
**STANDARD GROUND LEASE
AGREEMENT**

TENANT: City of Hermiston, OR
180 NE 2nd Street
Hermiston, OR 97838

LANDLORD: Hermiston School District No. 8R

Real Property in Umatilla County, Oregon as
Described in Exhibit A

SUMMARY OF LEASE TERMS

1. **Leased Property.** Approximate gross ground area in Real Property: 0.396 acres.
2. **Lease Term.** Thirty (30) years, commencing with the Commencement Date specified in this Lease.
3. **Construction.** Tenant will be responsible for construction of any Improvements on the Real Property, in accordance with the terms of this Lease.
4. **Rent.** The rent of ninety-nine dollars (\$30) is due on the Commencement Date referenced in this Lease.
5. **Insurance, Maintenance.** Tenant will insure the property. Tenant will maintain the Property in good condition and repair during the lease term, in accordance with the terms of this Lease.
6. **Utilities; Taxes.** Tenant will pay for all utilities serving the Property and in the event governmental entities are required to pay property taxes and assessments will pay all property taxes and assessments on the Property during the lease term.

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STANDARD GROUND LEASE

DATED: **March 15, 2024**

BETWEEN: Hermiston School District No. SR
305 SW 11th St.
Hermiston, OR 97838 LANDLORD

AND: City of Hermiston
180 NE 2nd Street
Hermiston, OR 97838 TENANT

Tenant wishes to lease from Landlord the following real property (the "**Real Property**") located in the City of Hermiston, County of Umatilla and State of Oregon.

Certain land, containing approximately 0.396 acres of gross land area, as more particularly described in Exhibit A hereto.

NOW, THEREFORE, Landlord hereby leases the Real Property to Tenant, and Tenant hereby leases the Real Property from Landlord, subject to and within the following terms and conditions of this Lease:

1. Definitions; Term; Possession.

1.1 Certain Definitions. The following terms shall, when capitalized, have the meanings set forth below:

(a) "**Improvements**": any and all buildings, parking improvements and signs, and all grading, paving, drainage, striping, lighting, landscaping and other site improvements constructed on the Real Property at any time by Tenant or its subtenants.

(b) "**Property**": Real Property and all Improvements now or hereafter located thereon, including Improvements constructed by Tenant consistent with the terms of this Lease.

1.2 Term. The term of this Lease shall be for a period of thirty (30) full lease years (three hundred and sixty (360) calendar months), beginning on July 1, 2024 (the "Commencement Date"). Notwithstanding the provisions of this paragraph, the parties acknowledge that they are bound to each other in accordance with the terms of this Lease from and after the date of mutual execution of this Lease, subject to the conditions set forth in this Lease.

1.3 Tenant's Work. Tenant shall develop the Property in accordance with this Lease.

1.4 Acceptance of Property. Tenant accepts the land and all other aspects of the Property in its present condition, AS IS. Landlord shall not be required to perform any work to ready the Property for Tenant's occupancy.

2. Rental.

2.1 Rental Payment. At the commencement of this Lease, Tenant will make a one-time payment of thirty dollars (\$30) to Landlord for a rental term of thirty (30) years when Landlord invoices Tenant.

3. Taxes; Utilities; Insurance.

3.1 Net Lease. It is the intent and effect of this Lease that rental paid by Tenant shall be a net return to Landlord. Landlord shall not be responsible for payment of any taxes and assessments, operating expenses, or any other costs, expense, charge or premium under this Lease relative to the Property. Such rental shall be paid to Landlord throughout the lease term, free of any charges, assessments, impositions or deductions of any kind. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability hereunder. Tenant shall pay all costs, expenses and charges of every kind and nature relating to the Property which may arise or become due or payable during or after (but attributable to a period falling within) the lease term.

3.2 Taxes.

(a) Personal Property Taxes. In the event the Property ever becomes subject to personal property taxes, Tenant shall pay when due all personal property taxes assessed against its personal property, equipment, or trade fixtures on the Property.

(b) Real Property Taxes and Assessments. In the event the Property ever becomes subject to real property taxes, Tenant shall pay any and all taxes, assessments and public charges ("taxes") pertaining to the Property, and other land and improvements (if any) covered by the tax statement. Tenant's obligation to pay taxes will begin on the Commencement Date. Taxes for the year in which the Lease commences and terminates will be prorated and adjusted for any partial year. Tenant will pay taxes within ten (10) days after receipt of Landlord's notice of the amount due from Tenant. Should Tenant wish to secure a property tax exemption, Tenant shall be responsible for complying with all applicable filing and application requirements related to such exemption, including the requirements described in ORS 307.147, ORS 307.166, and OAR 150- 307.166.

(c) Tenant's Election to Contest. If the Property is separately assessed, Tenant may withhold payment of any tax or assessment on the Property if a good-faith dispute exists as to the obligation to pay, so long as Landlord's property interest is not jeopardized. If the Property is subjected to a lien as a result of nonpayment, Tenant shall provide Landlord

with security or assurances reasonably acceptable to Landlord that Tenant can and will satisfy the lien before enforcement against the Property.

(d) Additional Impositions. If at any time during the lease term, a tax, excise or assessment is levied or assessed against the Property or against Landlord by reason of Landlord's interest therein or the rentals payable under this Lease, or with respect to the development of income by this Lease, such taxes, excises on rent or assessments shall, to the extent of the amount, be deemed to be additional taxes which are the obligation of Tenant to pay pursuant to this Lease, provided that the foregoing shall not apply to (i) any estate, inheritance or succession tax, (ii) any county, state or federal transfer tax imposed on account of any transfer of Landlord's interest in the Property or this Lease, (iii) any capital tax or similar tax, and (iv) except only to the extent of any new governmental imposition in substitute (in whole or in part) for taxes and assessments referenced in paragraph 3.2(b), any income, business and occupation or other tax on the net income of Landlord with respect to this Lease.

3.3 Utilities. Tenant will be responsible for all charges for services and utilities incurred in connection with the use, occupancy and operation of the Property, including (without limitation) charges for electricity, gas, telephone service, telecommunications, water and sewer. Tenant agrees to pay, prior to delinquency, all charges for such utilities used by Tenant at the Property.

3.4 Insurance and Damage. Tenant shall maintain and comply with all insurance requirements.

4. Use of Property.

4.1 Permitted Use. Tenant shall use the Property for city purposes, in particular for construction and operation of a public safety center, and for no other purpose.

4.2 Compliance with Legal Requirements. In connection with its use, Tenant shall, at its expense, put, keep and maintain the Property at all times in compliance with all applicable laws, rules, regulations and ordinances of all federal, state, county, municipal and other public authorities having or claiming jurisdiction, and all recorded covenants, conditions and restrictions affecting the Property (collectively, the "Legal Requirements"), including those regarding maintenance, operation, and use of the Property and appliances on the Property (including signs).

4.3 Hazardous Substances. Tenant shall comply fully with all applicable Legal Requirements pertaining to the protection of human health and the environment, including, but not limited to, employee and community right-to-know laws and all Legal Requirements regarding the use, generation, storage, transportation, treatment, disposal or other handling of hazardous substances ("Environmental Requirements"). Tenant shall promptly advise Landlord in writing of any hazardous substances regulated by such laws that are used, generated, manufactured, stored, transported or otherwise handled on the Property. Tenant shall exercise extreme care in handling any hazardous substances and shall not cause or permit hazardous substances to be spilled, leaked, disposed of or otherwise released on or

from the Property or on, under or into the remainder of the Property. The only hazardous substances permitted on the Property are cleaning products and other materials in ordinary quantities which are used in the ordinary course of business and necessary for the conduct of Tenant's business and which Tenant uses in strict compliance with all applicable Environmental Requirements. The term "hazardous substances" is used in its very broadest sense, and refers to materials which because of their quantity, concentration, or physical, chemical, or infectious characteristics may cause or pose a present or potential hazard to human health or the environment when improperly handled, treated, stored, transported, disposed of, or otherwise managed. The term shall include, but is not limited to, all hazardous substances, hazardous materials and hazardous wastes listed by the U.S. Environmental Protection Agency and the state in which the Property is located under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Federal Water Pollution Control Act, and comparable state statutes and other Environmental Requirements, whether currently in effect or subsequently adopted or promulgated.

4.4 Infectious Wastes. Subject to the limitations stated in paragraphs 4.2 and 4.3, Tenant shall cause any infectious wastes to be stored, discarded, treated, transported and disposed of in strict compliance with all applicable Legal Requirements and Environmental Requirements. Tenant shall defend, indemnify and hold Landlord harmless for, from, and against any and all claims threatened or made in any way related to infectious wastes, and shall reimburse Landlord for any expenses incurred, including (without limitation) the cost of professional services and experts' and attorneys' fees.

4.5 No Offensive Activities. Tenant shall not conduct or permit any activities on the Property that create a nuisance or damage the reputation of the Property or are offensive to Landlord or other owners or users of adjoining property.

4.6 Supervision. Tenant shall keep the Property clean and orderly and in accordance with the professional operation of Tenant's business. Tenant will supervise its employees and cause Tenant's agents, independent contractors, employees, customers, suppliers, and invitees to conduct their activities in such a manner as to comply with the requirements of this Lease.

5. Maintenance and Alterations.

5.1 Tenant's Obligations. Tenant, at its expense, shall put, keep and maintain at all times the Property (including, without limitation, the land, parking areas, sidewalks, landscaping, Improvements, and all above ground and underground water and utility lines servicing the Property from the point of connection on the Property to the main line, whether on-site or outside the boundaries of the Property, and all personal property, fixtures and equipment) in good repair, operating condition, working order and appearance, and shall make all exterior and interior repairs, renewals, and replacements necessary to that end. Landlord shall have no obligation to make any repairs or perform any maintenance on the Property.

5.2 Alterations. All alterations shall be made in a good and workmanlike manner. Any alterations and fixtures installed by Tenant (other than trade fixtures and equipment) shall become part of the Property and belong to Landlord on expiration or termination of this Lease, except as Landlord may otherwise require pursuant to paragraph 11.2 or as specifically approved in writing.

5.3 Restoration After Damage. If fire or other casualty causes damage to the Property, there shall be no rent abatement or reduction. Tenant shall proceed promptly to restore the Property to a condition comparable in function and value to that existing prior to the damage, provided that Tenant shall have the right to terminate this Lease, upon written notice to Landlord within sixty (60) days after the date of casualty, if in the last thirty-six (36) months of the lease term or any renewal term, there is damage to the Property that makes it impracticable or economically unreasonable for Tenant to rebuild (in which event Tenant shall raze any damaged Improvements whose removal is required by Landlord, and clean up any debris, and the proceeds of Tenant's casualty insurance, and/or amounts covered by deductibles or self-insured arrangements, applicable to the damaged Improvements and fixtures, shall be paid to Landlord).

6. Indemnification and Liability.

6.1 Indemnification of Landlord. To the fullest extent permitted by law, including but not limited to ORS 271.380, Tenant shall indemnify, defend, reimburse, and hold harmless Landlord and its officers, employees, and agents (the "Indemnified Parties") for, from, and against any and all threatened, alleged, or actual claims, suits, allegations, damages, losses, liabilities, expenses, and judgments, including, but not limited to, those which relate to personal or real property damage (including to the Property itself or otherwise), personal injury or death, attorney and expert/consultant fees and costs, and both economic and non-economic losses, to the extent arising out of or related to (a) Tenant's use of the Property; (b) any action or inaction of Tenant or its agents, design professionals, consultants, contractors, subcontractors, suppliers, employees, customers, or invitees at any tier; (c) any condition of the Property which is the responsibility of Tenant under this Lease, including Tenant's obligations under paragraph 4.3 of this Lease; (d) the conduct of Tenant's business or any activity, work or things done, permitted or suffered by Tenant in or about the Property (including, but not limited to, Tenant's work under paragraph 1.3; (e) any breach or default in the performance of any obligation of Tenant under this Lease; and/or (f) any goods sold by Tenant from the Property (including product liability and other claims). If claims are asserted against any Indemnified Party by Tenant, anyone directly or indirectly employed by Tenant, or anyone for whose acts Tenant may be liable, Tenant's indemnification obligation and other obligations under this paragraph shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable to the employee by or for Tenant under workers' compensation acts, disability benefit acts, or other employee benefit acts.

6.2 Landlord's Liability. Landlord shall have no liability to Tenant for acts of other tenants or users of adjacent property or acts of any third party, or for any defect in the Property which is the responsibility of Tenant under this Lease, or for any interruption or failure in the supply of utilities or services to the Property.

6.3 Disclaimer of Landlord's Responsibilities. Landlord shall not under any circumstances be liable to pay for any work, labor or services rendered or materials furnished to or for the account of Tenant. Nothing contained in this Lease shall be deemed or construed in any way as constituting the request or consent of Landlord, either express or implied, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement of, alteration to, or repair of the Property or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials on behalf of Landlord that would give rise to the filing of any claim against Landlord's interest in the Property.

7. Condemnation.

7.1 Substantial Taking. If the entire Property is condemned, or if a portion is taken which causes the remainder to be unsuited to the use permitted hereunder (even if restoration or alteration of the Property or other areas were made pursuant to paragraph 7.2), then this Lease shall terminate as of the date upon which possession of the Property is taken by the condemning authority. The net condemnation proceeds shall be divided between Landlord and Tenant in proportion to the value of their respective interests in the Property immediately prior to the termination of this Lease. Landlord shall have the right to offset any amounts in default that Tenant owes Landlord pursuant to this Lease against any proceeds payable to Tenant under this paragraph.

7.2 Partial Taking. In the event of a partial taking by condemnation of the Property, means of access or roadway as described above, and paragraph 7.1 does not apply, the net condemnation proceeds attributable to the partial taking of the Property shall be made available to Tenant to make necessary repairs and alterations to the Property (as appropriate) so as to permit Tenant to continue its operations and to restore the Property. The base rent shall be abated during the period of restoration to the extent the Property is not reasonably usable for Tenant's use during the course of restoration. Any net condemnation proceeds from the taking which are not used to repair, alter, and restore the Property shall belong to Landlord. After restoration, the base rent shall not be reduced.

7.3 Transfer in Lieu of Condemnation. Sale of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation.

8. Transfers by Tenant.

8.1 Prohibition of Transfer. Tenant shall not assign, mortgage, pledge, hypothecate or encumber the Property or Tenant's leasehold estate, or sublet any portion of the Property, or license the use of any portion of the Property, or otherwise transfer any interest in the Property (whether voluntary, involuntary, by operation of law or otherwise) (collectively, all of the foregoing are a "transfer"), without the prior written consent of Landlord, which will not be unreasonably withheld. Landlord may withhold consent in its

discretion to any proposed transfer for which Landlord's consent is required under this paragraph and shall not be liable in any respect for failure to give consent. Any attempted transfer without consent shall be null and void and, at the option of Landlord, will cause termination of this Lease. If Tenant requests consent to a proposed transfer, Tenant or the prospective transferee will pay a review fee of two thousand five hundred dollars (\$2,500) at the time of the request, for application to Landlord's expenses (legal and administrative) in reviewing the request for consent to transfer, which expenses will be paid by Tenant or the prospective transferee but will not exceed two thousand five hundred dollars (\$2,500).

8.2 Notice and Consent. If Tenant desires to transfer any interest for which Landlord's consent is required under paragraph 8.1, Tenant shall, in each instance, notify Landlord at least thirty (30) days before the effective date of such intended transfer and will pay the review fee stated above. Tenant's notice will contain reasonable detail concerning the nature of the proposed transaction, the date thereof, the identity of the transferee and nature of its business, the financial worth of the transferee and its prior business experience (if applicable), the transferee's business and financial references, and such financial statements and other information as Landlord may require. If Landlord consents to the proposed transfer, a condition to such consent is that the transferee shall agree in writing for the benefit of Landlord to be bound by and to comply with the terms of this Lease (except that this sentence will not apply to any lender who only holds a secured interest in Tenant's personal property).

8.3 Obligations After Transfer. The giving of such consent in one instance shall not preclude the need for Tenant to obtain Landlord's consent to further transfers. If Tenant is permitted to make any transfer, Tenant and any guarantor(s) or co-obligors of Tenant's obligations under this Lease shall not be relieved of their respective obligations but shall remain primarily liable to Landlord for performance of all such obligations.

8.4 Transfer to Private Entity. In the event Landlord consents to Tenant's transfer of any interest in the Property to a private entity ("Successor Entity"), the following additional provisions shall govern Landlord's relationship with Successor Entity:

(a) **Notice of Nonresponsibility.** If Successor Entity constructs Improvements, Landlord shall be entitled to post upon the Property a Notice of Nonresponsibility and maintain the same upon the Property throughout the construction period.

(b) **Selection of Contractor.** If Successor Entity constructs Improvements, Successor Entity shall obtain Landlord's approval of Successor Entity's contractor before commencement of construction.

(c) **Liens.** Successor Entity shall pay as due all claims for work done on or for services rendered or material furnished to the Property, and shall keep the Property free from any liens, except that Successor Entity may withhold payment of any claim in connection with a good faith dispute over the obligation to pay, so long as Landlord's property interest is not jeopardized. If Successor Entity fails to pay such claim or to discharge any lien, Landlord may do so and collect such amount as additional rent. Amounts paid by Landlord hereunder shall bear interest and be repaid by Successor Entity as provided in paragraph 10.4. Such

payment by Landlord shall not constitute a waiver of any right or remedy Landlord may have because of Successor Entity's default.

(d) Contest by Successor Entity. If Successor Entity withholds payment of a claim and a lien is filed as a result of nonpayment, Successor Entity shall (within ten (10) days after knowledge of the filing) secure the discharge of the lien or deposit with Landlord cash or sufficient corporate surety bond or other security satisfactory to Landlord in an amount sufficient to discharge the lien plus any costs, attorneys' fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

9. Default.

The following shall be events of default:

9.1 Payment Default. Failure of Tenant to make any rent or other payment under this Lease within five (5) days after receipt of written notice or invoice that such rent or other payment was not received when due.

9.2 Unauthorized Transfer. Tenant makes any transfer without Landlord's prior written consent, as (and to the extent) required under paragraph 8.1.

9.3 Abandonment of Property. Tenant abandons the Property, for which purpose "abandons" means a failure by Tenant to occupy and use the Property for one or more of the purposes permitted under this Lease for a total of six (6) months or more during the lease term, unless such failure is excused under other provisions of this Lease.

9.4 Default in Other Covenants. Failure of Tenant to comply with any other term or condition or fulfill any other obligation of this Lease within twenty (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 remedied fully within the twenty (20) day period, this requirement shall be satisfied if Tenant begins correction of the default within the twenty (20) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable (but shall nevertheless cause the default to be fully remedied not later than sixty (60) days after the date of Landlord's first notice).

10. Remedies on Default.

Upon default, Landlord may exercise any one or more of the following remedies, or any other remedy available under applicable law:

10.1 Termination. Landlord may terminate Tenant's right to possession of the Property and Tenant's rights under this Lease by giving written notice to Tenant of Landlord's election to terminate Tenant's right to possession of the Property, and this Lease shall terminate as of the date of such notice. In the event of such termination, Landlord may recover damages from Tenant as provided in paragraph 10.4.

10.2 Retake Possession. Landlord may re-enter and retake possession of the Property, without notice, by summary proceedings, force, any other applicable action or proceeding, or otherwise. Landlord may use the Property for Landlord's own purposes or relet it upon any reasonable terms without prejudice to any other remedies that Landlord may have by reason of Tenant's default. None of these actions will be deemed an acceptance of surrender by Tenant.

10.3 Continuation of Lease. Landlord may, at Landlord's option, elect not to terminate this Lease, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and any other charges as they may become due under this Lease. Notwithstanding any provision of this Lease, upon an event of default by Tenant, Landlord shall mitigate its damages to the extent required by and in accordance with Oregon law.

10.4 Damages for Default. Whether or not Landlord retakes possession or relets the Property, Landlord may recover all damages caused by the default (including, but not limited to, attorneys' fees relating to the default, and costs of reletting). In addition to all charges required by this Lease and the reasonable cost of necessary physical changes to relet the Property, Landlord shall be entitled to recover from Tenant all damages and expenses reasonably incurred by Landlord by reason of Tenant's default, including, but not limited to, the reasonable cost of recovering possession of the Property, reasonable expenses of re-leasing, including necessary alteration or repair of the Property required in connection with the re-leasing of the Property, and reasonable attorneys' fees. Tenant shall immediately pay such sums to Landlord upon demand, together with interest at the lesser of either nine percent (9%) per annum or the maximum rate of interest permitted by law.

10.5 Cure of Tenant's Default. Without prejudice to any other remedy for default, Landlord may perform any obligation or make any payment required to cure a default by Tenant. The cost of performance, including attorneys' fees and all disbursements, shall immediately be repaid by Tenant upon demand, together with interest from the date of expenditure until fully paid at the lesser of either nine percent (9%) per annum or the maximum rate of interest permitted by law.

11. Obligations and Rights at Expiration.

11.1 Condition of Property. Upon expiration of the lease term or earlier termination on account of default, Tenant shall deliver and surrender the Property in a good and orderly condition. Depreciation and wear from ordinary use for the purpose for which the Property was let need not be restored, but all repairs for which Tenant is responsible shall be completed to the latest practical date prior to such surrender.

11.2 Improvements. All Improvements that Tenant may construct on the Property will be the property of Tenant during the term of this Lease and any such Improvements remaining on the Property at the expiration or earlier termination of this Lease (if any) will become a part of the realty and will be the property of Landlord. Landlord will also have the

right to require Tenant to demolish and remove any Improvements. Should Landlord so elect, it will provide written notice to Tenant to remove the Improvements at least thirty (30) days before the end of the lease term or early termination of the Lease by Landlord. Upon receipt of such notice, Tenant shall demolish and remove any Improvements, fill any excavation, and restore all damage caused by such removal within a period not to exceed ninety (90) days. If Tenant fails to do so, this shall be an abandonment of the Improvements and Landlord may retain the Improvements and all rights of Tenant with respect to it shall cease or, by notice in writing given to Tenant within twenty (20) days after removal was required, Landlord may elect to hold Tenant to its obligation of removal. If Landlord elects to require Tenant to remove, Landlord may effect a removal and place any personal property in public storage for Tenant's account. Tenant shall be liable to Landlord for the cost of removal, restoration, transportation to storage, and storage, with interest on all such expenses as provided in paragraph 10.4.

11.3 Fixtures. Upon expiration of the lease term or earlier termination on account of default or other event, Tenant shall remove all of its furnishings, furniture, and trade fixtures that remain the property of Tenant and restore all damage caused by such removal.

11.4 Holdover. If Tenant does not vacate the leased premises at the time required, Landlord shall have the option to treat Tenant as a tenant from month to month, subject to all of the provisions of this Lease (except that the term will be month to month), or to eject or otherwise lawfully remove Tenant from the Property and recover damages caused by wrongful holdover. Failure of Tenant to remove Improvements, furniture, furnishings, or trade fixtures which Tenant is required to remove under this Lease shall constitute a failure to vacate to which this paragraph shall apply if the property not removed substantially interferes with occupancy of the Property by another tenant or with occupancy by Landlord for any purpose including preparation for a new tenant. If a month-to-month tenancy results from a holdover by Tenant, the tenancy shall be terminable at the end of any monthly rental period on written notice from Landlord given not less than thirty (30) days prior to the termination date which shall be specified in the notice.

12. Warranty of Quiet Enjoyment; Prior Matters.

12.1 Warranty of Quiet Enjoyment. Subject to paragraph 12.2, so long as Tenant complies with all terms of this Lease, Tenant shall be entitled to peaceable and undisturbed possession of the Property free from any interference by Landlord or those claiming through Landlord.

12.2 Prior Matters. Landlord's estate in the Property and Tenant's leasehold estate in the Property are subject to the liens or restrictions of (a) any matters or documents of record (the "**Matters of Record**"), including the effect of any covenants, conditions, restrictions, easements, mortgages or deeds of trust, rights of way or any construction, operation and reciprocal easement agreement (the "**REA**"); and (b) the effect of any zoning laws of the state, county and municipality in which the Property is located. Tenant agrees that (i) Tenant and all persons in possession of Tenant's leasehold estate or holding under Tenant will

conform to and will not violate the terms of any REA or any other Matters of Record, and (ii) this Lease is subordinate to the REA, if any, and any amendments or modifications thereto. If the REA, if any, is not of record as of the date of this Lease, then this Lease shall automatically become subordinate to the REA upon recordation of the REA. Tenant agrees to execute and return to Landlord within ten (10) days after written demand therefor by Landlord an agreement in recordable form satisfactory to Landlord subordinating this Lease to the REA. Any REA shall not prevent Tenant from using the Property for the purposes set forth in paragraph 4.1.

13. General Provisions.

13.1 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this Lease.

13.2 Modifications. This Lease may not be modified except by instrument in writing, dated and signed by the parties. Landlord shall not be bound by any statement of any agent or employee modifying this Lease.

13.3 No Appurtenances. This Lease does not create any rights to light and air, any rights or interests in parking facilities, any view rights, or any other rights, easements or licenses, by implication or otherwise, except as expressly set forth in this Lease or its exhibits. This Lease is an unsubordinated lease covering the Property, and any financing by Tenant will encumber only Tenant's leasehold interest. Landlord will not subordinate the fee title or Landlord's interest to any mortgage or other lien securing any financing by Tenant.

13.4 Nonwaiver. No waiver will be effective unless it is in writing, is signed by an authorized person, and otherwise meets the requirements for a modification of this Lease. Waiver of performance of any provision shall not be a waiver of nor prejudice the party's right otherwise to require performance of the same provision or any other provision.

13.5 Succession. Subject to the limitations on transfer of Tenant's interest, this Lease shall bind and inure to the benefit of the parties and their respective heirs, successors, and assigns.

13.6 Inspection. Landlord or its authorized representatives may enter at any reasonable time after such advance notice as is reasonable under the circumstances (except in cases of emergency, for which no advance notice is required) to determine Tenant's compliance with this Lease, to make necessary repairs, to show the Property to a prospective party desiring to acquire Landlord's interest, or (during the last eighteen (18) months of the lease term) to show the Property to any prospective tenants.

13.7 Attornment. In the event of the exercise of the power of sale under any mortgage or trust deed made by Landlord covering the Property, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Lease.

13.8 Estoppel Certificates. Within ten (10) days after Landlord's written request,

Tenant shall deliver a written statement stating the date to which the rent and other charges have been paid, whether the Lease is unmodified and in full force and effect, and any other matters that may reasonably be requested by Landlord. Failure to do so within such ten (10) day period will be a default under this Lease and will not require further notice from Landlord or grace period to cure. In addition, Tenant hereby grants to Landlord an irrevocable power of attorney, coupled with an interest, to execute, in Tenant's name and stead, any estoppel certificate or subordination instrument required under this paragraph, if Tenant fails to do so within such ten (10) day period.

13.9 Notices. Any consent, approval, notice, or demand (individually, and collectively, a "Notice" or "Notices") which may be or is required or permitted to be given by either party to the other hereunder shall be in writing. All Notices shall be sent by United States mail, certified or registered mail, return receipt requested, or by a recognized overnight courier service (such as Federal Express), or personally. Notices are effective on receipt. Each party shall give notice to the other or to its address for Notices by written Notice to the other. Unless a party designates another address for Notice (by Notice given pursuant to this paragraph), Notices shall be sent to the following addresses:

If to Landlord, then to:

Hermiston School District No. 8R
305 SW 11th Street
Hermiston, OR 97838
Attn: Superintendent
Telephone No.: 541-667-6000

If to Tenant, then to:

City of Hermiston, Oregon
180 NE 2nd Street
Hermiston, OR 97838
Attn: City Manager
Telephone No.: 541-567-5521

For the purpose of this Lease, the term "receipt" shall mean the earlier of any of the following: (i) the date of delivery of the Notice to the address specified pursuant to this paragraph as shown on the return receipt or by the records of the courier, (ii) the date of actual receipt of the Notice by the office of the person or entity specified pursuant to this paragraph, or (iii) in the case of refusal to accept delivery or inability to deliver the Notice, the earlier of (A) the date of the attempted delivery or refusal to accept delivery, (B) the date of the postmark on the return receipt, or (C) the date of receipt by the sending party of the Notice that the Notice has been refused or cannot be delivered.

13.10 Relationship of Parties. The relationship of the parties to this Lease is that of landlord and tenant. Landlord is not a partner or joint venturer or joint employer with Tenant in any respect or for any purpose in the conduct of Tenant's business or otherwise.

13.11 Applicable Law. The Property is located in the State of Oregon. The parties agree that the law of that state shall be applicable for all purposes, including construing and determining the validity of this Lease, determining the rights and remedies of the parties in the event of default and other matters.

13.12 Prior Agreements. This Lease is the entire, final, and complete agreement of the parties with respect to the matters set forth in this Lease and supersedes and replaces all written and oral agreements previously made or existing by and between the parties or their representatives (including, without limitation, any letter of intent) with respect to such matters.

13.13 Validity of Provisions. If any of the provisions contained in this Lease shall be invalid, illegal, or unenforceable in any respect, the validity of the remaining provisions contained in this Lease shall not be affected.

13.14 Paragraph Headings. The headings to the paragraphs in this Lease are included only for the convenience of the parties and shall not have the effect of enlarging, diminishing, or affecting the interpretation of its terms.

13.15 Joint and Several Liability. In the event Tenant now or subsequently consists of more than one person, firm, entity or agency, then all such persons, firms, entities or agencies shall be jointly and severally liable as Tenant under this Lease.

13.16 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity, except to the extent specifically waived or modified by this Lease.

13.17 Landlord's Obligations. The term "Landlord" (as used in this Lease) shall be limited to mean and include only the person or entity holding the interest of lessor/landlord under this Lease (or any mortgagee-in-possession, during the time period of its possession), at the time in question. In the event of any transfer(s) of the title of the Property, Landlord (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved of its liabilities accruing from and after the date of such transfer.

13.18 No Offer or Option. The submission of this Lease for examination by Tenant does not constitute an offer or an option to lease the Property, nor is it intended as a reservation of the Property for the benefit of Tenant. On the contrary, it is expressly understood that this Lease shall not be effective or binding upon the parties until it is fully executed by both Tenant and Landlord.

13.19 Recording; Quitclaim. Tenant shall NOT file or record this Lease without the specific prior written consent of Landlord, but Landlord will execute a good and sufficient memorandum of lease for purposes of recording (if required by Tenant), which Tenant may

record at Tenant's expense. Upon expiration or earlier termination of this Lease, Tenant shall promptly execute, acknowledge and deliver to Landlord any quitclaim deed or other document required by Landlord or a title company to remove the cloud of this Lease from the Property and to evidence the termination of interests in the Property held by the parties by, through, or under Tenant (including, without limitation, any security interests).

13.20 Authorship. This Agreement is a jointly negotiated work product and authorship shall not be ascribed to any particular party.

13.21 Third Parties. Nothing in this Lease, expressed or implied, is intended to confer on any person, other than the parties or their respective heirs, executors, administrators, successors, assigns and sublessees, any rights or remedies by reason of this Lease and in no event shall any third party be deemed a third-party beneficiary hereunder.

13.22 Exhibit. The following exhibit to this Lease is attached hereto and by this reference incorporated herein.

Exhibit A Property Legal Description

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

LANDLORD:
HERMISTON SCHOOL DISTRICT 8R

TENANT:
CITY OF HERMISTON

By: _____
Printed: _____
Title: _____

By: _____
Printed: _____
Title: _____

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY