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DATE: April 15, 2016

TO: Central Oregon Intergovernmental Council Board

CC: Andrew Spreadborough, Executive Director
Gus Burril, City Administrator

FROM: Nicholas Snead, Community Development Director

SUBJECT: City of Madras Regional Large Lot Industrial Site Application

OVERVIEW

The City of Madras seeks to designate the Daimler Heavy Truck Testing Facility as a Region Large Lot Industrial Site. Please allow this document and the associated attachments to serve as the City of Madras' requisite COIC Regional Large Lot Industrial Site application.

Daimler Trucks North America (Daimler) has tested trucks at the Madras Airport since the 1970s. Over the years the amount of testing conducted at the Madras Airport has grown. Daimler has closed their truck testing facility in Indiana and will construct a new facility in Madras. The Heavy Truck Testing Facility will support Daimler's management and engineering efforts in Portland on Swan Island. The City of Madras has recently executed a lease with Daimler to lease 87 acres of City property at the Madras Airport to develop a Heavy Truck Testing Facility (Exhibit A). The development that will occur on the aforementioned 87 acres is considered to be Phase I of Daimler's development intentions. Currently Daimler is in the process evaluating several test facility options. As such, Daimler is in need of more than 87 acres at the Madras Airport to accommodate their business interests.

The City of Madras has strong recognition of the adopted Central Oregon Large Lot Industrial Needs Analysis (2012). The City proposes to designate 199 acres of land at the Madras Airport as a Regional Large Lot Industrial site. This is consistent with Figure 29 (pg. 60) of the Central Oregon Large Lot Industrial Needs Analysis which identifies that in the short-term, two (2) 100-200 acre sites may be designated within the participating cities.

SUBMISSION LETTER

The City of Madras is required to have a letter signed by the Mayor, City Council and/or City Administrator authorizing submission of candidate site to COIC for inclusion in the regional Large Lot Industrial program. Exhibit B provides a letter from the Mayor Royce Embanks authorizing the City of Madras to submit an application for a candidate site to COIC for inclusion in the Regional Large Lot Industrial program. Jefferson County has adopted the Central Oregon Regional Large Lot Industrial Needs Analysis into the Jefferson County Comprehensive Plan on May 22, 2013 (Ord. No. O-060-13).

SITE DESCRIPTION

As shown in Exhibit A, the City of Madras is proposing to designate a 199 acre Regional Large Lot Industrial Site at the Madras Airport. Table 1 below describes the proposed site in greater detail. The City proposes to designate up to 199 acres of land that it owns as a Regional Large Lot Industrial site. Daimler's Phase I development encompasses 87 acres. An additional 112 acres is needed to: 1) accommodate Daimler's additional development interests; and 2) allow flexibility in the location of Daimler's future development interest to minimize impacts to wetlands¹.

Table 1. Site Description

Site Characteristic	Description
Site Acreage	~199 acres
Site Dimensions, Slope, Unique Features	<ul style="list-style-type: none">• The Heavy Truck Durability Testing Facility is approx. 3,732 feet by 1,344 feet (87 acres).• The Vehicle Dynamics Area (VDA) is approx. 1,620 feet by 4,062 (112 acres).• Total site area = 199• The site has gentle slopes (>5%).• Unique Site Features:<ul style="list-style-type: none">○ Adjacent to City of Madras North Wastewater Treatment Plant○ Adjacent to Turf Runway and Runway 16-34○ Drainage ditches○ Delineated wetlands*
Current Development Status	Undeveloped with native grass and plants
Current Zoning	Airport Development (Jefferson Co. Zoning Map)
Current Ownership	Property entirely owned by the City of Madras
Location of Site in Relation to Existing UGB	<ul style="list-style-type: none">• The site is approximately 1,620 feet.• The property located between the existing UGB and the eastern side of the proposed Regional Large Lot Industrial site has development restrictions and is used for aircraft operations as specified by the City's Airport Master Plan (2010).• The Madras Airport is currently zoned Airport Management (AM) on the Jefferson Co. Zoning Map.• While formally designating the Regional Large Lot Industrial site, the City will also rezone the property located between the existing UGB and the eastern side of the Regional Large Lot Industrial site as Open Space/Public Facility on the City's Zoning Map based on the provisions of the City's 2010 Airport Master Plan.

*Phase I development has received approval from the Oregon Department of State Lands.

¹ The City of Madras and Daimler have delineated wetlands on the proposed site in August of 2015 and March of 2016 in cooperation with the Oregon Dept. of State Lands.

PROPERTY OWNER STATEMENT

The City of Madras entered into the IGA between the Central Oregon Cities and Counties and Central Oregon Intergovernmental County for the Large Lot Industrial Lands Program in Central Oregon on April 9, 2013 (Exhibit C) and in doing so understands the requirements of a Regional Large Lot Industrial site with respect to the limitations on the use, minimum lot size, selling price, etc. The City has as issued a Letter of Intent to Daimler (Exhibit D) that identifies the general terms and conditions under which the City would lease land to Daimler for the construction and operation of a durability truck testing facility at the Madras Airport. Finally, on March 22, 2016 the City of Madras and Daimler entered into an Airport Ground Lease for Non-Aeronautical Use Improvements which demonstrate that the City's ability to comply with Section 3(H) of Exhibit C.

SUITABLE LANDS INVENTORY

EcoNorthwest has completed an analysis of suitable lands (Exhibit E) that identifies the site characteristics for the proposed used on the large lot industrial site and two maps that show existing large sites within the Madras UGB. Exhibit E satisfies the requirements Section 3(H) of Exhibit C.

RECONNAISSANCE-LEVEL ANALYSIS & SERVICING PROPOSAL

The City of Madras Public Works Director has determined that it is feasible to extend sewer and water to the proposed site (Exhibit F). Furthermore the City of Madras has received grant fund from the Oregon Department of Transportation through the Immediate Opportunity Fund and the Business Oregon through the Infrastructure Finance Authority to construct \$2,506,902.00 of public improvements as generally shown in Exhibit G. Accordingly, the necessary public improvements will be constructed concurrent with Daimler's Phase I development.

LETTERS OF SUPPORT

Roger Lee, Executive Director of EDCO and Clark Jackson of Business Oregon have written a letter of support (Exhibits H & I) for the City's proposed Regional Large Lot Industrial Site for Daimler's Heavy Durability Truck Testing Facility.

COUNTY COORDINATION

Bill Adams, Jefferson County Planning Director has provided a letter (Exhibit J) demonstrating that the City and the County thus far, and will continue, to coordinate the designation of the Regional Large Lot Industrial site.

**AIRPORT GROUND LEASE
FOR NON-AERONAUTICAL USE IMPROVEMENTS**

²⁰¹⁶
~~2015~~ This Airport Ground Lease for Non-Aeronautical Use Improvements (this "Lease") is dated January 15, ~~2015~~, but made effective for all purposes as of the Effective Date (as defined in Section 16.6 below), between the City of Madras, an Oregon municipal corporation ("Lessor"), whose address is 125 SW E Street, Madras, Oregon 97741, and Daimler Trucks North America LLC, a Delaware limited liability company ("Lessee"), whose address is 4747 Channel Avenue, Portland, Oregon 97217, Attention: Properties and Building Management.

RECITALS:

A. Lessor is the owner of certain unimproved real property located at the Madras Municipal Airport (the "Airport") consisting of approximately 87.13 acres (the "Land"), which Land is depicted and more particularly described on the attached Exhibit A. The Land is designated for non-aeronautical purposes under Lessor's Airport Layout Plan, which Airport Layout Plan has been approved by the Federal Aviation Administration ("FAA").

B. Lessee desires to lease the Land for the non-aeronautical purpose of developing, constructing, and operating certain vehicle research and testing facilities. Subject to the terms and conditions contained in this Lease, Lessee will lease the Land from the Lessor, and Lessor will lease the Land to Lessee.

AGREEMENT:

NOW, THEREFORE, in consideration of the parties' mutual obligations under this Lease, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. OCCUPANCY

1.1 Lease. Subject to the terms and conditions contained in this Lease, Lessor leases the Land to Lessee and Lessee leases the Land from Lessor. Subject to the terms and conditions contained in this Lease, Lessor and Lessee are each bound to this Lease in accordance with its terms from and after the Effective Date. Except as otherwise expressly provided in this Lease, there are no preconditions to the effectiveness of this Lease or the performance of its terms.

1.2 No Representations or Warranties. Lessee has entered into this Lease on the basis of its own examination and personal knowledge of the Airport, Land, and Legal Requirements (as defined below) and has not relied on any representations or warranties made by Lessor other than those expressly provided in this Lease. Except for the representations and warranties expressly provided in this Lease, Lessee accepts the Land in its AS IS condition as of the Effective Date. Lessor makes no representations or warranties, whether express or implied, with respect to the Land, except as expressly provided in this Lease. Lessor has made no promise or agreement to repair, alter, construct, and/or improve the Land, or any part thereof, except as expressly provided in this Lease.

1.3 Economic Development Incentives; Off Site Improvements; Relocation Work.

1.3.1 Lessee is seeking a property tax exemption for the Project under the Oregon Enterprise Zone program. Lessor will reasonably cooperate with Lessee's efforts to obtain the aforementioned tax exemption provided Lessor is not required to incur any costs or expenses in connection with such cooperation obligation unless Lessee specifically agrees in writing to reimburse Lessor for such costs and expenses immediately upon Lessor's demand.

1.3.2 Lessor has been awarded financial assistance from the State of Oregon to fund the construction of the Off Site Improvements (as defined below). This financial assistance consists of two separate grants, namely the Immediate Opportunity Fund ("IOF") and Infrastructure Finance Authority Special Public Works Fund ("IFA"), each in the amounts shown on the Madras Municipal Airport West Access Road Depiction and Utilities and Master Estimate dated September 25, 2015, all of which are attached hereto as Exhibit B (collectively, the "Master Estimate"). For purpose of this Lease, the term "Off Site Improvements" consist of the (a) extension of certain Utilities (as defined below) located on Glass Drive/Adler Street as of the Effective Date to the Land's eastern boundary entrance, and (b) construction of certain public road improvements from Glass Drive/Adler Street to the Land's eastern boundary, all of which are described and depicted in the Master Estimate; the term "Utilities" means the (y) water main, and (z) joint utility trench – conduit, trenching, and vault (vault for power only) for power, gas, and telecommunications.

1.3.3 Lessee will pay Lessee's Share (as defined below) in accordance with the cost allocation for the Off Site Improvements described in the Master Estimate and as provided in this Lease. Lessor will keep a record of all Costs (as defined below) related to the Off Site Improvements and refund any balance not spent to deliver the Off Site Improvements in accordance with the IOF and IFA grant applications/agreements. Lessee will pay Lessee's Share in accordance with the progress payment method described under Section 1.5.

1.3.4 In addition to the Off Site Improvements, Lessee desires to relocate a portion of the Land's existing (as of the Effective Date) test track and Airport perimeter road described and depicted on the attached Exhibit C from the runway protection zone for safety and compliance reasons (the "Relocation Work"). Lessee will pay Lessee's Share in accordance with the cost allocation for Relocation Work as described in the Master Estimate and as provided in this Lease. Lessor will keep a record of all Costs related to the Relocation Work. Lessee will pay Lessee's Share in accordance with the progress payment method described under Section 1.5.

1.3.5 Subject to Lessee's obligation to pay Lessee's Share as provided in this Lease, Lessor will be responsible to provide or cause to be provided and performed all testing, labor, equipment, services, materials, management, and work to design, permit, construct, and complete the Off Site Improvements and Relocation Work, all in a good and workmanlike manner, in conformance with all applicable Legal Requirements (including, without limitation, all requirements of the IOF and IFA grants), and in accordance with the Master Estimate and this Lease. Lessor agrees that the Off Site Improvements and Relocation Work will be performed in an expeditious manner in accordance with plans and specifications, Costs budget, and construction schedule each to be approved in writing in advance by Lessee (which approval will not be unreasonably withheld, conditioned, or delayed); provided that such approval will not operate to waive any obligation of Lessor hereunder with respect to the performance of the Off Site Improvements and Relocation Work or constitute Lessee's agreement

that the plans and specifications satisfy legal requirements or applicable design standards (which legal compliance and standards are Lessor's responsibility). Once approved, Lessor will not modify the plans and specifications, construction schedule or budget, or enter into any change orders with respect to such work that will in the aggregate exceed the contingency set forth in the approved budget, without Lessee's prior written approval in each instance. Lessee will have the right from time to time upon request, at Lessee's expense, to review and audit all contracts, agreements, pay applications, invoices, expense and cost records, inspection results, and all other documents and records in any way relating to the Off Site Improvements and Relocation Work.

1.3.6 During the Lease Term, Lessee will have a non-exclusive license to use the Off Site Improvements and Relocation Work improvements for their respective intended purposes. To the extent the Land does not have direct access to a public right-of-way, Lessor grants to Lessee a non-exclusive license to use during the Lease Term other Airport property as designated by Lessor for ingress, egress, access, and utility service for the Project for such areas intended purposes, subject to the terms of this Lease and any Legal Requirements. Lessor may change the location of such license areas if such changes do not materially and adversely interfere with Lessee's access to or use of the Land and Project.

1.4 Lessee Due Diligence and other Contingencies; Termination.

1.4.1 Within ten (10) days after the Effective Date, Lessor will deliver to Lessee copies of the following documents to the extent existing and in the possession or control of Lessor and relating to or affecting all or any part of the Land (and to the extent not previously delivered to Lessee) (collectively, the "Land Documents"): (a) surveys (including ALTA, boundary, and topographic); (b) environmental reports and assessments, including any Phase I and Phase II environmental site assessments; (c) engineering, soils, wetlands, hydrological, archaeological, and other property reports; (d) site plans, utility plans, architectural plans, and construction drawings for any proposed improvements or development; (e) any other tests, studies, plans, and/or documents with respect to the Land or the potential use or development of the Land; (f) copies of any documents from city, county, state, federal, or other applicable authorities received by Lessor relating to or affecting the use, occupancy, or development of the Land; and (g) such other documentation Lessee may reasonably request with respect to the Land. Land Documents provided by Lessor to Lessee, if any, are provided without any representation or warranty whatsoever regarding the accuracy, completeness, and/or reliability, whether such Land Documents are provided before, on, and/or after the Effective Date.

1.4.2 Lessee will have one hundred twenty (120) days following the Effective Date (the "Inspection Period") to satisfy itself concerning the suitability of the Land for Lessee's intended purposes, including the legal, environmental, and physical condition thereof, the zoning and other Legal Requirements applicable to the Land, available access to public streets, utilities, and infrastructure, and the estimated total cost to Lessee of all proposed improvements (including Off Site Improvements). Subject to the terms and conditions contained in this Lease, Lessee may perform such inspections, tests, studies, and assessments on the Land as Lessee reasonably deems necessary or desirable (individually and collectively, "Testing"). Notwithstanding anything contained in this Lease to the contrary, Lessee must obtain Lessor's prior written consent prior to conducting any invasive Testing on the Land, which consent will not be unreasonably withheld, conditioned, and/or delayed. Lessee will provide Lessor, at no cost and expense to Lessor, true and complete copies of all final studies, reports, and analyses relating to the Testing and/or the Land's physical condition provided that such documents will be

delivered without any representation or warranty whatsoever by Lessee regarding the accuracy, completeness, and/or reliability thereof. All Testing will be at Lessee's sole cost and expense.

1.4.3 Lessee will conduct the Testing in a safe, neat, and orderly fashion and in a manner that will minimize dust and noise. Lessee will ensure that the Testing does not interfere and/or disrupt Airport operations and/or Airport tenants, invitees, and/or contractors. In connection with the Testing, Lessee will keep and maintain the Land, at Lessee's cost and expense, in a good, safe, and attractive condition. Lessee will remove any and all garbage, debris, tools, and/or equipment placed on the Land by Lessee or its agents in connection with such Testing prior to the termination of this Lease pursuant to Section 1.4.4. Lessee will be liable for any and all damage, destruction, injury, and/or death caused to person or property as a result of the Testing. If Lessee and/or Lessee's Agents (as defined below) disturb and/or damage all or any part of the Land in connection with the Testing and Lessee terminates the Lease pursuant to Section 1.4.4, Lessee will promptly restore and/or repair the Land to its condition existing as of the Effective Date. Lessee will perform all Testing, and will cause all Lessee's Agents to perform all Testing, subject to and in compliance with this Lease and the Legal Requirements.

1.4.4 If Lessee, in Lessee's sole and absolute discretion, determines that the Land is not satisfactory to Lessee for its intended purposes (as contemplated by this Lease) for any reason or no reason, Lessee may, at any time prior to expiration of the Inspection Period, terminate this Lease by giving written notice thereof to Lessor. If Lessee terminates this Lease under this Section 1.4.4, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (b) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (c) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (d) the Surviving Provisions (as defined in Section 1.4.6 below).

1.4.5 Subject to Lessee's sole and absolute discretion with respect to the Entitlements (as defined below) and improvements required by Lessee (including the right from time to time to alter, supplement, or modify such improvements subject to and in accordance with this Lease), Lessee will make application for all necessary construction and building permits (and any other necessary permits) with reasonable promptness and will prosecute the application of such permits diligently, expeditiously, and in good faith, including making prompt payment of any and all application, permit, and processing fees. If necessary, Lessor will join in the application of any necessary permits or other Entitlements, provided that Lessor is not required to incur any costs or expenses in connection with such joinder unless Lessee specifically agrees in writing to immediately reimburse Lessor therefor.

1.4.6 Notwithstanding anything contained in this Lease to the contrary, and in addition to the termination right provided under Section 1.4.4, if Lessee does not obtain all Entitlements on or before the expiration of the Inspection Period (the "Outside Entitlement Date"), Lessee may terminate this Lease by providing Lessor written notice thereof on or before the Outside Entitlement Date. If Lessee terminates this Lease under this Section 1.4.6, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (b) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (c) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (d) the Surviving Provisions. For purposes of this Lease, the term "Entitlements" means all governmental and third party permits, approvals, authorizations, agreements, and consents (including the absence of any conditions, limitations, and/or restrictions thereto) that

Lessee in its sole and absolute discretion deems necessary or desirable for its intended improvements, operation, and/or use of the Land and Project, including any necessary approvals from the FAA and Jefferson County; the term "Surviving Provisions" means Sections 11.6, 11.7, 15.2, 16.1, 16.2, 16.3, and 16.6.

1.5 Payment of Contract Sum and Lessee's Share; Progress Payments.

1.5.1 Lessee will pay Lessor Lessee's Share in accordance with the terms and conditions provided under this Lease. For purposes of this Lease, the term "Contract Sum" means all the Costs of the Relocation Work and Off-Site Improvements; the term "Costs" mean all actual hard and soft costs and expenses incurred to design, permit, perform, and complete the Relocation Work and Off-Site Improvements, including without limitation, costs and expenses for labor, professional fees, design fees, materials, temporary facilities, transportation, delivery, insurance, bond premiums, taxes, tools, supplies, equipment rentals, subcontractors, materialmen, and permits; the term "Lessee's Share" means the portion of the Costs of the Off Site Improvements and Relocation Work allocated to Developer (or Daimler) as shown on the Master Estimate, but excluding all Excluded Costs (as defined below). For purposes of this Lease, the term "Excluded Costs" means any Costs to the extent (a) in excess of \$1,200,000.00, (b) attributable to errors, omissions, defects (whether in design, construction, or otherwise), mismanagement, delays, and cost overruns, in each case caused by or within the reasonable control of Lessor, (c) Costs or change orders not approved by Lessee as provided herein (except for change orders that, in the aggregate, do not exceed the contingency provided in the budget approved by Lessee), or (d) uninsured loss, unused contingency, and Lessor's default under any agreements relating to the Off Site Improvements or Relocation Work (including the IOF or IFA grant agreements); in each of the aforementioned situations except to the extent caused by Lessee. Lessor will be responsible to pay all Excluded Costs.

1.5.2 Lessee will pay Lessor Lessee's Share in single, monthly progress payments ("Progress Payments") based on the work performed during the preceding month corresponding to a Schedule of Values and consistent with the allocation set forth in the Master Estimate, less (a) any work or funds to be provided by Lessor or pursuant to the IOF and IFA grants (as set forth on the Master Estimate), and (b) retainage in the amount of the greater of the retainage provided in the general construction contract or required by the IOF or IFA grant agreement (the "Retainage"). Lessor will prepare and deliver to Lessee each month a written invoice for each Progress Payment (each an "Invoice"). Notwithstanding the foregoing, on or about the Effective Date, Lessor may present an Invoice for the initial progress payment covering all work performed prior to the Effective Date. Each Invoice will be accompanied by a summary of all Costs applicable to the Invoice, a copy of the Schedule of Values, an itemization of each activity for which payment is requested (including approved budget, prior disbursements, current request, and balance), general description of work accomplished and materials incorporated in that work, and identification of all other funding applied to the work. Lessee's payment of each Invoice in full to Lessor is due and payable not later than fifteen (15) days after Lessor's delivery of the applicable Invoice and supporting information identified in this Section 1.5.2.

1.5.3 Lessee will pay the final Invoice to Lessor not more than fifteen (15) days after the later of receipt of such Invoice and the date the Relocation Work and/or Off Site Improvements is/are Substantially Completed (as defined below). For purposes of this Lease, the term "Substantially Completed" means the point or date upon which performance and completion of the Relocation Work (or designated portion thereof) and/or Off Site Improvements is sufficiently complete for its/their

intended use and purposes and such use is lawfully permitted. The existence of minor construction work and/or adjustments that do not affect the intended use of such improvements will not delay a determination that the Relocation Work and/or Off Site Improvements is/are Substantially Completed. Upon final completion of all such work (including any minor work, adjustments, or so-called "punch list" items), Lessor will deliver to Lessee an Invoice for Lessee's Share of the Retainage, which will be due and payable within fifteen (15) days after receipt of such Invoice.

1.6 FAA Approval – Airport Layout Plan. Lessor has requested that FAA approve (the "FAA Approval") a certain amendment to Lessor's airport layout plan to accommodate, in part, Lessee's use of the Land for the Permitted Use. Notwithstanding anything contained in this Lease to the contrary, if Lessor does not obtain the FAA Approval on or before the Outside Entitlement Date, Lessee or Lessor may terminate this Lease by providing the other party written notice thereof on or before the Outside Entitlement Date. If either party terminates this Lease under this Section 1.6, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (b) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (c) the Surviving Provisions. The FAA Approval condition provided under this Section 1.6 is for the benefit of Lessor and Lessee and may be waived, in whole or in part, by either party.

2. TERM; RENEWAL

2.1 Lease Term. Subject to the terms and conditions contained in this Lease, the term of this Lease will commence on the Effective Date and will continue for a period equal to the Project Construction Period (as defined below) plus twenty (20) years immediately thereafter (the "Initial Lease Term"), unless sooner terminated or extended as provided in this Lease. For purposes of this Lease, the term "Lease Term" means the Initial Lease Term and any extensions or renewals thereof; the term "Project Construction Period" means the period from the Effective Date until the date Lessee receives a certificate of occupancy from the applicable governmental authority permitting use and occupancy of the Project. Lessor and Lessee will sign a written acknowledgement identifying the Project Construction Period within thirty (30) days after the end of the Project Construction Period.

2.2 Lease Term Renewal. If Lessee is not then in default under this Lease, Lessee will have the option (each an "Extension Option") to renew and extend the Initial Lease Term for three (3) consecutive additional terms of ten (10) years each (each an "Extended Term"), subject to the following terms and conditions:

2.2.1 Lessee will exercise an Extension Option by providing Lessor written notice (the "Notice of Extension") not less than one hundred fifty (150) days prior to the last day of the then expiring Initial Lease Term or Extended Term (as the case may be). Subject to the terms and conditions contained in this Lease, giving of the Notice of Extension will be sufficient to make this Lease binding for the applicable Extended Term without further act of the parties. Each Extended Term will commence on the day immediately following the expiration of the Initial Lease Term or Extended Term (as the case may be). The terms and conditions for each Extended Term will be identical with the Initial Lease Term except for Base Rent (as defined below), L/A Fee (as defined below), and Lessee will no longer have any Extension Option that has been exercised.

2.2.2 Base Rent for the first twelve-month period of each Extended Term (and increased annually thereafter pursuant to the terms of this Lease) will be equal to the then-fair market rental rate of the Land, which amount Lessor and Lessee will reasonably seek to determine by mutual agreement. If Lessor and Lessee are unable to agree on the then-fair market rental rate of the Land within sixty (60) days after Lessor's receipt of the Notice of Extension (the "Rent Negotiation Period"), the fair market rental rate of the Land will be determined as follows:

(a) Not later than thirty (30) days after the end of the Rent Negotiation Period or five (5) days after the appraiser is appointed if appointed after such 30-day period, each party will submit in confidence to the appraiser selected below its written evaluation of the fair market rental rate of the Land. At the same time, the parties will attempt in good faith to appoint a mutually acceptable, independent, qualified appraiser. Not later than thirty (30) days after the appraiser is appointed, the appraiser will choose one of the two proposals as the fair market rental rate of the Land, which determination will be final and binding. Each party's written evaluation will be accompanied by a discussion of the facts, considerations, and opinions on which the evaluation is based.

(b) If the parties cannot agree on an appraiser, then each party will appoint a qualified, independent appraiser not later than forty-five (45) days after the end of the Rent Negotiation Period. The appraisers appointed by each party will agree upon and select a qualified, independent appraiser (the "Third Party Appraiser") within fifteen (15) days thereafter. The Third Party Appraiser will choose one of the two proposals as the fair market rental rate for the Land within thirty (30) days of his or her appointment, which determination will be final and binding. If a party fails to timely appoint a qualified appraiser, then the one appraiser timely appointed will determine the fair market rental rate of the Land by choosing one of the two proposals, which determination will be final and binding. If a party fails to timely submit its evaluation of the fair market rental rate, then the timely submitted evaluation will be the final and binding fair market rental rate of the Land.

(c) Each party will bear one-half (50%) of the expense of the mutually appointed appraiser and the entire expense of any appraiser appointed by the party individually. Each appraiser retained or selected under this Section 2.2 must have at least five years' commercial real estate appraisal experience in Central Oregon. For all purposes under this Section 2.2, the fair market rental rate for the Land will be based on the assumption that the Land is vacant, unimproved, not leased (i.e., without regard to any value attributable to the Lease or any improvements on the Land) and subject to all applicable Legal Requirements.

2.2.3 During each year of each Extended Term upon the anniversary of the commencement of the Extended Term, Base Rent will increase by one and one-half percent (1.5%) over Base Rent for the immediately preceding twelve-month period.

3. POSSESSION; MADRAS AIR SHOW

3.1 Possession. Lessee's right to exclusive possession of the Land, subject to the terms and conditions of this Lease, will commence on the Effective Date.

3.2 Airshow of the Cascades. Lessee's construction and/or operation of the Project may not interfere with the operation and/or activities of The Airshow of the Cascades (the "Airshow") during the Airshow Days (as defined below). To this end, Lessee will cease all use and operations on the Land

and/or Project (including any construction activities) for the Airshow Days to accommodate Airshow activities and/or operations. Lessor will not be in default (and Lessee will not receive any Rent abatements and/or other concessions) under this Lease if Lessee's construction and/or operation of the Project and/or use of the Land is disrupted by Airshow operations and/or activities during the Airshow Days provided Lessor (a) provides Lessee not less than ninety (90) days' advance written notice of the three (3) consecutive days in August that the Airshow will be held (the "Airshow Days") during the applicable year, and (b) consults with Lessee concerning any potential commercially reasonable measures that may be taken to minimize the disruption the Airshow may have on Lessee's construction and/or operation of the Project. Lessor will use reasonable efforts to obtain the following agreements from the Central Oregon Airshow, Inc. ("Corporation"), the Oregon nonprofit corporation responsible for operation of the Airshow: (x) that Corporation permit Lessee to place an advertisement display each year during the Airshow at an acceptable location on the Airport property, at no cost and expense to Lessee, subject to the Airshow Regulations (as defined below); (y) that Corporation name Lessee as an additional insured/loss payee (as applicable) on all liability and property insurance policies maintained by Corporation with respect to the Airshow, and (z) that Corporation include Lessee, its officers, members, employees, and agents as indemnified and protected parties under any indemnification and defense provisions in any agreement(s) by or between Corporation and Lessor with respect to the Airshow. Lessor will promptly provide Lessee with a copy of all such agreements and policies relating to clauses (y) and (z) above if and to the extent obtained. Lessor will have no liability whatsoever to Lessee under this Section 3.2 if and to the extent Corporation does not agree to any or all of clauses (x), (y), and/or (z) under this Section 3.2.

3.3 Airshow Regulations. Lessee will comply with all reasonable rules and regulations concerning the Airport and/or Land that Lessor may adopt from time to time concerning the Airshow (the "Airshow Regulations"). Lessee will not perform (or caused to be performed) any acts or carry on any practice prohibited by the Airshow Regulations. Lessor is permitted to amend the Airshow Regulations (or adopt new Airshow Regulations) from time to time as Lessor reasonably determines necessary or appropriate. Any permitted adoption or amendment to the Airshow Regulations will be effective thirty (30) days after Lessor provides Lessee notice of such adoption or amendments.

4. BASE RENT; ADDITIONAL RENT

4.1 Base Rent. Subject to the terms and conditions contained in this Lease, commencing on the Rent Start Date (as defined below), Lessee will pay Lessor minimum rent ("Base Rent"), without offset, in the amount of \$12,633.85 per month (which is calculated based on 87.13 acres (per survey attached hereto as Exhibit A) multiplied by \$145.00 per acre, per month). Lessee's first payment of Base Rent will be on the Rent Start Date. Lessee will pay all other payments of Base Rent monthly in advance on the first day of each month. Lessee may, in Lessee's discretion, make annual Base Rent payments in advance of each twelve-month rental period. For purposes of this Lease, the term "Rent Start Date" means the earliest to occur of the following: (a) completion of the Project (as evidenced by issuance of a valid occupancy permit issued by the applicable governmental authority permitting Lessee's use and occupancy of the Project); (b) the first year anniversary of the Effective Date; or (c) January 1, 2017.

4.2 Additional Rent. All taxes, insurance costs, utility charges (e.g., electricity, telephone, water, etc.), the L/A Fee (as defined below), and any other sums Lessee is required to pay Lessor or any third-party under this Lease (other than Base Rent) is deemed "Additional Rent." Additional Rent will be due and payable to the applicable payee commencing on the Effective Date; provided, however, the L/A

Fee will not be payable until the Rent Start Date. For purposes of this Lease, "Rent" means both Base Rent and Additional Rent.

4.3 Rent Payments; Escalation. Base Rent and the L/A Fee will be payable without deduction or offset to the order of Lessor at the address first shown above or at such other address as may be designated from time to time by Lessor. All costs, expenses, and obligations imposed on Lessee under this Lease during the Lease Term relating to the Land and/or Project will be paid by Lessee, except as otherwise provided herein. Commencing on the first year anniversary of the Rent Start Date, and continuing each year thereafter during the Lease Term (including each Extended Term), except for Base Rent for the first year of each Extended Term which will be determined in accordance with Section 2.2, Base Rent and the L/A Fee will escalate (increase) by one and one-half percent (1.5%) over the amount applicable for the immediately preceding twelve-month period. Subject to the terms and conditions contained in this Agreement, Rent will be prorated on a daily basis with respect to any partial month in which the Lease Term commences and ends.

4.4 Lighting and Access Fee. Commencing on the Rent Start Date, in addition to any other fees, charges, and/or expenses provided under this Lease, Lessee will pay Lessor a lighting and access fee of \$275.91 per month (the "L/A Fee"). The L/A Fee will be increased (escalated) annually in accordance with Section 4.3, above.

5. USE OF LAND

5.1 Permitted Use.

5.1.1 Except as may be permitted with Lessor's prior written consent as provided herein, Lessee may use the Land only for the following purposes (collectively, the "Permitted Use"): (a) the Construction (as defined below) of the Project (as provided in Section 7); and (b) the operation and administration of a vehicle research and testing facility, including vehicle inspection and re-inspection, disassembly, and reassembly (including of various trim, aerodynamic panels, hood and cab, and axle components), test track operations over various surfaces and testing events (for ten (10) or more vehicles at a time at all hours and days), test activities (including brake testing, noise testing, vehicle lighting testing, powertrain performance and integration testing, ride and handling tests, and active and passive safety system tests), customer and/or employee demonstrations (sometimes with large groups and many vehicles), vehicle reliability and/or durability testing, data collection for vehicle development purposes, other tests that are not appropriate for public roads, wireless coverage (802.11g) for most of the paved areas, licensed business band radios for vehicle-to-vehicle and vehicle-to-base communications on the site, general vehicle maintenance and servicing, associated administrative offices and shop, and other uses incidental to the foregoing. Lessor acknowledges that the Permitted Use includes a test track, drag strip, durability track, and other activities involving the use, testing, and operations of medium- and heavy-duty trucks, including continuous and simultaneous operation of multiple trucks twenty-four (24) hours per day, seven (7) days per week, operated at various speeds and conditions and on varying surfaces. Lessor further acknowledges that these activities may produce noise (including engine, braking and roadway noise), odors, fumes (including exhaust fumes), dust, smoke, vapor, vibrations, lighting, and other potential disturbances or objectionable conditions inherent in such activities. Lessee will not use the Land for any purpose other than the Permitted Use without first obtaining Lessor's prior written consent, which consent will not be unreasonably withheld, conditioned, and/or delayed. Lessee will conduct the Permitted Use subject to and in accordance with

this Lease and all applicable Legal Requirements; provided that in making the foregoing and similar covenants herein Tenant is expressly relying upon Lessor's representation and warranty set forth in Section 5.1.2.

5.1.2 Provided that Lessor and Lessee receive the FAA Approval, Lessor represents and warrants to Lessee that, to Lessor's actual knowledge as of the Effective Date, the Permitted Use is consistent and compatible with aeronautical activities at the Airport and is an acceptable and permitted use of the Land under applicable Airport Requirements (defined herein) in effect on the Effective Date. As used herein, "Airport Requirements" means airport-related federal statutes and rules, Lessor's federal obligations (including Grant Assurances), and FAA policy.

5.2 Lessor's Right of Entry. Lessor reserves the right to enter the Land and all improvements located thereon for the purpose of investigating compliance with the terms of this Lease, general safety inspections, and for any other reasonable purpose that Lessor finds necessary for the operation of the Airport. Except in the case of an emergency, Lessor will provide not less than forty-eight (48) hours' prior written notice to Lessee prior to entering the Land for any such purposes. Any Lessor entry on the Land will be conducted in a manner so as to minimize interference with the Permitted Use and may be subject to such security and safety conditions or protocols as may be reasonably required by Lessee, provided such security and safety conditions or protocols do not unreasonably interfere with Lessor's right of entry.

5.3 Reservation for Aeronautical Use. Notwithstanding anything contained in this Lease to the contrary, Lessee will conduct all activities on the Land in a manner that will not adversely affect or interfere with Airport-related flight operations or contribute to flight hazards, including the following: (a) emitting electronic interference with aircraft radio communications or electronic navigational aids; (b) inhibiting pilot visibility through, among other things, emission of smoke or vapor, the use of glaring lights, the use of lights that resemble a layout or color of a landing area, or the use of search lights or flash-type advertising signs; (c) creation of hazards which are dangerous to the safety of aircraft or flying in the vicinity of the Airport; and/or (d) creating attractants of birds or wildlife that are hazardous to aircraft, all as determined by Lessor in its reasonable discretion. Any exterior construction activities on or at the Land must be approved (i.e., must receive a "no objection" determination) by the FAA through the notice of proposed construction review process, submittal of FAA Form 7460-1, and will be subject to all applicable Legal Requirements. Lessee acknowledges that the requirements of the preceding sentence may result in construction delays to the Project. Lessor will make commercially reasonable efforts and work in good faith with Lessee to facilitate the submission and processing of the aforementioned FAA Form 7460-1.

5.4 Use Restrictions. The particular manner in which Lessee conducts the Permitted Use on the Land will at all times conform and comply with this Lease and all Legal Requirements. For purposes of this Lease, the term "Legal Requirement(s)" means any and all applicable rules, regulations, leases, covenants, conditions, restrictions, easements, declarations, laws, statutes, liens, ordinances, orders, codes, rules, and regulations directly or indirectly affecting the Land, the Project (including, without limitation, Construction of the Project and/or any other improvements), the Airport, and/or the Permitted Use, including, without limitation, the Americans with Disabilities Act of 1990 (and the rules and regulations promulgated thereunder), any applicable environmental laws, any applicable rules or regulations promulgated by the FAA or any other federal airport authority (including, without limitation, Lessor's Grant Assurances and requirements under 14 C.F.R. Part 77), and any applicable Airport rules

and regulations (including, without limitation, the Airshow Regulations), all as now in force and/or which may hereafter be amended, modified, enacted, or promulgated; provided, however, all rules and regulations adopted or approved by Lessor will be reasonable, materially consistent with this Lease, and promulgated and enforced by Lessor on a non-discriminatory basis. If, during the Lease Term, Lessee is materially prohibited from using the Land for the Permitted Use due to any Legal Requirements, Lessee will have the right to terminate this Lease by providing Lessor not less than thirty (30) days' prior written notice of such termination, subject to the following terms and conditions: (a) Lessee and Lessor must have first attempted to discuss and, if appropriate, resolve the issue in accordance with Section 5.8; and (b) Lessee's termination of the Lease under this Section 5.4 will not relieve Lessee of any Lessee express obligations under this Lease that have accrued and remain unperformed prior to the termination, including (i) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (ii) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (iii) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (iv) the Surviving Provisions; provided, however, that upon such termination by Lessee pursuant to this Section 5.4, Lessor shall have no obligation whatsoever to purchase the improvements owned by Lessee (but such improvements will be subject to purchase or lease pursuant to Section 9.1).

5.5 Reversion for Aeronautical Purposes. Lessee agrees that Lessor may terminate this Lease at any time that Lessor determines that the Land will be required for aeronautical purposes or the Permitted Use will interfere with aeronautical activities at the Airport or conflict with applicable Airport Requirements. In such event, Lessee agrees to release Lessor from any claims or liabilities resulting from such Lease termination, other than a claim for equitable just compensation. Upon such Lease termination, the Land and Improvements and all rights therein will revert to Lessor and Lessor will pay to Lessee equitable just compensation. As used in this Section 5.5, "equitable just compensation" will be calculated in the same manner as provided for the determination of just compensation under Section 16.12 herein and Oregon law in the case of a taking by condemnation. Lessor will pay such equitable just compensation on or prior to the effective date of such Lease termination. Lessor's right to terminate the Lease (and purchase the Improvements) under this Section 5.5 in no way limits and/or impairs Lessor's right to demand Lessee's compliance with the terms of this Lease and/or Lessor's rights and remedies provided under this Lease.

5.6 Aviation Easement. Lessor reserves for itself, and for the public, a right of flight for the passage of aircraft in the airspace above the Land together with the right to cause noise, vibration, dust, fumes, smoke, vapor, and other effects inherent in the navigation or flight of aircraft and/or operation of the Airport. Lessee will not construct any building or facility at a height in feet above the ground or take any other action that will, in Lessor's reasonable opinion, interfere with navigational aids or flight operations at the Airport; provided that the improvements approved by Lessor are deemed not to so interfere.

5.7 Non-Discrimination; Unfair Practices. To the extent applicable to the Construction or Lessee's use of the Land, Lessee, as a part of the consideration hereof, covenants and agrees to the following: (a) if any facilities are constructed, maintained, and/or otherwise operated on the Land for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed under 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, as amended; (b) no person on the grounds of race, color, or

national origin will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of any facilities located on the Land; and (c) in the construction of any improvements on, over, or under the Land and the furnishing of services thereon, no person on the grounds of race, color, or national origin will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination.

5.8 Communication and Coordination. During the Lease Term, Lessor and Lessee will maintain adequate levels of communication to ensure reasonable cooperation and coordination of the parties' respective activities at the Airport. If any claim, dispute, and/or controversy arises out of a potential conflict between such activities (a "Dispute"), including Lessor's assertion that particular Lessee activities on the Land do not comply with any terms of this Lease (including Section 5.3 or Section 5.4), Lessor and Lessee will exert commercially reasonable efforts to seek a fair and prompt negotiated resolution of the Dispute and will meet at least once in person to discuss and seek a resolution of the Dispute, if necessary, within thirty (30) days of written notice from Lessor to Lessee of such Dispute (which notice will identify the Dispute with specificity and request such discussions pursuant to this Section 5.8). The resolution process described in this Section 5.8 does not limit or impair either party's rights or remedies under this Lease or at law, and each party may approve or disapprove of any proposed resolution in its sole and absolute discretion.

6. TAXES; ASSESSMENTS; UTILITIES; ANNEXATION

6.1 Payment of Taxes and Assessments. Lessee will pay before delinquency all real and personal property taxes, general and special assessments, and any other charges of every description levied on and/or assessed against the Land, any improvements located on the Land (including, without limitation, the Project), and/or personal property and/or fixtures located on the Land. Lessee will make all such payments directly to the taxing authority. If any such tax assessment or charge may be paid in installments, Lessee may elect to do so as long as each installment together with interest is paid before it becomes delinquent. Lessee will furnish to Lessor receipts or other proof of payment of taxes and assessments within thirty (30) days after Lessor's written request. Lessee reserves the right, at Lessee's expense and at no cost or expense to Lessor (and provided Lessor's interest in and to the Land is not compromised), to contest any taxes and assessments hereunder in accordance with the applicable legal process.

6.2 Pro-rations. Taxes, assessments, and charges concerning the Land for the tax years in which the Effective Date falls or the Lease Term expires will be prorated between the parties on a daily basis as of the Effective Date or the Lease Term expiration, as applicable. If any tax, assessment, and/or charge (excluding personal property taxes, assessments, or charges) is payable in installments and an election to so pay has been made with respect to the Land, Lessee will only be responsible to pay those installments which fall due during the period from the Effective Date through the expiration of the Lease Term, regardless of whether some installments fall due before the Effective Date or after the expiration of the Lease Term.

6.3 Utilities. During the Lease Term, Lessee will pay when due all charges for services and utilities incurred in connection with the use, occupancy, and/or maintenance of the Land (including any improvements located thereon), including, without limitation, charges for electricity, fuel, janitorial services, power, natural gas, water, sewage, telephone, internet, refuse collection, and all other services and utilities.

6.4 Annexation. Lessee consents to any Lessor annexation of the Land. Upon Lessor's request, and at Lessor's expense, Lessee will execute any consent to annexation applications, documents, and/or instruments Lessor reasonably deems necessary or appropriate.

7. INITIAL CONSTRUCTION

7.1 Lessee's Obligation to Construct. Subject to the Lessee's right to alter, supplement, or modify the project plans and specifications as it deems necessary in its sole discretion, Lessee intends to develop and construct on and at the Land, at Lessee's cost and expense, certain vehicle research and testing facilities including (a) one or more vehicle test tracks constructed of asphalt, concrete, and/or gravel, and (b) certain structures or improvements for office, vehicle maintenance, and support, including an approximately 26,000 square foot maintenance building (approximately 4,500 square feet of which will be used for office space) and a vehicle washing station (collectively, the "Project"). The Project will be a complete facility and erected wholly within the boundary lines of the Land. Lessee will timely obtain, at Lessee's cost and expense, land use approval and all necessary building and other permits concerning the Project required by Legal Requirements.

7.2 Construction. Lessee will commence construction of the Project no later than one hundred eighty (180) days after Lessee's receipt of all Entitlements, including any approval required by the FAA. Lessee will complete construction of the Project, including taking all actions within its control to obtain a valid occupancy permit, not later than five hundred (500) days after commencement of construction of the Project, subject to automatic extension for delays due to force majeure or other causes beyond the reasonable control of Lessee. Lessee will comply with all conditions of construction specified in this Lease, including Section 7.3, below. The construction of the Project is referred to in this Lease as "Construction."

7.3 Construction Conditions. Prior to commencing Construction of the Project and before any building materials have been delivered to the Land, Lessee will comply with each of the following conditions:

7.3.1 If and to the extent required under the Legal Requirements, (a) Lessee will submit a site plan application and pay the applicable fee to Lessor for Lessor's land use approval process, and (b) Lessee will follow the conditions of approval from the site plan decision. As part of a design review process, Lessee will submit to Lessor three sets of preliminary construction plans and specifications prepared by an architect or engineer licensed in the State of Oregon. Lessor's approval or disapproval will be communicated to Lessee in the manner provided for notices within twenty (20) days after receipt of complete plans and specifications from Lessor. Any disapproval will be accompanied by a statement of the reasons for such disapproval. Lessor may not unreasonably withhold, condition, or delay approval. Lessee will revise plans and specifications to address Lessor's review comments. Final working drawings and the Construction work will conform in all material respects with the final site plan decision, plan review comments, and all other applicable Legal Requirements. To save time and reduce cost, Lessee is urged to submit a preliminary elevation for approval by the Site Plan Committee. The design review process does not relieve Lessee of the responsibility to submit necessary plans to the Building Official and secure required permits. If Lessor disapproves of Lessee's plans and specifications and Lessee and Lessor cannot reach agreement on modifications to such plans and specifications, Lessee may terminate this Lease pursuant to Section 1.4.6.

7.3.2 Lessee will deliver to Lessor (a) such proofs and copies as Lessor may reasonably request regarding insurance relating to the Project, including, without limitation, certificates of insurance evidencing the insurance required herein to be maintained by Lessee or its contractors, including workers' compensation insurance for all persons employed in connection with the Construction, (b) proof of issuance of all building and other permits required for the Construction, and (c) copies of Lessee's contract with the general contractor concerning the Construction.

7.3.3 Comply with Section 11.3 entitled Builder's Risk Insurance. Nothing contained in this Lease exempts Lessee from complying with underlying zoning, Airport operations, building, and/or other Legal Requirements applicable to the Project or Lessee's use and occupancy of the Land.

7.4 Completion of Construction. Once Construction has begun, Lessee will prosecute it to completion with diligence. Construction will be performed in a good and workmanlike manner and will comply with all applicable governmental permits, laws, ordinances and regulations, including, without limitation, any applicable Legal Requirements. Lessee will pay or cause to be paid the total cost of the Construction, subject to the terms of this Lease. Lessee acknowledges and agrees that a substantial part of the consideration to Lessor for entering into this Lease with Lessee is construction of the Project, that Lessor would not have entered into this Lease without the agreement by Lessee to construct the Project, and that any failure by Lessee to construct the Project will result in damage to Lessor in an amount which would be very difficult to ascertain. If Lessee fails to timely commence and complete Construction of the Project as provided in this Lease, Lessor will have the right to terminate this Lease by giving Lessee not less than ninety (90) days' prior written notice of such termination; provided, however, that such termination will be null and void if Lessee commences (and thereafter proceeds with reasonable diligence to complete Construction) or completes Construction (as the case may be) on or prior to the expiration of such 90-day period.

7.5 Lessee Contractors and General Duties. Lessee will use only licensed and bonded contractors familiar with the Legal Requirements and of good reputation to complete the Construction. Subject to Section 5.2, Lessor will have the right to inspect the Construction at reasonable intervals to ensure Lessee is complying with its obligations under this Lease.

7.6 Joinder In Instruments. Upon reasonable request from time to time, and subject to Lessor's review and reasonable approval, Lessor will join, at no cost and expense to Lessor, with Lessee in any conveyance, dedication, grant of easement, and/or license or other instrument as is reasonably necessary or convenient to provide public utility service or access to the Land or in order to allow development or use of the Land by Lessee as contemplated herein.

8. MAINTENANCE; ALTERATIONS; RECONSTRUCTION

8.1 Maintenance. Lessee will maintain, at Lessee's cost and expense, the Land and all improvements located thereon in first class condition and repair throughout the Lease Term, ordinary wear and tear, permitted Alterations (as defined below) and changes caused by condemnation or casualty excepted (but subject to the provisions in this Lease relating to condemnation and casualty), and in accordance with all applicable Legal Requirements. Lessor has no repair and/or maintenance obligations.

8.2 Alterations. Subject to Lessor's prior written consent (except as provided in Section 8.2.3, below), after construction of the Project is completed, Lessee may from time to time construct, improve, demolish, remove, replace, alter, reconstruct, remodel, and/or add to any existing improvements in whole or in part (collectively, "Alterations") as Lessee deems necessary or desirable, subject to the following conditions:

8.2.1 All such work will be done at Lessee's cost and expense, in a good and workmanlike manner, and in compliance with all applicable building and zoning laws and all other laws, ordinances, orders and requirements of all authorities having or claiming jurisdiction, including, without limitation, any applicable Legal Requirements.

8.2.2 Except with respect to activities for which Lessor is responsible, Lessee will pay as and when due all claims for work done on and for services rendered or material furnished to the Land and will keep the Land free from any and all liens. If Lessee fails to pay any such claims or to discharge any lien, Lessor may do so and collect the costs as Additional Rent. Any amount so added will bear interest at the rate of twelve percent (12%) per annum from the date expended by Lessor until paid and will be payable immediately on demand. Lessor's payment of Lessee's claims or discharge of any Lessee lien will not constitute a waiver of any other right or remedy which Lessor may have on account of Lessee's default. If a lien is filed as a result of nonpayment, Lessee will, within ten (10) days after knowledge of the filing, secure the discharge of the lien or deposit with Lessor cash or sufficient corporate surety bond or other security satisfactory to Lessor 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. Lessee will indemnify, defend, and hold Lessor harmless for, from, and against any claim, loss, and/or liability arising out of Lessee's failure to comply with this Section 8.2.2.

8.2.3 Lessee may make minor additions and/or changes to the Land and improvements thereon without Lessor's prior consent (if such consent is not required under the Legal Requirements) provided such minor additions and/or changes in the Land and/or improvements are otherwise made subject to the terms and conditions of this Lease and applicable Legal Requirements. A "minor" addition and/or change is one that (a) does not require a building permit, (b) does not materially affect the exterior appearance, and (c) costs less than \$350,000.00.

8.3 Reconstruction.

8.3.1 If any building on the Land is damaged or destroyed by fire or any other cause at any time during the Lease Term, whether or not covered by insurance, and the Lease is not terminated pursuant to Section 8.3.2 below, Lessee will promptly repair the damage and restore the building. The completed repair, restoration, and/or replacement will be equal in quality and use immediately before the damage.

8.3.2 If a building on the Land is damaged (a) during the last two years of the Lease Term, or (b) to the extent that the estimated reasonable cost of restoring the building equals or exceeds twenty-five percent (25%) of the fair market value of the building immediately prior to the damage, Lessee will elect by written notice to Lessor given within sixty (60) days after the date of the damage to either (y) repair, restore, and replace the building as provided in Section 8.3.1 above, or (z) raze the building, remove all demolition debris, and terminate this Lease effective not more than one hundred eighty (180) days after the date of such written notice (which termination date will be identified in such

written notice). Lessee will pay all costs of razing and debris removal which will be completed on or before the termination date. Lessee will pay all rents, taxes, and utilities, and will perform all other obligations of Lessee under this Lease to the date of termination. In the absence of such an election, Lessee will promptly repair the damage and restore the building and will do so whether or not the proceeds of any insurance policies covering the loss are sufficient to pay the cost of such repair, replacement, and/or restoration.

8.3.3 Lessee will not be entitled to any abatement of Rent on account of any damage to or destruction of the building or other improvements on the Land, nor will any other obligations of Lessee under this Lease be altered or terminated except as specifically provided in this Lease.

8.4 Work Deemed Construction. Any maintenance, alterations, reconstruction, razing, and/or other work undertaken as a single project, and that requires acquisition of a building permit, will be deemed to be construction and will be subject to the conditions of Construction specified above.

9. OWNERSHIP OF IMPROVEMENTS

9.1 Lessee Ownership. All improvements constructed on the Land by Lessee will be owned by Lessee. All improvements located on the Land at the expiration or sooner termination of this Lease that have not been removed by Lessee as provided herein will be disposed of in one of the following manners: (a) Lessor may purchase such improvements that remain (but not less than all such improvements) for the fair market value of the improvements as of the expiration or termination of this Lease, provided that Lessor must notify Lessee, within sixty (60) days after learning of the proposed expiration or termination by written notice from Lessee of Lessee's intent to sell the improvements (which Lessee notice will be given not less than one hundred eighty (180) days prior to the proposed termination or expiration), whether Lessor intends to purchase such improvements; or (b) if Lessor does not purchase such improvements, then Lessee covenants that Lessee will negotiate in good faith the terms of a sale or lease of such improvements to Lessee's successor at a purchase price or base rent that represents the fair market value of the improvements without the Land, and Lessor covenants that Lessor will negotiate in good faith the terms of a new ground lease with Lessee's successor at a base rent that represents the fair market rental value of the Land without the improvements. Notwithstanding anything contained in this Lease to the contrary, at the expiration or earlier termination of this Lease, Lessee will not be required to remove any asphalt, concrete, gravel, or paved areas on the Land (including building slab, parking or test track areas), or to restore any such areas to their prior condition, and all such areas will be surrendered to Lessor in the condition existing on the date of such expiration or termination. Notwithstanding any other provision contained in this Lease to the contrary, as used in this Lease the term "Improvements" or "improvements" does not include any furniture, trade fixtures, equipment, and/or other personal property of Lessee (all of which will at all times be and remain the property of Lessee). Notwithstanding any other provision contained in this Lease to the contrary, in the event that Lessor does not purchase the Lessee's improvements pursuant to Section 9.1(a) above and Lessee does not sell or lease the improvements pursuant to Section 9.1(b) above within five (5) years after the date of expiration or termination of this Lease, then all Lessee improvements shall automatically be forfeited to and owned by Lessor as of the fifth (5th) anniversary of such termination date, and Lessee disclaims any rights, title or interest in and to such improvements in the event of such forfeiture.

9.2 Lessor Purchase. If Lessor elects to purchase the Improvements, then the fair market value of the Improvements will be determined by the parties through good faith negotiation, which the parties will commence at least one hundred twenty (120) days before the end of the Lease Term (unless the end of the Lease Term is not known) and pursue with diligence. If the parties cannot reach agreement within thirty (30) days, then the fair market value will be determined by the following process:

9.2.1 Not later than ninety (90) days before the end of the Lease Term, each party will submit in confidence its written evaluation of the fair market value of the Improvements. At the same time, the parties will attempt in good faith to appoint a mutually acceptable, independent, qualified appraiser. Not later than thirty (30) days after the appraiser is appointed, the appraiser will choose one of the two proposals as the fair market value of the Improvements, which determination will be final and binding.

9.2.2 If the parties cannot agree on an appraiser, then each party will appoint a qualified, independent appraiser not later than seventy-five (75) days before the end of the Lease Term. The appraisers appointed by each party will select a qualified, independent appraiser, who will choose one of the two proposals as the fair market value of the Improvements, which determination will be final and binding. If a party fails to timely appoint a qualified appraiser, then the one appraiser timely appointed will determine the fair market value by choosing one of the two proposals as the fair market value of the Improvements, which determination will be final and binding. If a party fails to timely submit its evaluation of the fair market value, then the timely submitted evaluation will be the final and binding fair market value of the Improvements.

9.2.3 Each party will bear one-half of the expense of the mutually appointed appraiser and the entire expense of any appraiser appointed by the party individually. Lessor will pay Lessee the agreed or determined fair market value, as the case may be, not later than thirty (30) days after it is determined. Lessee will defend, indemnify, and hold Lessor harmless for, from, and against all liability and loss arising from Lessee's failure to deliver the Improvements free and clear of all claims, liens, and/or encumbrances caused by Lessee.

10. LEASEHOLD FINANCING; ASSIGNMENT

10.1 Leasehold Financing.

10.1.1 Lessee may from time to time, without Lessor's consent, grant mortgages, deed of trust liens, and/or security interests in Lessee's improvements, Lessee's interest in this Lease, and/or Lessee's interest in any permitted sublease(s) under one or more leasehold mortgages or deeds of trust (purchase money or otherwise), and to assign all or any portion of, or any of Lessee's interest in, such collateral as security for such leasehold mortgagees or deeds of trust. The granting of any such security interest may be accomplished by means of a security agreement, a mortgage, a deed of trust, or any other document. Lessee may encumber its interests to more than one lender at the same time or at different times. Lessee's leasehold estate in this Lease, or any of the improvements herein, will not be subject to any loan, the term of which extends beyond the scheduled expiration date of this Lease. All mortgages, deed of trust liens, and security interests will be subject to all the terms and conditions of this Lease and Lessor's rights and interests. Lessor is not subordinating its interests in the Land to any mortgages, deed of trust liens, and/or any other security interests created or identified under Section

10.1. Lessor will be entitled to all of its interests in the improvements at the termination of this Lease, as provided herein. If Lessee decides to encumber its leasehold estate, Lessee will promptly give Lessor written notice of such encumbrance and a copy of the recorded documents creating the encumbrance, including a copy of any mortgage, trust deeds, and lien instruments and documents. If Lessor is required to review or sign any documents related to such financing, then Lessee will pay Lessor's reasonable review fees, including attorney fees and costs, for reviewing such documents. If a breach or default by Lessee under this Lease or under the Permitted Leasehold Mortgage (as defined below) or other related documents occurs, the Permitted Leasehold Mortgagee may exercise such rights as it may have against Lessee thereunder, subject to the terms and conditions of this Lease and Lessor's interests in the Land and any improvements constructed thereon. Any permitted mortgage or deed of trust arrangement described in this Section 10.1 is referred to as a "Permitted Leasehold Mortgage," and the holder of, or secured party under, a Permitted Leasehold Mortgage is referred to as a "Permitted Leasehold Mortgagee." The Permitted Leasehold Mortgage that is prior in lien or interest among those in effect is referred to as the "First Leasehold Mortgage," and the holder of, or secured party under, the First Leasehold Mortgage is referred to as the "First Leasehold Mortgagee." If a First Leasehold Mortgage and a Permitted Leasehold Mortgage that is second in priority in lien or interest among those in effect are both held by the same Permitted Leasehold Mortgagee, the said two Permitted Leasehold Mortgages are collectively referred to as the "First Leasehold Mortgage." A Permitted Leasehold Mortgage will include whatever security instruments are used in the financing transaction which the lender may reasonably require, provided that the documents comply with the limitations contained in this Section 10.1.

10.1.2 If a Permitted Leasehold Mortgagee or Lessee sends Lessor notice of a Permitted Leasehold Mortgage, together with the name and address of the Permitted Leasehold Mortgagee, then as long as such Permitted Leasehold Mortgage will remain unsatisfied of record, or until written notice of satisfaction is given by the holder thereof to Lessor, and as long as the Permitted Leasehold Mortgagee has an office which is located in the United States designated to accept service of any notice or other service of process, the following provisions will apply:

(a) Except as caused by operation of law or as arises from the occurrence of an Event of Default, subject to the rights of Permitted Leasehold Mortgagee under this Section 10.1, there will otherwise be no voluntary cancellation, termination, surrender, or acceptance of surrender of this Lease without, in each case, the prior consent, in writing, of the Permitted Leasehold Mortgagee;

(b) Lessor will, upon serving Lessee with any notice of (i) a violation of this Lease or an Event of Default under this Lease, or (ii) the termination of this Lease, in accordance with the notice provisions herein, simultaneously serve a copy of such notice upon each Permitted Leasehold Mortgagee;

(c) Upon the occurrence of any violation of this Lease for which Lessor wishes to declare an Event of Default, if notice of such Event of Default is required to be given, each Permitted Leasehold Mortgagee will have the same period as Lessee after service of notice upon it to remedy, or cause to be remedied, the violation or Event of Default, plus an additional thirty (30) days for any non-payment related Event of Default, and Lessor will accept such performance by such Permitted Leasehold Mortgagee as if the same had been done by Lessee. Each notice of an Event of Default given by Lessor will specify the nature of the Lease violation and, if such violation relates to the payment of money, will state the amounts claimed to be past due. Nothing herein will require any Permitted

Leasehold Mortgagee to cure any Event of Default. No such cure will constitute an assumption of any liability by such Permitted Leasehold Mortgagee, nor prejudice the right of such Permitted Leasehold Mortgagee and/or Lessee to later contest or continue to contest the validity of the claim of the Event of Default.

(d) Lessor agrees that the name of the Permitted Leasehold Mortgagee may be added to the "Loss Payable Endorsement" and/or to the list of additional insureds on any and all insurance policies required to be carried by Lessee hereunder.

(e) Subject to the requirements for a new lease contained in this Section 10.1.2(e), Lessor agrees that in the event of termination of this Lease by reason of any Event of Default, Lessor will convey to the Permitted Leasehold Mortgagee any present right, title, and interest in and to Lessee's improvements held by Lessor, subject to Lessor's reversionary interest therein as provided herein. Lessor and the Permitted Leasehold Mortgagee will then enter into a new lease of the Land for the remainder of the term of this Lease (with the same renewal rights, if any), effective as of the date of such termination, on the same terms as are set forth in this Lease, and subject to the same conditions of title as this Lease is subject to on the date of the execution hereof and to those conditions created by Lessee, and to the rights, if any, of any parties then in possession of any part of the Land, provided:

(i) The Permitted Leasehold Mortgagee will make written request upon Lessor for such new lease within thirty (30) days after the date of termination indicated in the notice of termination given by Lessor to the Permitted Leasehold Mortgagee, and such written request will be accompanied by payment to Lessor of Rent, or any other amounts then due to Lessor under this Lease as specified in the termination notice;

(ii) The Permitted Leasehold Mortgagee will pay Lessor at the time of the execution and delivery of said new lease, any and all Rent and other amounts which would be due at the time of the execution and delivery thereof, pursuant to this Lease, for such termination and, in addition thereto, any out-of-pocket expenses, including reasonable attorney fees, which Lessor will have incurred by reason of such default; and

(iii) Such new lease will be expressly made subject to the rights, if any, of Lessee or any permitted subtenant under the terminated Lease, including those relating to nondisturbance and the right to quiet enjoyment, which rights will be the responsibility of the Permitted Leasehold Mortgagee.

(f) No Lessor consent will be required to the transfer of Lessee's interest in this Lease to a Permitted Leasehold Mortgagee resulting from the foreclosure of a Permitted Leasehold Mortgage or a negotiated transfer to the Permitted Leasehold Mortgagee in lieu of foreclosure. Any transfer by a Permitted Leasehold Mortgagee will be subject to the provisions of Section 10.2.

(g) Nothing herein contained will require the Permitted Leasehold Mortgagee, as a condition to execution and delivery of the new lease, to cure an Event of Default which occurred solely by virtue of Lessee filing for bankruptcy or for any other Event of Default (other than any payment obligations) that the Permitted Leasehold Mortgagee cannot reasonably cure.

(h) Lessor agrees to execute amendments to this Lease or separate agreements from time to time to the extent reasonably requested by a Permitted Leasehold Mortgagee proposing to make Lessee a loan secured by a Permitted Leasehold Mortgage, provided that such proposed amendments or other agreements do not materially and adversely affect the rights of Lessor or its interest in the Land. All reasonable expenses incurred by Lessor in connection with any such amendments will be paid by Lessee or the Permitted Leasehold Mortgagee immediately upon Lessor's demand. No change in the rent or other economic terms of this Lease will be required of either party as a condition to such agreement.

(i) No fire or casualty loss claims of Lessee will be settled, and no agreement will be made in respect of any award or payment in condemnation or eminent domain without, in each case, the prior written consent of the First Leasehold Mortgagee if, and as specified, in its loan documents. Nothing contained herein, however, will be construed to alter Lessor's right under this Lease to immediately claim and receive its share of any award or payment, to delay Lessor's settlement rights in any fire or casualty loss, condemnation, or eminent domain action, or to limit Lessee's responsibility to use insurance proceeds to replace the damaged Land improvements as provided herein.

(j) No liability for the payment of Rent or the performance of any of Lessee's covenants and agreements hereunder will attach to, or be imposed upon, any Permitted Leasehold Mortgagee which does not assume this Lease.

(k) Lessor, within twenty (20) days after request in writing by Lessee or any Permitted Leasehold Mortgagee, will furnish a written statement, duly acknowledged, stating that this Lease is in full force and effect and unamended, or if there are any amendments, specifying the same; that there are no violations or Events of Default of this Lease thereunder by Lessee that are known to Lessor, or if there are any known violations or Events of Default, specifying the same; and such other matters as may be reasonably requested.

(l) No payment made to Lessor by any Permitted Leasehold Mortgagee will constitute an agreement that such payment was, in fact, due under the terms of this Lease. If the Permitted Leasehold Mortgagee makes any payment to the Lessor pursuant to Lessor's wrongful, improper, or mistaken notice or demand, it will be entitled to the return of any such payment, or portion thereof, provided it will have made demand therefor not later than ninety (90) days after the date of its payment.

10.2 Assignment. Except as otherwise expressly permitted in Sections 10.1 and 10.3, Lessee will not sell, assign, mortgage, sublet, lien, convey, encumber, and/or otherwise transfer (whether directly, indirectly, voluntarily, involuntarily, or by operation of law) all or any part of Lessee's interest in this Lease, the Land, and/or Project (collectively, "Transfer") without Lessor's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. For purposes of this Lease, a "Transfer" will be deemed to include the sale, assignment, encumbrance, and/or transfer - or series of related sales, assignments, encumbrances, and/or transfers - of fifty-one percent (51%) or more of the shares or other ownership interest of Lessee, regardless of whether the sale, assignment, encumbrance, and/or transfer occurs voluntarily or involuntarily, by operation of law, or because of any act or occurrence. Any Transfer which does not comply with this Lease will be void and will constitute a breach of this Lease.

10.3 Permitted Transfer. Notwithstanding any other provision in this Lease, but subject to Section 10.5, Lessee may enter into and complete from time to time any one or more of the following Transfers without Lessor's consent: (a) any transfer of equity interests in Lessee among Lessee's existing shareholders and/or their family members, heirs, and/or devisees, or to estate planning trusts; (b) any transfer or assignment of this Lease to any corporation, company, or partnership that is controlled by, controlling of, or under common control with, Lessee (an "Affiliate Transfer"); (c) the offering, sale, or transfer of any of Lessee's shares through or on any public securities market or exchange; and/or (d) any assignment or transfer of this Lease in connection with a sale of all or substantially all of the assets of Lessee or Lessee's business, or by operation of law or otherwise in connection with a merger, consolidation, acquisition of a controlling interest in Lessee's stock, or other significant corporate transaction (a "Transaction Transfer"). Lessee will promptly notify Lessor of any Affiliate Transfer or Transaction Transfer within thirty (30) days of the date of such transfer.

10.4 Conditions to Lessor's Consent. Except for any Transfer under Section 10.3, Lessor's consent to any proposed Transfer by Lessee is conditioned on (in addition to any other condition that Lessor may reasonably impose) the following: (a) Lessee demonstrating (to Lessor's satisfaction) that the transferee's condition (financial and otherwise), style of operation, business reputation, and use of the Land and/or Project is consistent with the terms of this Lease (including all Permitted Uses) and that Lessor's interest in the Land will not be adversely affected in any material respect; (b) if Lessor reasonably determines necessary (after taking into account the financial capabilities of all parties liable under this Lease), Lessor obtaining personal guarantees satisfactory to Lessor from owners of an entity that is the transferee; (c) Lessee reimbursing Lessor for the costs and expenses incurred by Lessor in connection with its review of any Transfer documents (or otherwise related to its determination as to whether to consent to the proposed Transfer); and (d) the transferee agreeing in writing to comply with and be bound by all of the terms, covenants, conditions, provisions, and agreements of this Lease (Lessee will deliver to Lessor, promptly after execution, an executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Lessor). Lessee agrees and acknowledges that Lessor's conditioning of its consent to any Transfer on Lessee's satisfaction of the conditions contained in this Section 10.4 is reasonable under this Lease. Where Lessor's consent is required for a Transfer by Lessee, Lessor will give (or reasonably deny) its consent in writing within forty-five (45) days after receipt of written request. No changes in rent or economic terms of the Lease will be required of Lessee as a condition of Lessor's consent.

10.5 Transfer Conditions. If Lessor consents to a Transfer and/or a Transfer occurs in accordance with Sections 10.1 or 10.3, the following will apply: (a) the terms and conditions of this Lease will in no way be deemed to have been waived or modified; (b) consent will not be deemed consent to any further Transfer by Lessee or any transferee; (c) the acceptance of Rent by Lessor from any other person will not be deemed to be a waiver by Lessor of any provision of this Lease; and (d) no Transfer relating to this Lease, whether with or without Lessor's consent, will modify, relieve, or eliminate any liability or obligations Lessee or any guarantor of this Lease may have under this Lease. Lessor may consent to subsequent assignments, subletting, or amendments or modifications to this Lease with assignees of Lessee without notifying Lessee, or any successor of Lessee, and without obtaining its or their consent thereto and such action will not relieve Lessee of any liability under this Lease.

11. INSURANCE; INDEMNIFICATION

11.1 Fire and Hazard Insurance. Lessee will throughout the Lease Term keep the Project and all improvements on the Land insured against loss by fire and other hazards covered by a standard form of fire insurance policy with extended coverage endorsement including vandalism and malicious mischief. The amount of the insurance will be not less than one hundred percent (100%) of the replacement cost of the insured improvements and will also be sufficient to prevent Lessee from becoming a coinsurer under the provisions of the policies.

11.2 Proceeds from Fire and Hazard Insurance.

11.2.1 The proceeds of the policies described above will be used to repair, restore, and replace any damaged or destroyed improvements as provided in this Lease. Lessor will cooperate fully with Lessee to obtain the largest possible recovery but Lessor will have no expense or cost in that connection.

11.2.2 All policies of insurance required under Section 11.1 will provide that the proceeds will be paid to Lessee and the proceeds will be deemed to be held in trust by Lessee for the uses and purposes required by this Lease. Except as otherwise expressly provided in Section 8.3.2, insurance proceeds will be used to repair, restore, and/or replace any damaged or destroyed improvements as provided above. All policies described under Section 11.1 will be used to repair, restore, and/or replace any damaged or destroyed Improvements as provided above, so long as permitted by any lender having a lien on such Improvements. If there is no leasehold mortgagee, proceeds will be payable for such purposes to the Lessee.

11.3 Builder's Risk Insurance. Before commencement of any Construction activities, Lessee will procure and maintain in force, or cause to be procured and maintained in force, until completion and acceptance of the improvements an all risk builder's risk insurance policy including vandalism and malicious mischief in form reasonably acceptable to Lessor. Such insurance will cover the improvements in place and all materials and equipment at the job site with limits of not less than \$50,000.00 per loss.

11.4 General Liability Insurance. Lessee will procure and continuously maintain during the Lease Term general liability and property damage insurance with initial limits of not less than \$4,000,000.00 for injury to one person, \$4,000,000.00 for any one accident or occurrence, and \$4,000,000.00 for property damage. At any time during the Lease Term, Lessor may, by written notice to Lessee, demand that the limits of Lessee's general liability insurance be raised to amounts specified in the written notice and Lessee will at the next succeeding policy renewal date, but not later than six months after the date of the notice, raise the limits to those specified in the notice. All limits demanded by Lessor will be commercially reasonable as of the date of the notice for the use Lessee is then making of the Land and improvements. The insurance will be in a form sufficient to protect Lessor and Lessee against claims of third persons for personal injury, death or property damage arising from the use, occupancy or condition of the Land or improvements on the Land.

11.5 General Insurance Provisions. Lessee may not materially modify any insurance policy Lessee is required to obtain and maintain under this Lease without first providing Lessor thirty (30) days' prior written notice. Notwithstanding anything contained in this Lease to the contrary, commencing on the ten-year anniversary of the Effective Date, Lessor may increase the minimum levels of insurance Lessee is required to carry under this Lease to commercially reasonable limits by providing Lessee ninety (90) days' prior written notice. All policies of insurance which Lessee is required by this Lease to carry

will (a) provide that the insurer waives the right of subrogation against Lessor and that any loss will be payable notwithstanding any negligence or affirmative act of Lessor, (b) be issued by a responsible insurance company which is licensed to practice in the State of Oregon, (c) be primary policies, and (d) all liability insurance policies will name Lessor and Lessor's officers and employees as additional insureds. Notwithstanding any other provision herein, Lessee may provide any of the insurance coverages required of it under this Lease through a blanket or umbrella policy or policies, or pursuant to a commercially reasonable self-insurance program.

11.6 Lessee Indemnification. Subject to the terms and conditions contained in this Lease, Lessee will indemnify, defend, and hold Lessor and Lessor's present and future officers, employees, contractors, and agents (collectively, "Lessor's Agents") harmless for, from, and against any and all claims, losses, damages, and/or liabilities, including, without limitation, attorney fees and costs, arising out of or related to, whether directly or indirectly, the following: (a) any activity of Lessee and/or Lessee's members, managers, officers, employees, agents, and/or contractors (collectively, "Lessee's Agents") on or at the Land and/or Airport, including, without limitation, any Testing activities; (b) any condition of the Land (including, without limitation, any improvements constructed thereon) that is caused by Lessee and/or Lessee's Agents arising on or after the Effective Date; and/or (c) Lessee's breach and/or failure to perform any Lessee obligation, covenant, representation, and/or warranty under this Lease. Lessee's indemnification obligations under this Section 11.6 will survive the expiration or earlier termination of this Lease.

11.7 Lessor Indemnification. Subject to the terms and conditions contained in this Lease, Lessor will indemnify, defend, and hold Lessee and Lessee's Agents harmless for, from, and against any and all claims, losses, damages, and/or liabilities arising out of or related to, whether directly or indirectly, the following: (a) any activity of Lessor and/or Lessor's Agents on or at the Land and/or Airport on or after the Effective Date; (b) any condition of the Land that is caused by Lessor and/or Lessor's Agents that arises on or after the Effective Date; and/or (c) Lessor's breach and/or failure to perform any Lessor obligation, covenant, representation, and/or warranty under this Lease. Lessor's indemnification obligations under this Section 11.7 will survive the expiration or earlier termination of this Lease.

12. DEFAULT

The occurrence of any one or more of the following events constitute a default by Lessee under this Lease (each an "Event of Default"):

12.1 Failure to Pay Rent. Failure of Lessee to pay any Rent or any other charge, cost, and/or expense payable by Lessee under this Lease within ten (10) days after notice from Lessor that payment is due; provided, however, Lessor will not be obligated to give Lessee such notice more than twice in any one calendar year (and any such failure by Lessee to pay Rent or any other charge, cost, and/or expense when due after the second notice within the same calendar year will automatically constitute an Event of Default).

12.2 Other Performance Failures. Failure of Lessee to perform any other term, condition, and/or covenant of this Lease (other than the payment of Rent or other charge, cost, and/or expense) within thirty (30) 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 30-day cure period, the failure will not be a default if Lessee begins correction of the failure within the 30-day cure period and thereafter proceeds with reasonable diligence and in good faith to correct the failure as soon as practicable.

12.3 Attachment. Attachment, execution, levy, and/or other seizure by legal process of any right or interest of Lessee under this Lease if not released within thirty (30) days, provided that the foreclosure of any mortgage permitted by this Lease relating to construction of improvements on the Land will not be construed to be a default within the meaning of this Section 12.3.

12.4 Insolvency. Lessee becomes insolvent within the meaning of the United States Bankruptcy Code, as amended from time to time; a general assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of any involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within sixty (60) days after filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within thirty (30) days.

13. REMEDIES ON DEFAULT

Upon an Event of Default, Lessor will have the following rights and remedies:

13.1 Termination. Lessor may by notice to Lessee terminate this Lease; provided however that Lessor's notice will provide Lessee with an additional thirty (30) days opportunity to fully cure the Event of Default, and such notice will expressly provide as follows, **"IN ADDITION TO ANY OTHER RIGHTS AND REMEDIES IN FAVOR OF LESSOR, LESSEE'S FAILURE TO CURE THE EVENT OF DEFAULT DESCRIBED IN THIS NOTICE WITHIN THIRTY (30) DAYS AFTER THE DATE HEREOF MAY RESULT IN THE TERMINATION OF THE LEASE AND FORFEITURE OF ALL OF LESSEE'S RIGHTS AND INTERESTS IN ITS IMPROVEMENTS ON THE LAND."** If Lessee fully cures the Event of Default within such 30-day period, Lessor's termination will be null and void and the Lease will be reinstated and continue in full force and effect as if such Event of Default had not occurred. If Lessee fails to fully cure the Event of Default on or before the expiration of the 30-day period, the Lease will automatically terminate without any further notice. Upon such termination, all of Lessee's rights in the Land and in all improvements on the Land, including, without limitation, the Project will terminate as of the date of termination. Promptly after such notice, Lessee will surrender and vacate the Land and all improvements in broom clean and in good condition. Lessor may reenter and take possession of the Land 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 Section 13.1 will 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. Notwithstanding any other provision of this Lease or provided by applicable law, Lessor will have no right to terminate this Lease upon an Event of Default except as expressly provided by this Section 13.1.

13.2 Reletting. Lessor may elect to reenter the Land without terminating this Lease and from time to time relet the Land including any improvements or parts of improvements on the Land 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 sublessee qualifying under a nondisturbance agreement by Lessor. Any reletting may be for the remainder of the term or shorter period and Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name. Lessor will apply all rents from the reletting

first to the costs of reentry and reletting including 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 will 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 Section 13.2 will constitute a termination of this Lease unless Lessor gives Lessee notice of termination.

13.3 Damages. In the event of termination upon the happening of an Event of Default, Lessor will be entitled to recover immediately, without waiting until the due date of any future Rent or until the date fixed for expiration of this Lease, and in addition to any other damages recoverable by Lessor, the following amounts as damages:

13.3.1 The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.

13.3.2 The reasonable costs of reentry and reletting including, without limitation, the cost of any clean-up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the Land upon termination and to leave the Land in the required condition, including, without limitation, any remodeling costs, attorney fees, court costs, broker commissions, and advertising costs.

13.3.3 Any excess of the value of the Rent, and all of Lessee's other obligations under this Lease, over the reasonable expected return from the Land and any improvements for the period commencing on the earlier of the date of trial or the date the Land are relet and continuing through the end of the Lease Term. The present value of future amounts will be computed using a discount rate equal to the prime loan rate of major Oregon banks in effect on the date of trial.

13.4 Right to Sue More Than Once; Cumulative Remedies. Lessor may sue periodically to recover damages during the period corresponding to the remainder of the Lease Term, and no action for damages will bar a later action for damages subsequently accruing. The foregoing remedies will be in addition to and will not exclude any other remedy available to Lessor under applicable law.

13.5 Lessor's Right to Cure Defaults. If Lessee fails to perform any obligation under this Lease which results in an Event of Default, in addition to any other rights and remedies provided under this Lease, Lessor will have the option to perform such obligation. Lessor's performance of any Lessee obligation under this Lease will not waive any other remedy available to Lessor. All of Lessor's expenditures to correct the default will be reimbursed by Lessee on demand with interest at the rate of twelve percent (12%) per annum from the date of expenditure by Lessor until paid in full. In the event of termination of this Lease due to Event of Default, Lessor may store all or any of Lessee's personal property and trade fixtures for the account of and at the cost of Lessee.

13.6 Late Charge. In addition to the payment of interest as provided in Section 16.8, if Rent (or any other payment due from Lessee) is not received by Lessor within ten (10) days after it is due, Lessee will pay a late fee equal to five percent (5%) of the payment or Five Hundred Dollars (\$500.00), whichever is greater (the "Late Fee"). Lessor may levy and collect the Late Fee in addition to all other remedies available for Lessee's failure to timely pay Rent (or other payment due from Lessee).

13.7 Mitigation. In the event of a default of this Lease by either party, the non-defaulting party will use reasonable efforts to mitigate the defaulting party's liability hereunder to the extent required under applicable law.

14. SURRENDER ON TERMINATION

14.1 Surrender. Subject to Section 9, upon expiration or earlier termination of this Lease, Lessee will surrender possession of the Land to Lessor, including all improvements then located on the Land, 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 will 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 will, at Lessor's election, become Lessor's property on the date of expiration or termination of this Lease.

14.2 Holdover. If Lessee does not vacate the Land at the time required, Lessor will 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), except that Base Rent will be equal to one hundred fifty percent (150%) of the Base Rent last paid by Lessee. Failure of Lessee to remove fixtures, furniture, furnishings, or trade fixtures which Lessee is required to remove under this Lease will constitute a failure to vacate to which this Section 14.2 will apply if the property not removed interferes with the occupancy of the Land by another tenant or with the occupancy by Lessor for any purpose including preparation for a new lessee. If a month-to-month tenancy results from a holdover by Lessee under this Section 14.2, the tenancy will be terminable at the end of any monthly rental period on written notice from Lessor given not less than ten (10) days prior to the termination date which will be specified in the notice. Lessee waives any notice which would otherwise be provided by law with respect to a month-to-month tenancy.

15. HAZARDOUS SUBSTANCES

15.1 Lessor – Hazardous Substances. Lessor represents and warrants to Lessee that, to Lessor's actual knowledge, (a) Lessor has at all times complied with all Legal Requirements applicable to the Land and any activities conducted thereon, (b) there is no pending or threatened, private or governmental claim, order or litigation, nor is there any pending or threatened judicial or administrative action or order, pertaining to or affecting the Land, and (c) Lessor has not caused or permitted and will not cause or permit any Hazardous Substances (as defined below) or other dangerous, toxic substances or any Solid Waste (as defined below) to be, and has no actual knowledge that any such substances or waste have been, generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, or Released (as defined below) on the Land, except in compliance with all applicable Legal Requirements. Subject to the terms and conditions contained in this Lease relating to termination, Lessee may terminate this Lease, subject to the notice and Lessor cure rights provided under this Lease, if Lessor's representations contained in this Section 15.1 are found to be untrue or inaccurate in any material respect. For purposes of this Lease, the term "Hazardous Substance" will have the meaning set forth in 40 C.F.R. Section 302.4 and will also include petroleum, petroleum products and used oil; the term "Solid Waste" will have the meaning set forth in 40 C.F.R. Section 261.2; the term "Release" will have the meaning set forth in 42 U.S.C. Section 9601; the term "Environmental Condition" means any condition that may exist or have existed with respect to soil, surface or ground

waters, stream sediments and every other environmental media, which conditions could require response as defined in 42 U.S.C. Section 9601 (but not limited to response actions required under said statute) or which could result in claims, demands, orders or liabilities by or to third parties, including without limitation, governmental entities; the term "actual knowledge" means the actual, not constructive, knowledge of the individual representative of the party who has primary responsibility for the subject matter of the applicable representation or warranty as of the Effective Date, following a review of its files and records concerning the subject matter of the representations or warranty. In the case of Lessor, the responsible individual for such qualified representations and warranties is Gus Burriel, City Administrator. Lessor's representations, warranties, and covenants made under this Section 15.1 will survive the termination of this Lease, notwithstanding any provision of this Lease to the contrary.

15.2 Lessee – Hazardous Substances. Lessee represents, warrants, and covenants to Lessor that Lessee will not cause or permit any Hazardous Substances or other dangerous, toxic substances or any Solid Waste to be generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, or Released on or about the Land (and/or Airport), except in compliance with all applicable Legal Requirements. Lessor acknowledges and agrees that the prudent and safe operation of the Permitted Use requires the use of certain Hazardous Substances, which use is approved. Lessee will defend, indemnify, and hold Lessor and Lessor's Agents harmless for, from, and against any and all damages, claims, losses, liabilities and expenses of any kind, including, without limitation, legal and consulting expenses, incurred by Lessor or which are asserted against or imposed upon Lessor, its successors or assigns, by any other party (including, without limitation, any governmental entity) arising out of or connected with Lessee's breach and/or failure to comply with this Section 15.2. Notwithstanding any other provision contained in this Lease to the contrary, Lessee will have no liability, obligation, and/or responsibility whatsoever for Hazardous Substances or other dangerous, toxic substances or any Solid Waste (or any related inspection, reporting, remediation or other work or related cost) except for those that have been generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, and/or Released on the Land by Lessee or Lessee's Agents. Lessee acknowledges that its actual knowledge of the environmental condition of the Land as of the Effective Date is limited to those matters disclosed in that Phase 1 Environmental Site Assessment dated October 6, 2015 prepared by AECOM. Lessee's representations, warranties, and covenants made under this Section 15.2 will survive the termination of this Lease, notwithstanding any provision of this Lease to the contrary.

16. MISCELLANEOUS

16.1 Attorney Fees. With respect to any dispute relating to this Lease, or if a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this Lease, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party will be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses incurred in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

16.2 Assignment; Binding Effect; Notices. Except as provided under Section 10, Lessee will not assign or delegate any of Lessee's rights or obligations under this Lease to any person without Lessor's prior written consent; provided, however, if Lessee assigns or delegates its rights or obligations

under this Lease, Lessee will remain liable for all obligations under this Lease. Subject to the immediately preceding sentences, this Lease will be binding on and will inure to the benefit of Lessee, Lessor, and their respective heirs, legal representatives, successors, and assigns. Any notice required or permitted in, or related to, this Lease will be in writing and signed by the party to be bound. Any notice will be deemed given when personally delivered or delivered by facsimile transmission (with electronic confirmation of delivery), or will be deemed given three business days following delivery of the notice by U.S. mail, certified, return receipt requested and postage prepaid, by the applicable party to the address of the other party first shown above (or any other address that a party may designate by notice to the other party), unless that day is a Saturday, Sunday, or legal holiday, in which event it will be deemed delivered on the next following business day.

16.3 Entire Agreement; Applicable Law. This Lease sets forth the entire understanding of the parties with respect to the transaction contemplated by this Lease. This Lease supersedes any and all prior negotiations, discussions, agreements, and understandings between the parties, including, without limitation, that certain Letter of Intent – Truck Test Track Facility – Madras Airport Property dated June 19, 2015 between Lessee and Lessor. This Lease may not be modified or amended except by written agreement executed by the parties to this Lease. This Lease will be construed, applied, and enforced in accordance with the laws of the State of Oregon. Any action or proceeding arising out of this Lease will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

16.4 Execution; Counterparts; Discretion; Broker. The parties may execute this Lease in separate counterparts, each of which when executed and delivered will be an original, but all of which together will constitute one and the same instrument. Facsimile or email transmission of any signed original document will be the same as delivery of an original. At the request of either party, the parties will confirm facsimile or email transmitted signatures by signing and delivering an original document. When a party is exercising any consent, approval, determination, or similar discretionary action under this Lease, the standard will be the party's commercially reasonable discretion and such discretion will not be unreasonably withheld, conditioned, or delayed. Any denial of consent or request will include in reasonable detail the reason for denial or aspect of the request that was not acceptable. Neither party has used a real estate broker in connection with this transaction. Each party will indemnify, defend, and hold harmless the other party from any claim, loss, or liability made or imposed by any third party claiming a real estate commission or fee in connection with this transaction and arising out of its own conduct.

16.5 Attachments; Further Assurances; Waiver; Survival. Any exhibits, schedules, and other attachments referenced in this Lease are part of this Lease. The parties will sign other documents and take all other actions reasonably necessary to further effect and evidence this Lease. No waiver will be binding on a party unless it is in writing and signed by the party making the waiver. A party's waiver of a breach of a provision contained in this Lease will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. All provisions of this Lease that would reasonably be expected to survive the termination of this Lease will do so, including, without limitation, the indemnification provisions provided under Section 11.

16.6 Severability; Interpretation; Expenses. If a provision contained in this Lease is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Lease will not be impaired. For purposes of this Lease, the term

"person" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision, or any other entity. All pronouns contained herein and any variations thereof will be deemed to refer to the masculine, feminine, or neutral, singular or plural, as the identity of the parties may require. The singular includes the plural and the plural includes the singular. The word "or" is not exclusive. The words "include," "includes," and "including" are not limiting; the term "herein" will refer to this Lease in its entirety. Section headings contained in this Lease are included only for the convenience of the parties and will not have the effect of enlarging, diminishing, and/or affecting the interpretation of its terms. Except as otherwise provided in this Lease, each party will bear the party's own fees, costs, and expenses incurred in connection with this Lease, including those related to the party's performance of its obligations under this Lease. This Lease will be binding and effective for all purposes as of the date of the parties' mutual execution of this Lease (as indicated by the last date below the parties' signatures below) (the "Effective Date").

16.7 Lessor Default. No Lessor act or omission will be considered a default under this Lease until Lessor has received thirty (30) days' prior written notice from Lessee specifying the nature of the default with reasonable particularity. Commencing from Lessor's receipt of such default notice, Lessor will have thirty (30) days within which to cure or remedy the default before Lessor will be deemed in default of this Lease; provided, however, that if the default is of such a nature that it cannot be remedied or cured within the thirty-day cure period, there will not be a default by Lessor under this Lease if Lessor begins correction of the default within the thirty-day cure period and thereafter proceeds with reasonable diligence to effect the remedy as soon as practical. Upon a default by Lessor, Lessee will have all rights and remedies available to it at law or in equity.

16.8 Lessor Inspection; Interest. Lessor will have the right to enter upon the Land to determine Lessee's compliance with this Lease as provided by Section 5.2. In addition, Lessor will have the right, at any time during the last six months of the Lease Term, to place and maintain upon the Land notices for leasing or selling the Land. Except as otherwise provided in this Lease, any Rent or other payment required to be paid by Lessee under this Lease will, if not paid within ten (10) days after it is due, bear interest at the rate of twelve percent (12%) per annum from the due date until paid in full.

16.9 Quiet Enjoyment; Authority. Lessor warrants that, subject to the terms and conditions contained in this Lease, so long as Lessee complies with all terms of this Lease, Lessee will be entitled to peaceable and undisturbed possession of the Land and enjoyment of all rights granted in this Lease free from any eviction or disturbance by Lessor or any third party claiming by, through, under, or superior to Lessor. Lessor represents and warrants to Lessee that it is the owner of the Land with full power and authority to enter into this Lease and perform its obligations hereunder for the Lease Term.

16.10 Force Majeure. The performance of a party's obligations under this Lease will be excused by delays that arise out of causes beyond the control, and without the fault or negligence of, such party, including, without limitation, the following: (a) strikes; (b) lockouts; (c) labor disputes; (d) inability to procure labor or materials or reasonable substitutes for them; (e) failure of power; (f) governmental requirements, restrictions, and/or laws; (g) fire, flood, and/or other natural disasters; (h) unusually severe weather conditions; and/or (i) war, terrorism, and/or civil disorder; provided, however, in no event will this Section 16.10 excuse (y) any payment obligation of either party, including Lessee's full and timely payment of Rent under this Lease, and/or (z) the performance of a party's obligations under this Lease for delays resulting from (i) changes in economic or market conditions, (ii) financial or

internal problems of the party delayed, and/or (iii) a party's inability to pay its financial obligations. As a condition to the right to claim a delay, the delayed party will provide the other party within ten (10) days after the delay occurs a description of the delay and the expected effect the delay will have on the delayed party's performance of its obligations under this Lease; provided that no such notice is required if the other party has knowledge of the delay. Thereafter, the delayed party will, upon request of the other party, inform the other party of the nature and status of the delay and its efforts to end the delay.

16.11 Notice of Land Availability. During the Lease Term, Lessor will provide Lessee written notice of any negotiations Lessor may commence concerning the lease or sale of any land owned by Lessor immediately adjoining the Land.

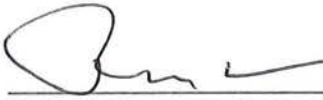

16.12 Condemnation. In the case of condemnation (or purchase in lieu or under threat thereof) by any governmental or quasi-governmental authority of all or any of the Land or any related facilities, easements, or appurtenances, or any access thereto or utilities serving the same, such that the remainder is not reasonably suitable for the continued efficient and economic use of the Land as intended by Lessee (as determined by Lessee in its sole discretion), Lessee will have the option to terminate the Lease upon written notice to Lessor effective upon the date possession is taken by the condemning authority. Any Base Rent and/or L/A Fees paid in advance of such date attributable to any period following such date will be refunded to Lessee. If Lessee does not terminate this Lease, Lessee will continue in possession of the portion of the Land not taken under the power of eminent domain, under the same terms and conditions as herein provided, except that the Base Rent will be reduced in direct proportion to the amount of the Land so taken and, also, during any period of interference with Lessee's use and enjoyment of such areas or rights during any repair, reconstruction, or refurbishment related to such taking. Lessee will be entitled to any and all condemnation award to the extent attributable to the value of the leasehold estate granted to Lessee hereunder, the Improvements, any of Lessee's fixtures and equipment, any consequential or other damages (such as the costs of repairs, alterations, and/or modifications required for Lessee's continued occupancy if this Lease is not terminated), and any business interruption or moving expenses (as applicable). For the purposes of this Section 16.12, a "taking" will include a transfer in lieu of or in contemplation of such taking.


16.13 Estoppel Certificates. Within ten (10) days after written request by a party hereto, the receiving party will execute and deliver to the requesting party a certificate prepared by the requesting party stating whether or not this Lease has been modified and is in full force and effect, specifying any modifications, alleged breaches, the amount of monthly rent, the dates to which rent has been paid in advance, the amount of any prepaid rent, and such other matters relating to the Lease as may be reasonably requested by the requesting party.

[end of lease agreement – signature page immediately follows]

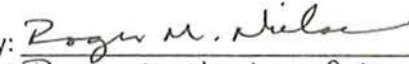
IN WITNESS WHEREOF, the undersigned have caused this Lease to be executed and effective as of the Effective Date.

LESSOR:
City of Madras,
an Oregon municipal corporation


By: Royce Embanks, Mayor
Date: 3/14/2016, 2015 


3/21/16

LESSEE:
Daimler Trucks North America LLC,
a Delaware limited liability company

By: 
Its: Roger M. Nielsen, COO
Date: March 15, 2016


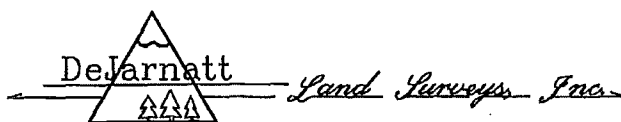
By: 
Its: Manager, Property & Buildings
Date: March 16, 2016

Exhibit A

Land – Legal Description and Depiction

(attached)



20735 DOUBLE PEAKS DRIVE ▲ Bend, OR 97701 ▲ (541) 382-4192

Century West Engineering
January 28, 2016
Job# 15066L

LEASE SITE DESCRIPTION

A tract of land located in the South Half of Section 27 and the North Half of Section 34, Township 10 South, Range 13 East of the Willamette Meridian, City of Madras, Jefferson County, Oregon, described as follows:

Commencing at a 2 inch diameter brass cap monumenting the One-Quarter corner common to Sections 28 and 33, Township 10 South, Range 13 East of the Willamette Meridian, per Oregon Corner Restoration Record MF# 930232, thence South 89°41'54" East along the section line between said Sections 28 and 33 distance of 2518.14 feet to a 2 1/2 inch diameter brass cap monument witnessing the corner of Sections 27, 28, 33, and 34, Township 10 South, Range 13 East of the Willamette Meridian, per Oregon Corner Restoration Record MF# 2016-0066; thence continuing along said section line South 89°41'54" East a distance of 103.00 feet to the corner of said Sections 27, 28, 33, and 34; from which a 2 1/2 inch diameter brass cap monumenting the One-Quarter corner common to said Sections 27 and 28, per Oregon Corner Restoration Record MF# 2014-0038, bears North 00°02'19" West a distance of 2667.59 feet; thence North 89°54'20" East along the South line of said Section 27 a distance of 2236.36 feet to the **Point of Beginning**; thence North 44°30'48" West a distance of 299.90 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence North 45°29'12" East a distance of 1273.63 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence South 44°30'48" East a distance of 1547.96 feet to the South line of said Section 27; thence continuing South 44°30'48" East a distance of 795.28 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence South 00°29'28" West a distance of 1801.05 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence North 44°30'48" West a distance of 3316.78 feet to the Point of Beginning.

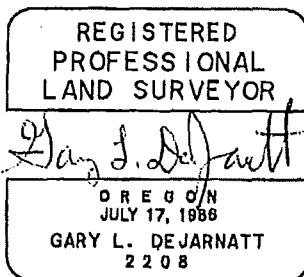
Subject to any easements, restrictions, and right-of-ways of record.

Containing 87.13 acres more or less.

Bearings are Oregon State Plane 1983, North Zone (3601).

All distances shown hereon are ground distances.

End of Description



Renews: 12/31/2017

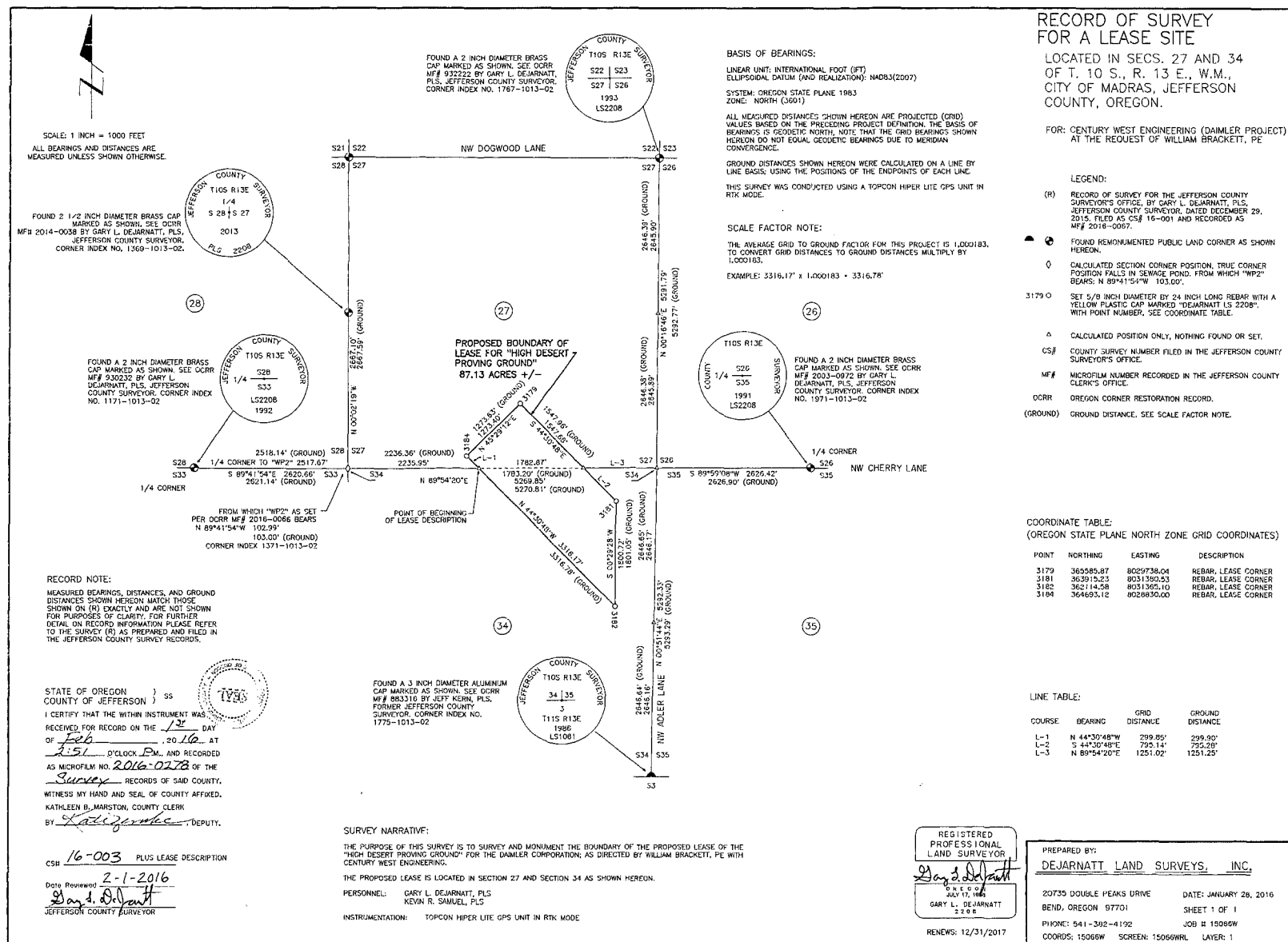


Exhibit B
Master Estimate

[attached]

Madras Municipal Airport West Access Road & Utilities - Master

Estimate - Exhibit B

9/25/2015

Improvement Item A. Public Access Road from Adler up to Daimler - ~4,675'

Item	Description	Qty	UM	Unit Cost	Total
1	Mobilization	1.00	LS	\$ 55,000.00	\$ 55,000.00
2	Land (ROW)	280500.00	SF	\$ 0.55	\$ 154,149.06
3	Traffic Control	1.00	LS	\$ 3,000.00	\$ 3,000.00
4	Erosion Control	1.00	LS	\$ 3,000.00	\$ 3,000.00
5	Construction Surveying	1.00	LS	\$ 9,500.00	\$ 9,500.00
6	Clear and Grub	5.00	AC	\$ 3,650.00	\$ 18,250.00
7	Excavation and Embankment	10615.00	CY	\$ 20.00	\$ 212,300.00
8	Street Lighting Trenching	5175.00	LF	\$ 42.00	\$ 217,350.00
9	2" Conduit	5175.00	LF	\$ 2.90	\$ 15,007.50
10	Street Light Junction Boxes	17.00	EA	\$ 500.00	\$ 8,500.00
11	Street Light Bases	17.00	EA	\$ 950.00	\$ 16,150.00
12	Street Lights	17.00	EA	\$ 5,000.00	\$ 85,000.00
13	Agg Base 10"	20161.00	SY	\$ 10.50	\$ 211,690.50
14	3" HMA	16977.00	SY	\$ 14.50	\$ 246,166.50
15	12" Culverts	3.00	EA	\$ 2,500.00	\$ 7,500.00
16	Drainage Ditch	3538.00	CY	\$ 20.00	\$ 70,760.00
17	Seeding	2.60	AC	\$ 5,000.00	\$ 13,000.00
18	Fence	9550.00	LF	\$ 8.00	\$ 76,400.00
19	Gates	3.00	EA	\$ 3,000.00	\$ 9,000.00
Subtotal					\$ 1,431,723.56

Design \$ 100,219.85

Contingency \$ 150,331.00

Total \$ 1,682,274.41

Funding Sources (Improvement Item A. - Road Access)

Immediate Opportunity Fund Grant	\$ 841,137.21	0.00
Infrastructure Finance Authority Grant	\$ 75,000.00	
City (land & labor/equipment grading)	\$ 285,564.06	
Developer (Daimler) Cost Share	\$ 480,573.15	
Total	\$ 1,682,274.42	\$ 0.00

In Kind	Cash
	\$ 55,000.00
\$ 154,149.06	
	\$ 3,000.00
	\$ 3,000.00
	\$ 9,500.00
\$ 14,650.00	\$ 3,600.00
\$ 116,765.00	\$ 95,535.00
	\$ 217,350.00
	\$ 15,007.50
	\$ 8,500.00
	\$ 16,150.00
	\$ 85,000.00
	\$ 211,690.50
	\$ 246,166.50
	\$ 7,500.00
	\$ 70,760.00
	\$ 13,000.00
	\$ 76,400.00
	\$ 9,000.00
\$ 285,564.06	\$ 1,146,159.50

\$ 100,219.85

\$ 150,331.00

\$ 285,564.06 \$ 1,396,710.35

Improvement Item B. Utilities

Item	Description	Qty	UM	Unit Cost	Total
1	Water Main	3575.00	LF	\$ 40.00	\$ 143,000.00
2	Common Utility Trench (Dig and Backfill)	5325.00	LF	\$ 42.00	\$ 223,650.00
3	2" Conduit	15975.00	LF	\$ 2.90	\$ 46,327.50
4	4" Conduit	10650.00	LF	\$ 5.85	\$ 62,302.50
4	PPL Vaults	11.00	EA	\$ 4,600.00	\$ 50,600.00
Subtotal					\$ 525,880.00

Design \$ 26,294.00

In Kind	Cash
	\$ 143,000.00
	\$ 223,650.00
	\$ 46,327.50
	\$ 62,302.50
	\$ 50,600.00
	\$ 525,880.00

\$ 26,294.00

EXHIBIT A

Contingency	\$ 52,588.00	\$ 52,588.00
Total	\$ 604,762.00	\$ 604,762.00

Funding Sources (Improvement Item B. - Utilities)

Infrastructure Finance Authority Grant	\$ 75,000.00	
Developer (Daimler)	\$ 529,762.00	
Total	\$ 604,762.00	\$ -

Total Revenue Sources for Grant Eligible Work (Improvement Items A. Road & B. Utilities)

Infrastructure Finance Authority Grant	\$ 150,000.00
Immediate Opportunity Fund Grant	\$ 841,137.21
City (land & labor/equipment grading)	\$ 285,564.06
Developer (Daimler) Cost Share	\$ 1,010,335.15
Total	\$ 2,287,036.42

Improvement Item C. Relocate Existing Track and Off-road Access Out of Runway Protection Zone ~ 3500 LF

Item	Description	Qty	UM	Unit Cost	Total
1	Construction Surveying	1.00	LS	\$ 3,500.00	\$ 3,500.00
2	Clear and Grub	1.00	AC	\$ 3,650.00	\$ 3,650.00
3	Excavation and Embankment	1500.00	CY	\$ 20.00	\$ 30,000.00
4	Culvert for Access Road (36")	1.00	EA	\$ 3,500.00	\$ 3,500.00
5	Agg Base Rock 6" (3500' x 14' wide)	5445.00	SY	\$ 5.50	\$ 29,947.50
6	2" HMAC - (2000 LF x 12' wide)	2667.00	SY	\$ 9.70	\$ 25,869.90
7	Seeding	0.50	AC	\$ 5,000.00	\$ 2,500.00
Subtotal				\$ 98,967.40	

Contingency \$ 9,897.60

Total \$ 108,865.00

In Kind	Cash
	\$ 3,500.00
\$ 3,650.00	\$ -
\$ 14,000.00	\$ 16,000.00
\$ 1,000.00	\$ 2,500.00
\$ 13,947.50	\$ 16,000.00
	\$ 25,869.90
	\$ 2,500.00
\$ 32,597.50	\$ 66,369.90

\$ 9,897.60

\$ 32,597.50 \$ 76,267.50

Funding Sources (Improvement Item C. Relocation Work)

City (labor & equipment grading)	\$ 32,597.50	
Developer (Daimler)	\$ 76,267.50	
Total	\$ 108,865.00	\$ -

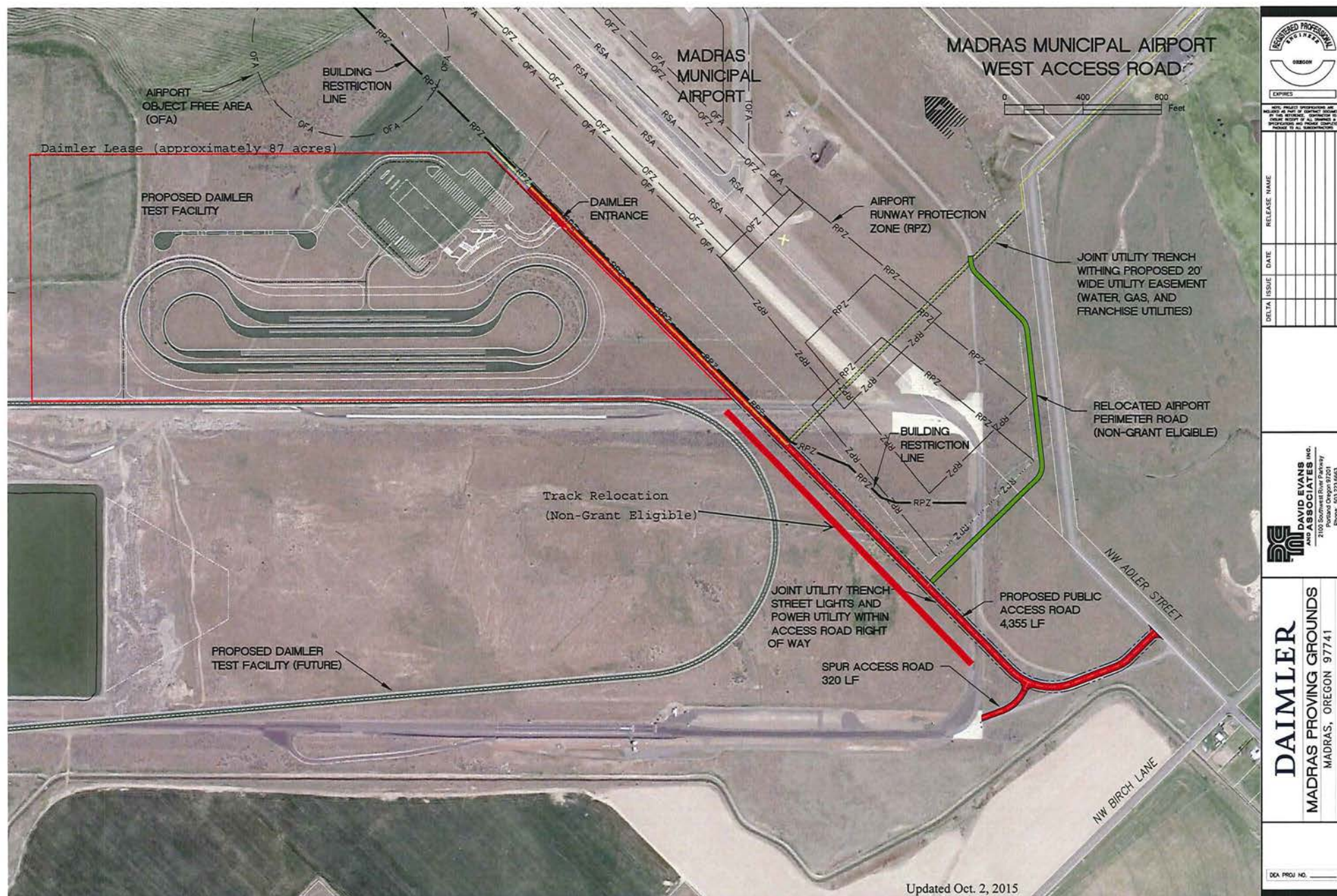
Total Offsite Improvement Costs for items A, B & C (Grant & Non-Grant Eligible Work)*

Infrastructure Finance Authority Grant	\$ 150,000.00	6.3%
Immediate Opportunity Fund Grant	\$ 841,137.21	35.1%
City (land & labor/equipment grading)	\$ 318,161.56	13.3%
Developer (Daimler) Cost Share	\$ 1,086,602.65	45.4%
Grand Total	\$ 2,395,901.42	

* Total does not include natural gas infrastructure, lines being pulled for power & communications, and customer connection/service costs from utility providers (i.e. water, sewer, power, natural gas and communications).

Exhibit C
Relocation Work

[attached]





- [illegible]

1. THIS DETAIL IS SCHEMATIC AND FOR INFORMATIONAL PURPOSES.
2. THIS DETAIL IS TYPICAL FOR ALL JOINT UTILITY TRENCHES EXCEPT THE JOINT UTILITY TRENCH FOR PROPOSED TRACT A.
3. CONDUIT SIZE TO BE COORDINATED WITH UTILITY.

SHEET NO.
2 OF 2
JOB NO. MBZ-03

COPY

125 SW "E" Street
Madras, OR 97741
541-475-2344
www.ci.madras.or.us

January 20, 2016

Chair Jason Carr
Central Oregon Intergovernmental Council
334 NE Hawthorne Avenue
Bend, OR 97701

Subject: Letter of Support for Designation of Central Oregon Regional Large Lot Industrial Site at
Madras Airport

Chair Carr,

The City of Madras is requesting authorization from Central Oregon Intergovernmental Council to designate one of the Central Oregon Regional Large Lot Industrial site at the Madras Airport for Daimler Trucks North America (Daimler). Daimler Trucks North America has conducted limited tests of heavy-duty trucks at the Madras Airport since the 1980s. Daimler is the largest heavy-duty truck manufacturer in North America, with 40% of the market share.

Daimler will invest over \$18 million starting in 2016 to develop a new truck durability testing facility and in doing so will create approximately 30 new full-time equivalent jobs in the operations in Madras due to the closing of its Indiana track. Daimler will conduct their durability testing of various sized trucks and other vehicles will occur at the Madras Airport, which is not currently in the City of Madras' Urban Growth Boundary (UGB). The City of Madras owns and operates the Madras Airport and would like to bring the Daimler site into the UGB to ensure adequate services are provided, development permitting authority, and add their large private investment to the City's tax base.

The City has reviewed the Central Oregon Regional Large Lot Industrial Site Needs Analysis and would like to utilize this unique Needs Analysis to expand the City's UGB to include the Daimler truck durability test facility. Specifically, the City of Madras would like to designate one of the two 100-200 acre Regional Large Lot Industrial site allocated to the region in the short-term¹. At this time the City would like to designate a 200 acres site at the Madras Airport as Regional Large Lot Industrial site (see Exhibits A & B). The size of the site will not exceed 200 acres however the results of a March 2016 wetlands survey may reduce the size of the site.

¹ Central Oregon Large Lot Industrial Needs Analysis, page 60.

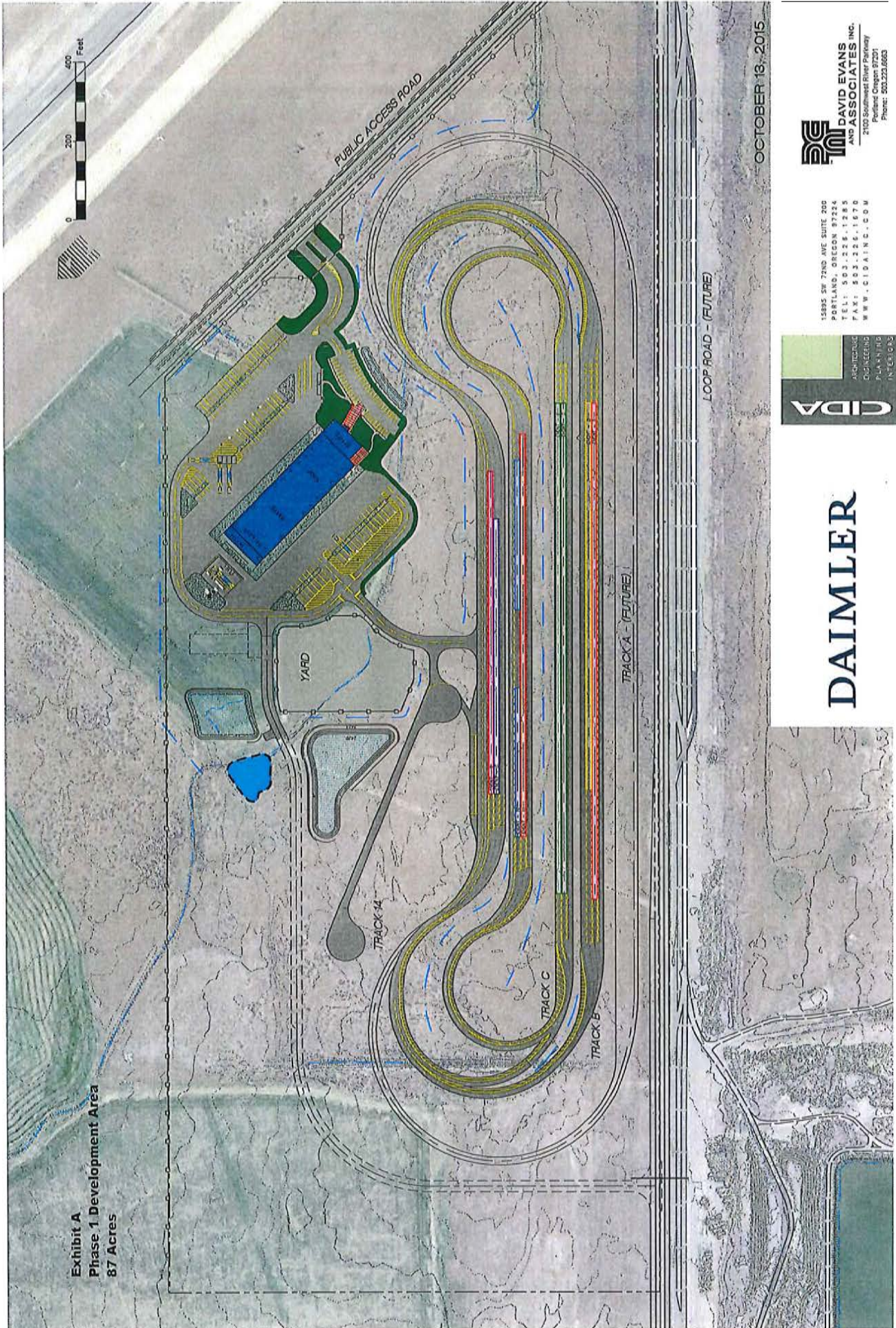
This is a significant economic development project for both Daimler and the City of Madras. Through this letter the City of Madras would like to express our support of the City's application to the Central Oregon Intergovernmental Council Board.

Thank you for your consideration!

Sincerely,

A handwritten signature in blue ink, appearing to read "Royce Embanks", with a large, stylized initial "R" and a long, sweeping horizontal stroke.

Royce Embanks
Mayor



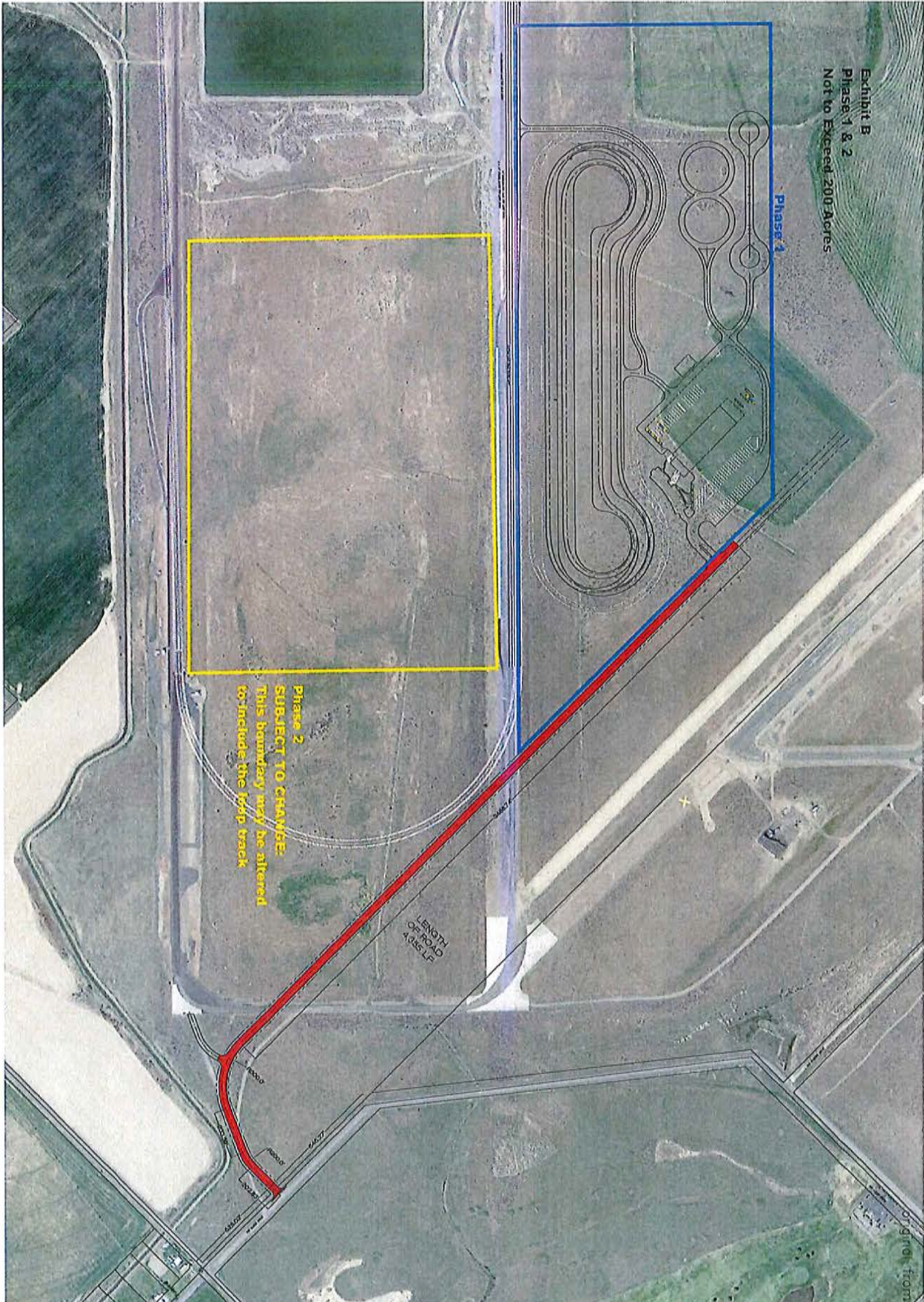


Exhibit B
Phase 1 & 2
Not to Exceed 200 Acres

Original from

DAIMLER MADRAS PROVING GROUNDS MADRAS, OREGON 97741	CIDA CIVIL ENGINEERING 1000 N. 10TH AVE. SUITE 100 PORTLAND, OREGON 97228 TEL: 503.223.5503 FAX: 503.223.5504 WWW.CIDA-INC.COM	DAVID EVANS AND ASSOCIATES INC. 2100 Southwest River Parkway Portland Oregon 97201 Phone: 503.223.5503	DELTA	ISSUE	DATE	RELEASE NAME

INTERGOVERNMENTAL AGREEMENT
BETWEEN THE CENTRAL OREGON CITIES AND COUNTIES, AND CENTRAL OREGON
INTERGOVERNMENTAL COUNCIL FOR THE LARGE LOT INDUSTRIAL LANDS PROGRAM
IN CENTRAL OREGON

WHEREAS, under ORS 190.010 to 190.020, *et seq.* Central Oregon Intergovernmental Council (COIC) is authorized to enter into a written agreement with any other unit or units of local government and specify the functions or activities to be performed and by what means; and

WHEREAS, under ORS 190.003 to 190.030, and 197.175, *et seq.*, cities and counties are authorized to enter into intergovernmental agreements and are required to prepare and adopt comprehensive plans consistent with Statewide Planning Goals; and

WHEREAS, a Central Oregon Large Lot Industrial Land Need Analysis dated November 20, 2012 documents an unmet short-term need for large-lot industrial sites, 50-acres or larger, in the Central Oregon area (Deschutes, Crook and Jefferson counties); and

WHEREAS, Deschutes, Crook, and Jefferson counties, through their governing bodies, are exercising their statutory coordinating authority (ORS 195.025) to address an unmet short-term regional need for large-lot industrial sites; and

WHEREAS, under OAR 660-024-0040 and 660-024-045, the local governments of Crook, Deschutes and Jefferson Counties may implement provisions of a regional large-lot industrial land need analysis adopted by all counties pursuant to ORS 195.025; and

WHEREAS, ORS 190.003, *et seq.* requires that an intergovernmental agreement relating to the performance of functions or activities by one unit of local government on behalf of another unit of local government specify the responsibilities between the parties; and

WHEREAS, the parties seek to develop a coordinated program that will identify suitable and available large-lot industrial sites for economic development purposes in the best interests of the Central Oregon region pursuant to the governing state and local legal requirements.

**CENTRAL OREGON CITIES, COUNTIES, and CENTRAL OREGON
INTERGOVERNMENTAL COUNCIL AGREE AS FOLLOWS:**

1. Definitions.

BOCC: Deschutes County and/or Jefferson County Board of County Commissioners

Central Oregon City or Cities. Cities located in Crook, Deschutes, and Jefferson counties.

Central Oregon County or Counties: Crook, Deschutes, and Jefferson counties.

COIC. Central Oregon Intergovernmental Council.

COIC Board. Central Oregon Intergovernmental Council Board of Directors.

Council. Central Oregon City Councils.

County Court. Crook County Court.

IGA. This Intergovernmental Agreement.

Jurisdictions. City and county governments located within Deschutes, Crook and Jefferson counties.

LLA. Central Oregon Large Lot Industrial Land Need Analysis dated November 20, 2012, and associated Comprehensive plan provisions adopted pursuant to ORS 195.025 and OAR 660-024-0045(2a).

Participating City. A city within Crook, Deschutes or Jefferson County that has adopted the LLA and entered into this IGA.

Regional Large Lot Industrial Program. The program to develop a Central Oregon regional supply of large lot industrial sites as defined within OAR 660-024-0045.

Urban Unincorporated Area (UUA). Territory within the Urban Growth Boundary but outside the boundaries of City.

Urban Growth Boundary (UGB). The boundary line shown in a City and County Comprehensive Plan that separates urban and urbanizable lands in and adjacent to the City from rural territory within the County

2. Intent and Purpose of IGA.

The intent and purpose of this IGA is for Central Oregon Cities, Counties, and COIC to:

- A. Establish procedures to identify suitable and available large lot industrial sites to be processed for inclusion within a UUA under governing land use regulations.
- B. Establish review procedures for COIC as the regional coordinating authority to receive candidate site selections submitted by participating cities and to provide a recommendation of suitable sites for inclusion within the Regional Large Lot Industrial Program.
- C. Continue and improve coordination and communication between the Central Oregon Cities and Counties for specific plan amendments and zone changes addressing the short-term need for additional large-lot industrial sites.
- D. It is not the intent or purpose of this IGA for COIC to make or render land use decisions. The parties agree that COIC's roles and responsibilities under this IGA do not constitute land use decisions, and may not be regarded as such. Following a recommendation by COIC, the governing local jurisdictions (both City and County) shall follow all applicable land use regulations and requirements in connection with any plan amendment or zone change associated with the designation of large-lot industrial sites.

3. Process for Exercising Responsibilities in the Large Lot Analysis (LLA).

Central Oregon Counties

- A. Central Oregon Counties shall implement a program to create a regional short-term large-lot industrial land supply that enables Central Oregon to compete for industrial recruitment. Counties, through their governing bodies, shall exercise their statutory coordinating authority (ORS 195.025) to address an unmet regional need for large-lot industrial sites by adopting the LLA and regional large-lot industrial land policies into their comprehensive plans.
- B. Central Oregon Counties shall adopt and implement policies that conform to the LLA and specify, among other things, the number and site characteristics of vacant industrial sites to be included inside the UGB of the individual Cities located within their respective County.
- C. Central Oregon Counties, by exercising their statutory coordination authority and adopting and implementing policies that conform to the LLA, shall enable the Central Oregon Cities within their respective jurisdiction to implement measures to insure the availability of a short-term supply of large-lot industrial sites.
- D. Central Oregon Counties shall collaborate with Central Oregon Cities to identify and formalize candidate large-lot industrial sites for inclusion within the Regional Large-Lot Industrial Program.

Central Oregon Intergovernmental Council

- E. The parties agree that the COIC Board, by adopting COIC Resolution 243, is the regional coordinating authority for the LLA.
- F. The individual Central Oregon Cities shall submit candidate large-lot industrial sites and associated "Replenishment Sites" to COIC for potential inclusion within the Regional Large Lot Industrial Program consistent with the requirements of the LLA and governing regulations. The six individual sites included in this program shall be located in at least three different Jurisdictions. COIC shall provide the Central Oregon Cities and Counties with its recommendation as to the individual sites that should be included within the Regional Large-Lot Industrial Program. The governing City shall be responsible to complete and implement the land use process required for inclusion of such site within its UGB under the requirements of OAR 660 Division 24. COIC shall not make and does not have the authority to make land use decisions under this IGA.
- G. COIC will accept site submissions from participating cities on a quarterly basis until the full allotment of 6 short-term sites has been filled.

Site Submission Quarterly Due Date
 March 31
 June 30
 September 30
 December 31

COIC Board Review Date
 First Thursday in May
 First Thursday in August
 First Thursday in November
 First Thursday in February

- H. The COIC Board will review a participating city's site submission materials, as defined within Section 3 (N) of this IGA, to verify that the proposed site is qualified for the Regional Large Lot Industrial program based upon criteria defined within OAR 660-024-0045:
1. The proposed site is located in Crook, Deschutes or Jefferson counties.
 2. The proposed site is 50 acres or larger in size. The site will be determined to be 50 acres or larger if it is:
 - a. A single lot or parcel that is at least 50 acres
 - b. An aggregation of existing lots or parcels under the same ownership that comprises at least 50 acres, or
 - c. An aggregation of existing lots or parcels not in the same ownership created and maintained as a unit of land comprising at least 50 acres through a binding agreement among the owners.
 3. The proposed site is determined to be "available," as that term is defined in OAR 660-009-0025(7).
 4. The proposed site provides the site characteristics necessary for traded sector uses as set forth in the LLA.
 5. The city demonstrates that the site was identified through conducting an analysis consistent with requirements contained within OAR 660-024-0045 (8) (a) and (b).

Additionally, the COIC Board will review proposed sites to verify that collectively the six regional sites:

1. Are located within at least three separate jurisdictions
2. Include two sites of at least 100 acres and not more than 200 acres, and one site more than 200 acres.

In the event that applicable administrative rules are amended so that they conflict with the requirements of this IGA, the administrative rules as amended will control.

- I. In the event that multiple qualified sites are proposed for a single available opening, the COIC Board shall consider recommendations provided by Business Oregon and Economic Development for Central Oregon, and recommend the site that best achieves the LLA criteria and site characteristics.
- J. The COIC Board recommendation is a prerequisite for the Central Oregon Cities and Counties to initiate a plan amendment/zone change under the Regional Large-Lot Industrial Program. COIC's recommendations shall be based on the information and documents submitted by the Central Oregon Cities and Counties. COIC need not take or consider information provided by any other person or entity in its recommendation process. The parties agree that the recommendations provided by COIC under this program are final and binding, and are not subject to any appeal, challenge or protest and each of the parties hereto hereby waive and relinquish any and all such rights.

Central Oregon Cities

- K. Provided that the LLA has been adopted by Crook, Deschutes and Jefferson Counties, participating cities shall adopt the LLA to implement the Regional Large Lot Industrial program.
- L. Upon the adoption of the LLA, each participating city may choose to implement the short-term land supply for large-lot industrial sites, subject to conformance with state law and the LLA, including the mutually agreed upon proportionate allocation that governs the location of individual sites designated under the Regional Large-Lot Industrial Program.
- M. Participating cities shall collaborate with their respective County jurisdiction to identify and formalize candidate large lot industrial sites for land use entitlements.
- N. Participating cities shall submit to COIC documentation that the proposed large lot site complies with the LLA and OAR 660-024-0045. The site submission materials must include at a minimum:
 - 1. Vicinity map and site map;
 - 2. Site acreage;
 - 3. Description of the site's current development status and zoning;
 - 4. Description of site dimensions including slope and description of any unique geographic features;
 - 5. A statement on the site's infrastructure and utility serviceability.
 - 6. Description of site location in relation to the UGB;
 - 7. If outside of the UGB, the proposal must include an analysis documenting that other lands located within the UGB are not available and/or suitable for the Large Lot Industrial program;
 - 8. Evidence that the property owner is a willing Large Lot Industrial program participant and will accept site restrictions;
 - 9. Letters of support from Economic Development for Central Oregon and Business Oregon; and
 - 10. Evidence of coordination with County.
- O. Participating cities, upon receiving a preliminary recommendation from the COIC Board, shall prepare findings consistent with OAR 660 Division 24 and ORS 197.298.
- P. Participating cities initiating a plan amendment/zone change for a large-lot industrial site under the Regional Large-Lot Industrial Program shall collaborate with their respective County.
- Q. Participating cities shall adopt the relevant portions of the LLA concerning short term industrial land needs, and their respective County's regional industrial lands policies, into their comprehensive plan.
- R. Participating cities shall apply an urban industrial holding zone designation to large-lot industrial properties included within a UUA under the Regional Large Lot

Industrial Program pending annexation of the property into the applicable City limits. The industrial holding zone designation applied by the City shall establish and maintain the large lot status of the property consistent with the LLA, OAR 660-024-0045(9) and (10), and the associated regional industrial lands policies.

- S. In connection with any plan amendment or zone change for a large-lot industrial property designated under the Regional Large-Lot Industrial Program, the participating cities shall designate the specific industrial zoning code regulations that will govern the site upon annexation into the governing City limits. The zoning regulations to be applied by the City shall be consistent with the LLA, OAR 660-024-0045(9), and associated regional lands policy.
- T. Participating cities shall, based on OAR 660-024-0045(9a), establish a developer agreement with a willing property owner that specifies, at a minimum, that a large-lot industrial site shall stay in the regional large-lot industrial supply for ten years. After ten years, if agreed upon by both a Central Oregon City and a property owner, the site can be:
 - 1. Removed from the regional supply by the Central Oregon City by exercising OAR 660-024-0070; or,
 - 2. Re-designated and rezoned to another urbanized use pursuant to findings that comply with OAR 660 Division 24.

4. Indemnification.

- A. Participating Cities and Counties agree to jointly and severally defend, indemnify and hold COIC, and each of its officials, directors, officers, employees and agents, completely harmless from and against any and all claims, damages, losses, and expenses (including but not limited to attorney fees, at trial and on appeal) alleged or asserted concerning or relating to: (a) COIC's refusal to consider or denial of any non-participating person or entity's application or assertion of rights under this Agreement; and/or (b) COIC's proper exercise of its responsibilities and recommendations made under this Agreement. COIC shall have no obligation to defend or otherwise incur any fees or expenses to defend any recommendation, performance or failure to perform under this Agreement.
- B. To the maximum extent permitted by law, participating Cities and Counties hereby agree to jointly and severally defend, indemnify and hold each other, and each of its officials, directors, officers, employees and agents, completely harmless from and against any and all claims, damages, losses, and expenses (including but not limited to attorney fees, at trial and on appeal) relating to actions, recommendations, performance or failure to perform by the indemnifying party under this IGA.
- C. This indemnity provision survives the termination of this IGA. Nothing in this provision shall extend or increase any party's liability beyond the limitations of the Oregon Tort Claims Act or Article XI, section 10 of the Oregon Constitution.

5. Review, Amendment and Termination.

- A. No Third-Party Beneficiaries. The parties do not intend to confer and do not confer any right or remedy on any third party.
- B. This IGA may be reviewed and amended at any time by mutual consent of all the parties, confirmed in writing.
- C. Any modifications to this IGA will be consistent with Central Oregon City and County comprehensive plans and state law.
- D. This IGA will automatically be reviewed every two (2) years upon the biennial anniversary of the original effective date. COIC reserves the right in the future to request compensation for program costs.
- E. A Central Oregon City may elect to withdraw from this IGA, with ninety (90) days advance written notice to all of the parties. Upon withdrawal, all recommendations, rights and obligations of the withdrawing Central Oregon City under the IGA and the Regional Large-Lot Industrial Program automatically terminate.
- F. This IGA may be terminated by mutual agreement of the parties, confirmed in writing.
- G. Alternatively, this IGA may be terminated by COIC and/or a Central Oregon County by the following procedure:
 - 1. A public hearing will be held by the party considering termination. The party must give the other parties notice of the hearing at least 45 days prior to the scheduled hearing date. All parties shall seek to resolve any differences during the 45-day period.
 - 2. Termination of the agreement will be effective 90 days after the public hearing to provide time for resolution of differences.

6. IGA Effective Date.

- A. This IGA shall be effective when signed by COIC, all three counties, and at least one city.
- B. This IGA may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

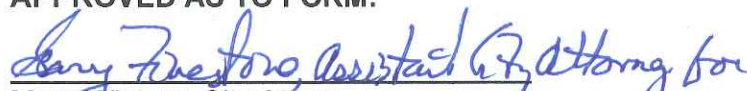
Dated this 22nd of, 2013

THE CITY OF BEND

By: 
Jim Clinton, Mayor

By: 
Eric King, City Manager

APPROVED AS TO FORM:


Mary Winters, City Attorney

Dated this _____ of, 2013

THE CITY OF CULVER

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this _____ of, 2013

THE CITY OF LA PINE

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

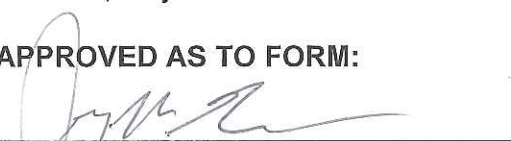
Dated this 9th day of April, 2013 ^{the}

THE CITY OF MADRAS

By: 
x, Mayor

By: 
x, City Manager

APPROVED AS TO FORM:


x, City Attorney

ATTEST:

 4-9-2013
Karen J. Coleman, City Recorder

Dated this _____th of, 2013

THE CITY OF METOLIUS

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this _____th of, 2013

THE CITY OF PRINEVILLE

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this _____th of, 2013

Dated this _____th of, 2013

THE CITY OF MADRAS

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this _____th of, 2013

THE CITY OF METOLIUS

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this _____th of, 2013

THE CITY OF PRINEVILLE

By: Betty J. Rappe
x, Mayor

By: [Signature]
x, City Manager

APPROVED AS TO FORM:

Carl McIntosh
x, City Attorney

Dated this _____th of, 2013

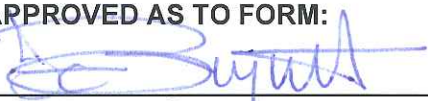
Dated this 9 day of April, 2013

THE CITY OF REDMOND

By: 
George Endicott, Mayor

By: 
Sharon Harris, Interim City Manager

APPROVED AS TO FORM:


Steve Bryant, City Attorney

Dated this _____th of, 2013

THE CITY OF SISTERS

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

COUNTY SIGNATURES ON THE FOLLOWING PAGE

THE CITY OF REDMOND

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

Dated this May 9th of, 2013

THE CITY OF SISTERS

By: _____
x, Mayor

By: _____
x, City Manager

APPROVED AS TO FORM:

x, City Attorney

COUNTY SIGNATURES ON THE FOLLOWING PAGE

CROOK COUNTY

Dated this 15th of MAY, 2013

CROOK COUNTY COURT

Mike McCabe
 Judge Mike McCabe

Ken Fahlgren
 Commissioner KEN FAHLGREN

Seth Crawford
 Commissioner SETH CRAWFORD

ATTEST:

Colleen H. Ferguson
 Recording Secretary Colleen H. Ferguson

DESCHUTES COUNTY

Dated this _____ of _____, 2013

BOARD OF COUNTY COMMISSIONERS

 Commissioner

 Commissioner

ATTEST:

 Recording Secretary

 Commissioner

CROOK COUNTY

Dated this _____ of _____, 2013

CROOK COUNTY COURT

Judge

Commissioner

ATTEST:

Recording Secretary

Commissioner

DESCHUTES COUNTY

Dated this 15 of April, 2013

BOARD OF COUNTY COMMISSIONERS

Alan Unger
ALAN UNGER, CHAIR

Tammy Baney
TAMMY BANEY, VICE-CHAIR

ATTEST:

Connie Thomas
Recording Secretary

Anthony DeBone
ANTHONY DEBONE, COMMISSIONER

JEFFERSON COUNTY

Dated this 10th of April, 2013

BOARD OF COUNTY COMMISSIONERS

Wayne Furling
, CHAIR

Mike Th...
, COMMISSIONER

ATTEST:

Barbara Andresen
Recording Secretary

John Hatfield
, COMMISSIONER

CENTRAL OREGON INTERGOVERNMENTAL COUNCIL SIGNATURES ON THE
FOLLOWING PAGE

CENTRAL OREGON INTERGOVERNMENTAL COUNCIL


Dated this 4th of April, 2013

Signed:



John Hatfield, Chairman
Central Oregon Intergovernmental Council

ATTEST:



Andrew Spreadborough, Interim Executive
Director
Central Oregon Intergovernmental Council

June 19, 2015

Daimler Trucks North America LLC
Attn: Matt Markstaller
4747 Channel Avenue
Portland, Oregon 97217

Re: Letter of Intent – Truck Test Track Facility – Madras Airport Property

Dear Matt:

This letter is written to summarize the general terms and conditions under which the City of Madras, an Oregon municipal corporation ("City"), is interested in leasing the Land (as defined below) to Daimler Trucks North America LLC, a Delaware limited liability company ("Daimler"), for Daimler's development, construction, and operation of a durability truck testing facility (the "Project"). The Project is expected to consist of (a) one or more vehicle test tracks constructed of asphalt, concrete, and/or gravel, and (b) several structures or improvements for office, vehicle maintenance, and support, including, without limitation, an approximately 26,000 square foot maintenance building (approximately 4,500 square feet of which will be used for office space) and a vehicle washing station. The terms and conditions contained in this letter are based upon the parties' current intentions and information known to the parties as of the date of this letter; the parties acknowledge that Project planning is ongoing with many details (including scope and costs) yet to be determined. Except for the provisions contained in Part Two of this letter, this letter is nonbinding and does not grant or impose any legal rights and/or obligations on City or Daimler.

Part One – Nonbinding Provisions

Based upon information known to the parties as of the date of this letter, City proposes that the Lease (as defined below) be prepared, subject to the parties' mutual review and approval, with the nonbinding provisions set forth in this Part One (collectively, the "Non-Binding Provisions"):

1. Airport Ground Lease. City is willing to pursue the negotiation of a mutually acceptable Ground Lease Agreement (the "Lease") with Daimler pursuant to which Daimler will develop, construct, and operate the Project on that certain real property consisting of approximately 87 acres of City land (the "Land") located adjacent to the Madras Municipal Airport (the "Airport"), which Land is more particularly described and depicted on the attached Exhibit A. The Lease will be based upon City's standard form airport ground lease and will contain such representations, warranties, covenants, indemnification provisions, and other terms and conditions as the parties may mutually agree are reasonable and appropriate. Daimler will obtain, at Daimler's cost and expense, all necessary permits, licenses, reviews, and approvals required under the Laws (as defined below) for construction and use of the Project on the Land. Daimler's development, construction, and operation of the Project will comply with all applicable Laws. For purposes of this letter, the term "Law(s)" means all applicable federal, state, and local laws, regulations, and ordinances, including, without limitation, any rules and/or regulations promulgated by the Federal Aviation Administration ("FAA") and/or any other federal airport

authority, whether now existing or hereafter amended, adopted, and/or established. The Lease will generally identify those Laws applicable to the Land and/or Project due to the Land's and/or Project's close proximity to the Airport.

2. General Lease Terms. Subject to review and approval by each party, the Lease will be prepared with the following general terms and conditions:

(a) Daimler will commence construction of the Project within 180 days after all applicable Project permits and approvals are obtained, including, without limitation, any approval required by the FAA. Daimler will complete construction of the Project within 500 days after commencement of construction, subject to automatic extension for delays due to force majeure.

(b) Daimler will lease the Land from City for a period equal to the sum of the Project construction period plus 20 years (the "Initial Lease Term"), subject to the earlier termination of the Lease pursuant to its terms. Provided Daimler is not then in default under the Lease, Daimler will have the option (each an "Extension Option") to extend the Initial Lease Term for three consecutive additional terms of 10 years each (each an "Extended Term"). The terms and conditions for each Extended Term will generally be identical with the Initial Lease Term except for Base Rent (as defined below) and Additional Rent (as defined below) and Daimler will no longer have any Extension Option that has been exercised.

(c) Commencing on the Rent Start Date (as defined below), Daimler will pay City minimum annual base rent (in equal monthly installments), without offset, in an amount equal to \$1,740.00 per acre, per year ("Base Rent"), pro-rated as necessary, plus additional rent charges of \$38.00 per acre, per year for lighting and access fee charges ("Additional Rent"); provided, however, commencing on the date of the parties' mutual execution of the Lease (the "Effective Date"), Daimler will be required to pay all taxes (if any), insurance costs, utility charges (e.g., electricity, telephone, water, etc.) incurred on or for the Land and/or Project. Commencing on the first year anniversary of the Rent Start Date, and continuing annually thereafter until the tenth year anniversary of the Rent Start Date, Base Rent and Additional Rent will increase by one and one-half percent (1.5%) over Base Rent and Additional Rent, as applicable, for the immediately preceding twelve-month period. For purposes of this letter, the term "Rent Start Date" means the earliest to occur of the following: (a) twelve (12) months after the Effective Date, or (b) substantial completion of the Project.

(d) On the tenth year anniversary of the Rent Start Date, and continuing thereafter every ten years during the Lease Term (as defined below), Base Rent and Additional Rent will be equal to the then-current fair market rental rate for the Land, which amount will be determined as follows: (i) the parties will seek for a period of not more than sixty (60) days to reach mutual agreement on such fair market rental rate, and (ii) if Daimler and City are unable within such period to agree on the then-current fair market rental rate of the Land, the fair market rental rate will be determined by neutral and independent real estate appraiser(s) in accordance with the Lease. In either case, fair market rent for the Land shall be based on the assumption that the Land is vacant, unimproved and not leased (i.e., without regard to any value attributable to the Lease or any improvements on the Land). During each year of the Lease Term upon the anniversary of the Rent Start Date, Base Rent and Additional Rent will increase by one and one-half percent (1.5%) over the Base Rent and Additional Rent, as applicable, for the immediately preceding twelve-month period. For purposes of this letter, the term "Lease Term" means the Initial Lease Term and each Extended Term, if applicable.

(e) Daimler will consent to City's annexation of the Land if requested by City. Daimler's use of the Land must comply with all Laws. Daimler's use of the Land will be subject to certain easements and access requirements as determined by City, subject to Daimler's review and approval of such easements and requirements. Daimler may use the Land for any lawful and permitted purpose, provided that any material change in the use of the Land will be subject to the City's prior consent, which consent will not be unreasonably withheld.

(f) A portion of the Land may be subject to an existing farm lease with Deschutes Basin Farms LLC (the "Existing Lease"). City anticipates that the Existing Lease will be terminated or modified to accommodate the Project and Daimler's lease of the Land. Daimler will be responsible for the costs and expenses incurred to terminate and/or modify the Existing Lease, whether such costs and expenses are incurred by City, the tenant under the Existing Lease, and/or otherwise, up to a maximum of \$2,000.00. City will be responsible for all such costs and expenses in excess of \$2,000.00.

(g) Daimler's use of the Land will be reasonably restricted to accommodate the annual Madras Air Show, which restrictions will be identified in the Lease and subject to Daimler's review and approval (which approval will not be unreasonably withheld). The Madras Airshow generally occurs in August for a period of three days. Daimler will receive advance notice of the event.

(h) Daimler and City will discuss whether the Lease will contain rights of first refusal, expansion, and other options for land located in or adjacent to the Airport, including expansion areas for a potential high speed track and/or future vehicle dynamics facility.

(i) Daimler will pay all costs, expenses, and fees attributable to the development, construction, and operation of the Project, including, without limitation, all applicable system development charges and connection fees. City and Daimler will individually and jointly pursue any economic development grants and other funding sources to offset the costs of off-site improvements, including Special Public Works Funds and Immediate Opportunity Funds, that may be necessary or desirable in connection with the Project.

(j) Daimler may assign, sublet, and/or otherwise transfer any or all of its rights under the Lease to any affiliate, subsidiary, or related company of Daimler without City's consent, provided that (A) Daimler gives notice to City of each such transfer, and (B) Daimler is not released from its obligations under the Lease as a result of such transfer. All other transfers shall be subject to City's prior consent, which consent shall not be unreasonably withheld.

(k) Daimler will have the right to mortgage, pledge, hypothecate, and/or otherwise encumber Daimler's leasehold estate in the Land under the Lease and any improvements constructed thereon for the sole purpose of financing (the "Leasehold Financing"), provided that such Leasehold Financing will be and at all times remain subject to the Lease and City's rights and remedies therein. City will not be obligated to subordinate its interest in the Land to any Leasehold Financing. Subject to City's review and approval, the Lease will contain such provisions as may be necessary for the Lease to be a financeable ground lease.

(l) Daimler's obligations under the Lease will be conditioned on (a) Daimler's review and approval of its due diligence investigation of the Land, including, without limitation, site planning, environmental assessments, title review, etc., (b) receipt of all permits and approvals that Daimler deems necessary or desirable with respect to the Project, and (c) approval of the final budget

for the Project. The Lease will specify timelines for satisfaction or waiver of each of these conditions. Daimler will have the right to enter the Land to conduct such due diligence investigations provided Daimler defends, indemnifies, and holds City harmless for any damages or claims caused thereby.

(m) All terms and conditions of the Lease will at all times prior to its execution remain subject to the parties' mutual approval in all respects. The target date for lease execution is on or before October 1, 2015.

3. Economic Development Incentives. City acknowledges that Daimler is pursuing various economic development incentives in connection with the Project, including, without limitation, tax exemption for the Project under the Oregon Enterprise Zone program. City will reasonably cooperate with Daimler's efforts to secure such incentives.

Part Two – Binding Provisions

The binding provisions set forth in this Part Two (collectively, the "Binding Provisions") are legally binding and enforceable against City and Daimler.

4. Exclusivity Period. For a period of 90 days after the date this letter is mutually executed by the parties (the "Exclusivity Period"), City will not enter into any agreements or accept any proposals from any person or entity (other than Daimler) relating to the development and/or use of the Land. If City and Daimler are unable to negotiate and execute the Lease within the Exclusivity Period, City may begin negotiating with any other person or entity concerning the Land, including, without limitation, providing any information or making any proposal or request to any person or entity concerning the lease of the Land.

5. Land Use Applications; Costs and Expenses; Construction. The Land is located outside City's Urban Growth Boundary and is regulated by the FAA. To this end, the construction and development of the Project requires certain approvals, including, without limitation, FAA approval and Jefferson County land use approval. In an effort to expedite the Project's land use approval process, City will assist and cooperate with Daimler's filing of any necessary land use applications (including a Site Plan Review and Conditional Use application with the Jefferson County Community Development Department) subject to the following conditions: (a) Daimler will prepare, file, and pay all fees and costs related to all land use applications and related filings or submissions, including, without limitation, permitting and design, subject to Daimler's prior approval of such fees and costs in each instance; and (b) if this letter is terminated under Section 6 (unless terminated because of the parties' execution of the Lease), Daimler will terminate any pending applications and/or approvals concerning the Land and will complete and file any documentation City deems necessary or appropriate to terminate such pending applications and/or approvals at Daimler's cost and expense. Daimler will be required to go through all standard land use processes and approvals concerning the Project. This letter is not a promise or commitment that any land use applications or approvals will be received by Daimler. Daimler will not conduct any grading, development, site improvements, and/or any construction activities of any kind or nature whatsoever on the Land unless and until the Lease is executed by City and Daimler.

6. Term; Termination. This letter will terminate upon the earliest to occur of the following: (a) upon the written agreement of City and Daimler; (b) upon the expiration of the Exclusivity Period; (c) upon the parties' execution of the Lease; and/or (d) upon notice by a party to the other party that the

party desires to terminate the negotiation of the Lease. Upon termination of this letter, the parties will have no further rights or obligations hereunder except that Daimler will have those payment and filing obligations provided under Section 5.

7. Miscellaneous.

7.1 Provisions; Third-Party Beneficiaries. The Nonbinding Provisions are not legally binding or enforceable against City or Daimler. No binding obligation will exist with respect to the subject matter of the Nonbinding Provisions unless and until the parties sign the Lease, and then only to the extent such obligations are set forth in the Lease. The Binding Provisions will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit. The parties do not intend to confer any right or remedy on any third party.

7.2 Severability; Assignment; Binding Effect. Each provision contained in this letter will be treated as a separate and independent provision. The unenforceability of any one provision will in no way impair the enforceability of any other provision contained herein. Any reading of a provision causing unenforceability will yield to a construction permitting enforcement to the maximum extent permitted by applicable law. Daimler will not assign this letter to any person without City's prior written consent. Subject to the immediately preceding sentence, this letter will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit. This letter may be amended only by a written agreement signed by each party.

7.3 Attorney Fees. With respect to any dispute relating to this letter, or if a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this letter, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party will be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses incurred in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

7.4 Governing Law; Venue. This letter is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this letter. Any action or proceeding arising out of this letter will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

7.5 Attachments; Notices. Any exhibits, schedules, instruments, documents, and other attachments referenced in this letter are part of this letter; provided, however, if any exhibits, schedules, instruments, documents, and/or other attachments conflict with the terms of this letter, the terms of this letter will control. All notices or other communications required or permitted by this letter must be in writing, must be delivered to the parties at the addresses first set forth above, or any other address that a party may designate by notice to the other party, and are considered delivered upon actual receipt if delivered personally, by fax, or by a nationally recognized overnight delivery service, or at the end of the second business day after the date of deposit if deposited in the United States mail, postage pre-paid, certified, return receipt requested.

7.6 Waiver; Entire Agreement. No provision of this letter may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing by City and Daimler. No waiver of either party at any time of the breach of, or lack of compliance with, any conditions or provisions of this letter will be deemed a waiver of other provisions or conditions hereof. This letter contains the entire agreement and understanding between the parties with respect to the subject matter of this letter and contains all of the terms and conditions of the parties' agreement and supersedes any other oral or written negotiations, discussions, representations, or agreements.

7.7 Execution; Counterparts; Survival. The parties may execute this letter in separate counterparts, each of which when executed and delivered will be an original, but all of which together will constitute one and the same instrument. Facsimile or email transmission of any signed original letter will be the same as delivery of an original. At the request of either party, the parties will confirm facsimile or email transmitted signatures by signing and delivering an original letter.

With the exception of the Binding Provisions (Part Two), this letter does not constitute a binding agreement between the parties. This letter is an expression of the mutual intent and desires of the parties as to certain aspects of the Lease. However, the parties agree that there are material terms as to which agreement has not been reached and this letter is not to be construed as a definitive contract. This letter is subject to the parties' execution of the Lease, which Lease must be satisfactory to each party and their respective legal counsel, including, in the case of City, the Madras City Council. It is expressly understood and agreed that (a) no liability or binding obligation is intended to be created between or among any of the parties to this letter, except with respect to the Binding Provisions, and (b) other than with respect to the Binding Provisions, any legal rights and obligations between or among any of the parties to this letter will come into existence only upon the parties' execution and delivery of the Lease, and then only in accordance with the terms and conditions of the Lease. Notwithstanding any other provision herein, (y) City acknowledges that Daimler is considering several alternative sites for the Project and that, while the Land is currently the preferred option, the final site selection decision has not yet been made by Daimler and is subject to a final cost-benefit analysis to be performed by Daimler with respect to each site, and (z) Daimler reserves the right in its sole discretion to terminate at any time further discussions with respect to the Lease and Project, subject to the payment and filing obligations under Section 5, above.

Please sign both copies of this letter where indicated below if the above general terms and conditions are acceptable. Retain one copy for your files and return the second signed copy to me not later than 5:00 p.m. on June 23, 2015. I look forward to a successful relationship with you and await your prompt response.

Sincerely,




Gus Burril, City Administrator

cc: Jeremy M. Green, Bryant, Lovlien & Jarvis, P.C.
Madras City Council

Daimler Acknowledgement and Agreement

On behalf of Daimler, the undersigned (a) has read and understands the terms of this letter, and (b) is authorized to execute this letter on behalf of Daimler.

Daimler Trucks North America LLC,
a Delaware limited liability company

By: 
Name: Matthew Markstaller
Title: Manager, Property and Buildings
Dated: 6/19/15

DATE: March 25, 2016
TO: Nick Snead
FROM: Beth Goodman and Bob Parker
SUBJECT: MADRAS LARGE LOT INDUSTRIAL ANALYSIS

The City of Madras is embarking on an urban growth boundary (UGB) expansion for a large-lot industrial site based on the *Central Oregon Large Lot Industrial Land Need Analysis* (November 2012) and OAR 660-024-0045. The City contracted with ECONorthwest to provide information for the submission of the analysis of candidate large-lot industrial sites to the Central Oregon Intergovernmental Council (COIC). This memorandum presents: (1) site characteristics for the proposed used on the large lot industrial site and (2) maps that show existing large sites within the Madras UGB.

Madras is proposing to bring one site of 100 to 200 acres into the UGB to meet the needs for development of a truck testing facility for Daimler Trucks North America (Daimler). The facility will be a vehicle proving grounds for testing commercial trucks ranging from delivery trucks to dump trucks to tractor trailers (e.g., 18-wheelers). Once the facility is built, truck testing will occur in two shifts per day, six days per week. The vehicle proving grounds will include:

- **Campus** that includes office space, shop space, a truck wash, ballasting building with truck scales (to load the trucks with weight for testing), outdoor truck testing event area, storage yard for truck parts, and other facilities needed to support testing of the trucks. The campus must include enough room to maneuver the trucks through the shop and other facilities in the campus area.
- **Durability test track** that is one mile long with features such as bumps and cobbles to test the durability of the trucks.
- **Vehicle dynamics area** to test the handling, steering, acceleration, stopping, active and passive safety systems, and truck systems. The vehicle dynamics area will include a circle for driving the trucks and acceleration lanes. The circle will have a radius of 150 feet, with room for future expansion to a 350 feet radius circle.
- **Three mile long high-speed test track** to test drive the trucks.

Daimler plans to develop the campus and durability test track in 2016, with plans for future expansion to include the vehicle dynamics area and three-mile long test track.

Site Characteristics

The Regional Large Lot Industrial Land section of OAR 660-024-045 requires Madras to identify necessary site characteristics of needed land, using the definition of site characteristics found in OAR 660-009. Site characteristics are defined as follows in OAR 660-009-0005(11):

"Site Characteristics" means the attributes of a site necessary for a particular industrial or other employment use to operate. Site characteristics include, but are not limited to, a minimum acreage or site configuration including shape and topography, visibility, specific types or levels of public facilities, services or energy infrastructure, or proximity to a particular transportation or freight facility such as rail, marine ports and airports, multimodal freight or transshipment facilities, and major transportation routes.

Madras has identified the need for a large-lot industrial site for a vehicle proving ground for a truck testing facility for Daimler. The following section describes the characteristics of the site needed by Daimler for the vehicle proving ground facility.

1. **Site size.** The vehicle proving ground will be built in two phases. The first phase will be development of the campus and durability test track. These facilities will require about 87 acres of unconstrained land, to provide sufficient space for the campus buildings, test track, storage yards, and space for truck maneuvering. The second phase of development will include the vehicle dynamics area and a portion of the three mile long test track and will require about 100 to 110 acres of unconstrained land. The configuration of the site must be allow for development of these types of facilities.

The size of the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the site must be large enough to accommodate the proposed facilities. The testing track and facilities require sufficient space for maneuvering the trucks within the site, space to bring trucks to testing speeds, truck parking and storage, internal automotive circulation on the site, and parking for employees and facility visitors.

2. **Topography.** The vehicle proving ground site must be relatively flat, with a slope across the site of not more than 5% and preferably flatter. The site cannot have significant bumps or valleys on the site, especially those that cannot be removed through grading.

The topography of the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because testing trucks requires flat land. The requirements of a slope of 5% or less is consistent with the characteristics that Business Oregon identifies as necessary for competitive sites for general manufacturing.¹

3. **Soil types.** The test tracks must have soil that is flat and stable and can withstand the constant movement of trucks over it many hours per day. The test track cannot be

¹ Oregon Business Development Department, Industrial Development Competitiveness Matrix.

located on soft top soils. The type of soils typically suitable for this type of use are caliche soils.

The soil types on the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the test tracks will have heavy trucks driving over them constantly. A test track built on soft soil would not have the durability necessary for the vehicle proving ground uses.

4. **Transportation Access.** The vehicle proving ground site must have unimpeded truck freight access to a state highway or other or principal arterial road that is designated as a freight route. The site should be located within two miles of a state highway, with unimpeded access to the state highway through local arterial or major collector streets.

Transportation access via state highways and local arterial or major collector streets to the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because traffic to the site will be a combination of trucks being tested at the facility and automobiles of visitors and employees. Many of the trucks will arrive under their own power but some may be towed to the site.

Designated state and local freight routes have design features that ensure freight vehicle movement and weight. This attribute is meaningful to industry operations because it directly affects the industry's travel time, labor and fuel costs to use lower classification, slower speed streets that are designed for local traffic. Local streets are not designed and built to accommodate heavy freight vehicles. Avoiding use of the local street network minimizes traffic conflicts with adjacent residential land uses along streets not designed for freight vehicles and higher traffic volumes.

5. **Access to services.** City services should be directly accessible to the site, including sanitary sewer, and municipal water. The vehicle proving grounds will also need access to services not provided by the City of Madras, including electricity, high speed internet, and compressed natural gas. The level-of-service necessary for the vehicle proving grounds for water, wastewater, and high-speed internet will be similar to that used in urban office or other commercial uses. The level-of-service necessary for the facility for electricity will be similar to that needed for most light industrial businesses. The proving grounds will need access to a large volume of compressed natural gas from a local source in Madras.

Access to urban services has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because business operations at the facility will require these services. Business Oregon finds that competitive sites must have access to urban services, including water, wastewater, natural gas, electricity, and major telecommunications facilities.²

6. **Surrounding land uses.** The vehicle proving ground will be operated two shifts per day, six days per week. The operations of the facility will be noisy, with trucks going over

² Oregon Business Development Department, Industrial Development Competitiveness Matrix.

cobble stones and obstacles and using their braking systems.³ In addition, the nature of testing vehicles requires a relatively remote location, where privacy and confidentiality can be ensured. A vehicle proving ground is directly compatible with other industrial uses, agricultural uses, and uses similar to the vehicle proving ground. The facility would not be compatible with residential or commercial, especially retail, uses because of the high level of noise and need for privacy.

Ensuring compatible surrounding use has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the operation of the facility will occur many hours per day, most days. It will be important both not to disturb neighboring uses and to ensure privacy for the testing of products not yet released to the market.

7. **Land availability.** The proposed large lot industrial site should be available for development by Daimler. OAR 660-009-0025(7) defines availability as land that is “vacant or developed land likely to be on the market for sale or lease at prices consistent with the local real estate market”.⁴

Land availability has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because Daimler needs a site that is available for development within the time-frame that they have established for building the vehicle proving grounds. Daimler plans to start construction of the vehicle proving grounds in early 2016.

8. **Land assembly.** Sites may include one or more tax lots. Sites with two or fewer owners are necessary (a single owner is most desirable) to reduce the cost and uncertainty of land assembly. Daimler is open to leasing or owning the property.

Land ownership has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the cost of land assembly, in financial terms and in terms of extra time needed for site assembly, can make developing an industrial site with multiple land owners infeasible, resulting in the business choosing not to build in Madras.

³ Daimler Trucks North America Phase I Expansion at Madras Municipal Airport—Noise Assessment found that the vehicle proving ground truck testing facility will would not exceed 65 dBA Leq(h) and would not be 10 dBA above the existing noise levels at the Madras Airport.

⁴ 660-009-0025(7) provides the following methods for determining that land is not available:

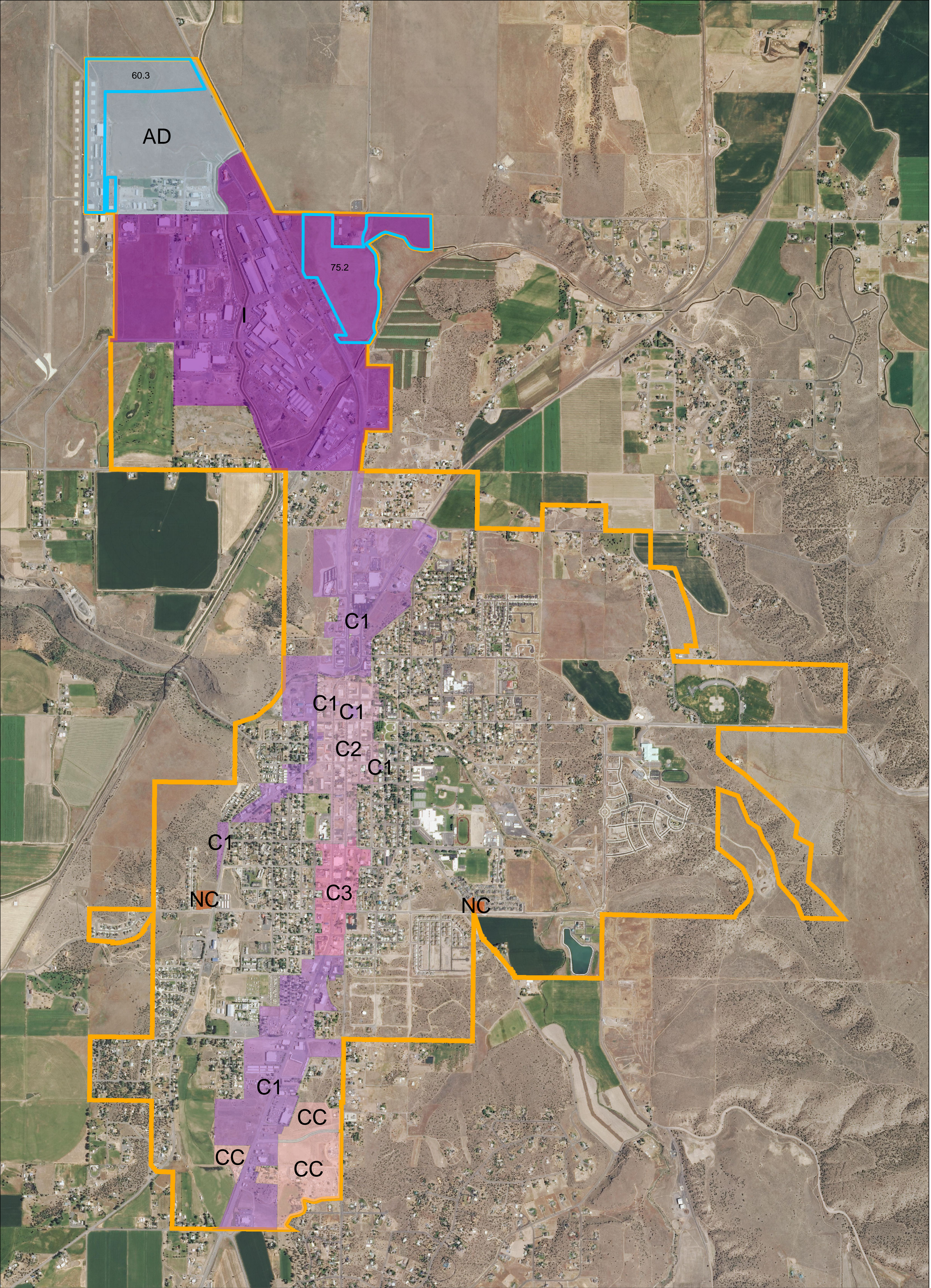
- (a) Bona fide offers for purchase or purchase options in excess of real market value have been rejected in the last 24 months;
- (b) A site is listed for sale at more than 150 percent of real market values;
- (c) An owner has not made timely response to inquiries from local or state economic development officials; or
- (d) Sites in an industrial or other employment land category lack diversity of ownership within a planning area when a single owner or entity controls more than 51 percent of those sites.

Suitability Inventory

ECONorthwest updated the inventory of commercial and industrial buildable land in Madras in mid-2015, as part of an update of the City's Economic Opportunity Analysis. Based on that update, ECONorthwest developed Map 1, which shows commercial and industrial land within Madras' UGB and identifies sites larger than 50 acres. Madras has six tax lots of 50 acres or more within its UGB. Four of them are publicly owned and not in plan designations that allow commercial or industrial uses. Madras has two sites over 50 acres within the UGB designated for industrial uses:

- Site 1: 60-acre site zoned Airport Development. This site is partially vacant and part of the Airport, used for airport operations, such as hangar space. This site does not meet the needs for the vehicle proving ground because: (1) it is significantly below the 190 acres needed for the facility, (2) the configuration of the site would not lend itself to development of the proposed facility, and (3) it is actively being used by the Madras Airport.
- Site 2: 75-acre site zoned Industrial. This site is vacant and owned by a land-owner that has indicated she is not willing to sell the site. This site does not meet the needs for the vehicle proving ground because: (1) it is significantly below the 190 acres needed for the facility and (2) the site is not available for sale.⁵

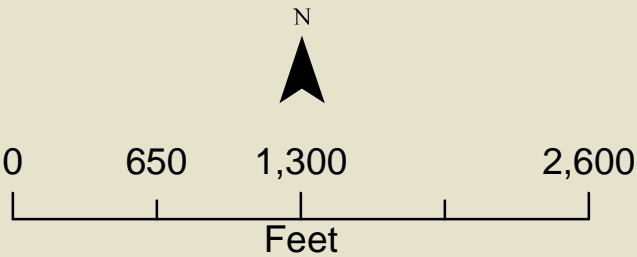
⁵ The assessment that the site is not available for sale is based on the definition in OAR 660-009-0025(7).



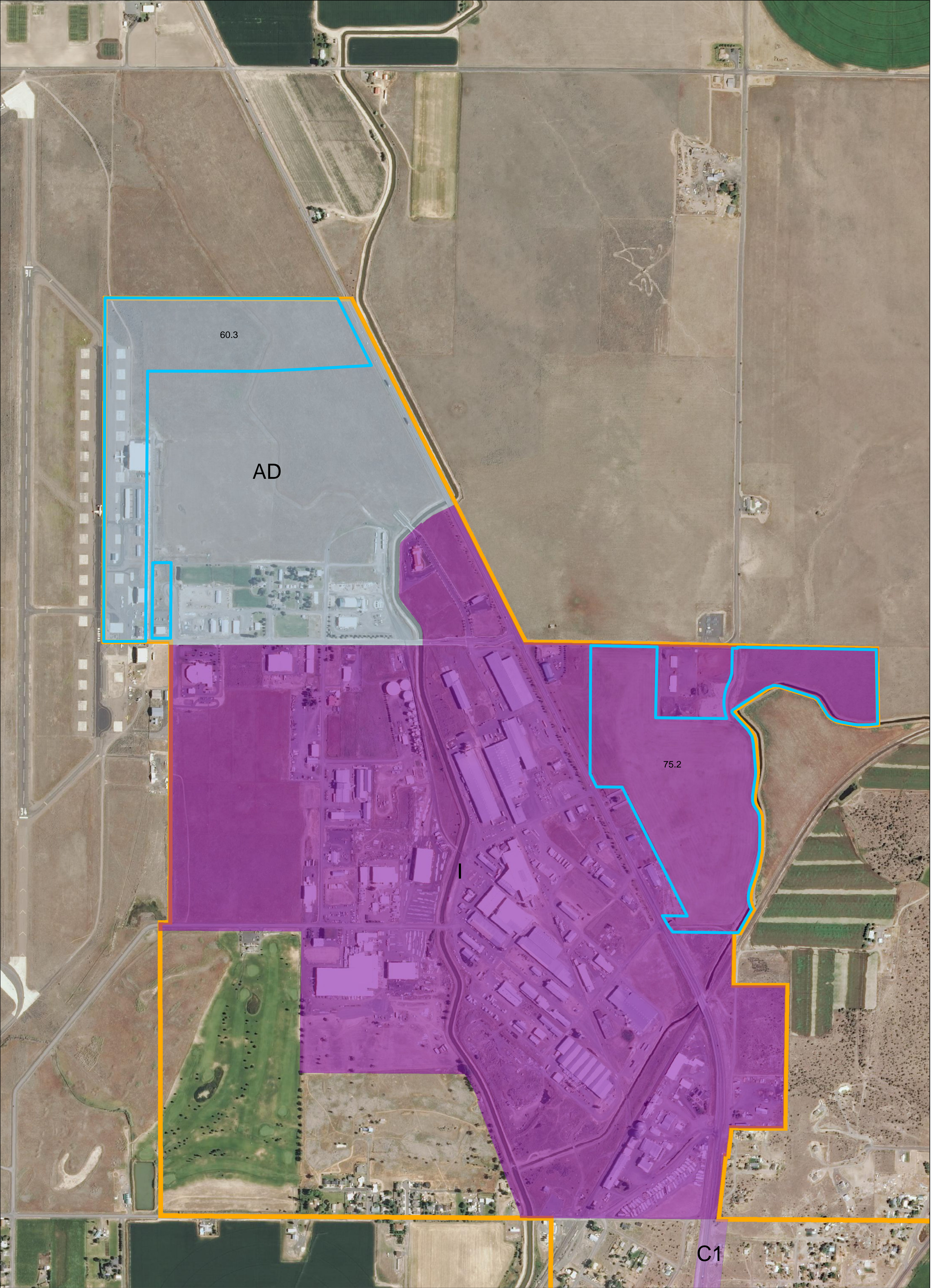
Taxlots 50 acres or over

City of Madras
Oregon

ECONorthwest
August 2015



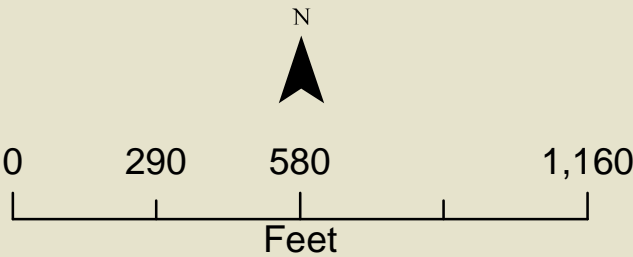
Lots over 50 acres	City Limits
Plan Designation	UGB
AD	Tax Lots
C1	
C2	
C3	
CC	
I	
NC	



Taxlots 50 acres or over

City of Madras
Oregon

ECONorthwest
August 2015



Lots over 50 acres

Plan Designation

- AD
- C1
- C2
- C3
- CC
- I
- NC

- City Limits
- UGB
- Tax Lots

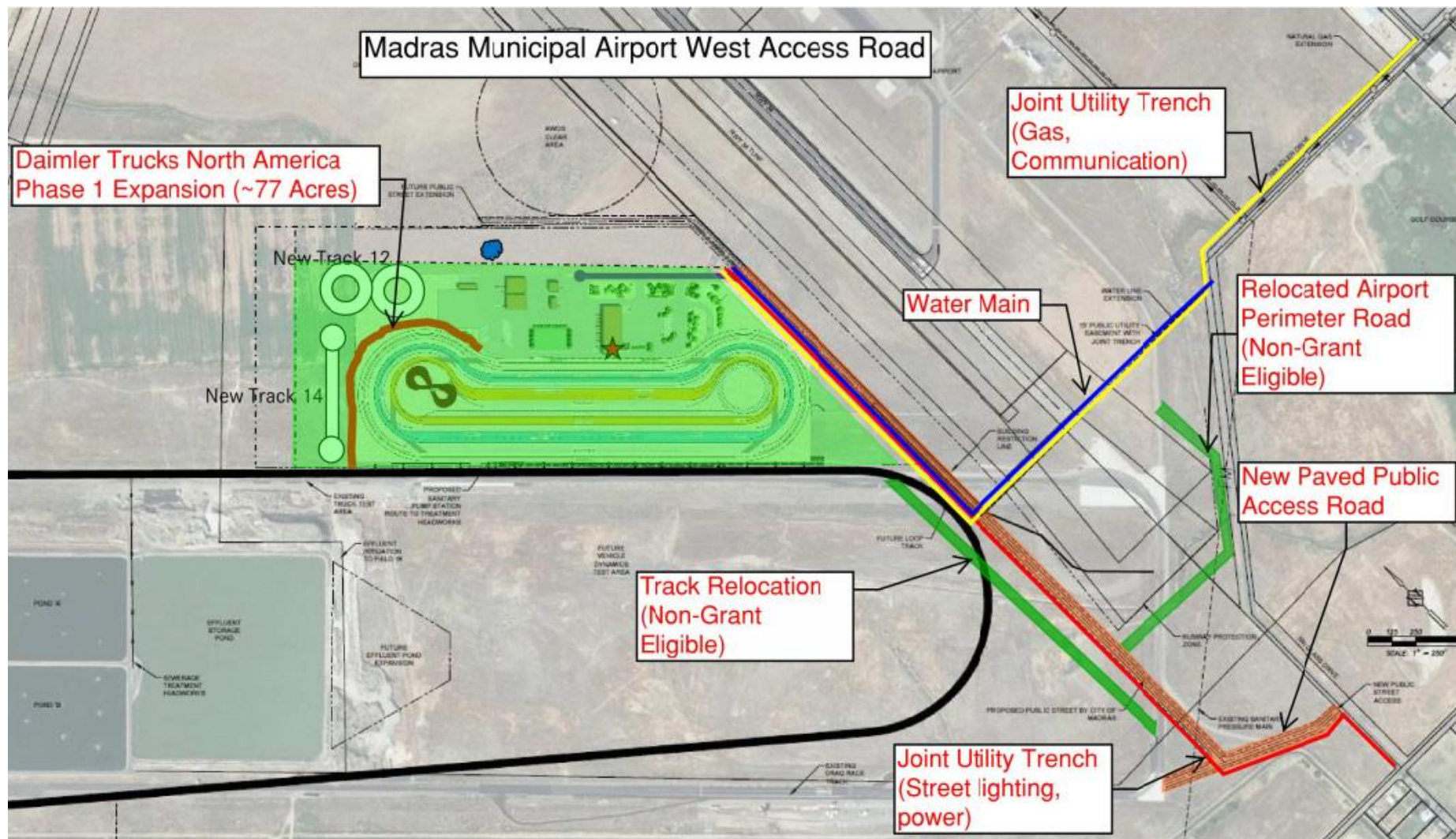
MEMO

TO: Nick Snead, Community Development Director
CC: Jeff Hurd, Director of Public Works
FROM: Wen Jou, City Engineer
DATE: September 3, 2015
SUBJECT: Large Lot Industrial
Water and Sewer Availability Preliminary Analysis

In response to your request to review the capacity of the existing water and sewer systems and their ability to serve a potential large lot industrial parcel, I have prepared the following preliminary analysis.

Water: Deschutes Valley Water District (DVWD) provides water to the Madras Airport industrial area. The existing 8-inch diameter waterline along Glass Drive is closest to the proposed development. This line, approximately 1,850 feet east of the south corner of the parcel, is part of the 8-inch and 14-inch looped water distribution mains serving the airport industrial area. A recent hydrant flow test conducted by DVWD in November 2014 on the hydrant at the intersection of Glass Drive and Birch Lane indicates a potential system capacity of 1,442 gpm at 85 psi residual pressure with a static pressure being 130 psi. Preliminary analysis concludes that the existing water system with a property sized water main extension as shown on the attached sketch should be capable of serving the parcel.

Sewer: This parcel is intended to be served by the existing North Wastewater Treatment Plant which is located on City property outside of the Urban Growth Boundary. The property can be served by an on-site wastewater pump station with a pressure service line discharging into the existing treatment plant headworks which is approximately 1,250 feet from the northwest corner of the parcel. The estimated wastewater flow from the proposed development would be approximately 525 gallons per day. The North Wastewater Treatment Plant has a capacity of 0.5 million gallons per day and is operating at 50% capacity. Preliminary analysis concludes the plant has sufficient capacity to serve the proposed development.



Madras Municipal Airport West Access Road

Daimler Trucks North America
Phase 1 Expansion (~87 Acres)

Limits of Public
Road and Utility
Improvements.

Joint Utility Trench
(Gas,
Communication)

Water Main

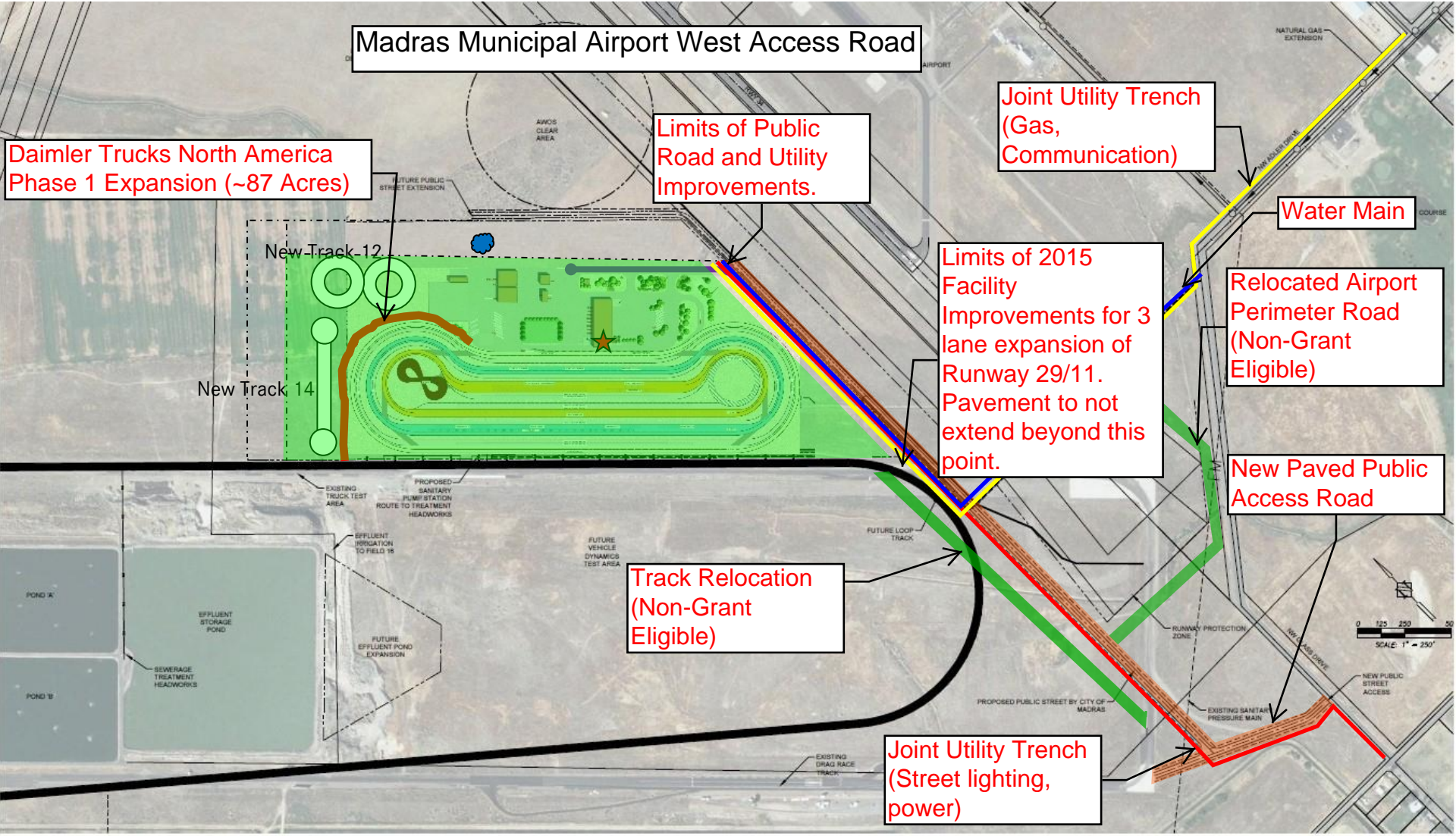
Relocated Airport
Perimeter Road
(Non-Grant
Eligible)

Limits of 2015
Facility
Improvements for 3
lane expansion of
Runway 29/11.
Pavement to not
extend beyond this
point.

New Paved Public
Access Road

Track Relocation
(Non-Grant
Eligible)

Joint Utility Trench
(Street lighting,
power)



August 6, 2015

Scott Aycock,
Community & Economic Development Manager
Central Oregon Intergovernmental Council
334 NE Hawthorne Ave.
Bend, OR 97701

Dear Scott,

Economic Development for Central Oregon (EDCO) is pleased to submit this letter in support of the City of Madras' Regional Large Lot Industrial Site proposal. The purpose of this letter is to confirm the consistency and compatibility with the Central Oregon Large Lot Industrial (LLI) program for the proposed UGB expansion and designation of approximately 199 acres of land at the Madras Municipal Airport (Airport) located northwest of the City of Madras' current UGB. Under this program, a letter of support from EDCO is required.

EDCO's approval is based on the ability of specific parcels to have the following elements:

- Plausibility for future development including proximity to necessary infrastructure (water, sewer, transportation, power, natural gas, etc.);
- Marketability of the site for large-scale traded sector development;
- Property owner(s) with available resources to extend necessary infrastructure and other property development requirements;
- Motivated property owner(s) that are willing to offer large acreage land at competitive market prices; and
- Regionally significant properties that have the potential to accommodate larger projects that will have multi-jurisdictional economic impacts in terms of jobs, capital investment and industry development.

The City of Madras owns and operates the Airport. EDCO believes that the property that the City of Madras is proposing to be designated as a Regional Large Lot Industrial (RLLI) site meets all of the requirements above. The proposed site is located at one of the fastest growing airports in Central Oregon. Because the property is located on the Airport, the Federal Aviation Administration (FAA) requires the City to lease land at a fair market rate. In doing so, the City is required to complete a lease market appraisal every five years to ensure land is leased at a fair market rate. With these requirements, the City of Madras will own and lease the land for uses consistent with the Central Oregon Regional Large Lot Industrial program requirements.

The City's recent completion of several significant economic development projects at the Madras Airport illustrates that the City is motivated and is capable of ensuring the Madras RLLI will be developed in a manner consistent with all of the provisions of the Central Oregon Regional Large Lot program requirements. In fact, EDCO and the City are currently working cooperatively to recruit a developer to the

proposed Madras RLLI site. Additionally, the City has invested in and advanced a tremendous amount of infrastructure feasibility and cost analyses and has determined that all necessary infrastructure is available for development.

Should you have any questions about EDCO's support of the Madras RLLI proposal, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger J. Lee". The signature is fluid and cursive, with the first name "Roger" being more prominent.

Roger J. Lee
Executive Director

Cc: Nicholas Snead, Community Development Director, City of Madras
Bill Adams, Planning Director, Jefferson County
Janet Brown, EDCO Manager – Jefferson County



April 1, 2016

Scott Aycock
Community & Economic Development Manager
Central Oregon Intergovernmental Council
334 NE Hawthorne Ave.
Bend, Oregon 97701

RE: Letter of Support for the Development of the City of Madras Regional Large Lot Industrial site at the Madras Airport.

Scott:

The Oregon Business Development Department (OBDD) in conjunction with our local stakeholders, the City of Madras, Jefferson County and Economic Development for Central Oregon (EDCO), supports the development of the 199 acre Regional Large Lot Industrial site at the Madras Airport owned by the City of Madras. The majority of the site will be developed by the city for the expansion of the Daimler Truck NA Heavy Truck Durability Test facility and other potential traded sector industrial projects, and is well suited for that type of development. Additionally, the first phase of the Daimler project, totaling 87 acres required assistance from several additional regional partners including: Oregon Dept. of Transportation (ODOT), Dept. of Environmental Quality (DEQ), Dept. Land Conservation and Development (DLCD) and Division of State Lands Dept. (DSLDD). Daimler Truck NA is a traded sector company in the important transportation sector. Daimler has had deep roots in Oregon and Madras for several decades, and recently broke ground on the first phase of their \$18 million test track facility expansion.

The Oregon Business Development Department in cooperation with our regional stakeholders have certified over 100 industrial sites throughout the state for business development. We believe this site is well-positioned geographically, both from an actual physical location and the proximity to the infrastructure necessary to make this an important industrial site, and important economic development tool for the recruitment of new businesses, retention of existing businesses and expansion of businesses for the City of Madras and the Central Oregon Region.



Clark Jackson

Business Development Officer
Oregon Business Development Dept.



August 12, 2015

Central Oregon Intergovernmental Council
334 N.E. Hawthorne Ave.
Bend, OR. 97701

Letter of Support for the City of Madras Large Lot Industrial Site Application

Council Members,

Business Oregon supports the request by the City of Madras in their application for consideration in adding the approximately 199 acre industrial property as a "Regional Large Lot" property to be brought into the Madras City Limits.

This request is supported by the recent Central Oregon Regional Economic Opportunity Analysis, which showed a need in the region for large lots, including in the inventory some of over 200 acres. Business Oregon participated and provided data and support for that study. Furthermore, the State's recent business activity confirms there has been an increase in demand in Oregon and nationally for large lots and that development readiness is increasingly important in the site selection process.

The 199 acre industrial property will be used by Daimler Trucks North American to provide testing for their class 4-8 vehicles that are manufactured under the brand names including Freightliner, Western Star, and Thomas Built Buses.

If we can provide additional information to assist your decision, please do not hesitate to contact me.

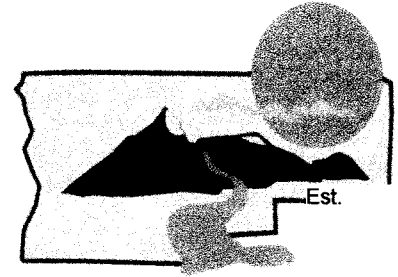
Sincerely,

Clark Jackson
Business Development Officer

JEFFERSON COUNTY

COMMUNITY DEVELOPMENT DEPARTMENT

85 S.E. "D" St., Suite A • Madras, Oregon 97741 • Ph: (541) 475-4462 • FAX: (541) 325-5004



April 15, 2016

Scott Aycock
Community and Economic Development Manager
Central Oregon Intergovernmental Council
334 NE Hawthorne Avenue
Bend, OR 97701

Re: City of Madras Regional Large Lot Industrial Site Designation Proposal


Dear Mr. Aycock,

The City of Madras has identified a site owned by the City of Madras as a plausible location for Regional Large-Lot Industrial (RLLI) development. Jefferson County understands that the City has prepared an application to the Central Oregon Intergovernmental Governmental Council (COIC) for review and recommendation. COIC is recognized as the regional governance authority, responsible for administering the RLLI Program, including a site submission and review process. One item in the COIC site proposal checklist is:

- *County Coordination: Statement from County describing coordination between Participating City and County to identify and formalize candidate large lot industrial site, and describing the intent of the City or other applicant to initiate the plan amendment and zone change.*

Jefferson County supports the City of Madras' desire to implement this program RLLI Program and designate a site. Jefferson County has amended its Comprehensive Plan to include the Central Oregon Large Lot Industrial Land Need Analysis (Ordinance No. O-060-13, May 23, 2013). The County will require the City of Madras to initiate a Jefferson County Comprehensive Plan and Zoning Map amendments. In doing so, the County will coordinate the designation of the proposed RLLI site and ensure the proposal is consistent with the applicable State Statutes and Rules, Jefferson County Comprehensive Plan, and the Central Oregon Large Lot Industrial Needs Analysis. This letter fulfills the requirement noted above.

Sincerely,


Bill Adams
Planning Director
Jefferson County