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09/07/2006 10:05:55 AM

Fee: \$86.00

**COMMERCIAL LEASE AGREEMENT**

This Commercial Lease Agreement (this "Agreement") is made and entered into as of July 1, 2005 (the "Effective Date"), by and between MARTA C. CARPENTER ("Landlord" or "Carpenter") and THE NEW ALGAE COMPANY ("Tenant" or "New Algae").

**RECITALS**

A. Marta and Daryl Kollman, as landlord, and Tenant (or its predecessor-in-interest), as tenant, entered into those certain leases described on *Exhibit A* attached hereto (collectively, the "Leases") for the properties described on said Exhibit (the "Properties"). At the time of the execution of the leases on *Exhibit A*, Marta and Daryl Kollman were married and were sole owners and employees of Tenant.

B. Since the execution of the Leases, Daryl Kollman has been terminated, Marta and Daryl Kollman have divorced, and Marta Kollman has changed her name to Marta C. Carpenter. Since the execution of the Leases, the Tenant has undergone a restructuring and is now a wholly-owned subsidiary of Cell Tech International Incorporated, a corporation of Delaware ("Cell Tech").

C. Ms. Carpenter continues to be employed as President of Tenant and Cell Tech (collectively, the "Company"). Ms. Carpenter continues to work towards a restructuring of the Company's obligations to its creditors and is actively pursuing the infusion of additional needed operating capital. Mr. Kollman has filed eviction actions against Tenant for failure to pay rent pursuant to the Leases and is generally hostile toward Tenant's continued occupancy of the Properties.

D. For several years, Marta Carpenter has agreed to forbear the collection of rent owed her by New Algae under the Leases, and has granted the Company broad permission to continue occupying the Properties notwithstanding the terms of the Leases. Ms. Carpenter has done this because she desires to assist the Company in continuing its on-going business operations to preserve jobs for Company employees and to permit the Company an opportunity to restructure its operations and work out acceptable arrangements with its creditors.

E. Tenant is defending Kollman's claims to the Properties. The Company asserts a good faith dispute with Kollman on the amounts allegedly due him on past due rent under the Leases.

F. Ms. Carpenter has requested that the majority shareholder of Cell Tech infuse substantial additional funds to assist in the continued operations and restructuring of the Company's debts. The majority shareholder is willing to invest such additional funding, so long as the Tenant obtains continued rights to Landlord's interest in the Properties.

## AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Incorporation of Lease Terms.** Except as modified by the Forbearance Agreement (defined below) or this Agreement, the terms of the Leases (including without limitation the rent terms) are incorporated into this Agreement.

2. **Term.** The term of the leasehold estates provided for in this Agreement shall be ten years from the Effective Date. Tenant shall also have the option to renew the leasehold estates provided for in this Agreement for an additional ten (10) years, so long as it provides notice to Carpenter of the exercise of such option on or before January 1, 2015. On a per-property basis, either Tenant or Carpenter shall be entitled to terminate this Agreement and any of the leasehold estates provided hereby by transmitting written notice to the other party of such termination on one year's notice.

3. **Setoffs.** To the extent Tenant performs Landlord's obligations under this Agreement (as set forth in the Leases and incorporated herein), including without limitation the performance of Landlord's obligations concerning repairs, maintenance, utilities, insurance and taxes relating to the Properties, or to the extent Tenant otherwise provides benefits to Landlord for which Landlord should properly account to Tenant, then Tenant shall be entitled to a setoff against rent otherwise due under this Agreement. Tenant shall be responsible for maintaining an accounting of such setoffs. Tenant shall be entitled to charge Landlord a reasonable management fee for its costs in maintaining such accounting, and Tenant shall be entitled to treat such fee as an additional setoff to rent. The parties acknowledge and agree that this paragraph is consistent with their course of dealing since the Leases were originally executed. Any disagreement concerning setoffs to rent or the management fee shall be resolved pursuant to the dispute resolution procedure set forth in paragraph 8 below.

4. **Proration.** Notwithstanding this term and any provision in the Leases to the contrary, basic rent due under this Agreement shall be prorated, if necessary, to take into account the possibility that the tenancies granted to Tenant under this Agreement are less than the entire leasehold estates of the Properties. The parties

shall negotiate in good faith to determine the amount of such proration. If agreement on the proration cannot be reached within a reasonable period of time after it is first raised by one of the parties hereto, the parties shall resolve the dispute pursuant to the dispute resolution procedure set forth in paragraph 8 below.

5. **Other Claimants to Rent.** Carpenter agrees to account to the Internal Revenue Service, as appropriate, for any rents paid to her under this Agreement. Subject to any restrictions imposed by the Internal Revenue Service or the law, Carpenter also agrees to account to Kollman, as appropriate, for any share of any rent paid to Carpenter under this Agreement to which Kollman is entitled.

6. **Assignment and Subletting.** Notwithstanding any provision in the Leases to the contrary, Tenant shall have the right, without Landlord's consent, to permit Cell Tech to operate at the Properties and/or to assign this Agreement or sublet the Properties to Cell Tech.

7. **Forbearance Agreement.** This Agreement shall be subject to all terms and conditions of that certain Forbearance Agreement executed by Carpenter and Cell Tech on or about November 12, 2004 (the "Forbearance Agreement").

8. **Dispute Resolution.** Unless Tenant and Carpenter otherwise agree, any dispute relating to or arising out of this Agreement shall be resolved pursuant to the dispute resolution procedure set forth in this paragraph. In the event of such dispute, the parties shall cooperate in good faith to select a respected member of the Oregon State Bar to who will resolve the dispute on a summary basis, and whose ruling will be effective, binding and enforceable in the same manner as a ruling of an arbitrator under the laws of the State of Oregon.

9. **Miscellaneous.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. This Agreement shall be governed by Oregon law. This Agreement may not be modified except in a writing signed by both parties. If any provision of this Agreement is deemed invalid or illegal, the remainder of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

//

IN WITNESS WHEREOF, Landlord and Tenant have executed this Commercial Lease Agreement as of the Effective Date provided for above.

**LANDLORD:**

**TENANT:**

Marta C. Carpenter  
Marta C. Carpenter

THE NEW ALGAE COMPANY

By: Robert W Underwood

Name: ROBERT W. UNDERWOOD

Its: PRESIDENT

Date: 12/14/05

Date 11/11/05

Marta C. Carpenter

Robert W Underwood

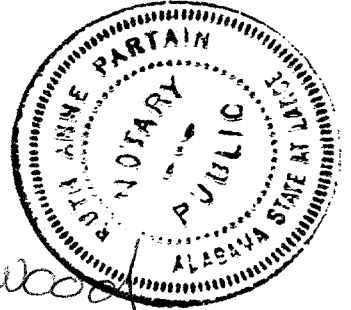


Frances I Johnson

Ruth Anne Partain

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Jan 12, 2008  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

12/14/05



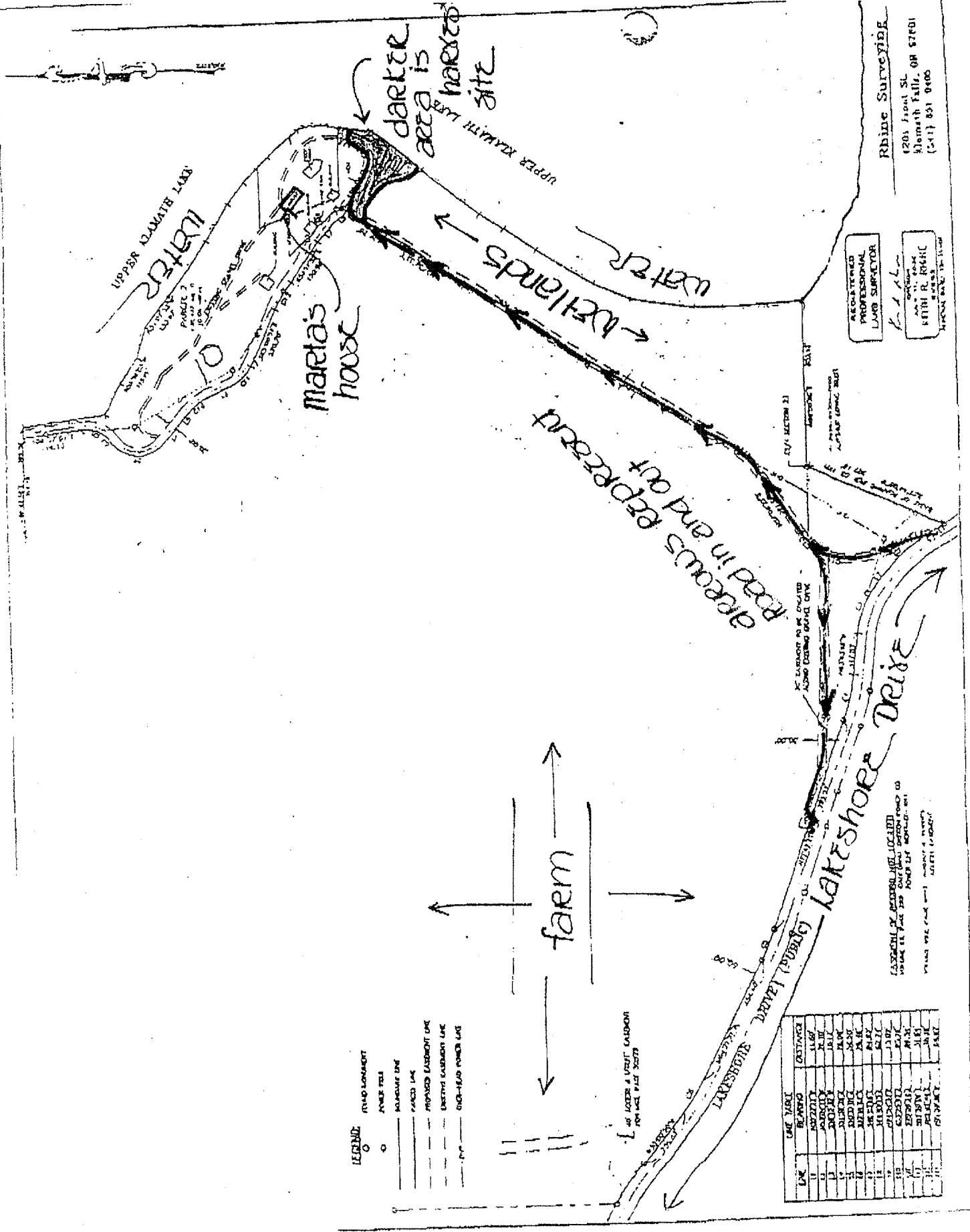
I witnessed Marta Carpenter and Robert Underwood sign this document.

Frances I Johnson  
9/7/2006

**EXHIBIT A**

**DESCRIPTION OF LEASES AND PROPERTIES**

- That certain Commercial Lease dated July 1, 1995 between Daryl Kollman and Marta Kollman, as Landlord, and New Earth Company, as Tenant, for property located at 1350 South Sixth Street, Klamath Falls, Oregon, and known as the "Plate Freezing Building"
- That certain Commercial Lease dated July 1, 1995 between Daryl Kollman and Marta Kollman, as Landlord, and New Earth Company, as Tenant, for property located at 1360 South Sixth Street, Klamath Falls, Oregon, and known as the "Wetline/Office Building"
- That certain Commercial Lease dated May 1, 1996 signed by Marta Kollman, as Landlord, and New Algae Company, d/b/a Cell Tech, as Tenant, for property consisting of a 12,800-square foot building located at 565 Century Court, Klamath Falls, Oregon



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COMMERCIAL LEASE

DATED: July 1, 1995.

BETWEEN: DARYL KOLLMAN and MARTA KOLLMAN  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601 LANDLORD

AND: NEW EARTH COMPANY  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601 TENANT

Landlord leases to Tenant the following described property on the terms and conditions stated below:

Real property at 1350 S. Sixth Street in Klamath Falls, Oregon, known as the "Plate Freezing Building", (along with all plate freezing equipment there situated).

I. OCCUPANCY

- a) Original Term: The term of this Lease shall commence 1 July, 1995, and continue through 30 June, 1996.
- b) Possession: Tenant's right to possession and obligations under this Lease shall commence on 1 July, 1995.
- c) Renewal Option: If Tenant has not been in default throughout the term hereof, Tenant shall have the right to renew this Lease for nine terms of one year each as follows:

7-1-05

(1) Each of the renewal terms shall commence on the day following the date of termination of the preceding term.

(2) The option may be exercised by written notice to Landlord given not less than Sixty (60) days prior to the last day of the expiring term. The giving of such notice shall be sufficient to make the Lease binding for the renewal term without further act of the parties who shall then be bound to take the steps

COMMERCIAL LEASE

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LAW OFFICES OF  
DAVIS, GILSTRAP, HARRIS, HEARN & WELTY  
A Professional Corporation  
515 EAST MAIN STREET  
ASHLAND, OREGON 97520  
(503) 482-3111 FAX (503) 488-4455

required in connection with the determination of rent as specified below.

(3) The terms and conditions of the Lease for each renewal term shall be identical with the original term except for rent owing. The rent shall be negotiated between the parties.

**II. RENT**

Tenant shall pay to Landlord as rent the sum of One and three-quarter cents per pound of algae processed at the subject property. Rent shall be payable on the 10th day of each month in arrears at such place as may be designated by Landlord.

**III. USE OF THE PREMISES**

a) Permitted Use: The premises shall be used for processing algae, and for no other purpose without the consent of Landlord.

b) Restrictions on Use: In connection with the use of the premises, Tenant shall:

(1) Conform to all applicable laws and regulations of any public authority affecting the premises and the use, and shall correct at Tenant's own expense any failure of compliance created through Tenant's fault or by reason of Tenant's use or as otherwise required from Tenant by the terms of this lease.

(2) Refrain from any activity which would make it impossible to insure the premises against casualty, would increase the insurance rate, or would prevent Landlord from taking advantage of any ruling of the Oregon Insurance Rating Bureau or its successor allowing Landlord to obtain reduced premium rates for long-term fire insurance policies, unless Tenant pays the additional cost of the insurance.

(3) Refrain from any use which would be reasonably offensive to other tenants or owners or users of neighboring premises or which would tend to create a nuisance or damage the reputation of the premises.

COMMERCIAL LEASE

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Commercial Lease

DATED: July 1, 1995.

BETWEEN: DARYL KOLLMAN and MARTA KOLLMAN  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601

LANDLORD

AND: NEW EARTH COMPANY  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601

TENANT

Landlord leases to Tenant the following described property on the terms and conditions stated below:

Real property at 1360 S. Sixth Street in Klamath Falls, Oregon, known as the "Wetline/Office Building".

I. OCCUPANCY

a) Original Term: The term of this Lease shall commence July 1, 1995, and continue through June 30, 2005.

b) Possession: Tenant's right to possession and obligations under this Lease shall commence on July 1, 1995.

II. RENT

a) Basic Rent:

Tenant shall pay to Landlord as rent the sum of Seven Thousand and Fifty (\$7,050.00) per month commencing the date Tenant is entitled to possession as set forth above. Rent shall be payable on the 1<sup>st</sup> day of each month in advance at such place as may be designated by Landlord.

b) Escalation:

On May 25, 1999 and on the same day of every month of each succeeding year, there shall be computed any increase in the cost of living based on the "Consumer Price Index - Pacific cities and U.S. Average" (1967-100) hereinafter called the "Index", published by the Bureau of

COMMERCIAL LEASE

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(503) 482-3111 FAX (503) 488-4455

COMMERCIAL LEASE

DATED: May 1, 1996.

BETWEEN: DARYL KOLLMAN and MARTA KOLLMAN

1300 MAIN STREET  
KLAMATH FALLS, OR 97601 LANDLORD

AND: NEW ALGAE COMPANY, dba CELL TECH

1300 MAIN STREET  
KLAMATH FALLS, OR 97601 TENANT

Landlord leases to Tenant the following described property on the terms and conditions stated below:

12,800 Square foot building at 565 Century Court in Klamath Falls, Oregon.

I. OCCUPANCY

a) Original Term: The term of this Lease shall commence May 1, 1996, and continue on a month-to-month basis.

b) Possession: Tenant's right to possession and obligations under this Lease shall commence on May 1, 1996.

II. RENT

Basic Rent: Tenant shall pay to Landlord as rent the sum of Four Thousand Four Hundred and Eighty Dollars (\$4,480.00) per month. Rent shall be payable on the 1st day of each month in advance at such place as may be designated by Landlord.

III. USE OF THE PREMISES

a) Permitted Use: The premises shall be used for offices and for no other purpose without the consent of Landlord.

b) Restrictions on Use: In connection with the use of the premises, Tenant shall:

- (1) Conform to all applicable laws and I regulations of any public authority affecting the premises and the use, and shall correct at Tenant's own expense any failure of compliance created through Tenant's fault or by reason of Tenant's use or as otherwise required from Tenant by the terms of this lease.

C/RC  
CURRENT

COMMERCIAL LEASE

DATED: July 1, 1995.

BETWEEN: DARYL KOLLMAN and MARTA KOLLMAN  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601 LANDLORD

AND: NEW EARTH COMPANY  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601 TENANT

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Real property at 1350 S. Sixth Street in Klamath Falls, Oregon, known as the "Plate Freezing Building", (along with all plate freezing equipment there situated).

I. OCCUPANCY

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- b) Possession: Tenant's right to possession and obligations under this Lease shall commence on 1 July, 1995.
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7-1-05

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Commercial Lease

DATED: July 1, 1995.

BETWEEN: DARYL KOLLMAN and MARTA KOLLMAN  
1300 MAIN STREET  
KLAMATH FALLS, OR 97601

LANDLORD

AND: NEW EARTH COMPANY  
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LANDLORD

AND: NEW ALGAE COMPANY, dba CELL TECH

1300 MAIN STREET  
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