

**Triple Net Lease
(Single Tenant Office)**

1. BASIC LEASE TERMS.

a. DATE OF LEASE EXECUTION: _____, 2010

TENANT: Cascade Community School of Music
Trade Name: Cascade Community School of Music
Address (Leased Premises): 200 N.W. Pacific Park Lane
Bend, Oregon 97701

Address (For Notices): Same

LANDLORD: Bend Park and Recreation District
Address (For Notices): 799 S.W. Columbia Street
Bend, OR 97702

b. TENANT'S USE OF PREMISES: Non-Profit Music Instructional School

c. PREMISES: The "**Premises**" consists of the commercial building located at 200 NW Pacific Park Lane, Bend, Oregon, consisting of approximately 4,580 square feet, together with three small outbuildings as shown on Exhibit A.

d. PROJECT: The "**Project**" consists of the Premises described in Section 1.c., the parking area adjacent to the Premises, and the driveway leading to the parking area, all as shown on Exhibit A.

e. AGREED UPON PREMISES PERCENT OF PROJECT: 100%

f. TERM OF LEASE:

- i. "**Commencement Date**": September 1, 2010
- ii. "**Expiration Date**": August 31, 2017
- iii. Number of Months: 84

g. BASE RENT: \$1,500.00 (+/-\$.328 square feet) per month

h. BASE RENT ADJUSTMENT:

Months 1-12*:	\$1,500.00
Months 13-24:	\$1,600.00
Months 25-36:	\$1,700.00
Months 37-48:	\$1,800.00

Months 49-60:	\$1,900.00
Months 61-72:	\$2,000.00
Months 73-84:	\$2,100.00

*Tenant shall owe no Base Rent for the first month of the Lease term.

- i. ANNUAL EXPENSES: Estimated to be \$_____ per square foot per month (\$_____) for the remainder of calendar year 2010. (Note: See Section 8 below for the method of computing Expenses. The actual annual Expenses shall be determined pursuant to Section 8 below.)
 - j. PREPAID RENT & OPERATING EXPENSES: \$_____, consisting of Expenses for the first month of the Lease, and Base Rent and Expenses for the second month of the Lease.
 - k. SECURITY DEPOSIT: \$3,000.00
 - l. BROKER(S): Howard Friedman, CCIM of Compass Commercial Real Estate Services represents the Landlord; Brian Fratzke of Fratzke Commercial Real Estate represents the Tenant.
2. EFFECTIVE DATE; COMMENCEMENT DATE. Landlord and Tenant agree and acknowledge that they will be bound in accordance with the terms of this Lease from and after the date this Lease is mutually executed by Landlord and Tenant (the “**Effective Date**”). Landlord and Tenant agree and acknowledge that there are no preconditions to the effectiveness of this Lease or the performance of its terms, other than Tenant obtaining a conditional use for the Premises on or before September 1, 2010. If Tenant is unable to obtain a conditional use permit prior to said date, this Lease shall be of no further force and effect.
3. PREMISES. Landlord leases to Tenant the Premises.
- a. Delivery of Premises. Landlord shall tender possession of the Premises to Tenant on the Commencement Date. Notwithstanding the foregoing, Tenant shall have reasonable access to the Premises prior to the Commencement Date to facilitate the planning of Tenant’s improvements. If the Premises are unoccupied, Landlord shall allow Tenant to commence its improvement of the Premises prior to the Commencement Date. Occupancy of the Premises by Tenant prior to the Commencement Date shall be subject to all of the terms and provisions of this Lease excepting only those requiring the payment of Rent (defined below).
 - b. Acceptance of Premises; Tenant Improvements. Tenant’s execution of this Lease constitutes Tenant’s unconditional acceptance and approval of the Premises in their AS-IS condition as of the Commencement Date. Tenant agrees and acknowledges that

Landlord makes no representations or warranties with respect to all or any part of the Premises. Tenant agrees and acknowledges that Landlord has made no promise or agreement to repair, alter, construct, and/or improve the Premises. Any improvements to be made by Tenant must first be approved by Landlord in writing, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be made in accordance with Section 18, below.

4. **TERM.** The term of this Lease shall commence at 12:01 a.m. on the Commencement Date, and shall expire at 11:59 p.m. on the Expiration Date, unless earlier terminated as provided herein.
5. **OPTION TO RENEW.** If Tenant is not in default at the time this option is exercised or at the time the renewal term is to commence, this Lease may be renewed by mutual agreement of the parties for three additional terms of one year each, as follows:
 - a. Each renewal term shall commence on the day following expiration of the preceding term.
 - b. If Tenant desires to renew the Lease, Tenant shall give written notice to Landlord not less than 180 days prior to the last day of the expiring term. Landlord shall have 60 days after receipt of Tenant's notice to notify Tenant, in writing, that Landlord has elected to terminate the Lease at the expiration of the then-current term. In the event Landlord does not respond to Tenant's notice to renew, Landlord shall be deemed to have waived its right to terminate the Lease.
 - c. The Base Rent shall be as agreed to by the parties and shall be determined no less than 90 days prior to the end of the initial term.
6. **RENT.** Tenant shall pay to Landlord Base Rent in the amount set forth at Section 1.g. which shall be payable monthly in advance on the first day of each and every calendar month ("**Base Rent**"). Notwithstanding the foregoing, the Base Rent for the first full month of the term shall be paid on the Effective Date. If the term begins on a date other than the first day of the month, Base Rent for such month shall be prorated as provided in Section 8.e. All charges and sums due from Tenant to Landlord under this Lease including Base Rent and Expenses (defined below) shall be deemed "**Rent**".
7. **RENT ADJUSTMENT.** Base Rent shall be increased periodically as set forth in Section 1.h. Additionally, all payments due pursuant to Section 8 below shall be deemed to be additional rent and, for purposes of determining Tenant's liability therefor, and Landlord's rights related thereto, provisions applicable to payment of Base Rent herein shall apply to such payments.
8. **EXPENSES.** The purpose of this Section 8 is to ensure that the Tenant bears all Expenses reasonably related to the use, maintenance, ownership, repair or replacement, and insurance of

the Project. Accordingly, beginning on the commencement date, Tenant shall commence the payment of Expenses.

- a. Expenses Defined. The term “**Expenses**” shall mean all costs and expenses reasonably incurred by Landlord with respect to the ownership, operation, maintenance, repair or replacement, and insurance of the Project, including without limitation, the following costs: (i) all supplies, materials, labor, equipment, and utilities used in or related to the operation and maintenance of the Project; (ii) all management, janitorial, legal, accounting, insurance, and service agreement costs related to the Project; (iii) all maintenance and repair costs relating to the areas within or around the Project, including, without limitation, heating and air conditioning systems pursuant to Section 17 below, sidewalks, curbs, service areas (including exterior water, sewage, gas, and electrical services up to the point of entry to the leased Premises, driveways, parking areas (including resurfacing and restriping parking areas), walkways, building exteriors (including painting), signs and directories, gutters, exterior walls (including painting), bearing walls, structural members, floor slabs, foundation and other structural elements of the Premises and the Project, and other areas used in common by Tenant and Landlord or tenants of other portions of the Project; (iv) all landscaping costs relating to the areas around the Project; (v) the annual amortization (amortized over the useful life, but in no event less than five years) of costs incurred by Landlord after the Commencement Date for any improvements, replacements, and equipment installed or paid for by Landlord, or on Landlord’s behalf) including, without limitation, upgrades to the Premises or Project required by any new (or changes in) the Law enacted after the Commencement Date; (vi) all Real Property Taxes, where applicable, which shall mean and include all taxes, assessments (general and special) and other impositions or charges which may be taxed, charged, levied, assessed or imposed upon all or any portion of or in relation to the Project or any portion thereof, any leasehold estate in the Premises or measured by rent from the Premises, including any increase caused by the transfer, sale or encumbrance of the Project or any portion thereof (“Real Property Taxes” shall also include any form of assessment, levy, penalty, charge or tax (other than estate, inheritance, net income or franchise taxes) imposed by any authority having a direct or indirect power to tax or charge, including, without limitation, any city, county, state, federal or any improvement or other district); and (vii) all assessments under recorded covenants or master plans and/or by owners’ associations.
- b. Exclusions. Notwithstanding the foregoing, or anything else contained herein to the contrary, the term “Expenses” shall be defined to exclude the following: (i) costs of repairs and general maintenance of the Project if paid for by proceeds of insurance or by other third parties; (ii) wages, salaries, fees, or other compensation paid to any entity or individual, including Landlord’s executive personnel, which are not directly allocable to the operation, maintenance, and security of the Premises or the Project; (iii) cost for any items which, by standard accounting practice, should be capitalized, unless those

costs (a) reduce operating expenses and are amortized over the reasonable life of the capital improvement, or (b) are incurred as a result of Tenant's negligence or failure to comply with the terms of this Lease; (iv) depreciation, amortization or interest except as provided in Section 8.a., above; (v) brokerage, legal, or other professional fees expended by Landlord in connection with other tenants in the Project, including expenses for negotiating and entering into any leases and any related instruments (including without limitation, guaranties, surrender agreements, leasing amendments, and consents to assignment or subletting) with any other tenant or occupant of any other portion of the Project, and the enforcement of any such instruments; (vi) Landlord's general business overhead and general administrative expenses, including accounting and legal fees; (vii) any management fee costs in excess of those management fees and costs which are normally and customarily charged by comparable landlords of comparable buildings or projects, and any costs of Landlord attributable to the management fee charged by Landlord so that no duplication of payments by Tenant to Landlord shall occur; and (viii) costs associated with the operation of the business entity constituting Landlord as distinguished from the costs of operation of the Project, including entity related accounting and legal matters, costs of defending any lawsuits or other claims litigation or arbitration pertaining to Landlord and/or the Project, and unrelated to Tenant's occupancy.

- c. Annual Estimate of Expenses. At the end of each calendar year, Landlord shall estimate the Expenses for the coming calendar year.
- d. Monthly Payment of Expenses. As soon as is practical following each calendar year, Landlord shall prepare an accounting of actual Expenses incurred during the prior calendar year. If the Expenses paid by Tenant under this Section 8.d. during the preceding calendar year were less than the actual amount of Tenant's share of Expenses, Landlord shall so notify Tenant and Tenant shall pay such amount to Landlord within 30 days of receipt of such notice. Such amount shall be deemed to have accrued during the prior calendar year and shall be due and payable from Tenant even though the term of this Lease has expired or this Lease has been terminated prior to Tenant's receipt of such notice. Tenant shall have 30 days from receipt of such notice to contest the amount due otherwise said amount shall be deemed final and binding on Tenant. Upon receipt of notice from Tenant contesting the amount of Expenses due, Landlord shall provide Tenant, its officers or agents, with reasonable access to Landlord's books and records of Expenses during normal business hours, wherever they may be kept. If such audit shall disclose an error in Landlord's calculation of Expenses for the year at issue, proper adjustment shall forthwith be made between Landlord and Tenant to correct any overpayment or underpayment of Expenses by Tenant, with any adjustment by Landlord in favor of Tenant to be credited to future rent due from Tenant. In the event such audit discloses an overstatement of Expenses of more than 5%, Landlord shall reimburse Tenant for the reasonable costs of such audit incurred by Tenant not to

exceed \$500.00. If Tenant's payments were greater than the actual amount, then such overpayment shall be credited by Landlord to all present Expenses due under this Section 8.d. or if this Lease has terminated, said amount shall be paid directly to Tenant.

- e. Rent without Offset; Late Charge. All Rent shall be paid by Tenant to Landlord monthly in advance on the first day of every calendar month, at the address shown in Section 1.a., or such other place as Landlord may designate in writing from time to time. All Rent shall be paid without prior demand or notice, and without any deduction or offset whatsoever. All Rent due for any partial month shall be prorated at the rate of 1/30th of the total monthly Rent per day. If any Rent or other sum due from Tenant is not received when due, Tenant shall pay to Landlord a late charge equal to five percent of such overdue payment. Notwithstanding the foregoing, and except as specifically provided in Section 24 below, Tenant shall be entitled in any single 12 calendar-month period, to tender to Landlord one late payment without the imposition of the aforementioned late charge or any charge provided in Section 34.e. below. Landlord and Tenant hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any such late payment and that the late charge is in addition to any and all remedies available to the Landlord and that the assessment and/or collection of the late charge shall not be deemed a waiver of any default. Additionally, all such delinquent rent or other sums, plus this late charge, shall bear interest at the rate of 12% (the "**Default Rate**"), from the date first due until the date paid in full. Any payments of any kind returned for insufficient funds will be subject to an additional handling charge of \$25.00, and thereafter, Landlord may require Tenant to pay all future payments of Rent or other sums due by money order or cashier's check.
9. PREPAID RENT. Upon the execution of this Lease, Tenant shall pay to Landlord the prepaid rent set forth in Section 1.j., and if Tenant is not in default of any provisions of this Lease, such prepaid rent shall be applied toward the Base Rent due for the first and second months of the term. Upon a default by Tenant prior to such application, Landlord shall have the right, without waiver of the default or prejudice to other remedies, to use all of the prepaid rent, or any portion of it, to cure the default or to compensate Landlord for all or any damages resulting from the default. Landlord's obligations with respect to the prepaid rent are those of a debtor and not a trustee, and Landlord can commingle the prepaid rent with Landlord's general funds. Landlord shall not be required to pay Tenant interest on the prepaid rent.
10. SECURITY DEPOSIT. Upon execution of this Lease, Tenant shall pay to Landlord the security deposit set forth in Section 1.k. as security for the performance by Tenant of the provisions of this Lease. Upon a default by Tenant, Landlord shall have the right, without waiver of the default or prejudice to other remedies, to use the security deposit or any portion of it to cure the default or to compensate Landlord for any damages resulting from Tenant's default. Upon demand, Tenant shall immediately pay to Landlord a sum equal to the portion of the security

deposit expended or applied by Landlord to maintain the security deposit in the amount initially deposited with Landlord. In no event will Tenant have the right to apply any part of the security deposit to any rent or other sums due under this Lease. If Tenant is not in default upon the issuance of a Certificate of Occupancy by the City of Bend, Landlord shall return the remaining security deposit to Tenant within 10 days thereafter. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with Landlord's general funds. Landlord shall not be required to pay Tenant interest on the security deposit. If Landlord sells its interest in the Premises during the term hereof and deposits with or credits to the purchaser the unapplied portion of the security deposit, thereupon Landlord shall be discharged from any further liability or responsibility with respect to the security deposit.

11. USE OF PREMISES AND PROJECT FACILITIES. Tenant shall use the Premises solely for the purposes set forth in Section 1.b. and for no other purpose without obtaining the prior written consent of Landlord. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the Premises or the Project for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises or the Project, except as provided in this Lease. Tenant acknowledges that Landlord may from time to time, at its sole discretion, make such modifications, alterations, deletions or improvements to the Project as Landlord may deem necessary or desirable, without compensation or notice to Tenant. Tenant shall promptly and at all times comply with all federal, state, and local statutes, laws, ordinances, orders and regulations affecting the Premises and the Project (the "**Laws**"), as well as all master plans, restrictive covenants, and Rules and Regulations (defined below), that Landlord may adopt and amend from time to time. Tenant shall not do or permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the premiums paid by Landlord on its insurance related to the Project. Tenant will not perform any act or carry on any practices that (i) may injure the Premises or the Project, (ii) may be a nuisance or menace to Landlord or neighboring properties, or (iii) shall in any way interfere with the quiet enjoyment of such other tenants. Tenant shall not use the Premises for sleeping, washing clothes, cooking or the preparation, manufacture or mixing of anything that might emit any objectionable odor, noises, vibrations or lights onto such other tenants. If sound insulation is required to muffle noise produced by Tenant on the Premises, Tenant at its own cost shall provide all necessary insulation. Tenant shall not do anything on the Premises which will overload any existing parking or service to the Premises. Pets and/or animals of any type shall not be kept or permitted on the Premises. Tenant's use of the Project other than the Premises shall be shared with Landlord, its employees and general users of the park facilities located on Landlord's property adjacent to the Project.

12. RULES AND REGULATIONS. Tenant and its employees and agents shall faithfully observe and comply with the "**Rules and Regulations**" attached to this Lease as Exhibit C, and as Landlord

may amend from time to time. Landlord shall not be liable to Tenant for violation of the Rules and Regulations by any of Tenant's employees, agents, invitees or licensees.

13. **SIGNAGE; WINDOWS.** All signage shall comply with all recorded covenants, the Rules and Regulations, and the Laws. Tenant shall obtain Landlord's written consent prior to the installation of any signs. All signage shall be at Tenant's expense. Tenant shall place no window covering (e.g., shades, blinds, curtains, drapes, screens, or tinting materials), stickers, signs, lettering, banners or advertising or display material on or near exterior windows or doors if such materials are visible from the exterior of the Premises, without Landlord's prior written consent. Similarly, Tenant may not install any alarm boxes, foil protection tape or other security equipment on the Premises without Landlord's prior written consent. Any material violating this provision may be destroyed by Landlord without compensation to Tenant.
14. **PERSONAL PROPERTY TAXES.** Tenant shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operations as well as upon all trade fixtures, leasehold improvements, merchandise and other personal property in or about the Premises.
15. **PARKING.** Landlord grants to Tenant and Tenant's customers, suppliers, employees and invitees, a nonexclusive license to use the Project's parking areas for the parking of motor vehicles during the term of this Lease. Tenant's use of the parking areas shall be shared with Landlord, its employees and general users of the park facilities located on Landlord's property adjacent to the Project. Landlord reserves the right to make reasonable rules and regulations relating to the use of such parking areas, including reasonable restrictions on parking by Tenant and its employees, to designate specific spaces for the use of Tenant and general park users, and to make changes in the parking layout from time to time.
16. **UTILITIES.** Tenant shall pay for all water, gas, heat, light, power, sewer, electricity, telephone or other service metered, chargeable or provided to the Premises. Landlord reserves the right (i) to install separate meters for any such utility and to charge Tenant for the cost of such installation, or (ii) to pay the costs of such utilities and to treat the same as an Expense (subject to the right of Landlord to elect to require Tenant to pay its actual portion of such Expense in lieu of its percentage share).
17. **MAINTENANCE.** Landlord shall maintain, in good condition, the structural parts of the Premises, which shall include only the foundations, bearing and exterior walls (excluding glass), sub flooring and roof (excluding skylights), the unexposed electrical, plumbing and sewerage systems, including without limitation, those portions of the systems lying outside the Premises, exterior doors (excluding glass), window frames, gutters and downspouts on the Building, the heating, ventilating and air conditioning system servicing the Premises, and the Project landscaping; provided, however, the cost of all such maintenance shall be considered Expenses. Except as provided above, Tenant shall maintain the Premises in good condition, including,

without limitation, maintaining and repairing all walls, floors, ceilings, interior doors, exterior and interior windows and fixtures as well as any damage caused by Tenant, its agents, employees or invitees. Tenant shall contract with a licensed HVAC contractor, at Tenant's expense, for quarterly maintenance, including filter replacement, of the HVAC equipment servicing the Premises, and shall provide Landlord with a copy of said contract and quarterly reports or invoices from the contractor showing that such service has been performed. Tenant shall be responsible, at Tenant's expense, for snow removal on all walkways serving the Premises. Landlord shall be responsible for snow removal on the Project driveways and parking areas, but Tenant shall reimburse Landlord for one-half of such snow removal expense as part of the Expenses for the Project. Upon expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord in good condition, except for reasonable wear and tear or damage caused by fire or other casualty for which Landlord has received all funds necessary for restoration of the Premises from insurance proceeds. Nothing herein shall excuse Tenant from financial responsibility for property damage caused by Tenant, its agents, employees or invitees.

18. ALTERATIONS

- a. Tenant shall not make any alterations to the Premises without Landlord's prior written consent in each instance. If Landlord gives its consent to such alterations, Landlord may post notices in accordance with all applicable Laws. Landlord's review and approval of Tenant's alteration plans is solely to protect Landlord's interests in the Premises, and Landlord shall not be a guarantor of, nor responsible for, the correctness or accuracy of the plans, nor their compliance with applicable Laws. Any alterations made shall remain on and be surrendered with the Premises upon expiration or termination of this Lease, except that Landlord may, within 30 days before or 30 days after the expiration or termination of this Lease or the termination of Tenant's right of possession, elect to require Tenant to remove any alterations which Tenant made to the Premises, unless the provisions of Landlord's applicable consent provide otherwise. If Landlord so elects, Tenant shall, at its own cost, remove such damage and repair any damage caused by such removal.
- b. Any request for Landlord's consent to alterations shall be made at least 30 days before any work may be commenced and shall be accompanied by (i) detailed and costed plans and specifications for all alterations, and (ii) Tenant's written agreement to provide, upon completion of work, a complete set of as-built plans and specifications. Landlord may withhold consent, in its reasonable discretion, and may issue such consent subject to conditions. All alterations shall be constructed only after obtaining Landlord's prior written consent and only in conformity with all Laws, including, without exception, the Americans with Disabilities Act, as may be amended from time to time, and the rules promulgated thereunder. The issuance of Landlord's consent shall not be a waiver of Tenant's obligation to comply with all Laws, nor Landlord's opinion that such alterations are in compliance with all Laws. Landlord may require such longer notice period as is

reasonably necessary to ensure that Landlord will have adequate time to post an effective notice of non-responsibility. Landlord, in its discretion, may require a bond to secure such construction work.

- c. Should Landlord consent in writing to Tenant's alterations of the Premises, Tenant shall (i) demonstrate to Landlord that, in Landlord's reasonable and sole discretion, Tenant has the funds to pay for the approved alterations (ii) contract with a contractor approved by Landlord for the construction of such alterations, (iii) obtain all appropriate governmental approvals and permits, and (iv) complete such alterations with due diligence in compliance with the plans and specifications approved by Landlord and all applicable Laws. Any upgrades to the Premises or Project required for compliance with applicable Laws, including but not limited to the Americans with Disabilities Act, shall be performed by Tenant at Tenant's expense.
- d. Tenant shall pay all costs for construction of alterations, including any system development charges imposed by any governmental authority, and shall keep the Premises and the Project free and clear of all liens which may result from work by third parties authorized by Tenant. If any such lien is filed, the same shall be an event of default hereunder if Tenant fails to remove such lien within 10 days of the filing thereof.

19. **RELEASE AND INDEMNITY.** As material consideration to Landlord, Tenant agrees that Landlord and Landlord's partners, shareholders, officers, directors, employees and agents (collectively the "**Protected Parties**") shall not be liable to Tenant for any damage to Tenant or Tenant's property from any cause, and Tenant waives all claims against Landlord for damage to persons or property arising for any reason, except for damage resulting from Landlord's breach of its express obligations under this Lease which Landlord has not cured within a reasonable time after receipt of written notice of such breach from Tenant. Tenant shall defend, indemnify and hold Landlord and the Protected Parties harmless from all claims, losses, causes of action, costs and expenses, and damages arising out of (i) any damage to any person or property occurring in, on or about the Premises, (ii) use by Tenant or its agents of the Premises and/or the Project or other properties of Landlord, and/or (iii) Tenant's breach or violation of any term of this Lease.

20. **INSURANCE.** Tenant, at its cost, shall maintain public liability and property damage insurance and products liability insurance with a single combined liability limit of \$1,000,000.00, insuring against all liability of Tenant and its authorized representatives arising out of or in connection with Tenant's use or occupancy of the Premises. Public liability insurance, products liability insurance and property damage insurance shall insure performance by Tenant of the indemnity provisions of Section 19. Landlord shall be named as an additional insured and the policy shall contain cross-liability endorsements. All insurance required to be provided by Tenant under this Lease shall release Landlord and the other Protected Parties from any claims for damage to any person or the Premises and the Project, and to Tenant's fixtures, personal property, improvements and alterations in or on the Premises or the Project, caused by or resulting from

risks insured against under any insurance policy carried by Tenant and in force at the time of such damage. All insurance required to be provided by Tenant under this Lease shall: (i) be issued by insurance companies authorized to do business in Oregon; (ii) be reasonably acceptable to Landlord; (iii) be issued as a primary policy; and (d) contain an endorsement requiring at least 30 days' prior written notice of cancellation to Landlord and Landlord's lender, before cancellation or change in coverage, scope or amount of any policy. Tenant shall deliver a certificate or copy of such policy together with evidence of payment of all current premiums to Landlord within 10 days of execution of this Lease. Tenant's failure to provide evidence of such coverage to Landlord may, in Landlord's sole discretion, constitute a default under this Lease. Not more frequently than once in any three (3) year period, if, in the opinion of Landlord's lender or of the insurance consultant retained by Landlord, or if the tort limit applicable to Landlord increases beyond the limits currently required hereunder, the amount of public liability and property damage insurance coverage at that time is not adequate, Tenant shall increase the insurance coverage as required by either Landlord's lender or Landlord's insurance consultant.

21. **DESTRUCTION.** If during the term, the Premises or Project is more than 25% destroyed (based upon replacement cost) from any cause, or rendered inaccessible or unusable from any cause, Landlord may, in its sole discretion, terminate this Lease by delivery of notice to Tenant within 30 days of such event without compensation to Tenant. If Landlord does not elect to terminate this Lease, and if, in Landlord's estimation, the Premises cannot be restored within 270 days following such destruction, Landlord shall notify Tenant and Tenant may terminate this Lease by delivery of notice to Landlord within 30 days of receipt of Landlord's notice. If Landlord does not terminate this Lease and if in Landlord's estimation the Premises can be restored within 270 days, then Landlord shall commence to restore the Premises in compliance with the Laws and shall complete such restoration with due diligence. In such event, this Lease shall remain in full force and effect, but there shall be an abatement of Base Rent between the date of destruction and the date of completion of restoration, based on the extent to which destruction interferes with Tenant's use of the Premises. Tenant shall not be entitled to any damages or compensation for loss of use or any inconvenience occasioned by damage or any repair or restoration.

22. **CONDEMNATION.**

- a. Definitions. The following definitions shall apply:
 - i. **"Condemnation"** means (i) the exercise of any governmental power of eminent domain, whether by legal proceedings or otherwise by condemnor and (ii) the voluntary sale or transfer by Landlord to any condemnor either under threat of condemnation or while legal proceedings for condemnation are proceeding;
 - ii. **"Date of Taking"** means the date the condemnor has the right to possession of the property being condemned;
 - iii. **"Award"** means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation; and

iv. **“Condemnor”** means any public or quasi-public authority, or private corporation or individual, having a power of condemnation.

- b. **Obligations to Be Governed by Lease.** If during the term of the Lease there is a Condemnation of all or any part of the Premises or the Project, the rights and obligations of the parties shall be determined pursuant to this Lease.
- c. **Total or Partial Taking.** If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking. If any portion of the Premises is taken by Condemnation, this Lease shall terminate as to the part so taken as of the Date of Taking, but shall in all other respects remain in effect, except that Tenant can elect to terminate this Lease if the remaining portion of the Premises is rendered unsuitable for Tenant’s continued use of the Premises. If Tenant elects to terminate this Lease, Tenant must exercise its right to terminate by giving notice to Landlord within 30 days after the nature and extent of the condemnation have been finally determined. If Tenant elects to terminate this Lease, Tenant shall also notify Landlord of the date of termination, which date shall not be earlier than 30 days or later than 90 days after Tenant has notified Landlord of its election to terminate; except that this Lease shall terminate on the Date of Taking if the Date of Taking falls on a date before the date of termination as designated by Tenant. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect, on the Date of Taking the Base Rent shall be reduced by an amount in the same ratio as the total number of square feet in the Premises taken bears to the total number of square feet in the Premises immediately before the Date of Taking.
- d. **Landlord’s Election.** Notwithstanding anything herein to the contrary, if the Project or any portion thereof is taken by Condemnation and the portion does not, in Landlord’s sole judgment, feasibly permit the continuation of the operation of the Project by Landlord, then Landlord shall have the right to terminate this Lease by written notice given within 30 days following the Date of Taking.
- e. **Award.** Tenant shall have no right or claim to all or any portion of the Award; provided this shall not limit Tenant’s right to seek and to receive compensation for relocation expenses or the value of its personal property taken, so long as receipt of such compensation does not decrease the Award otherwise payable to Landlord.

23. **ASSIGNMENT OR SUBLEASE.** Tenant shall not assign or encumber its interest in this Lease or the Premises or sublease all or any part of the Premises or allow any other person or entity (except Tenant’s authorized representatives, employees, invitees, or guests) to occupy or use all or any part of the Premises without first obtaining Landlord’s written consent which may not be unreasonably withheld. Any assignment, encumbrance or sublease without Landlord’s written consent shall be voidable and at Landlord’s election, shall constitute a default. A change in the

control of Tenant shall constitute an assignment requiring Landlord's consent. The transfer, on a cumulative basis, of greater than 50% of the voting control of Tenant shall constitute a change in control for this purpose. All rent received by Tenant from its subtenants in excess of the Rent payable by Tenant to Landlord under this Lease (allocated on a square footage basis in cases of partial subleasing) shall be split equally with Landlord. If Tenant requests Landlord to consent to a proposed assignment or subletting, Tenant shall pay Landlord's reasonable costs, including attorney fees, incurred in reviewing the proposal assignment or subletting. No interest of Tenant in this Lease shall be assignable by involuntary assignment through operation of law (including without limitation the transfer of this Lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment: (i) if Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or institutes proceedings under the United States Bankruptcy Code in which Tenant is the bankrupt; or if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or files for a bankruptcy petition or becomes insolvent, or makes an assignment for the benefit of creditors; or (ii) if a writ of attachment or execution is levied on this Lease; or (iii) if in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises. An involuntary assignment shall constitute a default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

24. **DEFAULT.** The occurrence of any of the following shall constitute a default by the Tenant: (i) any failure of Tenant to pay Rent or any other charge, cost, or expense within ten (10) business days after notice from Landlord of such nonpayment, provided, however, Tenant shall only be entitled to such notice once in any twelve (12) month period without being in default hereunder or being liable for the five percent payment under Section 8.e. or the \$250.00 charge provided in Section 34.e.; (ii) failure to perform any provision of this Lease (other than the payment of Rent) within 20 days after written notice by Landlord specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 20-day period, this provision shall be complied with if Tenant begins correction of the default within the 20-day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable; provided, such extended cure period will not jeopardize the Premises or Project in Landlord's reasonable determination; (iii) failure of Tenant for 10 days or more to occupy the Premises for the purposes permitted under this Lease, unless such failure is excused under other provisions of this lease; or (iv) insolvency of Tenant; assignment by Tenant for the benefit of creditors; filing by Tenant of a voluntary bankruptcy petition; an adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant; the filing of any involuntary bankruptcy petition and failure of Tenant to secure a dismissal of the petition within 30 days after filing; attachment of or the levying of execution on the leasehold interest and failure of Tenant to secure discharge of the attachment or release of the levy of execution within 10 days shall constitute a default. If Tenant consists of two more individuals or business entities, the events of default specified in this Section 24 shall apply to each individual, unless within 10 days after an event of default occurs, the remaining

individuals produce evidence satisfactory to Landlord that they have unconditionally acquired the interest of the one causing the default. If the Lease has been assigned, the events of default so specified shall apply only with respect to the one then exercising the rights of Tenant under this Lease.

25. **LANDLORD'S REMEDIES.** Landlord shall have the following remedies if Tenant is in default. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law. Landlord may terminate this Lease and/or Tenant's right to possession of the Premises at any time. No act by Landlord other than giving notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of this Lease. Upon termination of this Lease or of Tenant's right to possession, Landlord has the right to recover from Tenant: (i) the Worth of the unpaid rent that had been earned at the time of such termination; (ii) the Worth of the amount of the unpaid rent that would have been earned after the date of such termination; and (iii) any other amount, including court costs, attorney fees and collection costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. "**The Worth**," as used in "(i)" above shall be computed by allowing interest at the Default Rate. "**The Worth**" as used for "(ii)" above shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination of Tenant's right of possession. All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent. If Tenant shall fail to pay any sum of money owed to any party other than Landlord, for which it is liable hereunder, or if Tenant shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for 10 days after notice thereof by Landlord, Landlord may, without waiving such default or any other right or remedy, but shall not be obligated to, make any such payment or perform any such act to be made or performed by Tenant. All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the Default Rate from the date of expenditure by Landlord, shall be payable to Landlord on demand.
26. **ENTRY ON PREMISES.** Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes: (i) To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease; (ii) To do any necessary maintenance and to make any restoration to the Premises or the Project that Landlord has the right or obligation to perform; (iii) To post "for sale" signs at any time during the term, to post "for rent" or "for lease" signs during the last 90 days of the term, or during any period while Tenant is in default; (iv) To show the Premises to prospective brokers, agents, buyers, tenants or persons interested in leasing or purchasing the Premises, at any time during the term; or (v) To repair, maintain or improve the Project and to erect scaffolding and protective barricades around and about the Premises but not so as to prevent entry to the Premises and to do any other act or thing necessary for the safety or preservation of the Premises or the Project. Landlord shall not be liable in any manner for any inconvenience,

disturbance, loss of business, nuisance or other damage arising out of Landlord's entry onto the Premises as provided in this Section 26. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any rights reserved in this Section 26. Landlord shall conduct its activities on the Premises as provided herein in a manner that will cause the least inconvenience, annoyance or disturbance to Tenant. For each of these purposes, Landlord shall at all times have and retain a key with which to unlock all the doors in, upon and about the Premises, excluding Tenant's vaults and safes. Tenant shall not alter any lock or install a new or additional lock or bolt on any door of the Premises without prior written consent of Landlord. If Landlord gives its consent, Tenant shall furnish Landlord with a key for any such lock.

27. **SUBORDINATION.** Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any mortgagee or any beneficiary of a deed of trust with a lien on the Project or any ground lessor with respect to the Project, this Lease shall be subject and subordinate at all times to (i) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Project, and (ii) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Project, ground leases or underlying leases, or Landlord's interest or estate in any said items is specified as security. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the Tenant of the successor in interest to Landlord, at the option of such successor in interest. Tenant covenants and agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord any additional documents evidencing the priority or subordination of this Lease with respect to any such ground lease or underlying leases or the lien of any such mortgage or Deed of Trust. Tenant hereby irrevocably appoints Landlord as attorney-in-fact of Tenant to execute, deliver and record any such document in the name and on behalf of Tenant.
28. **ESTOPPEL CERTIFICATE.** Tenant, within 10 days from notice from Landlord, shall execute and deliver to Landlord, in recordable form, estoppel certificates stating that this Lease is not in default, is unmodified and in full force and effect, or in full force and effect as modified, and stating the modifications. This certificate should also state the amount of current monthly rent, the dates to which rent has been paid in advance, the amount of any security deposit and prepaid rent, and such other matters as Landlord may request. Failure to deliver this certificate to Landlord within 10 days shall be conclusive upon Tenant that this Lease is in full force and effect and has not been modified except as may be represented by Landlord. In addition, in connection with any sale or financing involving the Premises, Tenant shall deliver to Landlord, within 20 days of request by Landlord, a current audited financial statement of Tenant.
29. **NOTICE.** Any notice, demand, request, consent, approval or communication desired by either party or required to be given, shall be in writing and either served personally or sent by prepaid certified first class mail, addressed as set forth in Section 1.a. Either party may change its

address by notification to the other party. Notice shall be deemed to be communicated 48 hours from the time of such mailing, or upon the time of service as provided in this Section 30. Landlord may also designate, pursuant to this Section 30, a Landlord's agent or representative for purposes of receiving rent payments and for contact in the case of emergencies.

30. **WAIVER.** No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver. No act or conduct of Landlord, including without limitation, acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Only written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease.
31. **SURRENDER OF PREMISES; HOLDING OVER.** Upon expiration of the term or the termination of this Lease or of Tenant's right of possession, Tenant shall surrender to Landlord the Premises and all Tenant improvements and alterations (except alterations which Tenant has the right or obligation to remove) in good condition, except for ordinary wear and tear. Tenant shall remove all personal property including, without limitation, all wall paper, paneling and other decorative improvements or fixtures and shall perform all restoration made necessary by the removal of any alterations or Tenant's personal property before the expiration of the term, including, for example, restoring all wall surfaces to their condition prior to the commencement of this Lease. Landlord can elect to retain or dispose of in any manner Tenant's personal property not removed from the Premises by Tenant prior to the expiration of the term. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of Tenant's personal property. Tenant shall be liable to Landlord for Landlord's costs for storage, removal or disposal of Tenant's personal property. If Tenant fails to surrender the Premises upon the expiration of the term, or upon the termination of this Lease or of Tenant's right of possession, Tenant shall defend, indemnify, and hold Landlord harmless from all resulting loss or liability, including without limitation, any claim made by any succeeding Tenant founded on or resulting from such failure. If Tenant, with Landlord's consent, remains in possession of the Premises after expiration of this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30 days' written notice at any time, by either party. All provisions of this Lease, except those pertaining to term and rent, shall apply to the month-to-month tenancy. Tenant shall pay Base Rent in the amount equal to 150% of the Base Rent for the last full calendar month during the regular term plus Expenses pursuant to Section 8.
32. **LIMITATION OF LIABILITY.** In consideration of the benefits accruing hereunder, Tenant agrees that, regarding any claim against Landlord and/or any other Protected Party, including in the

event of any actual or alleged failure, breach or default by Landlord, the sole and exclusive remedy of Tenant shall be against the interest of Landlord in the Project, and neither Landlord nor any other Protected Party shall have any other liability whatsoever. The provisions of this Section 33 apply to and are enforceable by both Landlord and any all Protected Parties. Tenant agrees that each of the foregoing provisions shall be applicable to any and all liabilities, claims and causes of action whatsoever, including those based on any provision of this Lease, any implied covenant, and/or any statute or common law principle.

33. MISCELLANEOUS PROVISIONS.

- a. Time of Essence. Time is of the essence of each provision of this Lease.
- b. Successor. Subject to the limitations on Tenant provided in Section 23, this Lease shall be binding on and inure to the benefit of the parties and their successors and assigns.
- c. Landlord's Consent. Any consent required by Landlord under this Lease must be granted in writing. No such consent shall be unreasonably withheld, but any consent may be issued subject to reasonable conditions. As a condition to any consent, Landlord may require that any other party or parties with a right of consent issue such consent on terms acceptable to Landlord.
- d. Commissions. Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner, except for the brokers identified in Section 1.1., who shall be compensated by Landlord.
- e. Attorney Fees; Other Charges. If Landlord becomes a party to any litigation concerning this Lease, the Premises or the Project, by reason of any act or omission of Tenant or any agent, guest or invitee of Tenant, Tenant shall be liable to Landlord for all attorney fees and costs incurred by Landlord in connection with such litigation, including any appeal or review. In the event of litigation between Tenant and Landlord and/or any other Protected Party, the prevailing party shall be entitled to recover from the losing party all costs and attorney fees incurred both at and in preparation for trial and any appeal or review. If Landlord employs a collection agency to recover delinquent charges, Tenant agrees to pay all collection agency and attorney fees charged to Landlord in addition to Rent, late charges, interest and other sums payable under this Lease. Tenant shall pay a charge of \$250.00 to Landlord for preparation of a demand for delinquent rent.
- f. Landlord's Successors. In the event of a sale or conveyance by Landlord of the Project or a portion thereof including the Premises, or of Landlord's interest in the foregoing, the same shall operate to release Landlord from any liability under this Lease, and in

such event Landlord's successor in interest shall be solely responsible for all obligations of Landlord under this Lease.

- g. Interpretation. This Lease shall be construed and interpreted in accordance with the laws of the state of Oregon. This Lease constitutes the entire agreement between the parties with respect to the Premises and the Project, except for such guarantees or modifications as may be executed in writing by the parties from time to time. When required by the context of this Lease, the singular shall include the plural, and the masculine shall include the feminine and/or neuter. "**Party**" shall mean Landlord or Tenant. If more than one person or entity constitutes Tenant, the obligations imposed upon Tenant shall be joint and several. The unenforceability, invalidity or illegality of any provision shall not render the other provisions unenforceable, invalid or illegal.
- h. Third Parties. The Protected Parties shall have the right to enforce the provisions of this Lease which reference them. Except for the foregoing, there are no third parties benefited hereby, this Lease being intended solely for the benefit of Landlord and Tenant. Notwithstanding the foregoing, the beneficiary under a trust deed, or a mortgagee, holding a security interest in the Project shall be a third party beneficiary of the Tenant's obligations set forth in Section 39 hereof and shall have the right to enforce such provisions.
- i. Survival. The release and indemnity covenants of Tenant, the right of Landlord to enforce its remedies hereunder, the attorney fees provisions hereof, the provisions of Section 33, as well as all provisions of this Lease which contemplate performance after the expiration or termination hereof or the termination of Tenant's right to possession hereunder, shall survive any such expiration or termination.
- j. Performance by Landlord. No act or omission of Landlord shall be considered a default under this Lease until Landlord has received 30 days' prior written notice from Tenant specifying the nature of the default with reasonable particularity. Commencing from Landlord's receipt of such default notice, Landlord shall have 30 days to cure or remedy the default before Landlord shall be deemed in default of this Lease; provided, however, that if the default is of such a nature that it cannot be completely remedied or cured within the 30 day period, there shall not be a default by Landlord under this Lease if Landlord begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence to effect the remedy. Landlord shall not be deemed to be in default for the nonperformance or for any interruption or delay in performance of any of the terms, covenants and conditions of this Lease if the same shall be due to any labor dispute, strike, lock-out, civil commotion or like operation, invasion, rebellion, hostilities, military or usurped power, sabotage, governmental regulations or controls, inability to obtain labor, services or materials, or through act of God or causes beyond the reasonable control of Landlord and, in such event, the time for performance by

Landlord hereunder shall be extended to reflect any such interruptions or delays in Landlord's performance from such conditions; provided, such cause is not due to the willful act or neglect of Landlord.

34. EMISSIONS. Tenant shall not:

- a. Discharge, emit or permit to be discharged or emitted, any liquid, solid or gaseous matter, or any combination thereof, into the atmosphere, the ground or any body of water, which matter, as reasonably determined by Landlord or any governmental entity, does, or may, pollute or contaminate the same, or is, or may become, radioactive or does, or may, adversely affect the (i) health or safety of persons, wherever located, whether on the Premises or anywhere else, (ii) condition, use or enjoyment of the Premises or any other real or personal property, whether on the Premises or anywhere else, or (iii) Premises or any of the improvements thereto or thereon including buildings, foundations, pipes, utility lines, landscaping or parking areas;
- b. Produce, or permit to be produced, any intense glare, light or heat except within an enclosed or screened area and then only in such manner that the glare, light or heat shall not be discernible from outside the Premises;
- c. Create, or permit to be created, any sound pressure level which will interfere with the quiet enjoyment of any real property outside the Premises; or which will create a nuisance or violate any Law, rule, regulation or requirement;
- d. Create, or permit to be created, any ground vibration that is discernible outside the Premises;
- e. Transmit, receive or permit to be transmitted or received, any electromagnetic, microwave or other radiation which is harmful or hazardous to any person or property in, on or about the Premises, or anywhere else.

35. STORAGE AND USE.

- a. Storage. Subject to the uses permitted and prohibited to Tenant under this Lease, Tenant shall store in appropriate leak proof containers all solid, liquid, or gaseous matter, or any combination thereof, which matter, if discharged or emitted into the atmosphere, the ground or any body of water, does or may (i) pollute or contaminate the same, or (ii) adversely affect the (A) health or safety of persons, whether on the Premises or anywhere else, (B) condition, use or enjoyment of the Premises or any real or personal property, whether on the Premises or anywhere else, or (C) Premises or any of the improvements thereto or thereon.

- b. Use. In addition, without Landlord's prior written consent, Tenant shall not use, store or permit to remain on the Premises any solid, liquid or gaseous matter which is, or may become, radioactive. If Landlord does give its consent, Tenant shall store the materials in such a manner that no radioactivity will be detectable outside a designated storage area and Tenant shall use the materials in such a manner that (i) no real or personal property outside the designated storage area shall become contaminated thereby or (ii) there are and shall be no adverse effects on the (A) health or safety of persons, whether on the Premises or anywhere else, (B) condition, use or enjoyment of the Premises or any real or personal property thereon or therein, or (C) Premises or any of the improvements thereto or thereon.

36. DISPOSAL OF WASTE.

- a. Refuse Disposal. Tenant shall not keep any trash, garbage, waste or other refuse on the Premises except in sanitary containers and shall regularly, not less frequently than once per week, cause the same to be removed from the Premises. Tenant shall keep all containers or other equipment used for the storage or disposal of such materials in a clean and sanitary condition.
- b. Sewage Disposal. Tenant shall not keep any trash, garbage, waste or other refuse on the Premises except in sanitary containers and shall not use the sewage system (i) for the disposal of anything except sanitary sewage or (ii) in excess of the lesser of the amount (A) reasonably contemplated by the uses permitted under this Lease or (B) permitted by a governmental entity. Tenant shall keep the sewage disposal system free of all obstructions and in good operating condition.
- c. Disposal of Other Waste. Tenant shall properly dispose of all other waste or other matter delivered to, stored upon, located upon or within, used on, or removed from, the Premises in such a manner that it does not, and will not, adversely affect the (i) health or safety of persons, wherever located, whether on the Premises or elsewhere, (ii) condition, use or enjoyment of the Premises or any other real or personal property, wherever located, whether on the Premises or anywhere else, or (iii) Premises or any of the improvements thereto or thereon including buildings, foundations, pipes, utility lines, landscaping or parking areas.

37. COMPLIANCE WITH LAW. Notwithstanding any other provision in this Lease to the contrary, Tenant shall comply with all Laws in performing its obligations under this Lease, and in particular, Laws relating to the storage, use and disposal of hazardous or toxic matter.

38. ADDITIONAL PROVISIONS. No use may be made of, on or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances (as defined below). All of such use which does occur shall be in strict conformance with all Laws. Tenant

shall give prior written notice to Landlord of any use, whether incidental or otherwise, of Hazardous Substances on the Premises, or of any notice of any violation of any Law with respect to such use. Landlord and any ground lessor or master lessor of the Premises and/or the Project shall have the right to request and to receive information with respect to use of Hazardous Substances on the Premises in writing.

In addition to the indemnity obligations contained elsewhere herein, Tenant shall indemnify, defend and hold harmless Landlord, the other Protected Parties, the Premises, the Project, and the beneficiary under a trust deed, or a mortgagee, holding a security interest on the Project, from and against all claims, losses, damages, costs, response costs and expenses, liabilities, and other expenses caused by, arising out of, or in connection with, the generation, release, handling, storage, discharge, transportation, deposit or disposal in, on, under or about the Premises by Tenant or any of Tenant's Agents of the following (collectively referred to as "**Hazardous Substances**"): hazardous materials, hazardous substances, toxic wastes, toxic substances, pollutants, petroleum products, underground tanks, oils, pollution, asbestos, PCB's, materials, or contaminants, as those terms are commonly used or as defined by federal, state, and/or local law or regulations related to protection of health or the environment, including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. § 6901 et seq.); the Comprehensive Environmental Response, Compensation and Liabilities Act (CERCLA) (42 U.S.C. § 9601, et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.); the Clean Water Act (33 U.S.C. § 1251, et seq.); the Clean Air Act (42 U.S.C. § 7401, et seq.); and ORS chapters 453, 465 and 466 as any of the same may be amended from time to time, and/or by any rules and regulations promulgated thereunder. Such damages, costs, liabilities, and expenses shall include such as are claimed by any regulating and/or administering agency, any ground lessor or master lessor of the Project, the holder of any mortgage or deed of trust on the Project, and/or any successor of the Landlord named herein. This indemnity shall include (i) claims of third parties, including governmental agencies, for damages, fines, penalties, response costs, monitoring costs, injunctive or other relief; (ii) the costs, expenses or losses resulting from any injunctive relief, including preliminary or temporary injunctive relief; (iii) the expenses, including fees of attorneys and experts, of reporting the existence of Hazardous Substances to an agency of the State of Oregon or of the United States as required by applicable laws and regulations; (iv) any and all expenses or obligations, including attorney and paralegal fees, incurred at, before and after any trial or appeal therefrom or review thereof, or any administrative proceeding or appeal therefrom or review thereof, whether or not taxable as costs, including, without limitation, attorney fees, paralegal fees, witness fees (expert and otherwise), deposition costs, photocopying and telephone charges and other expenses related to the foregoing, all of which shall be paid by Tenant to Landlord when such expenses are accrued. This indemnity shall survive the expiration or earlier termination of the term of the Lease or the termination of Tenant's right of possession and be fully enforceable thereafter.

Tenant shall provide Landlord with any and all information regarding Hazardous Substances in the Premises, including contemporaneous copies of all filings and reports to governmental

entities, and any other information requested by Landlord. In the event of any accident, spill or other incident involving Hazardous Substances, Tenant shall immediately report the same to Landlord and supply Landlord with all information and reports with respect to the same. All information described herein shall be provided to Landlord regardless of any claim by Tenant that it is confidential or privileged.

WHEREFORE, this Lease has been duly executed by the parties hereto on the date first above written.

Tenant:

Cascade Community School of Music

Dillon Schneider, Executive Director

Landlord:

Bend Park and Recreation District

Don Horton, Executive Director

The attached exhibits are incorporated into this Lease by reference.

Exhibits:

- A- Premises/Space Plan
- B- Confirmation of Actual Date of Commencement
- C- Rules & Regulations

Exhibit A

PREMISES

[See attached.]

Exhibit B

CONFIRMATION OF ACTUAL COMMENCEMENT DATE OF LEASE AND RENT

Lease Date: _____, 2010

Premises: 200 Pacific Park Lane, Bend, Oregon, 97701

Actual Commencement Date: _____, 2010

Expiration of Initial Term: _____, 2017

Prorated dates for the second month of the Lease: _____, 2010 to _____, 2010

Prorated amount of Base Rent for the second month of the Lease: \$ _____

Prorated amount of CAMs for the second month of the Lease: \$ _____

Total Rent for the second month of the Lease: \$ _____

Tenant:

Cascade Community School of Music

Dillon Schneider, Executive Director

Landlord:

Bend Park and Recreation District

Don Horton, Executive Director

Exhibit C

RULES AND REGULATIONS

1. The Premises is a non-smoking building. No smoking is allowed within the Premises.
2. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Premises without the prior written consent of Landlord, and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to, and at the expense of, Tenant.
3. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord.
4. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises. Tenant shall not without prior written consent of Landlord sunscreen any window.
5. The sidewalks, passages, exits and entrances shall not be obstructed or used for any purpose other than for ingress and egress to and from the respective Premises.
6. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises without Landlord's approval.
7. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant who, or whose employees or invitees shall have, caused it. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof. No furniture, freight or equipment of any kind shall be brought into the Premises without the prior notice to Landlord, and all moving of the same into or out of the Premises shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Premises and also the time and manner of moving the same in and out of the Premises. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary properly to distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Premises by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.
8. Tenant shall not use, keep or permit to be used or kept any foul or noxious substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Campus area by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Project.
9. No commercial cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.

10. Tenants shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
11. Landlord will approve as to where and how telephone and telecommunication wires are to be introduced. Landlord must approve any boring or cutting for wires. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord. Landlord's approval shall not be unreasonably withheld or delayed.
12. Tenant shall use the Premises in such a manner as to avoid any disruption of the use of the neighboring park property by the public.
13. Tenant's occupancy and use of the Premises shall be subject to the rules and regulations applicable to Bend Park & Recreation District property and facilities, as the same may be amended from time to time.