NEWPORT MUNICIPAL AIRPORT
HANGAR SITE LAND LEASE AGREEMENT

BETWEEN: The City of Newport, an Oregon Municipal Corporation (Lessor)

AND: Ron Terhaar and Jerry Wilken(Lessee)

EFFECTIVE DATE:

RECITALS

A. The Newport Municipal Airport (Airport) is operated by and under the jurisdiction of Lessor. In accordance with sound Airport management practices, the Airport rules and regulations and the Airport Plan of Development, as updated and amended from time to time, and other relevant policies of Lessor, certain areas of the Airport are reserved for each of the several types of activities that occur.

B. Lessee desires to construct and maintain a hangar at the Airport in an area designated for such facilities, and Lessor is willing to Lease the land to Lessee for the purpose of constructing and maintaining such a hangar in accordance with the terms and conditions set forth in this Agreement.

C. The following are attached and incorporated as part of the Lease:

Exhibit A - Description and Map of Leased Premises (land only).

AGREEMENT

1. Lease. For the purpose stated in this Agreement and on the other terms and conditions stated herein, Lessor leases to Lessee the land as described on the attached Exhibit A, consisting of 1,710 square feet (Leased Premises).

2. Initial Term for a New Lease. The period of the Lease will be fifteen (15) years, commencing April 1, 2013, and expiring April 1, 2028, subject to earlier termination in accordance with the terms of this Agreement.

3. Extension Term. Provided Lessee is not in default in the performance of any term or condition of this Lease, Lessee shall have the option to extend this Lease for two (2) additional terms of five (5) years per term, commencing with the expiration of the first or additional term, upon the following conditions:

   3.1 The extension option may be exercised at any time between 360 and 60 days prior to the expiration of the initial term, or any extension term, with written notice given to Lessor by the Lessee. If not exercised within such period and in such manner, the option to extend shall be void. Even if

exercised timely, the granting of the option is conditional upon the provisions in this Paragraph 3.

3.2 Within sixty (60) days after receipt of Lessee's notice of exercise of the extension option, Lessor shall cause the improvements to be inspected by the Building Inspector for the City of Newport. The inspection shall be for the purpose of determining the condition of the improvements.

3.3 Following the inspection, Lessor shall notify Lessee of the inspection results, including a list of any necessary repairs. The additional term shall be contingent upon Lessee's completion of any necessary repairs and/or resolution of code compliance issues.

3.4 Additionally, Lessor may require as a further condition to Lessee's right to continue the Lease for an extension term, that Lessee make such alterations, improvements, or repairs Lessor deems necessary or appropriate for the good of the Airport, taking into consideration the state of repair and condition of other similar and newer improvements located at the Airport, and the overriding desire to maintain clean, safe, and attractive facilities for other users of the Airport. Items considered for improvement shall include, but shall not be limited to, structural integrity of the hangar, exterior finish, condition and operation of doors, and condition of roof. To effectuate any such additional conditions, Lessee's right to continue the Lease during the extension term shall be subject to a supplemental document between Lessor and Lessee, setting forth a reasonable time, determined by Lessor, in which such alterations and repairs will be made, and providing that upon Lessee's failure to make such alterations and repairs within that period, the extension term shall immediately terminate, in which event the provisions of Paragraph 18 shall apply.

3.5 As used herein, the Building Inspector is the individual occupying that position or similar position at the time the inspection is made, or that person's designee or agent, or the individual occupying a similar position in a successor agency or governmental unit having building code jurisdiction over the Airport facilities.

3.6 Upon the expiration of the two (2) additional terms of five (5) year extensions, and provided Lessee is not in default in the performance of any term or condition of this Lease, the Lessor agrees to negotiate a successor agreement with the Lessee.

4. Basic Rent.

4.1 Basic rent is $0.22 per square foot of ground space per year. Basic rent shall be due and payable on a monthly basis, prorated to the first day of the month following signing, and due on the same day of each month thereafter.

4.2 Any payments or partial payments not made under this Lease shall bear interest at the rate of twelve percent (12%) per annum until paid.

5. Adjustments to Basic Rent.

5.1 Maintenance Fee. An annual maintenance fee may be added to the basic rent established for the hangar lease sites at the Airport in accordance with the procedure adopted by the City Council of the City of Newport. The procedure for adjustment may include a share of the costs for city utilities used at the Airport, repairs, maintenance, insurance, licenses, cleaning and costs of labor, and any property taxes or assessments attributable to the Airport premises. The procedure shall include a provision that all such costs included as part of the adjustment are to be directly related to the Airport or use of Airport property. The proposed adjustment shall be presented to the Lessee by Lessor thirty (30) days prior to the effective date of the assessment. Cost to the Lessee shall be determined as a fraction of total cost, the numerator of which is the total square footage of Lessee's leased property, and the denominator is the total rented and Lessor-used square footage, including property used by the Newport Municipal Airport.

5.2 CPI Adjustment. The basic rent provided in Paragraph 4 shall be increased each year by a percentage equal to the percentage change in the Consumer Price Index statistics published by the United States Bureau of Labor. Comparisons shall be made using the index entitled, "U.S. City Average/All Items and Major Group Figures for all Urban Consumers Portland Area (1982-84 = 100)," or the nearest comparable data on changes in the cost of living, if such index is no longer published. The change shall be determined by comparison of the figure for the previous January 1, with that of January 1 of the current year. In no event shall this calculation cause a reduction in base rent below that payable during the preceding year. The proposed adjustment shall be presented to the Lessee by the City thirty (30) days prior to the effective date of the assessment.

5.3 Challenge. Lessee may give Lessor notice, within thirty (30) days of the notice of rental adjustment, challenging Lessor's figures. If any such challenge is not made within thirty (30) days, Lessee's challenge to the figures presented by Lessor shall be deemed waived. The challenge shall be restricted to Lessor's calculations of increases relating to Lessee and, if not resolved by the parties, will be referred to arbitration as described in Paragraph 23.

6. Taxes. Lessee shall pay when and if levied, any taxes on the Leased Premises, as well as any taxes on improvements and fixtures constructed and maintained on the Leased Premises. If any taxes on the Leased Premises are levied against

the Lessor, they shall be reimbursed to the Lessor within thirty (30) days of written notice from Lessor to Lessee.

7. Pre-Approval of Plans. Lessee shall construct and maintain upon the Leased Premises an aircraft hangar which shall in all respects comply with applicable laws, rules, regulations, ordinances, and resolutions of all governmental entities, including Lessor. The plans and specifications of the hangar shall be subject to approval by Lessor. Lessee shall submit such plans and specifications to the Airport Manager. The Airport Manager may withhold approval of Lessee's plans and specifications when, in Manager's reasonable judgment, the proposed development is not consistent with the plans, policies, rules, regulations, standards of quality, and practices at the Airport. No site preparation or construction shall be commenced without first obtaining the written approval of Lessor.

8. Construction of Improvements. Lessee shall construct its planned facilities and install therein all necessary fixtures, equipment, and accessories, all of which shall be in accordance with the terms and conditions of this Agreement and any applicable city code or FAA requirements. Lessee shall complete construction of the new improvements within one (1) year after the Effective Date of this Agreement. Existing improvements shall be deemed to have been appropriately constructed so long as they are well-maintained and meet all applicable city code and FAA requirements. It is expressly understood that upon the expiration of the lease agreement, all hangar improvements shall become property of Lessor.

8.1 Lessee agrees to reimburse Lessor for the apportioned costs of roadway improvements including, but not limited to: excavation, paving, drainage, and fencing required for all extensions of the access road to the Leased Premises. Lessee shall be responsible for the cost of all extensions, as applicable, of all water, sewer, and other utilities to the Leased Premises, as well as any fees for obtaining service. Lessee shall be responsible for payment at the time improvements are completed. Lessee shall remit payment to Lessor within thirty (30) days from the date of invoice.

8.2 Lessee agrees to construct, at Lessee's expense, aircraft access improvements, including without limitation driveways, taxi lanes, aprons, and ramps to its planned facility. Construction and location of the access improvements shall comply with specifications set forth by Lessor at the time of plan's approval. Lessee understands that those portions of the constructed Airport access improvements situated outside the boundaries of the Leased Premises shall become, immediately upon their completion to Lessor's satisfaction, the property of Lessor. All construction and any connections to the runway of any apron or taxi lane shall in addition be governed by any rules or regulations regarding Airport operations and must be approved of and overseen by Airport management. Constructed facilities shall not be occupied until access is completed and accepted by Lessor.

8.3 Upon completion of improvements, Lessee shall provide an 8 ½" x 11" site plan detailing a scaled drawing of the Leased Premises, hangar foot print, office area, parking, landscaping, and any other improvements.

8.4 The provisions provided above do not relieve Lessee from compliance with all applicable building code requirements and acquiring all necessary licenses and permits from any governmental authority.

8.5 If the aircraft hangar or other improvements on the Leased Premises are damaged or destroyed, Lessee shall do whatever is necessary to repair, rebuild, or restore the structure and other improvements to substantially the same condition existing prior to the damage or destruction within 180 days of the date of destruction. Upon written request from Lessee, Lessor may extend the 180-day timeline to the extent reasonably necessary due to conditions beyond the control of Lessee.

9. Use of the Leased Premises. Use of the Leased Premises is limited to aeronautical uses. The Lessee may use the Leased Premises for the following purposes and for no other purpose (including commercial use) without the prior written approval of the Airport Manager:

9.1 Construction of an aircraft hangar for private use by the Lessee in accordance with Airport rules and regulations;

9.2 Storage of aircraft;

9.3 Supplies, equipment, and other ancillary items necessary for the safe operations and maintenance of the Lessee's aircraft;

9.4 Construction, maintenance, and repair of Lessee's aircraft by Lessee or by a person or firm in accordance with current and applicable future Airport rules and regulations.

10. Lessee's Additional Use Rights. Lessee shall have the use of Airport facilities and navigational aids for the purpose of landing, taking off, and taxiing of Lessee's aircraft, and related rights of ingress and egress 24 hours a day, subject to the current or any amended laws, rules, regulations, ordinances, and resolutions of applicable governmental bodies, including Lessor.

11. Restriction on Assignment and Sublease. Lessee shall not assign this Lease, or any interest herein, or sublease the Leased Premises without the prior written consent of Lessor. As a condition of any consent to assignment, Lessor may require one or more of the following:

11.1 Updating Lease. Lessor may require or allow Lessee and/or the assignee to execute Lessor's then current form of hangar site Lease, or a partial or

complete amendment of this Lease to incorporate the terms and provisions of Lessor's then current form of hangar site Lease.

11.2 Environmental Assessment. If Lessor reasonably believes that there is a question regarding hazardous materials or other environmental issues that relate to Lessee's use of the premises, Lessor may require, as a condition of assignment, an environmental assessment. Such assessment would be at Lessee's expense, as a condition of approval of assignment.

11.3 Assumption. The assignee shall expressly assume Lessee's obligations under this Lease, as may be modified in accordance with Paragraph 11.1. Any approval of assignment is not a release from any and all obligations of Lessee under the Lease Agreement, except to the extent that Lessor specifically, in writing, releases Lessee from such obligations. This provision does not apply to any of assignor Lessee's obligations as set forth in Paragraph 12.6.

11.4 As a condition of approval, Lessor may require any improvements to the property to bring it into compliance with rules or regulations of the Airport.

12. Specific Obligations of Lessee. In connection with Lessee's occupancy and use of the Leased Premises, the following specific conditions shall apply:

12.1 Utilities. Lessor shall not be obligated to furnish any utilities or utility services to the Leased Premises. If, upon Lessee's request, Lessor agrees to provide utility services to the Leased Premises as a condition of providing service, Lessee shall be responsible for all costs of installation of such service, including transmission lines, connection fees and utility service charges. Prior to construction, a payment agreement in a form acceptable to the Lessor shall be entered into between the parties. If payment includes costs of any transmission lines that have the potential for use by other lessees, there would be included a repayment schedule to the original paying Lessee as other parties apply for service. Such reimbursement agreement shall not exceed ten (10) years in length.

12.2 Maintenance. Lessee shall, at its own cost, keep and maintain the Leased Premises, including hangar building, grounds, and all other improvements in good condition and repair. In determining whether or not the Leased Premises are in proper condition, the Airport Manager shall take into consideration the appearance and character of other similar improvements at the Airport which are in good condition and repair. It is specifically acknowledged that the condition or repair includes appearance and improvements of the Leased Premises, and therefore the condition of paint or other exterior finish. Lessee shall not store parts, equipment, or other materials outside the hangar structure. Lessee shall not permit any refuse or debris to be deposited or to accumulate on the Leased Premises. Lessee shall not permit any bird nesting or attractants on the Leased

Premises. Failure to maintain the Leased Premises shall be deemed a breach of this Lease.

12.3 Taxi Lane. The cost of construction of the taxi lane shall be an obligation of the Lessee. Such construction shall be subject to the approval of the Lessor. Once constructed, the Lessor shall be responsible for maintenance and repair of the taxi lane.

12.4 Compliance with Laws. Lessee shall comply with all applicable laws, ordinances, rules, and regulations of any governmental bodies having jurisdiction over the Airport with respect to Lessee's activity in relation to the use and occupancy of the Leased Premises, and of the Airport in general. Any act or failure to act by Lessee or by any subtenant, employee, invitee, or agent of Lessee in violation of any such laws, ordinances, rules, and regulations shall be deemed a violation of this Lease.

12.5 Airport Rules and Regulations. Lessee's obligation under Paragraph 12.4 shall include, but not be limited to, the rules and regulations of the Airport. Lessor reserves the right to adopt additional rules and regulations and amend existing and future rules and regulations which govern the Leased Premises and the facilities at the Airport used by the Lessee in connection with the Leased Premises. Lessee agrees to observe, obey, and abide by all such rules and regulations currently existing or hereafter adopted or amended. Any action or failure to act by Lessee or by any subtenant, employee, invitee, or agent of Lessee which is in violation of such rules and regulations shall be deemed a violation by Lessee of this Lease.

12.6 Environmental Laws. Lessee's obligations under this Lease specifically include, but are not limited to, strict and timely compliance with all environmental laws. Lessee shall ensure that all operations on the Leased Premises comply with all environmental laws and orders of any governmental authorities having jurisdiction under any environmental laws. Lessee shall exercise extreme care in handling hazardous substances and shall undertake any and all preventive, investigatory, or remedial action (including emergency response, removal, containment, and other remedial action) which is either required by any applicable environmental laws or orders of any governmental authority having jurisdiction under such laws, or necessary to prevent or minimize property damage, personal injury or damage to the environment or threat of any such damage or injury, by releases of, or exposure to, hazardous materials in connection with the Leased Premises or operations thereon. Lessee shall immediately notify Lessor upon becoming aware of any leak, spill, release or disposal of hazardous substances on, under, or adjacent to the Leased Premises. In the event Lessee fails to perform any of Lessee's obligations under this paragraph, Lessor may, but shall not be required to, perform such obligations at Lessee's expense. In performing any such obligations of

Lessee, Lessor shall at all times be deemed the agent of Lessee and shall not, by reason of such performance, be deemed to be assuming any responsibility of Lessee under any environmental law or to any other third party. At any time Lessor reasonably requests, Lessee shall provide to Lessor further assurance of Lessee's compliance with this paragraph. The assurances shall be in a form and substance satisfactory to Lessor, in Lessor's sold discretion, and may include but not be limited to, Lessee providing to Lessor an environmental audit or assessment from a source acceptable to Lessor, at Lessee's expense.

12.6.1 As used in this Agreement, the term "environmental laws" means all state, federal, and local statutes, regulations, and ordinances relating to the protection of human health and the environment.

12.6.2 In this Agreement, the term "hazardous materials" is used in its very broadest sense and refers to materials that, because of their quantity, concentration or physical, chemical, or infectious characteristics, may cause or pose a present or potential hazard to human health and to the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported, or otherwise handled on the Leased Premises. The term includes, without limitation, petroleum products or crude oil or any fraction thereof, and any and all hazardous or toxic substances, materials, or wastes as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and any other environmental laws.

12.7 Signs. In addition to complying with any rule(s) or regulation(s) of Lessor pertaining to signs, Lessee shall not permit to be maintained any sign on the leased Premises or at the Airport without the prior written approval of the Airport Manager. This approval and rules and regulations are in addition to any rules or regulations that would apply to this site by any applicable governmental jurisdiction.

12.8 Aviation Easement. Lessee acknowledges that its rights to use the property shall be secondary and subordinate to the operation of the Airport. Lessor reserves a right of flight for the passage of aircraft in the airspace above the Leased Premises together with the right to cause noise inherent in the operation of aircraft. Lessee shall not take any action or construct any improvements that interfere with the navigational aids of flight operations of the Airport.

12.9 Security. Lessee recognizes its obligation to comply with federal airport security regulations. Lessee shall reimburse Lessor in full for any fines or penalties levied against Lessor for security violations as a result of any actions on the part of Lessee, its agents, guests, or employees.

13. Liability to Third Parties.

13.1 Lessee's Indemnification. Lessee shall at all times indemnify, protect, defend, and hold harmless Lessor, its officers, agents, and employees from any claims, demands, losses, actions, or expenses, including attorney's fees, to which Lessor may be subject by reason of any property damage or personal injury arising or alleged to arise from the acts or omissions of Lessee, its agent, or its employees, or in connection with the use, occupancy, or condition of the Leased Premises.

13.2 Liability Insurance Required. Lessee shall procure and maintain throughout the term of this Lease and any extension, at Lessee's cost, public liability and property damage insurance from a company authorized to do business in the State of Oregon with the combined single limit of not less than $1,000,000 for bodily injury, death, personal property or property damage in connection with Lessee's use or occupancy of the Leased Premises, or the exercise of enjoyment of rights or privileges granted by this Lease. Lessor shall have the right to require Lessee to increase the limits of such coverage from time to time to an amount deemed by Lessor to be reasonable in view of conditions and circumstances existing at the time of such increase. Such circumstances include any modification by either court ruling or legislative change to the maximum recovery allowed under the Oregon Tort Claims Act. The insurance shall name Lessor, its officers, agents, and employees as additional insureds with the stipulation that the insurance, as to the interests of Lessor, shall not be invalidated by any act or neglect or breach of contract by Lessee. Lessee shall provide Lessor with a certificate of insurance evidencing the required coverage, with a thirty (30) day notice of cancellation or material change in coverage and shall provide Lessor with such evidence that the policy remains in force as Lessor may require from time to time.

13.3 Liens. Except with respect to activities for which Lessor is responsible, Lessee shall pay as due all claims for work done on and for services rendered or material furnished to the Leased Premises and shall keep Leased Premises free from any liens. If Lessee fails to pay any such claims or to discharge any lien, Lessor may do so and collect the cost as additional rent. Any amount so added shall bear interest at the rate of 12% per annum from the date expended by Lessor and shall be payable on demand. Such action by Lessor shall not constitute a waiver of any right or remedy which Lessor may have on account of Lessee's default.

14. Subordination. This Lease shall be subordinate to the provisions of any existing or future agreement between Lessor and the State of Oregon and/or the United States relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure

of state or federal funds for the development of the Airport, or any amendments thereto.

15. Cessation of Airport Operation. Lessor, regardless of the terms of this lease, as a result of any orders of the State of Oregon, the United States, or any other governmental instrumentality, may cease airport operations. Lessee acknowledges Lessor's right to cease such operations and releases Lessor from any and all damage claims by Lessee against Lessor as a result of such cessation of operations. This release does not apply to any other party who may be the basis for Lessor's cessation of operations. Subject to the orders of cessation, Lessee shall be granted a period of twelve (12) months free of any rents and fees in which to cause the Leased Premises to be restored to a condition free of all improvements, including hangars and debris. Lessor shall not be liable to Lessee for any damages related to loss in use of the Leased Premises due to action under this paragraph. This provision does not eliminate any obligations of Lessee as a result of liability or indemnification obligations as set forth in other provisions of this lease.

16. Airport Development. Regardless of the term of this lease, Lessor, at Lessor's discretion or as a result of any orders of the State of Oregon, United States, or any other governmental unit having authority over the property may require the cessation of use of the specific Leased Premises for their leased purposes, prior to the expiration of this lease for the purpose of airport development. At Lessor's option and expense, Lessor shall either (1) dismantle and move to another leasable premises on the Airport property, and there re-erect Lessee's improvement(s) or, (2) purchase Lessee's improvement for fair market value as determined below. If Lessor acts under the first option, the lease reference to location of the Leased Premises shall change, and all other remaining terms of the expired lease shall continue in full force and effect.

    Fair market value under the second option shall be for an amount not less than the fair market value of the improvement immediately prior to determination as determined by an appraisal conducted by an independent appraiser engaged by Lessor. Specifically, the appraiser shall not determine salvage value, but rather the fair market value of the improvement, assuming the Airport was to remain in existence or the party to continue to use the leased area. Purchase price shall be determined and all funds transferred within 180 days of termination. Obligations of removal shall be Lessor's. This action does not eliminate any obligations of Lessee as a result of any liability or indemnification obligations as set forth in other provisions of this lease.

17. Eminent Domain. If the Leased Premises and any improvements thereon are taken as a result of eminent domain proceedings, it shall be as if termination was a result of Paragraph 15, except the time allowed for removal of Lessee's improvements by Lessee shall be subject to the time limitation in any condemnation order or twelve (12) months, whichever is shorter. Lessor shall be entitled to all proceeds of condemnation as applied to the value of any real

property condemned. Lessee shall be entitled to the value of all improvements. Lessee specifically waives any claims against Lessor as a result of condemnation, except such condemnation as may be instituted by Lessor upon Lessor's own actions and not as a result of any order by other governmental unit.

18. Removal of Personal Property and Fixtures.

18.1 Lessee shall remove all personal property and return the Leased Premises to proper condition upon the end of the term(s), or other cessation of use by Lessee, as set forth below. Lessee shall remove all Tenant property except fixtures permanently or semi-permanently affixed, which shall become property of the Lessor upon lease termination or abandonment by Lessee, and restore the grounds to a clean and orderly condition free of all debris.

18.2 Abandonment. If Lessee abandons the Leased Premises, Lessor may treat such abandonment as a default under this Lease, and Lessor may exercise any rights it may have as in the case of default for which Lessee is not entitled to notice. Lessee shall be deemed to have abandoned the Leased Premises if it fails to occupy the same for a period of three (3) months; however, Lessor may consider Lessee to have abandoned the Leased Premises by other acts, words, or conduct evidencing abandonment or intent to abandon the Leased Premises. Any personal property remaining on the Leased Premises sixty (60) days after termination of this Lease for any reason shall be deemed as abandoned by Lessee and Lessor may make any disposition of such personal property as it deems appropriate. Lessor may charge Lessee for the reasonable costs incurred in disposing of such personal property. Upon abandonment, Lessee loses all rights and options set forth in Paragraph 18.1. Lessee remains responsible for all Lessors' costs.

19. Default. Lessee shall be in default under this Lease upon the occurrence of any one or more of the following events (time of payment and performance being of the essence):

19.1 Failure of Lessee to pay any rent or other charges within thirty (30) days after the same becomes due.

19.2 Except as otherwise provided in this Paragraph 19, the failure of Lessee to comply with any term or condition, to fulfill any obligation, or to cure any violation of this Lease within thirty (30) days after written notice by Lessor specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within thirty (30) days, this provision shall be deemed complied with if Lessee begins correction of the default within the thirty (30) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable, within thirty (30) days after written

notice by Lessor specifying the nature of the default with reasonable detail, unless a shorter time line is set forth in the Lease for the specific default alleged. Lessor may require, as part of the cure of any violation by Lessee, reimbursement from Lessee for any and all costs and expenses incurred by Lessor by reason of Lessee's violation of this Lease.

19.3 If Lessee cures a deficiency in the manner described in Paragraph 19.2, Lessee's subsequent failure to comply with the same term or condition within twenty-four (24) months shall constitute immediate default without requirement of notice or opportunity to cure.

19.4 If Lessee sub-leases or otherwise assigns its interests in this Agreement, except in accordance with the provisions of the Agreement, default shall be automatic without requirement of notice or opportunity to cure.

19.5 Lessee shall also be in default in the event of:

1. Lessee's insolvency;

2. An assignment by Lessee for the benefit of creditors;

3. The filing by Lessee of a voluntary petition of bankruptcy action;

4. Adjudication that Lessee is bankrupt;

5. The filing of an involuntary petition of bankruptcy and the failure of Lessee to seek a dismissal of the petition within thirty (30) days after the filing; and

6. The attachment of or the levy of execution on the Lease hold interest and failure of the Lessee to secure a discharge of the attachment or release of the levy of execution within ten (10) days after such attachment or execution;

7. Abandonment of the Leased Premises.

20. Inspections. Lessor shall have, at all times during normal business hours, the right to enter into the Leased Premises and inspect Lessee's facilities and operations for the purposes of determining Lessee's compliance with its obligations under this Lease. Lessor shall provide at least 24 hours' notice before any inspection except in cases of emergency. Notice shall be sufficient if prominently posted on the building on the Leased Premises 24 hours prior to the inspection.

21. Remedies on Default. In the event of a default, the Lease may be terminated at the option of the Lessor by notice in writing to Lessee. The notice of termination may be included in a notice of failure of compliance given under Paragraph 19. If

the Leased Premises is abandoned by Lessee in connection with a default, termination shall be automatic and without notice. If the Lease is terminated for any reason, Lessee's liability to Lessor for damages for breach shall survive such termination, and the rights and obligations of the parties shall be as follows:

21.1 Lessee shall vacate the Leased Premises immediately, remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the Lease term, perform any cleanup, alterations or other work required to leave the Leased Premises in the condition required by this Lease at the end of the term, and deliver all keys to Lessor. Possession to any structure on the Leased Premises shall immediately revert to Lessor and Lessee shall have no right or claim against Lessor as a result thereof.

21.2 Lessor may re-enter, take possession of the Leased Premises, and remove any persons or property by legal action or self-help with the use of reasonable force and without liability for damages.

21.3 Following re-entry or abandonment, Lessor may relet the Leased Premises and in that connection may relet all or part of the Leased Premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession, and may make any suitable alterations and/or refurbish the Leased Premises, or change the character or use of the Leased Premises, but Lessor shall not be required to relet to any Lessee which Lessor may reasonably consider objectionable.

21.4 The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Lessor under applicable law or as set forth in this Agreement.

21.5 Any holding over after the expiration of the lease, with the written consent of Lessor, will be construed to be a tenancy from month to month, at 150% of the Basic Rent payable for the period immediately before the expiration of the Term and will otherwise be on the terms and conditions of this Lease. If Lessor consents to any such holding over, either party may thereafter terminate the tenancy at any time upon thirty (30) days' advance written notice to the other party. Any holding over without consent will be a tenancy at sufferance, which Lessor may terminate at any time without notice.

22. Attorney Fees and Costs. In the event any action or claim relating to the enforcement or interpretation of any of the terms of this Lease is made, except as stated in Paragraph 23, the successful party shall be entitled to recover all costs, fees, and expenses reasonably incurred, whether or not taxable as costs,

including without limitation, attorney fees, inspection and investigation costs, copying charges, and all other related expenses.

In the event any litigation is commenced relating to this Lease, including but not limited to any action or participation by Lessee or Lessor in or connected with a case or proceeding under the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to recover all costs, fees and expenses reasonably incurred, before and after trial, and on appeal and review, whether or not taxable as costs, including without limitation, attorney fees (including estimated fees to collect a judgment entered in favor of the prevailing party), witness fees (expert or otherwise), deposition costs, inspection and investigation costs, copying charges and all other related expenses. Expenses incurred in the event of arbitration shall be treated as if they were expenses incurred in litigation.

23. Arbitration. If any contract dispute arises between the parties, it shall be decided by arbitration unless both parties agree to waive arbitration and proceed with litigation. Upon request for arbitration, the party requesting arbitration shall submit to the other party a list of the names of five independent arbitrators. The other party may select any one of the five. If the parties cannot decide on an arbitrator with qualifications that relate to the dispute at hand within fifteen (15) days, then either party may apply to the presiding judge of the Lincoln County Circuit Court to appoint the required arbitrator.

The Arbitrator shall proceed according to Oregon statutes governing arbitration, and any rules specifically adopted by the parties. If the parties do not agree upon rules for the arbitration, the Arbitrator shall establish rules and advise each respective party. The award of the Arbitrator shall have the effect provided in the Oregon Revised Statutes. The arbitration shall take place in Lane County. Costs of arbitration and attorney fees and costs may be awarded to a party at the discretion of the Arbitrator.

24. Discrimination Prohibited. In connection with Lessee's use and occupancy of the Leased Premises and the conduct of its operations at the Airport, Lessee shall be bound by the following non-discrimination requirements:

24.1 General. Lessee will not discriminate against any person or class of persons by reason of race, color, national origin, sex, ancestry, creed, or on any other grounds prohibited by law.

24.2 Civil Rights Act. Lessee will not on the grounds of race, creed, color, national origin or on any other prohibited grounds, discriminate or permit any discrimination against any person or group of persons in any manner prohibited by Part 21 of the Rules and Regulations of the Secretary of Transportation, effectuating Title VI of the Civil Rights Act of 1964. Without limiting the generality of the foregoing, Lessee agrees not to discriminate against any employees or applicants for employment because of race, creed, color, national origin or on any other prohibited grounds.

24.3 FAA required terms. As required by the FAA, the following clauses are made part of Lessee's obligations under this Agreement:

1. Lessee for itself, and its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease for a purpose for with a US Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

2. Lessee for itself, and its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (2) that in the construction or any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; (3) that the Lessee shall use the premises in compliance with all requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

25. Non-Waiver. Waiver by either party of strict performances of any provisions of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provisions in the future or of any other provision. No act or omission shall constitute a waiver of this non-waiver clause.

26. Notices. Any notice required or permitted under this Lease shall be considered given when actually delivered in person or when deposited with postage prepaid in the United States mail as registered or certified mail:

To Lessor: Newport Municipal Airport
c/o City of Newport
169 SW Coast Highway
Newport, Oregon 97365

To Lessee: Ron Terhaar and Jerry Wilken
327 Oak Street NE
Albany, Oregon 97231

Or to such other address as may be specified from time to time by either of the parties in writing.

27. Interpretation and Liability. In interpreting this Agreement, the singular shall include the plural. If Lessee consists of more than one individual or entity, each such individual and entity shall be jointly and severally liable for Lessee's obligations under this Lease.

28. Succession. Subject to the limitations set forth elsewhere in this Lease on the transfer of Lessee's interest, this Lease shall be binding upon and inure to the benefit of the parties, their respective heirs, legal representatives, successors, and assigns.

29. Clearing Matters of Record. Only at the option of Lessor shall this Lease or a memorandum of this Lease be recorded. If, at the election of Lessor, Lessor determines to create and record a memorandum of this Lease, Lessee shall execute such memorandum at the request of Lessor. In the event this Lease or Lessee's interest in this Lease or in the Leased Premises becomes a matter of record by any means, directly or indirectly, without the consent of Lessor, then at any time after termination of this Lease or termination of Lessee's interest in this Lease, upon request by Lessor, Lessee shall execute documents, in recordable form, as Lessor may reasonably require evidencing the termination of Lessee's interest. This obligation shall survive termination of this Lease and termination of Lessee's interest in this Lease.

30. Inconveniences During Construction. Lessee recognizes that from time to time during the term of this Lease, it will be necessary for Lessor to initiate and carry forward programs of construction, reconstruction, expansion, relocation, maintenance, and repair in order that the Airport and its facilities may be suitable for the volume and character of air traffic and flight activity requiring accommodation, and that such construction, reconstruction, expansion, relocation, maintenance, and repair may inconvenience or temporarily interrupt Lessee's operations at the Airport. Lessee agrees that no liability shall attach to Lessor, its officers, agents, employees, contractors, and representatives by reason of such inconveniences or interruptions and, for and in further consideration of this Lease, Lessee waives any right to claim, damages or other considerations therefore, except that rent payable under this Lease shall be abated proportionately during and for such period of that access to the Leased Premises by aircraft of Lessee and its invitees is denied by reason of such interruptions.

31. Rights Not Exclusive. Except for Lessee's exclusive right to use and occupy the Leased Premises, nothing in this Lease shall be construed as granting an exclusive right to Lessee.

32. Entire Agreement. This Lease contains the entire Agreement between the parties concerning the Leased Premises and supersedes all prior agreements, oral and written. This Agreement may be modified only in writing and signed by the parties.

The individuals executing this Lease warrant that they have full authority to execute this Lease and that they have thoroughly read this Lease and received legal advice regarding this Lease.

LESSOR:

City of Newport
Municipal Airport
By: Jim Voetberg, City Manager

Jim Voetberg
Ron Terhaar
Signature

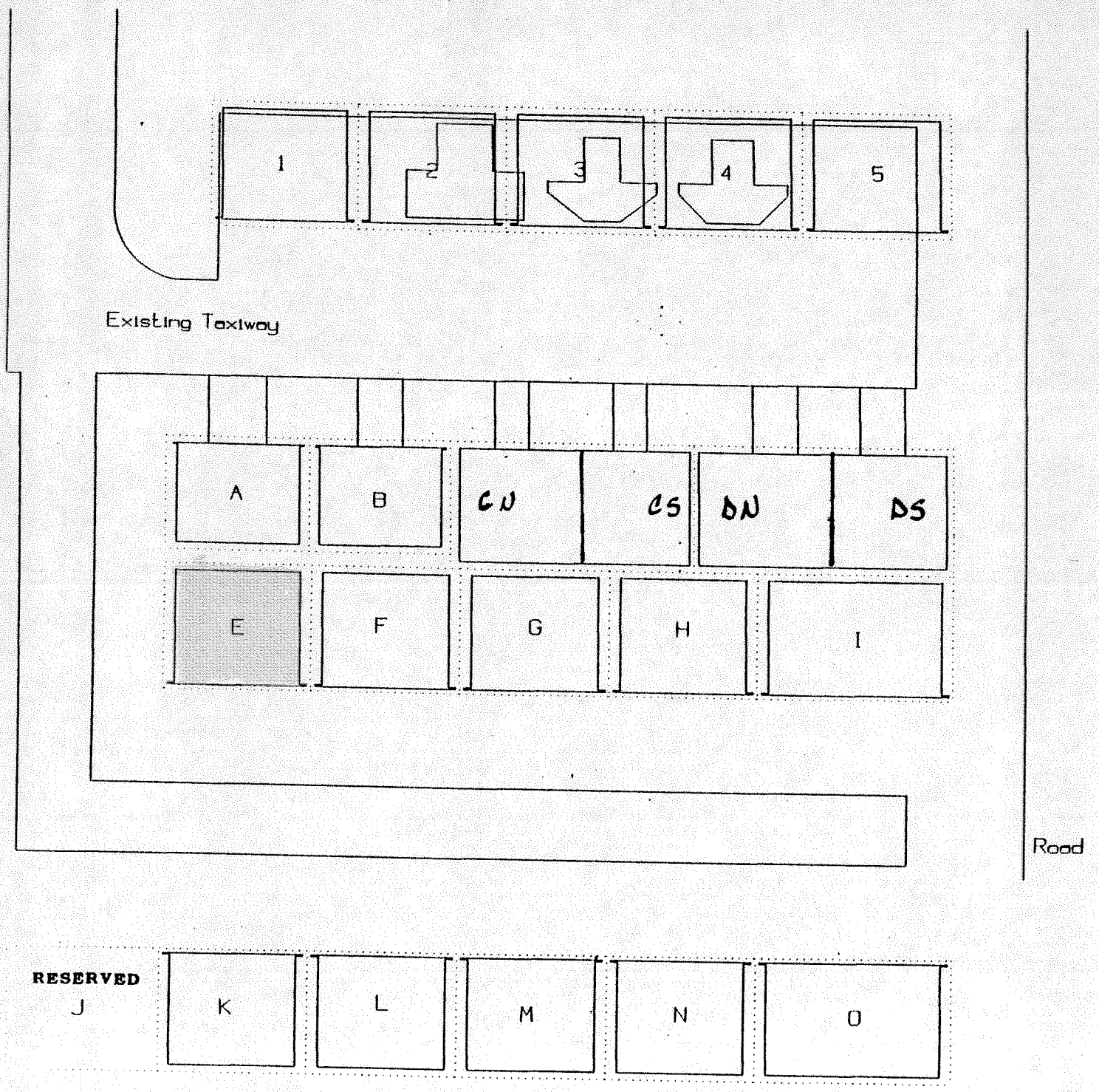
3/18/13
~~Mar. 13, 2013~~
Date

LESSEE:

Ron Terhaar and Jerry Wilken

Jerry Wilken
Ron Terhaar
Signature

3-13-13
Date



Newport Municipal Airport
Hangar Area
Site Plan