

AGREEMENT FOR LEASE OF AIRPORT BUSINESS PREMISES

Date: March 6, 2015

Between: City of Newport (City)
169 SW Coast Highway
Newport, Oregon 97365

And: H. William Frank

City of Newport (CITY) leases to H. William Frank and H. William Frank (Frank) leases from the City of Newport the following described property (the "Premises"):

Newport Municipal Airport FBO Suite B (100 square feet)

on the terms and conditions stated below:

Section 1. Term; Occupancy; Option to Extend

1.1 Original Term. The original term of this Lease shall be for a period of one year commencing on March 3, 2015, and continuing through March 2, 2016.

1.2 Possession. Frank's right to possession and obligations under the lease shall commence on March 3, 2015. CITY shall have no liability for delays in delivery of possession and Frank will not have the right to terminate this lease because of delay in delivery of possession except as hereinafter provided.

1.3 Option to Extend. If Frank is not in default, Frank shall have the option to extend this Lease for two additional extension terms of one year each. Notice exercising the extension option shall be delivered by Frank to CITY in writing not less than fifteen (15) days prior to the expiration of the then current term. If such notice is given, unless otherwise agreed to in writing all terms and conditions of this Lease, other than the rent, shall apply during the extension term. Rent for the extension terms shall be negotiated with the goal of establishing a mutually agreed fair market rate. In the event the parties are unable to agree on a fair market rental rate for the extension term, this Lease may be cancelled with no further obligation on the part of either party. In the event the Lease is cancelled pursuant to the provisions of the previous sentence, the termination date for the then current term shall be the later of: i) the natural expiration of such term; or ii) a date thirty (30) days after written notice is given by either party to the other that a fair market rental rate for the option term cannot be agreed upon.

Section 2. Rent

2.1 Base Rent. The base rent shall be 60 cents per square foot, per month. The rent for Suite B will be \$60.00 monthly.

Section 3. Use of the Premises

3.1 Permitted Use. The Premises shall be used for airport-related business purposes.

3.2 Restrictions on Use. In connection with the use of the Premises, Frank shall:

(1) Conform to all applicable laws and regulations of any public authority affecting the premises and the use thereof, and correct at Frank's own expense any failure of compliance created through Frank's fault or by reason of Frank's use.

(2) Refrain from any activity that would make it impossible to insure the Premises against casualty, would increase the insurance rate, or would prevent CITY from taking advantage of any ruling of the Oregon Insurance Rating Bureau, or its successor, allowing CITY to obtain reduced premium rates for long-term fire insurance policies, unless Frank pays the additional cost of the insurance.

(3) Refrain from any use that would be reasonably offensive to other users of the premises or that would tend to create a nuisance or damage the premises.

(4) Refrain from loading the electrical system, ceiling, walls or floors beyond the point considered safe by the CITY.

(5) Refrain from making any marks on or attaching any sign, insignia, antenna, aerial, or other device to the exterior or interior walls, windows, or roof of the premises without the written consent and appropriate permits issued by CITY.

Section 4. Repairs and Maintenance

4.1 CITY's Obligations. The following shall be the responsibility of CITY:

(1) Repairs and maintenance of the roof and gutters, exterior walls (including painting), bearing walls, interior walls, structural members, floor slabs, and foundation.

(2) Repair of sidewalks, driveways, curbs, parking areas, and areas used in common by Frank and CITY.

(3) Repair and maintenance of exterior water, sewage, gas, and exterior electrical services to the Premises.

4.2 Frank's Obligations. Frank is responsible for keeping the Premises in good condition.

4.3 Inspection of Premises. CITY shall have the right to inspect the Premises at any reasonable time.

Section 5. Alterations

5.1 Alterations Prohibited. Frank shall make no improvements or alterations on the Premises of any kind without first obtaining CITY's written consent. All alterations shall be made in a good and workmanlike manner, and in compliance with applicable laws and building codes.

5.2 Ownership and Removal of Alterations. All improvements and alterations performed on the Premises by either CITY or Frank shall be the property of CITY when installed unless the parties otherwise agree in writing. At any time Frank relinquishes occupancy or the Lease is otherwise terminated, improvements and alterations installed by Frank shall, at CITY's option, be removed by Frank and the premises restored unless CITY specifically provides otherwise.

Section 6. Property Insurance

6.1 Casualty/Loss Insurance Required. CITY shall keep the Premises insured at CITY's expense against fire and other risks covered by a standard fire insurance policy with an endorsement for extended coverage. Frank shall bear the expense of any renter's insurance insuring its property on the Premises against such risks.

6.2 Waiver of Subrogation. Neither party shall be liable to the other (or to the other's successors or assigns) for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended coverage endorsement, and in the event of insured loss, neither party's insurance company shall have a subrogated claim against the other. This waiver shall be valid only if the insurance policy in question expressly permits waiver of subrogation or if the insurance company agrees in writing that such a waiver will not affect coverage under the policies. Each party agrees to use best efforts to obtain such an agreement from its insurer if the policy does not expressly permit a waiver of subrogation.

Section 7. Taxes; Utilities

7.1 Payment of Utilities Charges. Frank shall pay for utilities consisting of including but not limited to any telephone or telecommunication equipment.

Section 8. Damage and Destruction

8.1 Partial Damage. If the Premises are partly damaged and Section 9.2 does not apply, the Premises shall be repaired by CITY at its' expense. Repairs shall be accomplished with all reasonable dispatch subject to interruptions and delays from labor disputes and matters beyond the control of CITY.

8.2 Destruction. If the Premises are destroyed or damaged such that the cost of repair exceeds 25% of the value of the structure before the damage, either party may elect to terminate the lease as of the date of the damage or destruction by notice given to the other in writing not more than 45 days following the date of damage. In such event, all rights and obligations of the parties shall cease as of the date of termination, and Frank shall be entitled to reimbursement of any prepaid amounts paid by Frank and attributable to the anticipated term. If neither party elects to terminate, CITY shall proceed to restore the Premises to substantially the same form as prior to the damage or destruction. Work shall be commenced as soon as reasonably possible and thereafter shall proceed without interruption except for work stoppages on account of labor disputes and matters beyond CITY's reasonable control.

Section 9. Liability Insurance and Indemnity

9.1 Liens

(1) Except with respect to activities for which CITY is responsible, Frank shall pay as due all claims for work contracted by Frank for services rendered or material furnished to the Premises, and shall keep the Premises free from any liens. If Frank fails to pay any such claims or to discharge any lien, CITY at its sole option may do so and collect the cost as additional rent. Any amount so added shall bear interest at the then-current rate allowed by law from the date expended by CITY and shall be payable on demand. Such action by CITY shall not constitute a waiver of any right or remedy which CITY may have on account of Frank' default.

(2) Frank may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, as long as CITY's property interests are not jeopardized.

9.2 Indemnification. Frank shall indemnify and defend CITY from any claim, loss, or liability arising out of or related to any activity of Frank on the Premises or any condition of the Premises in the possession or under the control of Frank including any such claim, loss, or liability that may be caused or contributed to in whole or in part by CITY's own negligence or failure to effect any repair or maintenance required by this lease. CITY shall have no liability to Frank for any injury, loss, or damage caused by third parties, or by any condition of the Premises except to the extent caused by CITY's negligence or breach of duty under this lease.

9.3 Liability Insurance. Before entering into possession of the Premises, Frank shall procure and during the term of the lease shall continue to carry at Frank's cost commercial general liability insurance covering claims for injuries to members of the public or damage to property of others arising out of any covered negligent act or omission of Frank or of any of its employees, agents or assigns, with \$1,000,000 per occurrence and in the aggregate. Such insurance shall protect CITY on account of the obligations assumed by Frank under this lease, and shall name CITY as an additional insured. A copy of the policy, issued by a company currently licensed in the State of Oregon and certified as a true copy by an authorized representative of the issuing company, or, at the discretion of the City, a certificate in a form satisfactory to City certifying to the issuance of such insurance, shall be furnished to City prior to Frank's occupancy of the Premises.

Section 10. Quiet Enjoyment; Warranty

CITY warrants that it is the owner of the Premises and has the right to lease them. CITY will defend Frank's right to quiet enjoyment of the Premises from the lawful claims of all persons during the lease term.

Section 11. Assignment and Subletting

No part of the Premises may be assigned or subleased, nor may a right of use of any portion of the property be conferred on any third person by any other means, without the prior written consent of CITY.

Section 12. Default

The following shall be events of default:

12.1 Default in Rent. Failure of Frank to pay any rent or other charge within 10 days after written notice that it is due.

12.2 Default in Other Covenants. Failure of Frank to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within 20 days after written notice by CITY specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 20-day period, this provision shall be complied with if Frank begins correction of the default within the 20-day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

Section 13. Remedy on Default

13.1 Termination. In the event of a default the lease may be terminated at the option of CITY by ten days' written notice to Frank. CITY may reenter and take possession of the premises, and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages and without having accepted a surrender.

13.2 Remedies Cumulative. The foregoing remedy shall be in addition to and shall not exclude any other remedy available to CITY under applicable law.

Section 14. Surrender at Expiration

14.1 Condition of Premises. Upon expiration of the lease term or earlier termination, Frank shall deliver all keys to CITY and surrender the Premises in first-class condition and broom clean. Alterations constructed by Frank with permission from CITY shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use for the purpose for which the Premises are leased shall be excepted but repairs for which Frank is responsible shall be completed to the latest practical date prior to such surrender. Frank's obligations under this section shall be subordinate to the provisions of Section 8 relating to destruction.

14.2 Removal; Fixtures; Repair

(1) All fixtures placed upon the Premises during the term, other than Frank's trade fixtures, shall, at CITY's option, become the property of CITY. If CITY so elects, Frank shall remove any or all fixtures that would otherwise remain the property of CITY, and shall repair any physical damage resulting from the removal. If Frank fails to remove such fixtures, CITY may do so and charge the cost to Frank with interest at the legal rate from the date of expenditure.

(2) Prior to expiration or other termination of the lease term Frank shall remove all furnishings, furniture, and trade fixtures that remain its property. If Frank fails to do so, this shall be an abandonment of the property, and CITY may retain the property and all rights of Frank with respect to the property shall cease or, by notice in writing given to Frank within 20 days after removal was required, CITY may elect to hold Frank to its

obligation to remove the property. If CITY elects to require Frank to remove the property, CITY may effect a removal and place the property in public storage for Frank's account. Frank shall be liable to CITY for the costs of removal, transportation to storage, and storage, with interest at the legal rate on all such expenses from the date of expenditure by CITY.

14.3 Holdover

(1) If Frank does not vacate the Premises at the time required, CITY shall have the option to treat Frank as a lessee from month to month, subject to all of the provisions of this lease except the provisions for term and renewal or to eject Frank from the Premises and recover damages caused by wrongful holdover. Failure of Frank to remove fixtures, furniture, furnishings, or trade fixtures that Frank is required to remove under this lease shall constitute a failure to vacate to which this section shall apply if the property not removed will substantially interfere with occupancy of the Premises by another lessee or with occupancy by CITY for any purpose including preparation for a new lessee.

(2) If a month-to-month tenancy results from a holdover by Frank under this Section 14.3, the tenancy shall be terminable at the end of any monthly rental period on written notice from CITY, given not more than 10 days prior to the termination date, which shall be specified in the notice. Frank waives any notice that would otherwise be provided by law with respect to a month-to-month tenancy.

Section 15. Miscellaneous

15.1 Nonwaiver. Waiver by either party of strict performance of any provision of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

15.2 Notices. Any notice required or permitted under this lease shall be given when actually delivered or 48 hours after deposited in United States mail ~~as certified mail~~ addressed to the address first given in this lease or to such other address as may be specified from time to time by either of the parties in writing.

15.3 Succession. Subject to the above-stated limitations on transfer of Frank's interest, this lease shall be binding on and inure to the benefit of the parties and their respective successors and assigns.

15.4 Entry for Inspection. CITY shall have the right to enter upon the Premises at any time to determine Frank's compliance with this lease, to make reasonable and necessary repairs to the building or to the Premises, or to show the Premises to any prospective lessee or purchaser, and in addition shall have the right, at any time during the last two months of the term of this lease, to place and maintain upon the Premises notices for leasing or selling of the Premises.

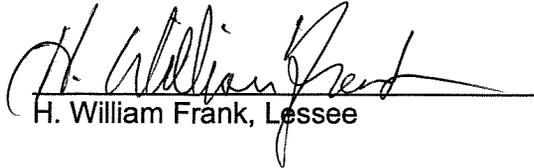
CITY OF NEWPORT



Spencer R. Nebel, City Manager

3/15/15

Date



H. William Frank, Lessee

3/7/15

Date

City of Newport
169 SW Coast Hwy
Newport, OR 97365

RE: Leased office space at Newport Municipal Airport FBO
ATTN: Mr. Spencer Nebel

February 20, 2015

Dear Mr. Nebel

This note is to affirm that the leased space in the FBO building will be used solely for aviation-related purposes in the pursuit of my business providing pilot services, FAA approved aviation safety seminars, and advanced aircraft flight instruction.

Respectfully,

A handwritten signature in black ink that reads "H. William (Bill) Frank". The signature is written in a cursive, flowing style.

H. William Frank
715-610-1025