



LAKE SHASTINA COMMUNITY SERVICES DISTRICT

RESOLUTION 3-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LAKE SHASTINA COMMUNITY SERVICES DISTRICT AUTHORIZING A LONG TERM LOAN TO GENERAL FUND BY WATER FUND TO PAY OFF DEBT TO DECO PER RELEASE AND SETTLEMENT AGREEMENT.

WHEREAS, on March 4, 2015, the Lake Shastina Community Services District (LSCSD) Board of Directors, by a majority vote, approved the Release and Settlement Agreement (Agreement) with DECO requiring a down payment of \$25,000.00 with a remaining balance of \$475,000.00 to be paid over 15 years at an interest rate of 4.5%, minimum installment payment of \$3,633.72, which obligation is payable by the LSCSD General Fund; and

WHEREAS, the District's Water Fund has sufficient reserves to not only cover near future major repairs and replacement and other minor improvements, but also invest in long term investments; and

WHEREAS, it is in the best interest of the LSCSD residents, financially, to utilize District funds in the paying of the down payment and note.

NOW, THEREFOR BE IT RESOLVED, that the Board of Directors hereby authorizes the intra-District financing of the Agreement by having the Water Fund loan to the General Fund up to \$500,000.00 equal to the Local Agency Investment Fund (LAIF) rate reported to the District each quarter, plus 0.1% (present interest is 0.26%); and

BE IT FURTHER RESOLVED, that said quarterly payment by the General Fund to the Water Fund shall be a minimum of \$11,000.00 including interest with said payment being made on or about the 25th of the month in which LAIF quarterly interest rate is promulgated, in writing, from the California Office of the Treasurer; and

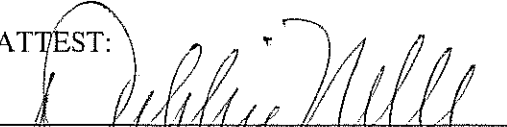
BE IT FURTHER RESOLVED, that there shall be no penalty for prepayment of loan at any time during the authorized ten (10) year term; and

BE IT FURTHER RESOLVED, that said Funds to pay back this loan shall be the income derived by the 10-year lease agreement existing between District and Mercy Medical Center, also known as Dignity Health Care West, which monthly sum is \$5,022.00 or \$15,066.00 per quarter. The difference shall be set in an account to be used for insurance, ground and building maintenance and other operational expenses, in addition to uses approved by the Board. Said funds shall have a specific line item on budgets and financial reports.

I hereby certify that the forgoing is a full, true and correct copy of Resolution 3-15 duly passed and adopted by the Board of Directors of the Lake Shastina Community Services District, Siskiyou County, California, at a meeting thereof duly held on the 15th day of April, 2015, by the following vote:

- AYES: Directors Hoke, Layne and Thomsson
- NOES: Directors French and Mitchell
- ABSENT: None


Roxanna Layne, President

ATTEST:

Debbie Nelle, District Deputy Secretary



LAKE SHASTINA COMMUNITY SERVICES DISTRICT

Regular Meeting
Wednesday, April 15, 2015 – 6:00 p.m.
Department of Public Safety Building
16309 Everhart Drive • Weed, California 96094 • (530) 938-3281

MINUTES

CALL TO ORDER AND ROLL CALL: called to order at 6:05 p.m.

LSCSD Board Roll Call: French Hoke Layne Mitchell Thomsson

Also present: IGM Lea, SAC Nelle, AA Charvez, CPS Wilson

There were approximately 54 people in the audience.

CLOSED SESSION:

1. No closed session.

PLEDGE OF ALLEGIANCE: Dir. French led the Pledge of Allegiance.

PUBLIC COMMENTS: Susan Bischoff (improving exterior look of water tanks), Dave Hankins (comments made by Dir. Mitchell at previous meeting), Don Moore (new well issues), Myles Herman (community, budget), Corinne Moller (read statement re: Board member actions), Mario Marchi (Board member actions), Tom Wetter (evolution of the District over the past 5 years), Lorene Miller (water fund)

CONSENT CALENDAR: (All items accepted/approved by the Board unless otherwise noted.)

2. A. Approval of Minutes: Special Meeting March 14, 2015 and Regular Meeting March 18, 2015
- B. Ratification of Disbursements: March 1 to March 31, 2015
- C. Budget Comparison / Variance Report: FY 2014/2015 YTD
- D. Accounts Receivable Aging Analysis: FY 2014/2015 YTD
- E. Ratification of Employment Agreement Lloyd James Lea (Rate of Pay)
- F. Approval of Transfer of LAIF Funds to CSD Operating Account

Dir. Mitchell requested that Items 2.C and 2.E be removed from Consent.

Motion by Dir. Mitchell second Dir. French to approve Consent Calendar, with Items 2.C and 2.E removed from Consent.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

Item 2.C: Dir. Mitchell expressed concerns regarding line items that are over budget.

Motion by Dir. Thomsson second Dir. Mitchell to approve Item 2.C.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

Item 2.E: Dir. Mitchell commented on salary for IGM position.

Motion by Dir. Thomsson second Dir. Hoke to approve Item 2.E.

Ayes: Directors French, Hoke, Layne and Thomsson
Noes: Director Mitchell
Absent: None

DISCUSSION / ACTION ITEMS:

3. Department of Public Safety Monthly Report: CPS Wilson updated the Board on Fire and Police activities.
 - A. Recognition of DPS volunteers: Chief Wilson acknowledged all DPS Volunteers; many were present.
 - B. Request to recruit and hire seasonal firefighters for 2015 fire season: Chief Wilson and the Board discussed.

Motion by Dir. French second Dir. Thomsson to authorize DPS Chief to conduct a recruitment process for seasonal firefighters; hiring of seasonal firefighters is contingent upon the FY 2015/2016 Budget.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

4. Department of Public Safety issues: update from Committee: Pres. Layne reported that Chief Wilson will be contacting Sheriff Lopey to meet with the committee.
5. Resolution re: purchasing policy of Fire Department equipment: The Board and staff discussed.

Motion by Dir. Thomsson second Dir. Hoke to approve Resolution 2-15 authorizing the District General Manager and Fire Chief to make capital purchases.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

6. California Special Districts Association – Board of Directors call for nomination: The Board discussed; no action taken.
7. Appoint committee to hire General Manager: Pres. Layne tabled item until the next meeting due to the need to have Item 11 addressed first.
 - A. Requested direction for committee: 1) Is the position full-time and 2) Is the position to manage both CSD and LSPOA?
8. Medical Clinic building maintenance update: IGM Lea updated the Board.

9. Resolution authorizing a long term loan to General Fund by Water Fund to pay off debt to DECO per release and Settlement Agreement: The Board and staff discussed.

Motion by Dir. Thomsson second Dir. Hoke to approve Resolution 3-15 authorizing a long-term loan to General Fund by Water fund to pay off debt to DECO per Release and Settlement Agreement.

Ayes: Directors Hoke, Layne and Thomsson
Noes: Directors French and Mitchell
Absent: None

The Motion was amended:

Motion by Dir. Thomsson second Dir. Hoke to approve Resolution 3-15 authorizing a long-term loan to General Fund by Water Fund to pay off debt to DECO per Release and Settlement Agreement and the subsequent transfer of funds from LAIF to the CSD Scott Valley Bank Operating account in the amount of \$500,000 to begin by April 17, 2015.

Ayes: Directors Hoke, Layne and Thomsson
Noes: Directors French and Mitchell
Absent: None

10. Approve DECO Cancellation Agreement and Quitclaim Deed: Counsel Winston updated the Board.

Motion by Dir. Thomsson second Dir. Hoke to approve DECO Cancellation Agreement for Purchase of Site Improvements and Quitclaim Deed.

Ayes: Directors Hoke, Layne and Thomsson
Noes: Directors French and Mitchell
Absent: None

Motion by Dir. Thomsson second Dir. Hoke to approve Resolution 4-15 of acceptance of quitclaim deed(s) of certain real property to the District.

Ayes: Directors Hoke, Layne and Thomsson
Noes: Directors French and Mitchell
Absent: None

11. LSCSD / LSPOA Agreement: The Board and staff discussed. Pres. Layne appointed ad hoc committee (Dir. French and Dir. Thomsson and IGM Lea), to meet with the LSPOA's ad hoc committee (Pres. Durden and Dir. Miller) re: LSCSD / LSPOA Agreement.
12. Compliance with Gov. Jerry Brown's April 1, 2015 executive order on statewide mandatory water restrictions: Dir. Mitchell updated the Board on State mandates. District Ordinance 2-14 currently meets the requirements of the mandates; the District will amend the ordinance if additional mandates are required by the State.
13. Sale of 2007 New Holland Tractor: IGM Lea updated the Board.

Motion by Dir. Mitchell second Dir. Thomsson to support the sale of the 2007 New Holland Tractor in the manner and for the dollar amount LSPOA deems appropriate.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

14. Status report on Interim General Manager's work projects, in addition to those already on this agenda: Dir. Mitchell stated that she believed the Board should prioritize IGM projects. IGM Lea updated the Board on current projects. The Board agreed that the top priorities are: new well issue, State water conservation mandates, budgets, LSCSD/LSPOA agreement, water tank coating, maintenance shop, adjacent property development for potential new road and fire department substation.

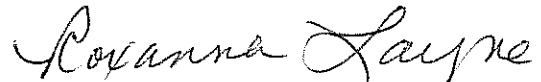
STAFF COMMENTS: IGM Lea thanked Chief Wilson for setting up the meeting room.

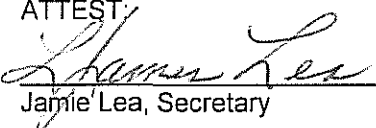
BOARD MEMBER COMMENTS: None

ADJOURNMENT:

With no objections by the Board, Pres. Layne adjourned the meeting at 8:03 p.m. The next LSCSD Regular Board Meeting scheduled to be held on May 13, 2015, Closed Session, as needed, at 5:00 p.m. and Open Session at 6:00 p.m. at the Department of Public Safety Building.

Approval Date: 5/20/15


Roxanna Layne, President

ATTEST:

Jamie Lea, Secretary

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): Walter P. McNeill, #95865; Dan D. Kim, #212577 McNeill Law Offices TELEPHONE NO: 530-222-8992 FAX NO. (Optional): 530-222-8892 E-MAIL ADDRESS (Optional): ATTORNEY FOR (Name): DECO INDUSTRIES, LLC	FOR COURT USE ONLY
SUPERIOR COURT OF CALIFORNIA, COUNTY OF Siskiyou STREET ADDRESS: 311 4th Street MAILING ADDRESS: CITY AND ZIP CODE: Yreka CA BRANCH NAME:	
PLAINTIFF/PETITIONER: DECO INDUSTRIES, LLC DEFENDANT/RESPONDENT: LAKE SHASTINA COMMUNITY SERVICES DIST.	
REQUEST FOR DISMISSAL	CASE NUMBER: 13-00462
A conformed copy will not be returned by the clerk unless a method of return is provided with the document.	
This form may not be used for dismissal of a derivative action or a class action or of any party or cause of action in a class action. (Cal. Rules of Court, rules 3.760 and 3.770.)	

1. TO THE CLERK: Please dismiss this action as follows:

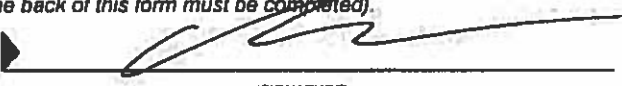
- a. (1) With prejudice (2) Without prejudice
- b. (1) Complaint (2) Petition
- (3) Cross-complaint filed by (name): **Lake Shastina Community Services Dist.** on (date): **2/18/14**
- (4) Cross-complaint filed by (name): on (date):
- (5) Entire action of all parties and all causes of action
- (6) Other (specify):* **Each side to bear their own costs.**

2. (Complete in all cases except family law cases.)

The court did did not waive court fees and costs for a party in this case. (This information may be obtained from the clerk. If court fees and costs were waived, the declaration on the back of this form must be completed).

Date: **March 9, 2015**

Dan D. Kim
(TYPE OR PRINT NAME OF ATTORNEY PARTY WITHOUT ATTORNEY)


(SIGNATURE)

*If dismissal requested is of specified parties only or of specified causes of action only, or of specified cross-complaints only, so state and identify the parties, causes of action, or cross-complaints to be dismissed.

Attorney or party without attorney for:
 Plaintiff/Petitioner Defendant/Respondent
 Cross-Complainant

3. TO THE CLERK: Consent to the above dismissal is hereby given.**

Date: **March 9, 2015**

Randall L. Harr
(TYPE OR PRINT NAME OF ATTORNEY PARTY WITHOUT ATTORNEY)


(SIGNATURE)

** If a cross-complaint – or Response (Family Law) seeking affirmative relief – is on file, the attorney for cross-complainant (respondent) must sign this consent if required by Code of Civil Procedure section 581 (l) or (j).

Attorney or party without attorney for:
 Plaintiff/Petitioner Defendant/Respondent
 Cross-Complainant

(To be completed by clerk)

- 4. Dismissal entered as requested on (date):
- 5. Dismissal entered on (date): as to only (name):
- 6. Dismissal not entered as requested for the following reasons (specify):
- 7. a. Attorney or party without attorney notified on (date):
- b. Attorney or party without attorney not notified. Filing party failed to provide a copy to be conformed means to return conformed copy

Date:

Clerk, by _____, Deputy

RELEASE AND SETTLEMENT AGREEMENT

A. PARTIES

This Release and Settlement Agreement ("Agreement") is made by and between Deco Industries, LLC ("DECO"), and Lake Shastina Community Services District ("DISTRICT"). DECO and DISTRICT are collectively referred to herein as the "Parties."

B. RECITALS

WHEREAS, on or about September 1, 2004, DECO completed construction of an approximately 3,400 square-foot medical clinic building ("Clinic Building"), located at 16337 Everhart Drive, Weed, California (APN 109-090-170), for Catholic Healthcare West d.b.a. Mercy Medical Center Mt. Shasta (now Dignity Health d.b.a. Mercy Lake Shastina Community Clinic - hereinafter "CHW"), to bring a medical clinic into the Lake Shastina community.

WHEREAS, on or about September 21, 2005, the Parties entered into a purchase agreement - attached for reference as Exhibit "A" (hereinafter "Purchase Agreement") - whereby the DISTRICT would purchase the Clinic Building from DECO, under the terms and conditions as set forth in Purchase Agreement.

WHEREAS, pursuant to the Purchase Agreement, the DISTRICT had been passing through to DECO a certain amount of lease payments it had been receiving from CHW, for approximately seven years, until May of 2012, when it stopped making the pass-through payments to DECO.

WHEREAS, DECO thereafter filed a Complaint to enforce said Purchase Agreement, which lawsuit is currently pending in the Siskiyou County Superior Court, Case No. SC CV CV 13-00462.

WHEREAS, DISTRICT now wishes to perform pursuant to the Purchase Agreement, to settle the pending lawsuit, and the Parties both wish to avoid any further legal proceedings arising out of or connected to the Complaint.

NOW, THEREFORE, the Parties agree as follows:

C. RELEASE AND SETTLEMENT AGREEMENT

1. DISTRICT will restore to DECO the certain amount of lease payments which it has received from CHW but which it has withheld from DECO, by doing the following:

(a) Releasing and paying \$166,641.45 to DECO, representing the balance as of December 31, 2014, of U.S. Bank Account No. 1 575 0321 4478 located in Weed, California, called the "DECO-LSCSD RETAINAGE ACCOUNT," which was created by stipulation of counsel for the Parties and which holds lease payments that have been

received by DISTRICT from CHW and which was to be passed-through to DECO pursuant to the Purchase Agreement, but which DISTRICT has withheld from DECO, during the time period of May 1, 2012 to September 1, 2014.

DISTRICT agrees to waive expenses and/or credits for refurbishment of the Clinic Building.

2. In addition, DISTRICT will pay DECO \$500,000, representing the negotiated and final purchase price for the Clinic Building, on the following payment terms:

(a) DISTRICT will make a down payment of \$25,000;

(b) DISTRICT will pay the principal sum of \$475,000 – evidenced by a promissory note (“Note”) – bearing interest at the rate of 4.5% per annum, fully amortized over a term of 15 years, in equal monthly installments of \$3,633.72, with no prepayment penalty for early payment of the entire amount of the indebtedness, subject to acceleration for the full amount if the indebtedness upon alienation of the property, and secured by a deed of trust with assignment of rents.

3. For good and valuable consideration, the receipt of which is hereby acknowledged, the Parties –inclusive of their past, present and future employees, agents, attorneys, affiliates, joint venturers, stockholders, members, predecessors, successors, past, present and future parent and subsidiary corporations, divisions, affiliates, partners, and related entities – do hereby release and forever discharge each other from any and all claims, demands, obligations, losses, causes of action, damages, penalties, costs, expenses, attorneys’ fees, and liabilities, whether based on contract, tort, statute, or other legal or equitable theory of recovery, which they now have, claim to have, or may ever have against each other, arising out of or connected to the Purchase Agreement.

4. The Parties agree that they shall have no obligations or liabilities arising out of the Purchase Agreement other than as set forth in this Agreement, and that they shall not later dispute the payment amounts or terms set forth in this Agreement based on how the payments were calculated or based on any other reason, whether known or later discovered. Accordingly, the Parties mutually and expressly waive Section 1542 of the Civil Code of the State of California, which provides:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected the settlement with the debtor.”

5. DISTRICT shall make the payments described in Paragraphs 1(a) and 2(a) promptly upon the filing of mutual dismissals as described in Paragraph 9 below.

6. DISTRICT shall make the payments described in Paragraph 2(b) herein by

preparing checks made payable to DECO and by delivering such checks to DECO by the 15th of each month beginning with [March 1, 2015] in accordance with the terms of the promissory note to be executed by DISTRICT.

However, if for any reason CHW discontinues making lease payments to the DISTRICT, during that discontinuance DECO will give the DISTRICT up to a six month grace period during which time the DISTRICT's obligation to make its monthly installment payments to DECO shall be suspended, and following suspension of payments or six months – whichever is shortest – the DISTRICT's obligation shall resume at exactly the amount prior to the suspension.

7. The Parties acknowledge and agree that the DISTRICT shall own full and complete legal title to the Clinic Building, and that the DISTRICT's obligation to pay DECO under this Agreement shall be independent of and not conditioned on the status of the DISTRICT's lease with CHW or the status of any other tenant or subtenant (subject only to the six month grace period described in Paragraph 6 above).

8. The DISTRICT shall maintain fire and casualty insurance covering the full value of the Clinic Building for the entire duration of this Agreement, and shall provide verification of said insurance coverage to DECO each year, or upon the demand of DECO.

9. Once this Agreement is fully signed, DECO authorizes and directs its attorney of record to enter a Dismissal with Prejudice of the Complaint. Contemporaneously DISTRICT shall enter a Dismissal with Prejudice of the Cross-Complaint. Each side shall bear their own costs and attorneys' fees.

10. The parties intend that this Agreement is enforceable pursuant to Code of Civil Procedure Section 664.6.

11. In any action to enforce this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs.

12. DECO warrants that no part of the claim which provides a basis for the Complaint has been assigned to any person or entity. This Agreement shall be binding on, and inure to the benefit of the successors and assigns of the Parties hereto.

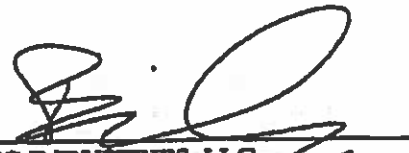
13. This Agreement represents and contains the entire Agreement and understanding among the Parties hereto with respect to the subject matter of this Agreement, and supersedes any and all prior oral and written agreements and understandings, and no representation, warranty, condition, understanding or agreement of any kind with respect to the subject matter hereof shall be relied upon by the Parties unless incorporated herein.

14. The Parties and their respective counsel have reviewed and approved this Agreement, and accordingly the normal rule of construction to the effect that any

ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

15. In the event that one or more of the provisions, or portions thereof, of this Agreement is determined to be illegal or unenforceable, the remainder of this Agreement shall not be affected thereby and each remaining provision or portion thereof shall continue to be valid and effective and shall be enforceable to the fullest extent permitted by law.
16. This Agreement may be executed in counterparts which, taken together, shall constitute one and the same agreement.
17. This Agreement is entered into in the State of California and shall be construed and interpreted in accordance with its laws.
18. The persons signing below on behalf of an entity personally warrant, on behalf of each of them, respectively, that the governing board, if any, has approved this Agreement and that such signers have been granted the authority to execute this Agreement on behalf of the entity which they purport to represent and legally bind it to the terms stated herein.

IN WITNESS WHEREOF, the Parties do hereby execute this Agreement on the dates set forth below.

Dated: 3-5-2015 
DECO INDUSTRIES, LLC
Bill Duchi, Managing Member

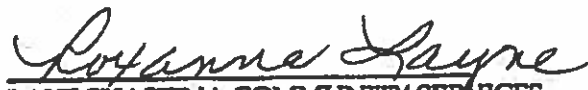
Dated: 3/9/2015 
LAKE SHASTINA COMMUNITY SERVICES
DISTRICT
Roxanna Layne, Board President

Exhibit “A”

Recording Requested By and
When Recorded Mail To:

Lake Shastina Community
Services District
16320 Everhart Drive
Weed CA 96094

COPY

Siskiyou, County Recorder
Leanna Dancer, Recorder
DOC-05-0017814

Check Number 9361
Mon, OCT 31, 2005 12:34:02
Ttl Pd \$31.00
Receipt #-0000087507
JEK/C2/1-9

AGREEMENT

APN: 109-090-170

See "AGREEMENT FOR PURCHASE OF SITE IMPROVEMENTS" attached

AGREEMENT FOR PURCHASE OF SITE IMPROVEMENTS

This Agreement is made at Weed, California, on the date last written below, by and between DECO Industries, LLC, a California general partnership ("DECO"), and LAKE SHASTINA COMMUNITY SERVICES DISTRICT ("DISTRICT").

Recitals. DECO is constructing a commercial building (the "Building") of approximately 3,400 square feet and making other improvements to certain real property consisting of .806 acres of land (the "Property") owned by DISTRICT. Catholic Healthcare West, d.b.a. Mercy Medical Center Mt. Shasta ("CHW") will, upon completion of the said Building and improvements, DISTRICT, lease a portion of the Building from DISTRICT. By this Agreement, DISTRICT will compensate DECO for the construction of that Building and the other improvements.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. CONSTRUCTION OF BUILDING. DECO is constructing a Building on a parcel of land owned by DISTRICT ("the Property"), at DECO's cost, in accordance with the specifications of CHW and DISTRICT. Upon the approval by CHW and DISTRICT, DISTRICT expects to accept the Building and other site improvements, and upon such acceptance, DISTRICT will be deemed to be the sole owner of same.

2. COMPENSATION TO DECO. DISTRICT has entered into an agreement (the "Lease Agreement") with CHW to lease approximately 2,400 square feet of the Building to CHW for the sum of \$4,200.00 per month, for a term of ten (10) years or more, beginning on September 1, 2004, and DISTRICT has given CHW the option to lease some or all of the remainder of the Building (the "Additional Space"), consisting of approximately 1,000 square feet at the same rent per square foot, i.e., \$1.75 per square foot. In consideration of DECO having constructed the Building and made other improvements to the Property, DISTRICT shall compensate DECO as follows:

a. Monthly Installments. For a period of ten (10) years, coinciding with the term of the lease by DISTRICT to CHW, and to the extent that DISTRICT receives the monthly rent payments from such lease, DISTRICT will pay to DECO the sum of \$4,200.00 per month, plus the rent, if any, received for the Additional Space. The monthly installments will be due and payable on the 15th day of each month, starting with September 15, 2004.

b. Additional Rent. If CHW or any assignee or sublessee of CHW exercises its option to lease the remainder of the Building for additional rent payable to DISTRICT, and to the extent that DISTRICT receives the monthly rent payments pursuant to such option, DISTRICT will pay to DECO the amounts specified in subpart (a), above, plus the amount of additional rent for the additional space.

c. Balloon Payment. Prior to District making a balloon payment, a meeting shall be held between a District representative and a DECO representative to address options that may prove beneficial to both organizations. At the expiration of ten (10) years after the commencement of this Agreement, DISTRICT shall commence to pay to DECO the additional sum of Five Hundred Thousand Dollars (\$500,000.00), payable in cash, or in 180 equal monthly installments of \$4,466.23 (which includes interest on the unpaid balance at 6.9% per annum), or more, at the option of DISTRICT. Except as provided in subpart (e) of this section, if at any time DISTRICT fails to pay the said installments as they come due, DECO may, after not less than ninety (90) days' written notice to DISTRICT, terminate this Agreement and take exclusive possession of the Building. DECO shall retain ownership of the Building until payment has been made in full under this subpart. Upon payment in full of this balloon payment, DECO shall deliver to the DISTRICT a Bill of Sale and such other documents as it may request to confirm DISTRICT's outright ownership of the Building.

d. Suspension of Monthly Installments on Default. If DISTRICT's lease with CHW is terminated before its scheduled expiration date, or if neither CHW nor its assignees or sublessees pay to DISTRICT the rent required under such lease within fifteen (15) days of its specified due date, DISTRICT shall give written notice of the fact to DECO, and DISTRICT may suspend its monthly installments under subpart (a), above. If CHW or its sublessee or assignee is in default under their lease agreement with DISTRICT, DISTRICT shall take appropriate legal action to collect the unpaid rent and/or to terminate the lease.

e. Suspension of Monthly Installments on Vacancy. If, after the expiration of the 10-year lease between DISTRICT and CHW, the Building becomes vacant and is generating no rental income, the DISTRICT may suspend its monthly installments under subpart (c) of this section for such period, not to exceed one (1) year, and resume the same when the Building is rented.

3. TAXES. DISTRICT shall be the owner of record for purposes of property taxes. For the initial 10-year period, upon receipt of property tax bills for the Building, DISTRICT shall forward a copy to DECO and DECO shall pay for the portion of the property taxes and assessments attributable to its construction of the Building and other site improvements which

are levied against DISTRICT or on the Property. After the initial 10-year period, DECO shall have no further responsibility for the payment or reimbursement of taxes.

4. NO PARTNERSHIP OR LEASEHOLD. Nothing herein shall be deemed to create a partnership, or lease, or landlord-tenant relationship, between DISTRICT and DECO. For the purposes of this Agreement, DECO is only a vendor and creditor of DISTRICT.

5. NOTICES. Any notices to be given to a party to this Agreement may be mailed postage-prepaid, faxed, or personally delivered to the party or its authorized agent or representative, as follows:

DISTRICT: General Manager, 16320 Everhart Drive, Weed, California, fax: (530) 938-4739

DECO Industries, LLC: c/o Siskiyou Forest Products, 190 Boles Street, Weed, CA

Notices which are mailed shall be deemed received on the 2nd regular postal delivery day after posting unless a postal return receipt shows an earlier date of actual receipt. Notices which are faxed or personally delivered are deemed received upon transmission, or delivery, respectively.

6. ENTIRE AGREEMENT; AMENDMENTS. This Agreement constitutes the entire agreement between the parties, and it supersedes all other agreements, letters of intent, and other understandings. There are no other agreements, understandings, or representations. Any amendments to this Agreement must be in writing, signed by the authorized representative of the party to be bound, and (if the DISTRICT is to be bound) approved by the DISTRICT board of directors at a duly called meeting thereof.

7. CONTINGENCIES. The parties' rights and obligations under this Agreement are contingent upon the occurrence of the following:

a. Completion and Acceptance of Building. The Building and site improvements must be timely completed to the specifications of DISTRICT and CHW and in full compliance with applicable statutes, ordinances, and regulations, including, specifically, those applicable to medical facilities, finally approved by the Siskiyou County inspector, and accepted in writing by DISTRICT's authorized representative.

b. Lease Agreement Between District and CHW. DISTRICT and CHW must have entered into a written lease agreement for CHW's lease of the Building and related grounds.

8. INTERPRETATION. This Agreement shall be interpreted evenly and fairly as to both sides, notwithstanding that one party or the other may have drafted all or any part of it.

9. AUTHORITY OF PARTIES EXECUTING AGREEMENT. The individuals signing below personally warrant that they have been duly authorized to execute this Agreement on behalf of the organizations which they purport to represent.

10. EFFECT OF ACCEPTANCE; INDEMNIFICATION. Acceptance by DISTRICT of the Building or other site improvements shall not constitute a waiver of any rights which DISTRICT may have with regard to defective construction of the same. DECO shall indemnify, defend, and hold harmless DISTRICT, its officers and agents, from any claims and liabilities based on allegations of defects in the construction of the Building or site improvements, whether latent or patent.

11. INDEMNIFICATION FOR PREVAILING WAGE CLAIMS. DECO shall indemnify, defend, and hold harmless DISTRICT, its officers and agents, from any claims and liabilities brought for alleged violations of any state or federal prevailing wage laws, including but not limited to those brought to recover damages for violations of California *Labor Code* §1771.

12. USE. The use of the Property and Building is to be in compliance with Siskiyou County Use Permit #UP-03-07 or any subsequently issued Use Permits that modify it.

13. REPAIRS & MAINTENANCE; REFURBISHING.

a. **Repairs and Maintenance.** Through August 31, 2014, DECO shall, at its cost, provide all required maintenance and repairs to the Building and associated Property during the term of this Agreement, including but not limited to the Building fixtures (but not the trade fixtures of the tenants), roof, windows, doors, heat pumps, light fixtures (but not the bulbs, which shall be the responsibility of the tenants), Building systems (including sewer pump), sidewalks, parking areas, rain gutters, and signage, but not including landscaping maintenance. Starting on September 1, 2014, DISTRICT shall assume all such responsibility for repairs and maintenance.

b. **Refurbishment.** DECO shall refurbish the premises on or about September 1, 2014, such refurbishing to include painting, new floor and window coverings, and cosmetic repairs. DECO shall provide a refurbishing allowance of \$4.00 per square foot for this work.

14. INSURANCE. DECO shall acquire and maintain throughout the term of this Agreement "special form" insurance policy coverage on the Building and all improvements, in the following amounts: (a) commercial general liability coverage with respect to activities at the Property in the amount of 1,000,000.00 per occurrence and \$1,000,000.00 in the aggregate, and \$100,000.00 for property damage, insuring against all liability of DISTRICT and its authorized representatives arising out of or in connection with the Property, and the use of same by any tenants thereof. DISTRICT may, after five (5) years, require that the amount of such insurance coverage be increased to a total of up to 2,000,000.00. DISTRICT and CHW, and any tenants of DISTRICT shall be named as additional insureds under DECO's policy of liability insurance. The insurance policy shall provide that DISTRICT is to be given thirty (30) days' written notice prior to cancellation of coverage. Prior to September 1, 2004, and thereafter upon request of DISTRICT, DECO shall provide DISTRICT with copies of insurance coverage certificates.

15. INDEMNITY FOR CONSTRUCTION DEFECTS. DECO shall indemnify and defend DISTRICT, its officers and agents, from any liability resulting from the construction, improvement, use, occupancy, and leasing of the Property and Building, except to the extent caused by the gross negligence or willful misconduct of DISTRICT.

16. CONSTRUCTION VENDORS. Upon completion of the Building, DECO shall provide DISTRICT with the names and addresses of all vendors of equipment utilized in the Building, along with identification of the equipment which each provided.

17. WATER SERVICE.

a. **Buy-In Fee.** DECO shall pay to the DISTRICT the usual buy-in fee for water service.

b. **Lateral.** DECO shall pay for all labor, materials, and other costs to install the lateral water line.

c. **Meter.** DECO shall pay for all labor, materials, and other costs to install the water meter.

18. SEWER SERVICE.

a. **Buy-In Fee.** DECO shall pay to the DISTRICT the usual buy-in fee for sewer service.

b. Lateral. DECO shall pay for all labor, materials, and other costs to install the lateral extension, including the clean-out.

19. ELECTRICAL SERVICE. DECO shall pay for all labor, materials, and other costs to construct the electrical connection to the Building from the location designated by the power company, and for any transformer.

20. TELEPHONE SERVICE. DECO shall pay for all labor, materials, and other costs to construct the connection to the Building, and for any required pedestal.

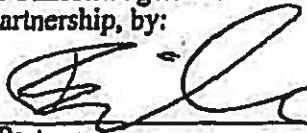
21. USE PERMIT AND BUILDING PERMIT FEES. DECO shall reimburse the DISTRICT for all fees paid by DISTRICT to the County of Siskiyou to obtain the Use Permit previously issued and for the Building Permit.

22. CURB AND GUTTER. DISTRICT shall reimburse DECO for DECO's construction of the curb and gutter in the road right-of-way, not to exceed \$18.50 per foot, for up 325 feet.

23. THIRD PARTIES. Nothing in this Agreement shall establish any contractual rights in favor of third parties.

24. IMPROVEMENTS TO ADDITIONAL SPACE. If CHW exercises the option to lease the Additional Space, DECO shall, at its sole cost and expense, make such improvements as will be necessary to make it equal in finish to the premises originally leased to CHW.

DECO, a California general partnership, by:



General Partner

Dated: 9-21-05

LAKE SHASTINA COMMUNITY SERVICES DISTRICT, by:



Board President, Craig Dilley

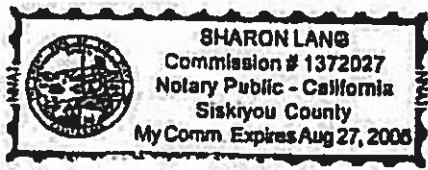
Dated: 9-13-05

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Siskiyou } ss.

On September 13, 2005 before me, Sharon Lang Notary Public
(Name and Title of Officer (s), "Jane Doe, Notary Public")
personally appeared Craig Dilley
(Name(s) of Signer(s))

personally known to me
 proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Sharon Lang
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Agreement for Purchase of Siskiyou land
Document Date: Sept. 13, 2005 Number of Pages: 6 + acks
Signer(s) Other Than Named Above: Deco General Partner

Capacity(ies) Claimed by Signer

Signer's Name: Craig Dilley

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer is Representing: Labo Packing Company, Inc. D/S



CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

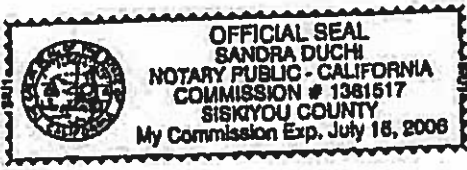
State of California

County of Siskiyou } SS.

On 9-21-05 before me, Sandra Duchi, Notary

personally appeared Belle Duchi

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Sandra Duchi
SIGNATURE OF THE NOTARY

(This area for official notarial seal)

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:
Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER
Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

INDIVIDUAL
 CORPORATE OFFICER(S)

TITLES)
 PARTNER(S) LIMITED
 GENERAL

ATTORNEY-IN-FACT

TRUSTEE(S)

GUARDIAN/CONSERVATOR

OTHER: _____

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(ES):

DESCRIPTION OF ATTACHED DOCUMENT

Agreement for purchase of site improvements
Title or Type of Document

6
Number of Pages

N/A
Date of Document

Craig Dickey
Signer(s) Other Than Named Above