

COMMERCIAL LEASE

Date: January 1, 2006

Between: City of Ashland ("City"), 20 East Main Street, Ashland, Oregon 97520
And: State of Oregon, by and through the State Forestry Department ("Lessee")

City leases to Lessee and Lessee leases from City the following described property (the "premises") on the terms and conditions stated below:

Beginning at the southwest corner of the northeast quarter of Section 14, T 39S, R1 E, Willamette Meridian, City of Ashland, Jackson County, Oregon; thence north along the west line of said northeast quarter 354.0 feet to the true point of beginning; thence, continue north 190.0 feet; thence east 175.0 feet; thence south 7° 35' each 193.4 feet; thence west 192.0 feet to the true point of beginning, containing 0.78 acres, more or less.

1. Occupancy

1.1. Term. The term of this lease shall commence January 1, 2006, and shall be extended from year to year on the same terms and conditions as herein provided unless written notice is given by either party to terminate this agreement at least 45 days prior to the proposed termination date.

1.2. Possession. Lessee's right to possession and obligations under the lease shall commence on January 1, 2006.

2. Rent. Lessee shall pay to City as rent the sum of \$1.00 per year. Rent shall be payable on the first day of each calendar year in advance at such place as may be designated by City.

3. Use. The premises shall be used for a forest administrative site and for no other purpose without the consent of City, which consent shall not be withheld unreasonably.

Lessee shall not cause or permit any Hazardous Substance to be spilled, leaked, disposed of, or otherwise released on or under the premises. Lessee may use or otherwise handle on the premises only those Hazardous Substances typically used or sold in the prudent and safe operation of the business specified in section 3. Lessee may store such Hazardous Substances on the premises only in quantities necessary to satisfy Lessee's reasonably anticipated needs. Lessee shall comply with all Environmental Laws

and exercise the highest degree of care in the use, handling, and storage of Hazardous Substances and shall take all practicable measures to minimize the quantity and toxicity of Hazardous Substances used, handled, or stored on the premises. Upon the expiration or termination of this Lease, Lessee shall remove all Hazardous Substances from the premises. The term Environmental Law shall mean any federal, state, or local statute, regulation, or ordinance or any judicial or other governmental order pertaining to the protection of health, safety or the environment. The term Hazardous Substance shall mean any hazardous, toxic, infectious or radioactive substance, waste, and material as defined or listed by any Environmental Law and shall include, without limitation, petroleum oil and its fractions.

4. Repairs and Maintenance.

4.1. City's Obligations. City shall be under no obligation to make or perform any repairs, maintenance, replacements, alterations, or improvements on the premises.

4.2. Lessee's Obligations. Lessee, at its expense, shall keep the premises (including without limitation the roof and exterior paint) in first-class repair, operating condition, working order, and appearance.

4.3. Inspection of premises. City shall have the right to inspect the premises at any reasonable time or times to determine the necessity of repair.

5. Alterations.

5.1. Alterations Prohibited. Lessee shall make no improvements or alterations on the premises of any kind without first obtaining City's written consent. All alterations shall be made in a good and workmanlike manner, and in compliance with applicable laws and building codes.

5.2. Ownership and Removal of Alterations. All improvements and alterations performed on the premises shall be the property of City when installed unless the applicable City's consent specifically provides otherwise. Improvements and alterations installed by Lessee shall, at City's option, be removed by Lessee and the premises restored unless the applicable City's consent specifically provides otherwise.

6. Utilities. Lessee shall pay when due all charges for services and utilities incurred in connection with the use, occupancy, operation, and maintenance of the premises, including (but not limited to) charges for fuel, water, gas, electricity, sewage disposal, power, refrigeration, air conditioning, telephone, and janitorial services.

7. Damage and Destruction.

7.1. Partial Damage. If the premises are partly damaged and section 7.2 does not apply, the premises shall be repaired by Lessee at Lessee's expense. Repairs shall be

accomplished with all reasonable dispatch subject to interruptions and delays from labor disputes and matters beyond the control of Lessee.

7.2. Destruction. If the premises are destroyed or damaged such that the cost of repair exceeds 50% of the value of the structure before the damage, either party may elect to terminate the lease as of the date of the damage or destruction by notice given to the other in writing not more than 45 days following the date of damage. In such event all rights and obligations of the parties shall cease as of the date of termination, and Lessee shall be entitled to the reimbursement of any prepaid amounts paid by Lessee and attributable to the anticipated term. If neither party elects to terminate, Lessee shall proceed to restore the premises to substantially the same form as prior to the damage or destruction. Work shall be commenced as soon as reasonably possible and thereafter shall proceed without interruption except for work stoppages on account of labor disputes and matters beyond Lessee's reasonable control.

7.3. Damage Late in Term. If damage or destruction to which section 7.2 would apply occurs within one year before the end of the then-current lease term, Lessee may elect to terminate the lease by written notice to City given within 45 days after the date of the damage. Such termination shall have the same effect as termination by City under section 8.1.1.

8. Eminent Domain

8.1. Partial Taking. If a portion of the premises is condemned and section 8.2 does not apply, the lease shall continue on the following terms:

8.1.1. City shall be entitled to all of the proceeds of condemnation, and Lessee shall have no claim against City as a result of the condemnation.

8.1.2. City shall proceed as soon as reasonably possible to make such repairs and alterations to the premises as are necessary to restore the remaining premises to a condition as comparable as reasonably practicable to that existing at the time of the condemnation.

8.2. Total Taking. If a condemning authority takes all of the premises or a portion sufficient to render the remaining premises reasonably unsuitable for the use that Lessee was then making of the premises, the lease shall terminate as of the date the title vests in the condemning authorities. Such termination shall have the same effect as a termination under section 8.1.1. City shall be entitled to all of the proceeds of condemnation, and Lessee shall have no claim against City as a result of the condemnation.

8.3. Sale in Lieu of Condemnation. Sale of all or part of the premises to a purchaser with the power of eminent domain in the face of a threat or probability of the exercise of the power shall be treated for the purposes of this section as a taking by condemnation.

9. Liability and Indemnity

9.1. Liens

9.1.1. Except with respect to activities for which City is responsible, Lessee shall pay as due all claims for work done on and for services rendered or material furnished to the premises, and shall keep the premises free from any liens.

9.1.2. Lessee may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, as long as City's property interests are not jeopardized. If a lien is filed as a result of nonpayment, Lessee shall, within 10 days after knowledge of the filing, secure the discharge of the lien or deposit with City cash or sufficient corporate surety bond or other surety satisfactory to City in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

9.2. Indemnification. Each party (the indemnifying party) shall defend and indemnify the other parties, their officers, agents, and employees (the indemnified parties), from any and all claims, actions, costs, judgments, damages or other expenses resulting from injury to any person (including injury resulting in death,) or damage to real or tangible personal property (including loss or destruction), caused by the negligence or other tortious acts of the indemnifying party (including, but not limited to, acts and omissions of the indemnifying party's officers, employees, agents, contractors, and subcontractors). The obligations stated in this section shall be subject to the following conditions:

9.2.1. The indemnifying party shall be notified in writing of any claim promptly after the indemnified party becomes aware of it;

9.2.2. The indemnifying party has sole control of the defense of such claim and of all negotiations for its settlement or compromise; and

9.2.3. The indemnified party gives the indemnifying party information reasonably available and assistance necessary to facilitate the settlement or defense of such claim and, to the extent permitted by law, the indemnified party makes any defenses available to it available to the indemnifying party.

The indemnifying party's indemnity obligation under this section shall be reduced to the extent by which the liability, damage, or expense results from the negligence or other tortious acts of the indemnified party, the indemnifying party's officers, employees, or agents, or a third party.

The duty to indemnify any party shall be subject to the limitations imposed by the Oregon Constitution, applicable statutes, and by the Oregon Tort Claims Act.

10. Assignment and Subletting. No part of the premises may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the property be conferred on any third

person by any other means, without the prior written consent of City. This provision shall apply to all transfers by operation of law. No consent in one instance shall prevent the provision from applying to a subsequent instance. City shall not unreasonably delay consent and shall give consent under circumstances where withholding it shall be unreasonable.

11. Default. The following shall be events of default:

11.1. Default in Rent. Failure of Lessee to pay any rent or other charge within 10 days after written notice that it is due.

11.2. Default in Other Covenants. Failure of Lessee to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within 20 days after written notice by City 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 Lessee 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.

12. Remedies on Default.

12.1. Termination. In the event of a default the lease may be terminated at the option of City by written notice to Lessee. Whether or not the lease is terminated by the election of City or otherwise, City shall be entitled to recover damages from Lessee for the default, and City may reenter, take possession of the premises, and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages and without having accepted a surrender.

12.2. Reletting. Following reentry or abandonment, City may relet the premises and in that connection may make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but City shall not be required to relet for any use or purpose other than that specified in the lease or which City may reasonably consider injurious to the premises, or to any tenant that City may reasonably consider objectionable. City may relet all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

12.3. Damages. In the event of termination or retaking of possession following default, City shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the lease term, the following amounts as damages:

12.3.1. The loss of rental from the date of default until a new tenant is, or with the exercise of reasonable efforts could have been, secured and paying out.

12.3.2. The reasonable costs of reentry and reletting including without limitation the cost of any cleanup, refurbishing, removal of Lessee's property and fixtures, costs incurred under section 12.4, or any other expense occasioned by Lessee's default including but not limited to, any remodeling or repair costs, attorney fees, court costs, broker commissions, and advertising costs.

12.4. City's Right to Cure Defaults. If Lessee fails to perform any obligation under this lease, City shall have the option to do so after 30 days' written notice to Lessee. All of City's expenditures to correct the default shall be reimbursed by Lessee on demand with interest at the rate of 12% annum from the date of expenditure by City. Such action by City shall not waive any other remedies available to City because of the default.

12.5. Remedies Cumulative. The foregoing remedies shall be in addition to and shall not exclude any other remedy available to City under applicable law.

13. Surrender at Expiration.

13.1. Condition of premises. Upon expiration of the lease term or earlier termination on account of default, Lessee shall deliver all keys to City and surrender the premises in first-class condition and broom clean. Alterations constructed by Lessee with permission from City shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Lessee's obligations under this section shall be subordinate to the provisions of section 7 relating to destruction.

13.2. Fixtures.

13.2.1. All fixtures placed upon the premises during the term, other than Lessee's trade fixtures, shall, at City's option, become the property of City. If City so elects, Lessee shall remove any or all fixtures that would otherwise remain the property of City, and shall repair any physical damage resulting from the removal. If Lessee fails to remove such fixtures, City may do so and charge the cost to Lessee with interest at the legal rate from the date of expenditure.

13.2.2. Prior to expiration or other termination of the lease term Lessee shall remove all furnishings, furniture, and trade fixtures that remain its property. If Lessee fails to do so, this shall be an abandonment of the property, and City may retain the property and all rights of Lessee with respect to it shall cease or, by notice in writing given to Lessee within 20 days after removal was required, City may elect to hold Lessee to its obligation of removal. If City elects to require Lessee to remove, City may effect a removal and place the property in public storage for Lessee's account. Lessee shall be liable to City for the cost of removal, transportation to storage, and storage, with interest at the legal rate on all such expenses from the date of expenditure by City.

13.3. Holdover.

13.3.1. If Lessee does not vacate the premises at the time required, City shall have the option to treat Lessee as a tenant from month to month, subject to all of the provisions of this lease except the provisions for term and renewal, or to eject Lessee from the premises and recover damages caused by wrongful holdover. Failure of Lessee to remove fixtures, furniture, furnishings, or trade fixtures that Lessee is required to remove under this lease shall constitute a failure to vacate to which this section shall apply if the property not removed will substantially interfere with occupancy of the premises by another tenant or with occupancy by City for any purpose including preparation for a new tenant.

13.3.2. If a month-to-month tenancy results from a holdover by Lessee under this section 13.3, the tenancy shall be terminable at the end of any monthly rental period on written notice from City given not less than 10 days prior to the termination date which shall be specified in the notice. Lessee waives any notice that would otherwise be provided by law with respect to a month-to-month tenancy.

LESSEE:

By: _____

Its _____

CITY OF ASHLAND:

By: _____
City Administrator

Reviewed as to Form:

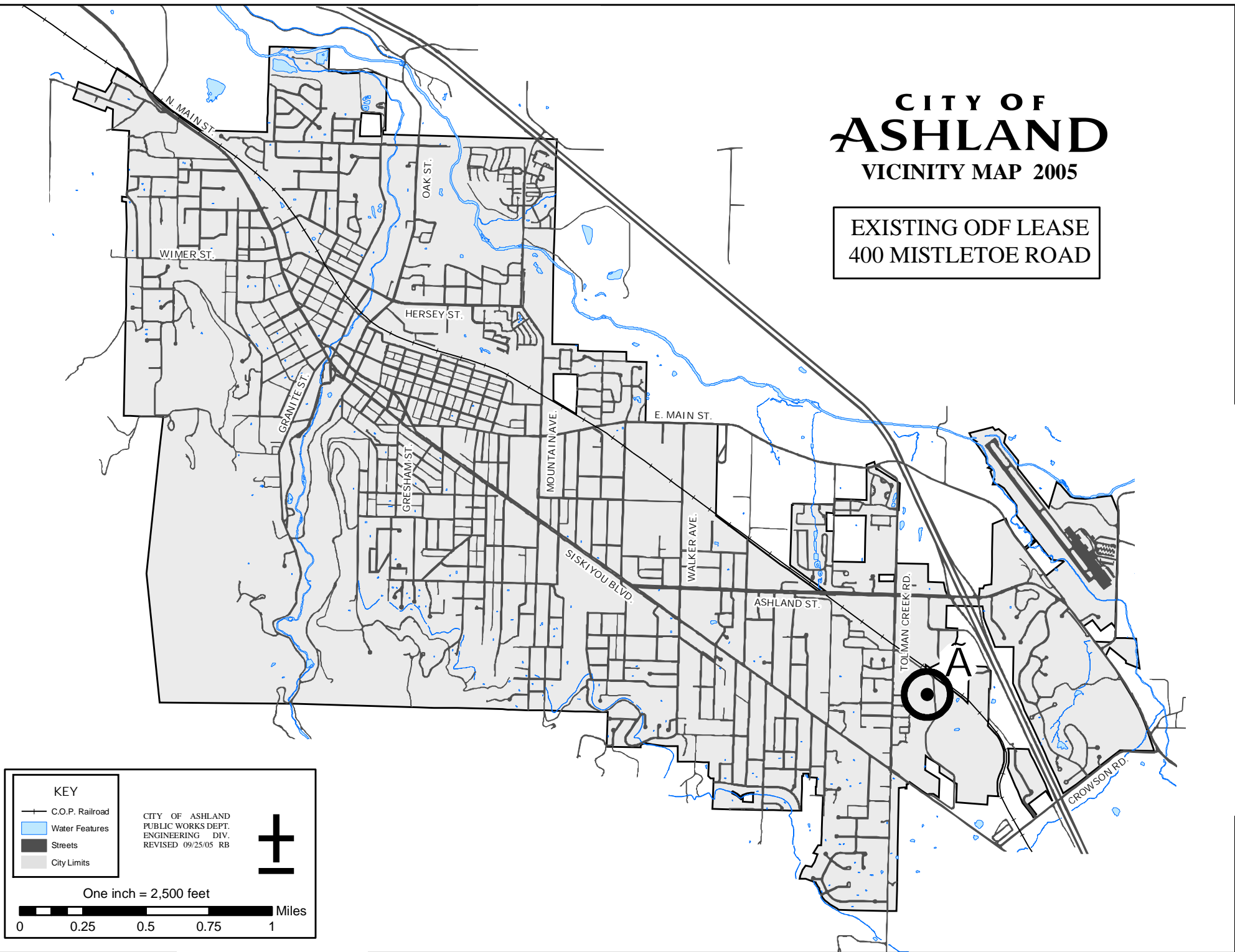
By: _____
City Attorney

Date: _____

CITY OF ASHLAND

VICINITY MAP 2005

EXISTING ODF LEASE
400 MISTLETOE ROAD



KEY

- C.O.P. Railroad
- Water Features
- Streets
- City Limits

CITY OF ASHLAND
PUBLIC WORKS DEPT.
ENGINEERING DIV.
REVISED 09/25/05 RB

One inch = 2,500 feet



0 0.25 0.5 0.75 1 Miles

Existing ODF Lease
400 Mistletoe Road

Mistletoe Road

400 Mistletoe Road

Legend

-  Pavement
-  Taxlots

One inch = 80 feet

