

LEASE AGREEMENT

THIS LEASE AGREEMENT entered into as of the 1st day of July, 1997, by and between **PHOENIX-TALENT SCHOOL DISTRICT NO. 4**, ("Lessor") and **LIDLAW TRANSIT, INC.**, ("Lessee").

WITNESSETH:

1. **PREMISES.** Lessor does hereby lease to Lessee those certain premises commonly known as the Colver Bus Barn and numbered 6100 Colver Road, Phoenix, Oregon. The premises subject to this Lease shall be hereinafter referred to as the "Premises".

2. **TERM.** The term of this Lease shall be for the period beginning July 1, 1997 and ending June 30, 2001, provided, however, that if Lessee's Pupil Transportation Services Agreement with Lessor (hereinafter "Transportation Agreement") is terminated for any reason, then this Lease shall terminate the same day the Transportation Agreement terminates. In the event the Transportation Agreement is renewed, this Lease shall automatically renew for a like term.

3. **RENT.** Lessee agrees to pay Lessor, at such location as Lessor shall specify in writing, or to such other party or to such other place as Lessor may hereafter designate, rent in the amount of Three Thousand Dollars (\$3,000.00) per month, in the form of a credit against sums due and owing by Lessor to Lessee for services rendered under the Transportation Agreement between the parties. Rental credits for any partial calendar month during the term hereof shall be a pro rata portion of the monthly installment.

4. **UTILITIES AND TAXES.** Lessee shall pay all personal, excise, sales, use and other taxes or assessments with respect to Lessee's personal property and business operations on the Premises prior to same becoming delinquent. Lessee shall also pay all charges for light, heat, water, sewer, garbage, drainage, and all other utilities and services during its occupancy of the Premises. If real property taxes, including special assessments in the nature of permanent improvements to the property, are assessed they shall be the responsibility of Lessee, provided, however, that in such event, Lessee and Lessor shall renegotiate the rates of compensation set forth in the Transportation Agreement. The parties may choose an alternative method for recoupment of such tax costs upon written mutual agreement.

5. **INSURANCE.** Lessee shall, at its own cost and expense, obtain and maintain public liability insurance on the Premises in the amount of One Million Dollars (\$1,000,000.00), combined single limit, for property damage, bodily injury and death.

Lessee shall furnish Lessor a certificate indicating that the insurance policy is in full force and effect, that Lessor is named as an additional insured, and that the policy may not be canceled unless ten (10) days' prior written notice of the proposed cancellation has been given to Lessor.

6. SUBROGATION WAIVER. Lessor and Lessee each hereby releases and relieves the other and waives its entire right of recovery against the other for loss or damage to any of its property insured under valid and collectible insurance policies, to the extent recovery is collected under such insurance, whether due to the sole or partial negligence of either party, its agents, employees or otherwise; provided, however, that the releases herein contained shall not apply to any loss or damage occasioned by the negligence or willful misconduct of either of the parties hereto. The parties further agree that any insurance that they obtain on their respective properties shall contain an appropriate provision whereby the insurance company(ies) consent(s) to the mutual waiver/release contained herein.

7. REPAIRS AND MAINTENANCE. Lessee shall, at its own expense, keep the Premises neat and clean. Lessee shall use the Premises in accordance with applicable laws, ordinances, rules, regulations and requirements of governmental authorities. Lessor shall keep in compliance with all legal requirements and in good order, condition and repair (and shall replace when repair is no longer expedient or effective) the driveways and parking lots and the structural, mechanical and electrical components of the building(s) located on the Premises (including, but not limited to, the roof, foundation, walls, utility conduits and HVAC system). Lessee shall keep all drain pipes free and open; protect water, heating, gas and other pipes to prevent freezing or clogging; repair all leaks and damage caused by leaks; replace all glass in windows and doors of the Premises which may become cracked or broken; and remove ice and snow from sidewalks adjoining the Premises. Lessee shall also maintain all fuel storage tanks located on the Premises, whether buried or aboveground (the "Storage Tanks"), in accordance with applicable laws, ordinances, rules, regulations and requirements of governmental authorities. Notwithstanding the foregoing, Lessor shall not be responsible for such repairs or replacements which must be effected by reason of the negligence or willful misconduct of Lessee, its agents or employees. All maintenance and repairs relating to the Premises which are not the responsibility of Lessor shall be the responsibility of Lessee.

8. ALTERATIONS BY LESSEE. Lessee may make alterations, additions and improvements to the Premises at its sole cost and expense upon obtaining the prior written consent of Lessor, such approval not to be unreasonably withheld. In the performance of such work, Lessee agrees to comply with all laws, ordinances, rules and regulations of any proper public authority and to hold Lessor harmless from damage, loss or expense associated therewith. Upon termination of this Lease and upon Lessor's request or at Lessee's election, Lessee shall remove such improvements and restore the Premises to its original condition by a date to be agreed upon by both parties, at Lessee's sole

cost and expense. Any improvements not so removed within thirty (30) days after the termination of this Lease shall become property of the Lessor.

9. SIGNAGE. Lessee may place such signage on the Premises as is necessary to advertise the business carried on therein.

10. DAMAGE OR DESTRUCTION. If at any time during the Lease Term, the Premises are rendered untenantable as a result of fire or other casualty, Lessor or Lessee may elect to terminate this Lease and shall so notify the other party within thirty (30) days after the casualty, in which event Lessee shall vacate the Premises and this Lease shall be terminated. In the event neither party elects to so terminate this Lease, Lessor shall immediately upon expiration of such thirty (30) day period (or sooner if agreed to by the parties) undertake to rebuild or restore the Premises. During the period of untenability, rent shall abate at the same ratio as the portion of the Premises rendered untenantable bears to the whole of the Premises. For purposes of this Section, the term "untenantable" shall mean Lessee is unable to conduct its transportation business on the Premises and that the Premises cannot be restored to its original condition within ninety (90) days from the date of damage or destruction.

11. CONDEMNATION. In the event a substantial part of the Premises is taken or damaged by the right of eminent domain, or purchased by the condemnor in lieu thereof, so as to render the remaining Premises unsuitable for the conduct of Lessee's transportation business, then this Lease shall be canceled as of the time of taking at the option of either party. In the event of a partial taking which does not render the Premises unsuitable for the conduct of Lessee's transportation business, the rent shall abate in the same ratio as the portion of the Premises taken bears to the whole of the Premises. Lessee shall have claim to such portion of the compensation for the taking or damaging of the land or building as represented by its leasehold interest. Lessee shall have the right to negotiate for its own relocation costs and for compensation for leasehold improvements.

12. LESSOR'S WARRANTIES AND COVENANT OF QUIET ENJOYMENT. Lessor warrants that the Premises comply with all laws, rules and regulations of governmental authorities with respect to the condition and the use of the Premises for the conduct of a passenger transportation business and such use will not violate the zoning ordinances (and any variances, regulations or development standards) or any recorded covenants or restrictions applicable to the Premises or known to Lessor to be under consideration by any governmental authority. Lessor further represents and warrants that it holds fee simple title to the real estate and that the Premises are in fit condition and are suitable for the proposed use hereunder. Lessor covenants that Lessee, upon payment of the rent and performance of all covenants herein set forth, shall and may peacefully and quietly have, hold and enjoy the Premises for the Lease Term. Lessor will warrant and defend Lessee in the enjoyment and peaceful possession of the Premises throughout the Lease Term.

13. MECHANICS' LIENS. During the Lease Term, Lessee shall keep the Premises free from any liens arising out of any work performed for, materials furnished to, or obligations incurred by Lessee and shall hold Lessor harmless against the same. (

14. SUBLETTING OR ASSIGNMENT. Lessee may assign this Lease or sublet any part of the Premises to its parent, subsidiary or affiliate corporations with Lessor's consent. Lessee may assign this Lease or sublet any part of the Premises to any other party with the written consent of the Lessor, which consent shall not be unreasonably withheld. No such subletting or assignment shall relieve the Lessee of its responsibilities hereunder.

15. ACCESS. Lessor shall have the right to enter the premises at all reasonable times during business hours for the purpose of inspection or of making repairs, additions or alterations, or performing any other act as may be required of Lessor under this Lease. Lessor shall be permitted to show the Premises to prospective tenants at similar times during the sixty (60) day period prior to the expiration of the Lease Term.

16. INDEMNIFICATION. Except to the extent that any claim, loss or expense is caused or contributed to by reason of the negligence or willful misconduct of Lessor, its agents or employees, Lessee shall indemnify and hold Lessor harmless against and from (a) any and all claims arising from Lessee's use of the Premises for the conduct of its transportation business or from any activity, work or thing done, permitted or suffered by the Lessee in or about the Premises; (b) any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, and (c) all costs, attorneys' fees, expenses and liabilities incurred for any such claim or any action or proceeding brought thereon and in case any action or proceeding be brought against Lessor by reason of any such claim, Lessee upon notice from Lessor, shall defend the same at Lessee's expense.

17. DEFAULT AND RE-ENTRY. If Lessee shall fail to pay rent within fifteen (15) days after such payment is due and remains unpaid, or if either party fails to keep and perform any of the covenants and agreements herein contained, other than the payment of rent, and such failure continues for thirty (30) days after written notice from the other party, unless appropriate action has been taken by the defaulting party in good faith to cure such failure, the non-defaulting party may elect to terminate this Lease. In case of termination by Lessor as provided in the preceding sentence, Lessor may re-enter the Premises, or Lessor may, without terminating this Lease, re-enter said Premises and relet the whole or any part thereof for the account of the Lessee upon as favorable terms and conditions as the market will allow, for the balance of the term of this Lease and Lessee covenants and agrees to pay Lessor any deficiency each month as the amount thereof is ascertained by Lessor. Further, in the event Lessee fails to cure or take appropriate action in good faith to cure such breach of its obligations hereunder, Lessor shall not be deemed to have accepted any surrender of the Premises or of the leasehold estate created

hereby from Lessor unless Lessor, by an agreement in writing, shall declare explicitly that it intends thereby to effect acceptance of the surrender and to release Lessee of liability. If the Lease is terminated, the non-defaulting party may recover damages for default, including reasonable costs and expenses, including attorneys' fees and costs incurred in reletting the Premises, and may pursue any other legal or equitable remedy available for breach of Lease.

18. HAZARDOUS WASTES AND ENVIRONMENTAL MATTERS.

(a) Lessee hereby waives and relinquishes any indemnification by or from Lessor, express or implied, for any costs or liabilities arising out of or related to the discharge, release or presence of any hazardous or toxic waste, substance, or constituent or other substances on, in, or from the Premises, which discharge, release or presence first occurs on or after September 1, 1987 and before the end of the Lease term or any extensions or renewals thereof. Lessee shall indemnify, hold harmless and defend Lessor against and in respect of any and all liability, claim, loss, cost, damage, expense (including attorneys' fees and remedial costs), fine, penalty, suit, demand or other action, including but not limited to those matters related to the death, dismemberment or other injury to any person, asserted against Lessor resulting from, arising out of, related to or in connection with the (i) release by Lessee, its agents, contractors or employees, from or upon the Premises of any hazardous or toxic substance, waste, constituent or other substance into the environment; (ii) treatment, recycling, storage or disposal at any facility owned or operated by any person or entity of a hazardous or toxic substance, waste, constituent or other substance which has been or may be deposited at, disposed on, or released onto the Premises; and (iii) cleanup or other remedial measures with regard to environmental pollution caused by Lessee, its affiliates or agents, which may be required by any governmental agency pursuant to federal, state or local statutes or regulations, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. 9601 et seq. ("CERCLA").

(b) Lessor hereby waives and relinquishes any indemnification by or from Lessee, express or implied, for any costs or liabilities arising out of or related to the presence, discharge, or release of any hazardous or toxic waste, substance, or constituent or other substances on, in, or from the Premises, which presence, discharge, or release occurs before September 1, 1987 or after the expiration of this Lease including any extensions or renewals hereof. Lessor shall indemnify, hold harmless and defend Lessee against and in respect of any and all liability, claim, loss, cost, damage, expense (including attorneys' fees and remedial costs), fine, penalty, suit, demand or other action, including but not limited to those matters related to the death, dismemberment or other injury to any person, asserted against Lessee resulting from, arising out of, related to or in connection with the: (i) release from or upon the Premises of any hazardous or toxic substance, waste, constituent or other substance into the environment; (ii) the treatment, recycling, storage or disposal at any facility

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owned or operated by any person or entity of a hazardous or toxic substance, waste, constituent or other substance which has been deposited at, disposed on, or released onto the Premises; and (iii) cleanup or other remedial measures with regard to environmental pollution caused by Lessor, its predecessors in Title, affiliates, agents or lessees which may be required by any governmental agency pursuant to federal, state or local statutes or regulations, including without limitation, CERCLA.

(c) To the extent any provision of this Section 18 is inconsistent with any other term of this lease, this Section 18 shall prevail.

(d) The provisions of this Section 18 shall survive the expiration or earlier termination of this Lease.

19. REMEDIES NOT EXCLUSIVE. It is agreed that each and all of the rights, remedies and benefits provided by this Lease shall be cumulative, and shall not be exclusive of any other said rights, remedies and benefits or of any other legal or equitable rights, remedies and benefits.

20. SUBORDINATION. Lessee agrees that this Lease shall be subordinated to any mortgages or deeds of trust placed on the Premises, provided that in the event of foreclosure if Lessee is not then in default and agrees to attorn to the mortgagee or beneficiary under deed of trust, such mortgagee or beneficiary shall recognize Lessee's right of possession for the Lease Term. Lessee shall, upon request, execute subordination, attornment and non-disturbance agreements in favor of mortgagees confirming the matters stated in this Section.

21. WAIVER. A waiver by either party of any breach or breaches, default or defaults of the other hereunder shall not be deemed or construed to be a continuing waiver of such breach or default nor as a waiver of or permission, expressed or implied, for any subsequent breach or default. It is agreed that the acceptance by Lessor of any late rental payment shall in no manner alter or affect Lessee's obligation to pay subsequent installments of rent promptly upon the due dates thereof. No receipt of money by Lessor after the termination of this Lease shall reinstate, continue or extend the term above demised.

22. HOLDING OVER. If Lessee remains in possession of the Premises after the expiration of the term of this Lease, and without the execution of a new lease or negotiated extension by Lessor and Lessee, without the consent of Lessor, then Lessee shall remain bound by all the covenants and agreements herein, except that the tenancy shall be from month-to-month.

23. BINDING EFFECT. The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove proved.

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24. NOTICES. Any notice required to be given by either party to the other shall be deposited in the United States mail, certified, postage prepaid, addressed to the follow:

To Lessor:

Mr. David Willard, Superintendent
Phoenix-Talent School District No. 4
P. O. Box 698
Phoenix, Oregon 97535

To Lessee:

Laidlaw Transit, Inc.
Attn: Mikè Griffus
Suite 210
1340 Treat Blvd.
Walnut Creak, CA 94598

with a copy via regular mail to:

Laidlaw Transit, Inc.
Attn: Coral Semle
Suite 106
6629 N. E. 82nd Ave.
Portland, OR 97220

25. INTEGRATION. This Lease sets forth all of the representations, warranties and covenants by and between Lessor and Lessee concerning the Premises and there are no representations or agreements, either oral or written, by or between Lessor and Lessee other than those contained in this Lease. No modification of this Lease shall be binding upon the parties unless evidenced by an agreement in writing signed by the Lessor and the Lessee after the date hereof.

26. CHOICE OF LAW. The laws of the State of Oregon will govern the interpretation of this Lease.

27. SEVERABILITY. If any provision of this Lease shall be held to be invalid or unenforceable for any reason, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

28. ATTORNEYS' FEES. In the event of any action to enforce or defend the rights of either party to this Lease, the prevailing party shall be entitled to recover its reasonable attorneys' fees from the non-prevailing party.

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IN WITNESS WHEREOF, the parties have executed this Agreement
the day and year first set forth above.

LESSOR:

PHOENIX-TALENT SCHOOL
DISTRICT NO. 4

By: David G. Willard
Title: Supt.

LESSEE:

LAIDLAW TRANSIT

By: Carl Smith
Title: DISTRICT DIRECTOR OPERATIONS

By: _____
Title: _____