or Destruction." No temporary interruption or failure of such services incident to the making of repairs, alterations or improvements, or due to accident, strike or conditions or events beyond Lessor's reasonable control shall be deemed an eviction of Lessee or relieve Lessee from any of Lessee's obligations hereunder, including the payment of rent. Notwithstanding anything herein contained, Lessee shall bear as its sole cost and expense any and all charges and expenses for the installation and maintenance of Lessee's communication systems, janitorial/cleaning services including garbage service, and supplies.

10. SURRENDER AT TERMINATION:

Except as provided in Paragraph 2(B), upon termination of this Lease by lapse of time or otherwise, Lessee shall at once surrender possession of the Premises and deliver Premises to Lessor in first class condition, floors cleaned and windows washed inside and outside, reasonable wear and tear and damage or destruction by fire or other casualty which Lessee is not obligated to repair excepted. Upon surrender, all right, title and interest of Lessee in Premises shall cease. Lessee shall deliver all keys to the Premises to Lessor. If possession is not immediately surrendered, Lessor may take possession of the Premises and expel or remove Lessee and any other person occupying all or a portion of the Premises, by force if necessary, without civil or criminal liability.

All Lessee improvements installed upon the Premises by Lessor or Lessee prior to or during the term of this Lease shall at all times remain the property of Lessor free of any right, claim or interest of Lessee. All furniture, fixtures and equipment installed upon the Premises by Lessee prior to or during the term of this Lease shall be removed by Lessee prior to the expiration or other termination of this Lease. All such removal shall be accomplished in a workmanlike manner so as not to damage the Premises, the structural qualities of the Building or the plumbing, electrical lines or other utilities. Upon expiration or sooner termination of this Lease, all of Lessee's trade fixtures, furniture and equipment remaining in the Premises or the Building shall be deemed conclusively to have been abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without notice or obligation to compensate Lessee or to account therefor, and Lessee shall pay Lessor on demand all costs incurred by Lessor in connection therewith. No act or omission by Lessor, its agents or employees during the Lease term, including delivery of keys to any of Lessor's agents or employees, shall be deemed an acceptance of a surrender of the Premises and no agreement to accept surrender of the Premises shall be valid unless in writing signed by Lessor.

11. LESSOR'S ACCESS:

Lessee shall permit Lessor and its agents to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for purposes of cleaning, repairing, altering or improving the Premises or the Building. Nothing contained in this paragraph shall be deemed to impose any obligation upon Lessor not expressly stated elsewhere in this Lease. When reasonably necessary, Lessor may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Lessee by reason of such closure and without such action by Lessor being construed as an eviction of Lessee from any duty of observing and performing any of the provisions of this Lease. Lessor shall have the right to enter the Premises for any purpose of showing the Premises to prospective Lessees within the period of 90 days prior to the expiration or sooner termination of the Lease term.

12. ASSIGNMENT/SUBLETTING:

Each and every request by Lessee for consent to assignment or sublease during the Lease term shall be accompanied by an administration fee of FIVE HUNDRED DOLLARS (\$500) and failure of Lessee to pay such fee shall be deemed sufficient cause for withholding of consent by Lessor. Said fee is deemed earned when received and is not refundable regardless of the consequences.

A. Assignment:

Lessee shall not assign or hypothecate this Lease, or any of the rights of Lessee hereunder, except to a corporation or partnership controlled by Lessee, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Any such assignment, if consented to, shall not release or relieve Lessee of its obligations to Lessor hereunder, nor shall any such assignment constitute consent to a subsequent assignment.

B. Subletting:

Lessee shall not sublet the Premises, or any part thereof, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Any such sublease shall not release

or relieve Lessee of its obligations to Lessor hereunder, nor, shall any such sublease constitute consent to a subsequent sublease.

Any sublease shall be subject and subordinate to this Lease. No right, estate or privilege of any subtenant shall exceed the rights, estate or privileges of Lessee hereunder. In the event of any termination of this Lease whether by expiration, forfeiture, cancellation, surrender or for any other purpose, any sublease shall, at the option of Lessor, terminate and any dispossession of Lessee shall, at the option of Lessor, automatically dispossess any subtenant.

If any part of the Premises is sublet or is occupied by anybody other than Lessee, Lessor may, after default by Lessee, collect rent from any subtenant or occupant and apply the net amount collected to the rent reserved herein, but such collection shall not be a waiver of any agreement, term, covenant or condition of this Lease, or the acceptance by Lessor of any subtenant or occupant as Lessee.

### 13. INDEMNITY/INSURANCE/WAIVER OF SUBROGATION

Lessor shall at all times maintain in effect a policy or policies of insurance covering the first floor of the Building during the term of this Lease. Lessee covenants with Lessor that Lessor shall not be liable for any damage or liability of any kind for any injury to or death of persons or damage to property of Lessee or any other person from any cause whatsoever, by reason of the use, occupancy and enjoyment of the Premises by Lessee or any person thereon or holding under said Lessee. Lessee will indemnify and save harmless Lessor from all liability whatsoever other than liability caused by Lessor's negligence.

Lessee shall furnish Lessor a certificate evidencing adequate umbrella coverage and any renewal thereof, which certificate shall show the following endorsements to the liability policy:

- (a) The policy shall cover on an "occurrence" basis.
- (b) The policy shall cover contractual liability.
- (c) Broad Form property damage.
- (d) "The City of Salem, its officers, agents, and employees" as additional named insured.
- (e) An endorsement stating that coverage is primary insurance and that no other insurance effected by the City will be called upon to contribute to a loss under this coverage.
- (f) An endorsement stating that the policy shall not be canceled or reduced without thirty (30) days' notice of such cancellation or reduction given to Lessor.

Neither Lessor nor Lessee shall be liable to the other for loss arising out of damage to or destruction of the Premises, or the building, improvement, or common area of which the Premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of

liability shall exist whether or not the damage or destruction is caused by negligence of either Lessor or Lessee or any of their respective agents, servants, or employees. Each party shall look to its respective insurance carrier for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this Lease. Neither Lessor nor Lessee shall have any interest or claim on the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

Except as set forth above, Lessee shall be responsible for the maintenance of the plate glass on the Premises but shall have the option either to insure the risk or to self-insure.

14. INDEMNIFICATION:

Lessee shall pay, defend, indemnify and hold Lessor harmless from and against any and all liens, claims, demands, causes of action or liability for damages, costs, expenses, or attorney's fees of any kind or nature arising from any act, omission or negligence of Lessee or its officers, licensees, agents, servants or employees in or about the Building or Premises; or, arising from any accident, injury or damage to any person or property, occurring in or about the Building or Premises as a result of any act, omission or negligence of Lessee, or its officers, contractors, licensees, agents, servants, employees, guests or visitors, or arising from any breach of default under this Lease by Lessee.

15. LIENS:

Lessee agrees that it will pay or cause to be paid all costs for work done by it or caused to be done by it on the Premises and that all work done in connection therewith shall be done with reasonable diligence, in a good and workmanlike manner, and in compliance with all applicable laws and regulations of governmental authority having jurisdiction, and consistent with a first class office building in Salem, Oregon.

With respect to such activities, Lessee shall keep the Premises free and clear of any and all mechanics and/or materialman's liens, as well as any other liens, on account of work done for Lessee or persons claiming under it. Lessee agrees to and shall pay, indemnify, defend and save Lessor free and harmless from liability, loss, damage, costs, attorney's fees and all other expenses on account of claims of lien for work performed or material furnished to the Premises for Lessee or persons claiming under it.

16. SIGNS/ADVERTISING:

No advertising medium shall be utilized by Lessee which emanate from and can be heard or experienced outside Lessee's Premises, including without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, radios, or television unless written prior approval is obtained from Lessor.

Lessee shall have the right, at its own expense, to place its business name on the exterior portion of the Premises, so long as it obtains and complies with any permit or license required.

17. DAMAGE OR DESTRUCTION:

In case of damage to the Premises or the Building by fire or other casualty, Lessee shall give immediate notice thereof to Lessor who shall cause the damage to be repaired with reasonable speed, subject to delays which may arise by reason of adjustment of loss under insurance policies and for delays beyond the reasonable control of Lessor. Said repairs shall provide that upon completion the Premises and Building will be substantially the same as before the occurrence of the subject damage.

To the extent that the Premises are rendered untenable following said damage and until completion of repairs, the rent shall be proportionately abated, except in the event that such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Lessee, or its officers, contractors, agents, employees, invitees or licensees, in which event there shall be no abatement of rent except to the extent Lessor receives proceeds from Lessor's rental income insurance policy, if any, to compensate Lessor for loss of rent.

In the event that damage to the Premises or Building is, in Lessor's sole discretion, substantial or total, or in the event insurance proceeds are not, in Lessor's sole discretion, sufficient to pay for necessary damage repairs, Lessor may elect at its sole option not to repair or rebuild. Lessor shall notify Lessee in writing of Lessor's decision not to repair or rebuild within sixty (60) days from the date of such damage and this Lease shall terminate as of the date of such notice without further right or obligation of either party to the other under the terms of this Lease. Lessee shall thereupon promptly vacate the Premises and Building and the rent provided for hereunder shall be adjusted to the date of such vacation.

In the event the Premises or Building shall be substantially damaged or totally destroyed by fire or other cause at any time during the last year of the primary or any option of the Lease, either Lessor or Lessee may terminate this Lease upon written notice to the other given within sixty (60) days of the date of such damage or destruction and the rights and obligations of either party each to the other under the terms of this Lease shall terminate.

This Lease shall terminate as of the date of such notice and Lessee shall thereupon promptly vacate the Premises and the rent shall be adjusted to the date of such vacation.

No damages, compensation, or claim shall be payable by Lessor to Lessee for inconvenience, annoyance, loss of business or other such damage or compensation resulting from business interruption arising from any damage, destruction, repair or restoration of all or any part of the Premises or the Building. In the event of repairs or restoration, Lessor shall use its best efforts to effect such repairs promptly and in such manner as not to unreasonably interfere with Lessee's occupancy.

Lessor will not carry insurance of any kind on Lessee's furniture, furnishings, equipment, trade fixtures or appurtenances placed upon the Premises by Lessee, and Lessor shall not, except as provided by law, by reason of its own negligence, be obligated to repair any damage thereto or replace the same.

18. CONDEMNATION:

If all of the Premises or such portion or portions thereof as may be required for the reasonable use of the Premises are taken by eminent domain, inverse condemnation, or otherwise taken for any public use whatsoever by any legally constituted authority, this Lease shall automatically terminate as of the date the title vests in the condemning authority and all rents and other payments shall be paid to that date.

In the event of a taking of a part of the Premises so that the remaining portion is suitable for the continuation of Lessee's business, then this Lease shall continue in full force and effect covering the remaining Premises and the rent shall be equitably reduced based on the proportion by which the floor and parking areas of the Premises are reduced, such rent reduction to be effective as of the date title to such portion vests in any condemning authority.

Lessor reserves and Lessee releases all rights to damages to the Premises or Building for any partial or entire taking by eminent domain. Lessee shall make no claim against Lessor for damages for termination of the leasehold interest or interference with Lessee's business. Lessee shall have the right to claim and recover from the condemning authority compensation for any loss to which it may be entitled under applicable law, provided that such damages may be claimed only if they are awarded separately and are not out of or as part of the damages recoverable by Lessor.

19. PARKING:

The obtaining and furnishing of suitable parking facilities for Lessee's own use and for the use of Lessee's employees is the sole responsibility of Lessee. Lessee and its employees shall not park vehicles on the street in the Downtown Parking District nor in Chemeketa, Liberty or Marion Parkades unless permitted under lawful ordinances or permits.

Lessee further agrees that upon written notice from Lessor, Lessee will within five (5) days, furnish to Lessor the vehicle license numbers assigned to Lessee's vehicles and the vehicles of all employees of Lessee and will promptly notify Lessor of any changes.

20. DOWNTOWN PARKING DISTRICT:

Lessee acknowledges and agrees to be bound by the rules, regulations, and tax in the Salem Downtown Parking District, which governs the public parking in the district in which the property, which is the subject of this Lease, is located.

Lessee's failure to pay the business taxes in the Downtown Parking District, when due, or Lessee's failure to abide by the rules and regulations of the Downtown Parking District shall, at Lessor's option, constitute a default under this lease.

21. SUBORDINATION /ATTORNMENT/NON-DISTURBANCE/ESTOPPEL CERTIFICATE:

Lessor shall have the right to assign, transfer, convey or hypothecate, in whole or in part, Lessor's interest in this Lease, the Premises and the Building. If Lessor shall assign its interest under this Lease or transfer or convey its interest in the Premises or the Building, other than a transfer or conveyance for security purposes only, such assignee, transferee, or grantee shall thereafter be deemed to be Lessor hereunder and Lessor shall be automatically released from

any and all obligations and liabilities on the part of Lessor accruing from and after the date of such transfer.

Lessor may, for any purpose, finance, refinance or in any other fashion hypothecate its interest in this Lease, the Premises or the Building for loan or security purposes and shall be entitled to execute and deliver for recording appropriate form of Mortgage, Deed of Trust, lien or other security or encumbrance document against its interest in this Lease, the Premises or the Building to secure Lessor's obligation created thereby.

In the event of any such transfer(s) of Lessor's interest above referenced, this Lease shall be subordinate to, and Lessee shall attorn to, the interest of Lessor's assignee, transferee, grantee or lender. Lessee will execute all documents in the form submitted by Lessor, including subordination and attornment agreements, necessary for Lessor's assignment, conveyance, hypothecation or financing of Lessor's interest in this Lease, the Premises or the Building, and Lessee will deliver to Lessor said documents fully executed within ten (10) days of receipt by Lessee.

Notwithstanding the above, it shall be a condition of any such subordination or attornment that, so long as Lessee is not in default under the terms of this Lease, this Lease shall remain in full force and effect for the full term hereof and Lessor's assignee, transferee, grantee or lender shall recognize Lessee's rights in the Premises under this Lease. Upon request by Lessee, as a condition to Lessee's execution of any subordination or attornment document, Lessor's assignee, transferee, grantee or lender shall execute and deliver to Lessee a non-disturbance agreement in form satisfactory to Lessor.

Lessee shall, from time to time, upon the written request of Lessor, execute and deliver to Lessor or its designee, a written statement in form satisfactory to Lessor stating: (1) the date of execution, commencement and termination of this Lease; (2) the amount of base monthly rent currently paid by Lessee and the date to which such rent has been paid; (3) a certification that this Lease is in full force and effect, has not been assigned, modified or amended in any way (or specifying the date and terms of any such agreement affecting this Lease), that all conditions under this Lease to be performed by Lessor have been satisfied, and that on the date of execution thereof there are no existing defenses or offsets which Lessee has against the enforcement of this Lease by Lessor. It is intended that any such statement delivered pursuant to this paragraph may be relied upon by the prospective grantee or a mortgagee of Lessor's interest in this Lease, the Premises or Building. If Lessee shall fail to respond within ten (10) days of receipt by Lessee of a written request by Lessor as herein provided, Lessee shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the truth and accuracy of any information supplied by Lessor on the face thereof.

## 22. DEFAULT:

Time is of the essence in the performance of all aspects of this Lease.

Lessee shall be in default under this Lease upon the occurrence of any one or more of the following events or conditions:

- 1) Default in payment: Lessee's failure to fully and timely pay any rent or other charge or payment obligation under this Lease when the same is due..

- 2) Default in performance other than payment: Lessee's failure to perform in a full, proper and timely manner any term, obligation, covenant or condition under this Lease.
- 3) Failure of business/insolvency: The failure or termination of the business of Lessee to be operated upon the Premises, the commencement of any insolvency or receivership proceedings by or against Lessee, or the insolvency of Lessee.
- 4) Abandonment of Premises: The abandonment for more than ten (10) days or vacation of the Premises by Lessee.

Lessee shall have the following rights of cure:

A. Upon the occurrence of a default by nonpayment on the due date of any rent, charge or other payment obligation due by the terms of this Lease, or any part thereof, in a full and timely manner, Lessor shall provide written notice thereof to Lessee. Lessee shall have ten (10) days from the date of said written notice within which to cure the subject default and make the required payment in full and complete amount. In the event that Lessee fails to cure the subject default within the time provided for herein, Lessor shall be entitled to pursue the remedies provided for herein upon default. No such written notice shall be required if written notice for a previous similar default shall have been given to Lessee during the twelve (12) month period preceding.

B. Upon the occurrence of a default in any other covenant, term, condition or obligation required by the terms of this Lease other than the nonpayment of rent, charges or other payment obligation, Lessor shall provide written notice thereof to Lessee. Lessee shall have thirty (30) days from the date of said written notice within which to cure the subject default and any other covenant, other than nonpayment of rent, charges or other payment obligation. In the event that Lessee fails to cure the subject default within the time provided for therein, Lessor shall be entitled to pursue the remedies provided for herein upon default. However, in any situation which would reasonably require a cure in less than thirty (30) days, the time allowed for cure shall be reduced to such reasonable shorter period.

### 23. REMEDIES UPON DEFAULT:

The acceptance by Lessor of any partial or late payment or performance by Lessee shall not constitute a waiver of Lessor's right to demand prompt and timely payment and performance during the term of this Lease.

In the event of a default in any one or more of the respects described above, and if said default shall continue after written notice beyond the period for cure described above, Lessor shall have the following rights and remedies, none of which shall be exclusive of the other, nor exclusive of any other remedy otherwise provided for by law or in equity. Lessor shall be entitled to pursue its remedies, at its sole option, and without further notice or demand of any kind to Lessee after initial notice of default referred to above.

#### A. Affirmation of Lease

Continue this Lease in full force and effect, which election shall not waive Lessor's right, at its option, at any time thereafter to elect to terminate this Lease.

Lessor shall have the right, without terminating this Lease, to re-enter and occupy the Premises and continue to collect any unpaid rental or other charges which have or may thereafter become due or payable.

B. Termination of Lease

Terminate this Lease, which termination shall be effective upon the date of written notice thereof to Lessee, without further act or notice by Lessor required.

Lessee's liability to Lessor for damages shall survive such termination.

Lessee's every right, interest of claim to title, possession and occupancy of the Premises and Building shall terminate upon such termination.

Lessee shall immediately vacate and surrender possession and occupancy of the Premises and Building to Lessor and remove its personal property in the manner provided for by Paragraph 10 hereof.

C. Lessor's Re-entry

Upon an uncured default of this Lease by Lessee as provided above, Lessor may at its own option, in addition to any other rights or remedies it may have or in conjunction therewith, and with or without terminating this Lease, enter the Premises or any part thereof, either with or without process of law, and expel, remove or put out Lessee or any other persons who may be thereon, together with all personal property found therein.

D. Lessor's Reletting

Upon Lessor's re-entry of the Premises, either with or without termination of this Lease as provided above, Lessor may, at its own option, in addition to any other rights and remedies it may have or in conjunction therewith, from time to time relet the Premises or any part thereof for such term or terms (which may be for a term less than or extending beyond the term of this Lease) and at such rental and upon such other terms and conditions as Lessor, in its sole discretion, may deem advisable, with the right to repair, renovate, remodel, redecorate, alter and change the Premises as may be required or suited for the reletting of the Premises.

Lessor shall make reasonable efforts to relet the space, however Lessor retains any and all rights and remedies available at law or in equity. Any rents collected from such reletting shall be applied first to the payment of any costs and expenses of such reletting, second to the payment of any indebtedness from Lessee to Lessor other than rent due hereunder, and third to the payment of rent due hereunder.

24. Default by Lessor:

In the event Lessor shall neglect or fail to perform or observe any of the covenants, provisions, or conditions contained in this Lease on its part to be performed or observed, Lessor shall cure such default within thirty (30) days after written notice of such default has been given by Lessee (or if more than thirty (30) days shall be required because of the nature of the default, then Lessor shall proceed diligently to cure such default).

If the Premises or any part thereof are at any time subject to a first mortgage or a first deed of trust and this Lease or the rentals due from Lessee hereunder are assigned to such mortgagee, trustee, or beneficiary (called assignee for purpose of this Item only) and Lessee is given written notice thereof, including the post office address of such assignee, Lessee shall give written notice to assignee specifying the default in reasonable detail, and affording such assignee a reasonable opportunity to make performance for and on behalf of Lessor. If and when the said assignee has made performance on behalf of Lessor, such default shall be deemed cured.

Lessee shall have no right to terminate this Lease except as herein otherwise specifically provided.

25. NON-WAIVER:

The acceptance by Lessor of any partial or late payment or performance by Lessee shall not constitute a waiver of Lessor's right to demand prompt and timely payment and performance during the term of this Lease.

A waiver by Lessor of any breach or default shall not be deemed a waiver of any other breach or default.

Lessor's consent to or approval of any act by Lessee requiring such consent or approval shall not be deemed to waive or abrogate the requirement of Lessor's consent or approval of any subsequent or similar act.

26. SUCCESSORS AND ASSIGNS:

All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon Lessor and Lessee, together with their respective heirs, executors, administrators, successors and assigns.

27. SEVERABILITY:

A final determination by a Court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its reflected intent.

28. ENTIRE AGREEMENT/AMENDMENTS:

This Lease contains all covenants and agreements between Lessor and Lessee relating to the terms and conditions of this Lease, and this Lease supersedes and cancels any and all previous negotiations, agreements and communications between the parties whether written or oral. This Lease may be amended or modified only by written instrument executed by both Lessor and Lessee.

29. GOVERNING LAW:

This Lease shall be governed by and construed in accordance with the laws of the State of Oregon.

30. NOTICES:

Any notice, request, demand, instruction or other communication to be given by the parties hereto by the terms hereof shall be in writing and shall be delivered in person or sent by U. S. Mail, postage prepaid, to the addresses below by certified mail, return receipt requested, or to such other person or addresses that the parties may hereinafter designate in writing. Said notices shall be deemed given upon the personal delivery or posting thereof.

LESSOR:

City of Salem  
Attn: Real Property Services Manager  
350 Commercial Street NE  
Salem, OR 97301

With a copy to:

City of Salem  
City Attorney's Office  
555 Liberty Street NE, Room 205  
Salem, Or 97301

LESSEE:

Rudy's Steakhouse LLC  
Attn: Robert Kunke  
350 Chemeketa St. NE  
Salem, OR 97301  
robbie@rudyssteakhouse.com  
Phone: (503) 830-6253

BILLINGS:

City of Salem, Finance Department  
555 Liberty St SE, Room 230  
Salem, OR 97301

31. FORCE MAJEURE:

Time periods for Lessor's or Lessee's performance of any provisions under this Lease shall be extended for periods of time during which the non-performing party's performance is prevented due to circumstances beyond the party's control, including without limitation, strikes, embargos, governmental regulations, acts of God, war or other strife.

32. RECORDING:

This Lease shall not be recorded by either Lessor or Lessee, provided however, either party may record a Memorandum of Lease.

33. NO WARRANTIES:

Lessor and Lessee agree that the Premises are leased to Lessee in an "as-is" condition without any representation or warranty of any kind by Lessor to Lessee. Lessor shall have no liability because of, or as a result of, the existence of any condition on the Premises that might affect Lessee's intended use, nor shall Lessor have any responsibility to Lessee to improve the Premises.

Lessee shall not furnish, install or construct upon the Premises any Lessee improvements without the prior written consent of Lessor, which consent shall be at Lessor's sole discretion.

This instrument will not allow use of the property described in this instrument in violation of applicable land use laws and regulations. Before signing or accepting this instrument, the Lessee should check with the City Planning Department to verify approved uses.

34. SPECIAL CONDITIONS

None.

IN WITNESS WHEREOF, this Lease has been executed the date and year first above written.

Lessor:  
CITY OF SALEM,  
an Oregon municipal corporation

Lessee:  
RUDY'S STEAKHOUSE LLC

By: \_\_\_\_\_  
Steven D. Powers, City Manager

By: \_\_\_\_\_  
Robert Kunke, Manager

Date: \_\_\_\_\_

LIST OF EXHIBITS

Exhibit 1 – Premises

Exhibit 2 – Common Area Charges Calculation

Exhibit 1



