

LAND LEASE

DATE: December 17, 1994
PARTIES: Klamath County, A Public Corporation
of the State of Oregon,
Bly Vector Control District,

LESSOR
LESSEE

RECITALS:

Lessor is the owner of the land described in the attached Exhibit A which is on the date of this lease is unimproved. The land together with any easements described on Exhibit A and together with any appurtenances but exclusive of any improvements on the land is referred to in the lease as "the Premises".

Lessee wishes to construct a 36' x 36' building on the Premises for use as vehicle storage and a 6' x 6' building on the Premises for chemical storage.

The parties therefore agree as follows:

SECTION 1. AGREEMENT TO LEASE

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the Premises on the terms and conditions set forth below.

SECTION 2. TERM

2.1 TERM. The term of this lease shall begin on this 27th day of December, 1994 and shall continue to midnight on the 27th of December, 1995, unless it is extended or sooner terminated as provided in this lease.

2.2 RENEWALS. Lessee may, by written notice to Lessor given not less than 30 days prior to the expiration of the existing term, renew this lease for five successive one year periods, subject to all terms and conditions of this lease except as otherwise specifically provided. The renewal term shall commence immediately upon expiration of the lease term. Extension of the lease term by notice as described above shall be irrevocable.

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SECTION 3. RENT; SECURITY

3.1 BASIC RENT. Basic rent shall be the sum of \$15.00 annually, subject to the adjustment described in paragraph 3.2. The obligation to pay basic annual rent shall commence on December 27, 1994, and every December 27th, thereafter.

3.2 ADJUSTMENTS TO BASIC RENT.

3.2.1 Basic rent shall be adjusted as described in paragraph 3.2.2 effective December 27, 1994, annually on the anniversary of the date of this lease.

3.2.2 Basic rent shall be adjusted by such amount, if any, as the purchasing power of the rent specified in paragraph 3.1 above is then less than the purchasing power of that amount during the quarter in which the lease term commenced.

(a) Purchasing power shall be determined by the Consumer Price Index. (All Urban Consumers) all items for Portland, Oregon, published by the Bureau of Labor Statistics of the United States Department of Labor, or in the event that index is no longer published, then by such other index as is generally recognized for similar determinations of purchasing power.

(b) The parties shall determine the amount, if any, by which basic annual rent must be increased at the time the increase is due and Lessor shall notify Lessee of the amount of the increase. The increase shall be determined by dividing the index figure for the current month by the index figure for the base month and subtracting 1.00 from the quotient. Any remaining positive number shall be multiplied by 100 and the product shall be deemed to be the percentage of increase. The amount of increase shall be determined by applying the percentage of increase to the base rent.

(c) Lessee shall add the amount of the increase to the base rent and pay the total as base rent beginning with the first base rent payment due after the adjustment date.

3.3 GENERAL RENT PROVISIONS. All rents shall be payable without deduction or offset to the order of Lessor at the address shown in paragraph 14.2 or at such other address as may be designated from time to time by Lessor. It is the intention of the parties that all rents payable under this lease shall be net to Lessor and that all costs, expenses and obligations during the lease term relating to the Premises shall be paid by Lessee.

SECTION 4. USE OF PREMISES

Lessee may use the Premises for any lawful purpose, provided that Lessee shall refrain from storing on or discharging from or onto the Premises any hazardous waste

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or toxic substances as defined in 42 USC §§9601-9657.

SECTION 5. TAXES AND ASSESSMENTS; UTILITIES

5.1 UTILITIES. Lessee shall pay when due all charges for electricity, natural gas, water, sewage, telephone, refuse collection and all other services or utilities used on or in connection with the Premises.

SECTION 6. INITIAL CONSTRUCTION

6.1 CONDITIONS OF CONSTRUCTION. Prior to commencement of the Construction and before any building materials have been delivered to the Premises. Lessee shall comply with each of the following conditions:

6.1.1 Deliver to Lessor for Lessor's reasonable approval three (3) set(s) of preliminary construction plans and specifications prepared by an architect or engineer licensed in the State of Oregon which are sufficient to enable Lessor to make an informed judgment about the design and quality of the Construction. Lessor shall not unreasonably disapprove such plans and specifications. Approval or disapproval shall be communicated to lessee in the manner provided for notices within fifteen (15) days after receipt of complete plans and specifications by Lessor. Any disapproval shall be accompanied by a statement of the reasons for such disapproval. Following any disapproval Lessee may elect either to revise the plans and specifications and resubmit them to Lessor pursuant to this paragraph or to contest the reasonableness of the disapproval. Final working drawings and the Construction work shall conform in all significant respects with the approved preliminary plans and specifications except as otherwise authorized in writing by Lessor.

6.1.2 Deliver to Lessor five copies of the commitments for both interim and permanent financing of the Construction together with the written approval of the plans and specifications by the financial institution issuing the interim loan commitment.

6.1.3 Deliver to Lessor such other proofs and copies as Lessor shall reasonably request, including without limitation proof that workers' compensation insurance has been procured to cover all persons employed in connection with the Construction, proof of issuance of all building and other permits required for the Construction, and copies of Lessee's contract with the general contractor or with subcontractors for the Construction.

6.2 COMPLETION OF CONSTRUCTION. Once Construction has begun Lessee shall prosecute it to completion with diligence. All work shall be performed in a good and workmanlike manner and shall comply with all applicable governmental permits, laws, ordinances and regulations. Lessee shall pay or cause to be paid the total cost of the Construction.

SECTION 7. MAINTENANCE; ALTERATIONS; RECONSTRUCTION

7.1 MAINTENANCE. Lessee shall maintain the Premises and all improvements in first class condition and repair throughout the term of this lease, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, regulations and ordinances of federal, state, county, municipal or other governmental agencies having or claiming jurisdiction.

7.2 ALTERATIONS. After construction of the Project is completed, but not before, Lessee may from time to time construct, improve, demolish, remove, replace, alter, reconstruct, remodel or add to any existing improvements in whole or in part ("alterations") as Lessee shall deem necessary or desirable on the following conditions:

7.2.1 The value of the improvements on the Premises upon completion of such alterations shall equal or exceed the value of the improvements on the Premises just prior to such work.

7.2.2 All such work shall be done in a good and workmanlike manner in compliance with all applicable building and zoning laws and all other laws, ordinances, orders and requirements of all authorities having or claiming jurisdiction.

SECTION 8. OWNERSHIP OF THE IMPROVEMENTS

All improvements constructed on the Premises by Lessee shall be owned by Lessee until expiration or sooner termination of this lease. All improvements located on the Premises at the expiration or sooner termination of this lease shall become the property of Lessor, free and clear of all claims of Lessee or anyone claiming under Lessee, and Lessee shall indemnify and defend Lessor against all liability and loss arising from such claims. Nothing in this paragraph 8 shall alter other provisions of this lease, including without limitation restrictions on removal or alteration of the building on the Premises.

SECTION 9. ASSIGNMENT

Lessee shall not assign or otherwise transfer Lessee's interest in this lease or the estate created by this lease without the prior written consent of the Lessor which shall not be unreasonably withheld. In granting or withholding such consent Lessor shall consider only the financial net worth and managerial experience of the proposed assignee. No consent in one instance shall remove the requirement for consent in a subsequent instance.

SECTION 10. INSURANCE

10.1 COMPREHENSIVE LIABILITY. Contractor shall obtain and at all times

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during the duration of this lease keep in effect comprehensive liability insurance and property damage insurance covering the lease activities. Said insurance shall, at a minimum, provide for:

(a) \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence.

(b) \$100,000 to any claimant as general and special damages for all other claims arising out of a single accident or occurrence, unless those damages exceed \$100,000, in which case the claimant may recover additional special damages, but in no event shall the total award of special damages exceed \$100,000.

(c) \$500,000 for any number of claims arising out of a single accident or occurrence.

10.2 CERTIFICATES OF INSURANCE. Certificates of Insurance shall be provided to the County by the Contractor prior to the commencement of any work under this Lease. These Certificates shall contain provision that coverages afforded under the policies cannot be cancelled and restrictive modifications cannot be made until at least thirty (30) days prior written notice has been given to the County. Certificates which state merely that the carrier "will endeavor to mail written notice" are not sufficient.

10.3 ADDITIONAL INSURANCE. Contractor shall include Klamath County and its officers, agents and employees as additional insured on policies issued for this Lease, or shall furnish an additional insured endorsement naming the same as additional insured to Contractor's existing public liability and property damage insurance, for Contractor's activities pursuant to the performance of this Lease.

10.4 RENEWAL CERTIFICATE. Contractor shall ensure that the County is provided with a renewal certificate at least ten (10) days prior to the expiration date of the coverage in the event that the original certificate expires prior to the scheduled termination of the Lease.

SECTION 11. DEFAULT

Each of the following events shall be a default by Lessee and a breach of this lease:

11.1 FAILURE TO PAY RENT. Failure of Lessee to pay any basic rent within ten (10) days after it is due.

11.2 OTHER PERFORMANCE FAILURES. Failure of Lessee to perform any other term, condition or covenant of this lease within 20 days after written notice from

Lessor specifying the nature of the failure with reasonable particularity. If the failure is of such a nature that it cannot be completely remedied within the 20-day period, the failure shall not be a default if Lessee begins correction of the failure within the 20-day period and thereafter proceeds with reasonable diligence and in good faith to correct the failure as soon as practicable.

11.3 ATTACHMENT Attachment, execution, levy or other seizure by legal process of any right or interest of Lessee under this lease if not released within fourteen (14) days, provided that the foreclosure of any mortgage permitted by this lease relating to construction of improvements on the Premises shall not be construed to be a default within the meaning of this section.

11.4 BANKRUPTCY An assignment by Lessee for the benefit of creditors, the filing by Lessee of a voluntary petition in bankruptcy, the filing of an involuntary petition in bankruptcy and failure of Lessee to secure a dismissal of the petition within 30 days after filing, the appointment of a receiver to take possession of the Premises or improvements or the leasehold estate or of Lessee's operations on the Premises for any reason. For purposes of this paragraph the term bankruptcy includes all arrangements and chapters in the Bankruptcy Code.

SECTION 12. REMEDIES ON DEFAULT

12.1 LESSOR'S RIGHT TO CURE. After expiration of the applicable period during which Lessee or a qualifying mortgagee could cure, and before that in the event of an emergency, Lessor may, but is not obligated to, make any payment required of Lessee under this lease or under any note, mortgage or other document pertaining to the financing of improvements or fixtures on the Premises or perform or comply with any other covenant or condition imposed on Lessee under this lease or under any such note, mortgage or document. All amounts so paid by Lessor plus the cost of any performance or compliance, including attorney fees, plus interest on such sums at the rate of 9 percent annum from the date of payment, performance or compliance shall be deemed to be additional rent payable by Lessee with the next due installment of rent. No such payment or performance by Lessor shall constitute a waiver of a default or of any other remedy for default or render Lessor liable for any loss or damage resulting from any such payment or performance.

12.2 LESSOR'S REMEDIES. Upon default and after the notice period described in 12.1 above, Lessor may elect any one or more of the following consistent remedies:

12.2.1 Lessor may by notice to Lessee and to any qualifying mortgagee terminate this lease as of the date of the notice. All of Lessee's rights in the Premises and in all

improvements on the Premises including without limitation the Project shall terminate as of the date of termination. Promptly after such notice Lessee shall surrender and vacate the Premises and all improvements brown clean and in good condition. Lessor may reenter and take possession of the Premises and of all improvements and eject some or all parties in possession except any sublessee qualifying under any nondisturbance agreement by Lessor. Termination under this paragraph shall not relieve Lessee from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee.

12.2.2 Lessor may elect to reenter the Premises without terminating this lease and from time to time relet the Premises including any improvements or parts of improvements on the Premises for the account and in the name of Lessee or otherwise. Lessor may elect to eject some or all persons then in possession except any subtenant qualifying under a nondisturbance agreement by Lessor. Any reletting may be for the remainder of the term or for a longer or shorter period and Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name. Lessor shall apply all rents from the reletting first to the costs of reentry and reletting including reasonable attorney fees and then to rents and other amounts payable by Lessee under this lease including without limitation any amounts which became payable prior to the reletting. Lessee shall nevertheless pay to Lessor on the due dates specified in this lease all sums payable by Lessee under this lease, plus Lessor's expenses of retaking and reletting including any attorney fees, less amounts received by Lessor from the reletting, if any. No act by or on behalf of Lessor under this paragraph shall constitute a termination of this lease unless Lessor gives Lessee and any qualifying mortgage a notice of termination.

12.2.3 Lessor may elect to use all or any part of Lessee's personal property and trade fixtures remaining on the Premises without compensation to Lessee and without liability for use or damage; or Lessor may store all or any of Lessee's personal property and trade fixtures for the account of and at the cost of Lessee. The election of one remedy for any one item shall not preclude an election of any other remedy for another item or for the same item at a later time.

12.2.4 Lessor shall be entitled to the following rents through out the lease term until the date of any termination: basic rent; plus any adjustments to basic rent pursuant to paragraph 3.2; plus percentage rent; plus interest at the rate of 9 percent per annum from the date of each such payment to the date of payment.

12.2.5 In the event of a termination Lessor shall be entitled to damages in the following amounts:

(a) Any excess of the rental obligation of Lessee under this lease from the date

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of termination to the last day of the lease term or renewal term in which termination occurs over the reasonable rental value of the Premises, including improvements, for such period of time, and

(b) The reasonable cost of reentry and reletting, including the cost of any cleanup, broker's or finder's fees and attorney fees.

SECTION 13. SURRENDER ON TERMINATION

13.1 SURRENDER. Upon expiration of the lease term or renewal term lessee shall surrender possession of the Premises to Lessor, including all improvements then located on the Premises, free of occupants and broom clean, all in good condition except for reasonable wear and tear since the last necessary restoration, repair or reconstruction made by Lessee pursuant to this lease. All property that Lessee is required to surrender shall become Lessor's property at the date of expiration of this lease. All property that Lessee is not required to surrender, but that Lessee does abandon shall, at Lessor's election, become Lessor's property on the date of expiration or termination of this lease.

13.2 HOLDOVER. Failure by Lessee to vacate the Premises at the time specified in this lease shall not constitute a renewal or extension or give Lessee any rights in or to the Premises or any improvements. Upon such a holdover, Lessee shall defend and indemnify Lessor from all liability and expense resulting from the failure or delay of Lessee to timely surrender the Premises including, without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender.

SECTION 14. MISCELLANEOUS

14.1 NONWAIVER. Waiver by either party of strict performance of any provision or term of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision or any other provision.

14.2 NOTICES. All notices under this lease shall be effective on the earlier of actual receipt or two days after deposit as registered or certified mail, return receipt requested, postage prepaid and addressed to Lessor or Lessee at the addresses stated below, or to such other address as either party may specify by notice to the other party:

LESSOR: Klamath County, a Public Corporation of the State of Oregon.

LESSEE: Bly Vector Control

14.3 ATTORNEY FEES. If suit or action is instituted to collect rent, to enforce this lease, or in connection with any claim or controversy arising out of this lease, the prevailing party shall be entitled to recover, in addition to costs, such sum as the court

may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action. If arbitration is instituted in connection with any claim or controversy arising out of this lease, attorney fees may be awarded by the arbitrators as they may decide, and if so awarded shall be a part of the arbitrators decision on which judgment may be rendered.

14.4 SEVERABILITY. The invalidity or illegality of any provision of this lease shall not affect the remainder of the lease.

14.5 GOVERNING LAW. This lease and the party's rights under it shall be construed and regulated by the laws of the state of Oregon.

DONE and DATED this 27th day of December, 1994.

LESSOR: Klamath County, A Public
Corporation of the State
of Oregon:

LESSEE: Bly Vector Control
District by:

Wes Sine, Chairman of the Board

Gordon Hevern
Gordon Hevern, Chairman

F. Jean Elzner
F. Jean Elzner, County Commissioner

Ed Kentner
Ed Kentner, County Commissioner

STATE OF OREGON)
) ss.
County of Klamath)

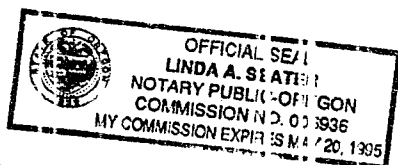
BE IT REMEMBERED THAT on this 27th day of December 1994, before me, the undersigned, appeared F. Jean Elzner and Ed Kentner, the County Commissioners, respectively, to me personally known, who being duly sworn, did say they, the said F. Jean Elzner and Ed Kentner, are the duly elected, qualified and acting Commissioners, respectively of said County and State; and the seal affixed to said instrument is that of said County and State; and said Commissioners acknowledge said

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instrument to be the free and deed of said County.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first in this, my certificate, written.

(SEAL)



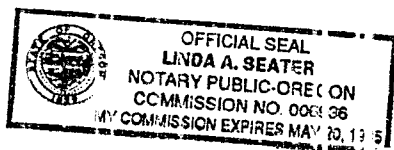
Linda A. Seater
Notary Public for Oregon
My Commission Expires: May 20, 1995

STATE OF OREGON)

County of Klamath) s.

On this 27th day of December 1994 before me personally appeared, Gordon Heveron, whose identity was proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to this instrument, and acknowledged that he (she) (they) executed the same.

(SEAL)



Linda A. Seater
Notary Public for Oregon
My Commission Expires: May 20, 1995

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39144

EXHIBIT A

The Northeasterly 50 feet of Lot 9, Block 1, Townsite of North Bly, Klamath County, Oregon.

SUBJECT TO: Ditch right and water mains installed now, and in the future. Said trench and water mains located on the Westerly said of Lot. Covenants, conditions, reservations, easements, restrictions, rights, rights of way and all matters appearing of record.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County
 of Dec A.D., 19 94 at 3:36 o'clock P M., and duly recorded in Vol. M94 day
 of Deeds on Page 39134
 Evelyn Biehn - County Clerk
 By Dorlene Mullens

FEE \$none

Return: Linda-Commissioners Office

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