



Crook County/Prineville Airport Lease Policy for Non-Commercial Aeronautical Activities

September 2023

Contents

1. General.....	3
2. Leases (General).....	3
2.01. Non-Commercial Leases.....	3
2.02. Leased Premises	4
2.03. Condition of Leased Premises	4
2.04. Lease Term and Extensions	4
3. Construction and Improvements	5
3.01. Mandatory Improvements	5
3.02. Survey.....	5
3.03. Authorization for Discretionary Improvements	5
3.04. Process for Approval of Plans	5
3.05. Title to Improvements	5
3.06. County Cooperation	6
4. Utilities and Maintenance	6
4.01. Utilities.....	6
4.02. Maintenance and Repairs by Lessee	6
4.03. Access	7
4.04. Inspections and Repairs	7
4.05. County May Perform Required Repairs.....	7
5. Rights and Reserved Powers of County.....	7
5.01. Hazards.....	7
5.02. Development	8
5.03. Sponsor Assurances	8
5.04. Easements	8
5.05. Relocation of a Hangar and Leased Premises.....	8
6. Sub-leasing and Transfers.....	8
6.01. Limitations on Transfers.....	8
6.02. Assignments Prohibited	9
6.03. Subletting.....	9
7. Encumbrances and Leasehold Mortgages.....	10

7.01.	Liens Granted to County	10
7.02.	Defined Terms for Leasehold Mortgages.....	10
7.03.	Right to Mortgage Leasehold	10
7.04.	Lender Protections.....	11
7.04.01.	No Modifications or Terminations	11
7.04.02.	Notice to Permitted Leasehold Mortgages	11
7.04.03.	Right to Cure	11
7.04.04.	Right to a New Lease	11
7.04.05.	Bankruptcy of Lessee	12
7.04.06.	Insurance Policies	12
8.	Termination and Ownership of Improvements.....	12
8.01.	Selling the Improvements during the Term of the Lease	12
8.02.	Ownership of Improvements at the End of the Lease	12
8.03.	No Holdover Period.....	13
9.	FAA Required Provisions.....	13
9.01.	Non-Discrimination	13
9.02.	Subordination	14
9.03.	Aviation Easement.....	14
9.04.	Indemnification	14
10.	Rentals, Rates, Fees, and Charges	15
10.01.	Rent.....	15
10.01.01.	Initial Rent	15
10.01.02.	Impact Area	15
10.01.03.	Maintenance Fee	15
10.02.	Adjustment of Rent	16
10.03.	Taxes and Assessments	16
11.	Insurance	16
12.	Hazardous Substances	17

Lease Policy

for Non-Commercial Aeronautical Activities

1. GENERAL

Crook County (the “County”) is the owner and sponsor of the Prineville/Crook County Airport (the “Airport”) and the City of Prineville manages the Airport through an intergovernmental agreement. The Airport is a recipient of FAA Airport Improvement Program (AIP) grants, and thus the Airport must comply with numerous federal laws and sponsor assurances. Primarily, the County is obligated to operate the Airport for the use and benefit of the public, available for all types, kinds, and classes of aeronautical activities on fair and reasonable terms and without unlawful discrimination. This obligation is balanced against the Airport’s objective of economic self-sufficiency.

This Lease Policy for Non-Commercial Aeronautical Activities (the “Lease Policy” or “Policy”) is designed to establish a standardized, efficient, and fair system to govern the leasing of Airport property for non-commercial aeronautical activities. All non-commercial lessees at the Airport will be subject to this Lease Policy and the Policy will be updated at the discretion of the Crook County Court as conditions warrant.

2. LEASES (GENERAL)

The primary purpose of non-commercial Airport leases is for a lessee to store aircraft in a hangar on the Leased Premises to enable aeronautical operations.

2.01. Non-Commercial Leases

The following non-commercial aeronautical uses are permitted:

- Storage of aircraft;
- Shelter for maintenance, repair, or refurbishment of aircraft, but not the indefinite storage of non-operational aircraft;
- Storage of aircraft handling equipment, e.g., tow bar, glider tow equipment, workbenches, and tools and materials used to service, maintain, repair or outfit aircraft; items related to ancillary or incidental uses that do not affect the hangar’s primary use;
- Storage of materials related to an aeronautical activity, e.g., balloon and skydiving equipment, office equipment, teaching tools, and materials related to ancillary or incidental uses that do not affect the hangar’s primary use;
- Storage of non-aeronautical items that do not interfere with the primary aeronautical purpose of the hangar, e.g., furniture or televisions;
- Construction of amateur-built or kit-built aircraft, provided that activities are conducted safely; and

- Storage of a vehicle parked at the hangar while the aircraft usually stored in that hangar is flying, subject to Airport rules and regulations as currently in effect or may hereinafter be implemented.

Prohibited uses include, but are not limited to the following:

- Use as a residence;
- Operation of commercial activities;
- Activities which impede the movement of the aircraft in and out of the hangar or other aeronautical contents of the hangar;
- Activities which displace the aeronautical contents of the hangar or impede access to aircraft or other aeronautical contents of the hangar;
- Storage of household items that could be stored in commercial storage facilities;
- Long-term storage of derelict aircraft and parts;
- Storage of items or activities prohibited by local or state law;
- Fuel, and other dangerous and Hazmat materials;
- Storage of inventory or equipment supporting a municipal agency function unrelated to the aeronautical use; and
- Commercial activity, not including duly registered non-profit flight clubs and subletting the Leased Premises.

2.02. Leased Premises

The Leased Premises encompasses the area in which a lessee will have a property interest. Typically, the Leased Premises is the footprint of a present or planned hangar, but will also include any portion of the Airport in which a lessee wishes to have exclusive use and control. A survey is required to establish the precise dimensions of the Leased Premises.

2.03. Condition of Leased Premises

All lessees warrant and represent that they have carefully and completely examined and inspected the Leased Premises and the lessee fully understands its responsibilities and obligations with respect to the Leased Premises and the Lease. Each lessee accepts the Leased Premises in an “AS IS”, “WHERE IS” condition without representation or warranties from the County as to the condition, suitability, environmental condition, or sufficiency of the Leased Premises for engaging in the non-commercial aeronautical activity described or contemplated by the Lease. Each new lessee, at its sole cost and expense, agrees that it shall be fully responsible for the remediation of any violation of any applicable federal, state, or local environmental regulations or standards on the Leased Premises.

2.04. Lease Term and Extensions

All Airport leases must terminate prior to the end of the useful life of any improvements. The County offers a 20-year fixed term for leases that involve the construction of new hangars and those hangars that have recently undergone major enhancements repairs or can otherwise establish through an inspection—to the written satisfaction of the Manager—an expected useful life of

greater than 30 years. Lessees are also offered up to two 10-year extension options, which may be exercised following a commercial property condition assessment inspection prior to each option period showing a useful life of at least 15 years for the structure.

3. CONSTRUCTION AND IMPROVEMENTS

The following chapter applies to all leases of bare land without an existing hangar and all discretionary improvements to an existing structure.

3.01. Mandatory Improvements

Lessees covenant and agree that they shall construct a hangar and related improvements (collectively the “Project”) on the Leased Premises. The Project and any future alterations, additions, replacements, or modifications to the Project are referred to as the “Improvements.” Completion of the Project in a good and workmanlike manner is required as a condition of the Lease within twelve months of the Commencement Date. Lessees shall construct the Project in accordance with final plans and specification approved by the County in writing. Lessees are solely responsible for the required building permits. Construction of the outside of the hangar building above the concrete slab shall be completely finished 90 days following commencement of framing the hangar.

3.02. Survey

The lessee, at the lessee’s sole expense, will have a survey of the Leased Premises completed by a licensed surveyor. The lessee will provide copies of the survey to the County.

3.03. Authorization for Discretionary Improvements

Following completion of the Project, a lessee may, at its sole discretion, perform modifications, renovations, improvements, or other construction work on or to the Leased Premises so long as it first submits all plans, specifications and estimates for the costs of the proposed work in writing and also requests and receives in writing approval from the County. The County agrees to respond in writing to the lessee’s requests for approval within 30 calendar days of receipt of such requests.

3.04. Process for Approval of Plans

Lessees must receive written approval, where required by law, from the FAA and local planning and building authorities. All plans, specifications, and work shall conform to all federal, state, and local laws, ordinances, rules, and regulations in force at the time the plans are presented for review. Lessee shall supply the Manager with comprehensive sets of documentation relative to the Project and any Improvements, including at a minimum, as-built drawings of each project in computer format, if possible. The County will submit notice for the Project and any Improvements to the FAA as required by FAA rules.

3.05. Title to Improvements

Title to the Project and all Improvements constructed by a lessee during the Term will be and will remain the private property of the lessee during the Term of the Lease. During the Term, a lessee is entitled, for all taxation purposes, to claim cost-recovery deductions and the like on all

Improvements constructed by the lessee. Following the expiration of the Term or earlier termination of this Lease, title to the Improvements will pass pursuant to section 8 below.

3.06. County Cooperation

The County, through the Manager, agrees to cooperate with lessees in all respects in connection with a lessee's construction of the Project and any Improvements, provided that the County will not be required to pay any application fees or incur any other costs or liabilities in connection with the Improvements. The Airport Manager will appear as a witness in any legal or administrative proceedings to the extent reasonably necessary to construct the Project and Improvements.

4. UTILITIES AND MAINTENANCE

4.01. Utilities

Lessees, at their sole cost and expense, shall be responsible for the installation and use of all utility services to all portions of the Leased Premises and for all other related utility expenses, including but not limited to deposits and expenses required for the installation of meters, if necessary. Lessees further covenant and agree to pay all costs and expenses for any extension, maintenance, or repair of any and all utilities serving the Leased Premises. In addition, lessees agree that all utilities, air conditioning and heating equipment, and other electrically operated equipment which may be used on the Leased Premises shall fully comply with all applicable Mechanical, Electrical, Plumbing, Building, and Fire Codes, as they exist or may hereafter be amended. Lessees expressly waive any and all claims, including a claim of County's default of the Lease, against County for compensation for any and all loss or damage sustained by reason of any defect, deficiency, interruption, or impairment of any water supply system, drainage or sewer system, gas supply system, telephone system, electrical supply system, or electrical apparatus or wires serving the Leased Premises.

4.02. Maintenance and Repairs by Lessee

Airport leases are term leases and lessees agree to keep and maintain the Leased Premises in a good, clean and sanitary condition at all times, reasonable wear and tear excepted. Lessees covenant and agree that they will not make or suffer any waste of the Leased Premises. Lessees, at their sole cost and expense, will make all repairs or replacements necessary to prevent the deterioration in condition or value of the Premises, including, but not limited to, the maintenance of and repairs to all hangars and other structures, doors, windows and roofs, and all fixtures, equipment, utilities, hangar modifications and pavement connecting the taxiway, taxi lane, or access road to the hangar foundation of the Leased Premises. Lessees must paint the exterior of the hangar, as needed and reasonably directed by County, with specifications and color to be approved in writing by the Airport Manager. Lessees shall be responsible for all damages caused by them, their agents, servants, employees, contractors, subcontractors, licensees or invitees, and lessees agree to fully repair or otherwise cure all such damages at their sole cost and expense.

Lessees agree that all improvements, trade fixtures, furnishings, equipment and other personal property of every kind or description which may at any time be on the Leased Premises shall be at the lessee's sole risk or at the sole risk of those claiming under the lessee. Neither the County nor the Airport shall be liable for any damage to such property or loss suffered by a lessee which may be caused by the bursting, overflowing or leaking of sewer or steam pipes, from water from any source whatsoever, or from any heating fixtures, plumbing fixtures, electric wires, noise, gas or odors, or from causes of any other matter.

4.03. Access

The County shall have the right and privilege, through its officers, agents, servants or employees, to inspect the Leased Premises. Except in the event of an emergency, the County shall conduct such inspections during customary working hours and shall use its best efforts to provide the lessee at least twenty-four hours' notice prior to any inspection. Lessees will permit the Crook County Fire and Rescue (CCFR) Fire Marshal or his or her authorized agents to inspect the Leased Premises, and lessees will comply with all requirements of the Fire Marshal or his or her authorized agents that are necessary to bring the Leased Premises into compliance with all applicable fire and building code requirements regarding fire safety, as such provisions exist or may hereafter be amended. Lessees shall maintain in proper condition accessible fire extinguishers of a number and type approved by the Fire Marshal or his or her authorized agents for the particular hazard involved.

4.04. Inspections and Repairs

If the County determines during an inspection of the Leased Premises that a lessee is responsible under the Lease for any maintenance or repairs, the County shall notify the lessee in writing. Lessees agree to begin such maintenance or repair work diligently within 30 calendar days following receipt of such notice and to then complete such maintenance or repair work within a reasonable time, considering the nature of the work to be done. If a lessee fails to begin the recommended maintenance or repairs within such time or fails to complete the maintenance or repairs within a reasonable time, County may, in its discretion, perform such maintenance or repairs on behalf of said lessee. In this event, the lessee will reimburse the County for the cost of the maintenance or repairs, and such reimbursement will be due upon receipt of the County's billing.

4.05. County May Perform Required Repairs

During any inspection, the County may perform any obligations that County is authorized or required to perform under the terms of the Lease or pursuant to its governmental duties under federal, state, or local laws, rules, or regulations. In this event, the lessee will reimburse the County for the cost of the maintenance or repairs, and such reimbursement will be due upon receipt of the County's billing.

5. RIGHTS AND RESERVED POWERS OF COUNTY

5.01. Hazards

The County reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, including, but not limited to, the right to prevent a lessee from erecting or permitting to be erected any building or other structure which, in the opinion of the County, would limit the usefulness of the Airport, constitute a hazard to aircraft or diminish the capability of existing or future avigational or navigational aids used at the Airport.

5.02. Development

The County reserves the right to develop and improve the Airport as it sees fit, regardless of the desires or view of a lessee, and without interference or hindrance by or on behalf of a lessee. Accordingly, nothing contained in the Lease shall be construed to obligate the County to relocate a lessee as a result of any such Airport developments or improvements.

5.03. Sponsor Assurances

The County covenants and agrees that during all required periods the County will operate and maintain the Airport and its facilities as a public airport consistent with and pursuant to the Sponsor's Assurances given by the County to the United States Government through the Federal Airport Act; and each lessee agrees that the Lease and lessee's rights and privileges thereunder shall be subordinate to the Sponsor's Assurances.

5.04. Easements

A lessee's rights shall be subject to all existing and future utility and drainage easements and rights-of-way granted by the County for the installation, maintenance, inspection, repair or removal of facilities owned or operated by electric, gas, water, sewer, communication or other utility companies. A lessee's rights shall additionally be subject to all rights granted by any ordinance or statute which allows utility companies to use publicly owned property for the provision of utility services.

5.05. Relocation of a Hangar and Leased Premises

The precise location of the Leased Premises where a hangar is located is subject to County's discretion and modification. The County may compel relocation of a hangar at any time, in which case the County will be responsible for all reasonable relocation costs. The lessee will be responsible for all hangar relocation/reassembly costs when the relocation/reconstruction is at the request and sole benefit of the lessee, or if relocation is due to termination of the Lease.

6. SUB-LEASING AND TRANSFERS

6.01. Limitations on Transfers

Except as permitted in this section, lessees must not, voluntarily or by operation of law, sell or transfer the Lease or any interest therein, sublet the Leased Premises or any part thereof, or grant any right to use the Leased Premises, the improvements, or any respective part thereof (each a "Transfer") without the prior written consent of the County, which must not be unreasonably withheld. Any attempted Transfer without such prior written consent will be void. County's consent to a Transfer will in no event release lessee, any assignee, sublessee, or any guarantor from their

respective liabilities or obligations under the Lease or any guaranty of the Lease (including any liabilities or obligations arising during the Extended Term), nor relieve the lessee from the requirement of obtaining the County's prior written consent to any further Transfer. The County's acceptance of Rent from any other person will not be deemed to be a waiver by the County of any provision of the Lease or consent to any Transfer. The failure or refusal of the County to approve a requested Transfer shall not relieve the lessee of its obligations hereunder, including payment of Rent.

If the lessee is a corporation, partnership, limited liability company, or other entity or unincorporated association, then any Transfer of the Lease by merger, consolidation, liquidation, or change in the ownership or power to vote the majority of the ownership interest of Lessee, will constitute a Transfer for the purposes of this section.

6.02. Assignments Prohibited

Except in the case of an assignment pursuant to a probate proceeding or for estate planning purposes, all assignments of this Agreement are prohibited. An assignment prohibited within the meaning of this section includes, without limitation, one or more sales or transfers, direct or indirect, by operation of law or otherwise, or the creation of new stock or ownership interests, by which ownership or control of an aggregate of more than 50 percent of a lessee's stock or ownership interests must vest in a party or parties who are non-stockholders, partners, or members, as applicable, as of the Commencement Date.

6.03. Subletting

Lessees have the right to sublet portions of the Leased Premises or the improvements only for a term or terms that will expire before the expiration of the Term. It is the responsibility of each lessee to provide the County with a completed information form for each subtenant, with their name, contact information, and tail number. Additionally, each sublease must contain the following terms and conditions:

- (a) The sublease will incorporate the terms, conditions, and covenants set forth in, and state that it is subject and subordinate to, the Lease, this Lease Policy, and to any extensions, modifications, or amendments of the Lease;
- (b) That rents due under the sublease (i) have been assigned to the County (and the lessee hereby assigns the rents to the County), to support performance of the lessee's covenants under the Lease, which assignment will be effective only on the occurrence of any event of default by the lessee under the Lease; and (ii) will, on receipt of written notification from the County that an event of default has occurred under the Lease, be paid by the subtenant directly to the County, subject to section 7 of this Lease Policy, until the subtenant receives written notice from the County that the lessee has cured the event of default or is in the process of curing the event of default in a manner reasonably satisfactory to the County;

(c) If any act or omission of the lessee would give a subtenant the right, immediately or after lapse of a period of time, to cancel or terminate the sublease, or to claim a partial or total eviction, subtenant will not exercise that right: (i) until it has given written notice of the act or omission to the County; and (ii) until a reasonable period of time for the County to cure the condition has passed.

7. ENCUMBRANCES AND LEASEHOLD MORTGAGES

7.01. Liens Granted to County

By statute, the County has a lien against the Improvements, aircraft, and all personal property that lessees store in the hangar, except as provided in ORS 87.156 and 90.120 and other than wearing apparel. This lien attaches upon delinquency and exists and continues for all unpaid amounts that a lessee may owe the County, from time to time, and the County's assertion of the lien does not relieve a lessee from the obligation to pay the annual rent as provided in the Lease. In the event a lessee does not fully and immediately discharge all delinquent unpaid amounts, the County has the right to take and recover possession of the Improvements and satisfy its lien in accordance with Oregon law. The County may also take and recover possession of the stored aircraft and personal property, without notice or other action, exercise its lien against the same, and have and recover all costs and expenses including attorney's fees in connection with the repossession of said hangar, Improvements, aircraft, or personal property and assertion of the lien.

7.02. Defined Terms for Leasehold Mortgages

Any mortgage, deed of trust, financing statement, security agreement, or other financing instrument granted by lessee pursuant to this section 7 is referred to as a "Permitted Leasehold Mortgage," and the holder of or secured party under a Permitted Leasehold Mortgage is referred to as a "Permitted Leasehold Mortgagee." The term "Lending Institution" means any commercial, national, or savings bank, savings and loan association, trust company, pension trust, foundation, or insurance company, and any other entity, person, corporation, partnership, or otherwise making a loan on the security of lessee's interest in the Lease or any portion of the Leased Premises or the Improvements.

7.03. Right to Mortgage Leasehold

Notwithstanding any other provision to the contrary, in addition to any other rights granted and without any requirement to obtain County's consent, lessees have the right to mortgage or grant a security interest in lessee's interest in their lease, the Leased Premises, and the Improvements under one or more leasehold mortgages to one or more Lending Institutions, and to assign their Lease as collateral security for a Permitted Leasehold Mortgage, on the condition that all rights acquired under the leasehold mortgages are subject to every term, covenant, condition, and restriction set forth in the Lease, and to all rights and interests of the County, none of which covenants, conditions, restrictions, rights, or interests is or may be waived by the County by reason of the right

given to mortgage or grant a security interest in lessee's interest in the Lease and the Premises and the Improvements, except as expressly provided otherwise.

7.04. Lender Protections

If a Permitted Leasehold Mortgagee sends to the County a true copy of its Permitted Leasehold Mortgage, together with written notice specifying the name and address of the Permitted Leasehold Mortgagee, then as long as the Permitted Leasehold Mortgage remains unsatisfied of record or until written notice of satisfaction is given by the holder to the County, the following provisions will apply:

7.04.01. No Modifications or Terminations

The Lease may not be (a) amended or modified, or (b) terminated or canceled by reason of the exercise of any option or election by the lessee, or by the giving of any notice by the lessee, unless such amendment, modification, termination, or cancellation by the lessee is assented to in writing by the Permitted Leasehold Mortgagee. Any such attempted amendment or modification, termination, or cancellation by lessee without the Permitted Leasehold Mortgagee's assent is void.

7.04.02. Notice to Permitted Leasehold Mortgages

Upon serving the lessee with any notice under the Lease, whether of default or any other matter, the County will simultaneously serve a copy of the notice on the Permitted Leasehold Mortgagee, and no notice to lessee will be deemed given unless a copy is so served on the Permitted Leasehold Mortgagee in the manner provided in this Lease for giving notices.

7.04.03. Right to Cure

In the event of any default by lessee under the Lease, each Permitted Leasehold Mortgagee has the same period as the lessee has, plus 30 days, after service of notice on it of the default, to remedy or cause to be remedied or commence to remedy and complete the remedy of the default complained of, and the County must accept that performance by or at the instigation of the Permitted Leasehold Mortgagee as if the same had been done by the lessee. Each notice of default given by the County must state the amount of any Rent that is then claimed to be in default.

7.04.04. Right to a New Lease

The County agrees that if a lease is terminated by reason of any default by the lessee, other than for nonpayment of the Rent and other payments herein provided for, the County will enter into a new lease for the Premises and the Improvements with the holder of the then First Leasehold Mortgage on the Lease, or with its nominee or designee, for the remainder of the original Term, effective as of the date of the termination, at the Rent and on the other terms and provisions as herein contained and subject only to the same conditions of title as this Lease was subject on the date of the

execution hereof, and to the rights, if any, of any parties then in possession of the Leased Premises or any portion thereof, provided as follows:

- a. The holder will request the new lease within 30 days after the date of termination of the Lease;
- b. The holder will pay to the County at the time of execution and delivery of the new lease all sums as to which the First Leasehold Mortgagee will have been provided with prior notice and which would at the time of execution and delivery thereof be due under the Lease had it not terminated, together with any expenses, including reasonable attorney fees, to which the County will have been entitled to by reason of the default;
- c. The County will not warrant possession of the Premises to the lessee under the new lease;
- d. The new lease will be expressly made subject to the rights, if any, of lessee under the terminated Lease; and
- e. The tenant under the new lease will have the same right, title, and interest in and to the Premises as the lessee had under the original Lease (except as otherwise provided herein).

7.04.05. Bankruptcy of Lessee

Nothing herein contained will require any holder of a Permitted Leasehold Mortgage or its nominee or designee to cure any default of a lessee arising out of its bankruptcy, insolvency, reorganization, or other proceeding under the bankruptcy or insolvency laws of the United States or the State of Oregon or otherwise.

7.04.06. Insurance Policies

The County agrees that the name of the Permitted Leasehold Mortgagee may be added to the “loss payable endorsement” of any or all insurance policies required to be carried by lessee.

8. TERMINATION AND OWNERSHIP OF IMPROVEMENTS

8.01. Selling the Improvements during the Term of the Lease

A lessee wishing to sell the Improvements during the Term of a Lease must notify the County of its intent to do so. With County approval, the current lessee will typically be given a penalty-free termination of the Lease and a new lease with the buyer of the Improvements will be executed with the same Term ending date as the existing Lease. If an inspection is performed demonstrating a useful life of the improvements of greater than 30 years, the buyer will be offered the County’s standard 20-year lease as described in section 2.04 above.

8.02. Ownership of Improvements at the End of the Lease

A lessee’s right to enter upon the Leased Premises expires on the final day of the Term. Before such expiration of the Term, lessees will, at their cost and expense: (a) perform all property, hangar, and leasehold improvement maintenance and repairs for which the lessee is obligated under the Lease; (b) remove any personal property and improvements, including without limitation a hangar, all aircraft, vehicles, furnishings and furniture, equipment and tools, trade fixtures, and waste and debris

and (c) surrender the Leased Premises, hangar, and leasehold improvements to the County in good condition and free of waste and debris at lessee's expense. With the consent of the County, at the termination of a Lease's term, lessees may transfer ownership of a hangar, leasehold improvements, and alterations on the Leased Premises to the County, at no cost to the County. Said transfer must be free from all claims, rights, encumbrances, and interests of the lessee or a third party without the need for a conveyance document, unless requested by the County.

8.03. No Holdover Period

There shall be no holdover period of any Lease. Should a lessee remain in possession after the expiration of the Term, the Lessee will be considered a tenant at sufferance, which the County may consider as triggering the termination, remedy, and surrender provisions at any time without notice and the lessee will be liable for any and all damages resulting from such unauthorized holdover, including but not limited to any and all damages that the County is required to pay a new tenant for failing to timely deliver any portion of the Leased Premises or the Improvements.

9. FAA REQUIRED PROVISIONS

9.01. Non-Discrimination

All Leases will contain language substantially similar to the following:

The Lessee and all heirs, successors, 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 which a DOT 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.

The Lessee and all heirs, successors, 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 of 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; and
- (3) that the Lessee shall use the premises in compliance with all other 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.

9.02. Subordination

The County may not take or permit any action which would operate to deprive the Airport of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances to the Airport's grant agreements with the FAA. As such, every Airport Lease will reserve all necessary powers in favor of Crook County and subordinate lessee's leasehold interest to the provisions of any existing or future agreement between the County and the United States Government, which relates to the operation or maintenance of the Airport and is required as a condition for the expenditure of federal funds for the development, maintenance or repair of Airport infrastructure. Additionally, during any war or national emergency, the County shall have the right to lease any part of the Airport, including its landing area, to the United States Government. In this event, any provisions of a Lease which are inconsistent with the provisions of the lease to the Government shall be suspended. The County shall not be liable for any loss or damages alleged by a lessee as a result of this action. However, nothing in the Lease shall prevent a lessee from pursuing any rights it may have for reimbursement from the United States Government.

9.03. Aviation Easement

The County reserves for itself and for the public a right of flight for the passage of aircraft in the airspace above the Airport and improvements together with the right to cause noise, vibration, dust, fumes, smoke, vapor, and other effects inherent in the navigation or flight of aircraft and/or operation of the Airport. Each tenant will protect the Airport and Airport property for aeronautical and related uses, will not interfere or impede, and will conduct all activities in a manner that will not adversely affect or interfere with the Airport's operations and those of other lessees and authorized users of the Airport or the general public. Any lessee activities that the Airport Manager determines interfere with or impede the operation, use, or maintenance of the Airport or aeronautical activities are specifically prohibited and will constitute an event of default under the lease.

9.04. Indemnification

Lessees assume all liability and responsibility for property loss, property damage, and/or personal injury of any kind, including death, to any and all persons, of any kind or character, whether real or asserted, arising out of or in connection with its use of the Airport under the lease or with the leasing, maintenance, use, occupancy, existence, or location of the Leased Premises, except to the extent caused by the gross negligence or willful misconduct of the County or Airport Manager, its officers, agents, servants, or employees.

Lessees covenant and agree to, and do to the extent allowed by law, without waiving any defenses provided by law, hereby indemnify, hold harmless, and defend the County, City of Prineville and Airport Manager, their officers, agents, servants, and employees from and against any and all claims or lawsuits for either property damage or loss and/or personal injury, including death, to any and all persons, of any kind or character, whether real or asserted, arising out of or in connection with

lessee's use of the Airport under the Lease or with the use, leasing, maintenance, occupancy, existence, or location of the Leased Premises, except to the extent caused by the gross negligence or willful misconduct of the County or Manager, its officers, agents, servants, or employees.

Lessees assume all responsibility and agrees to pay County, City of Prineville and Airport Manager for any and all injuries or damages to the County's property which arise out of or in connection with any and all acts or omissions of the lessee, its officers, agents, employees, contractors, subcontractors, licensees or invitees, except to the extent caused by the gross negligence or willful misconduct of County, City of Prineville and Airport Manager, their officers, agents, servants, or employees.

County, City of Prineville and Airport Manager do not guarantee police protection to lessees, and sublessees or their property. The Airport is obligated only to provide security adequate to maintain the County's certification under FAA regulations. Lessees shall comply with all applicable regulations of the FAA relating to airport security. Lessees shall pay all fines imposed by the FAA on the County, Airport Manager or the lessee resulting from lessee's or any sublessees' failure to comply with such FAA regulations or to prevent unauthorized persons or parties from their obtaining access to the air operations area of the Airport from the Leased Premises.

10. RENTALS, RATES, FEES, AND CHARGES

10.01. Rent

Rent for all leases is based upon a Fair Market Rent value derived from a Title XI compliant appraisal report and adjusted yearly for inflation. Total Rent is based on the square footage of the Leased Premises and the surrounding Impacted Area.

10.01.01. Initial Rent

Leases for undeveloped lots must pay "Initial Rent," which is an amount calculated to re-coup the County's infrastructure costs. Initial Rent is a one-time fee, for only those lots that are undeveloped at the execution of the Lease.

10.01.02. Impact Area

Other than Initial Rent, Total Rent is the sum of the current Fair Market rent multiplied by the sum of the square footage of the Leased Premises, defined in section 2.02, and the "Impact Area." The Impact Area is measured from the boundary line of the Leased Premises to the midpoint of the centerline of the taxiway, taxi lane, or access road and the length of all setbacks.

10.01.03. Maintenance Fee

The County, in its sole discretion and at any time, reserves the right to institute a Maintenance Fee or other operational charges in addition to Rent. The fee will be based on the Airport's reasonable and necessary expenses for safe and proper maintenance of the Airport common areas. There is currently no such fee.

10.02. Adjustment of Rent

Rent will be adjusted annually effective on January 1st (the “Adjustment Date”). The County will deliver notice to lessees of the amount of the adjustment and the new Rent not less than 30 days before Rent is due each year, calculated pursuant to the provisions below. In no event will annual adjustment operate to decrease Rent.

- **Annual Adjustment:** For the duration of the Term, before each annual due date for Rent except for those years subject to an Appraisal Adjustment, the County will adjust the rent in the same percentage as the increase, if any, in the Consumer Price Index (the “Index”) published by the United States Department of Labor, Bureau of Labor Statistics. The increase will be computed by comparing the schedule entitled “U.S. City Average, All Items, All Urban Consumers, 1982–84=100” for the month of October in the year of the Commencement Date or the prior year’s Rent, as applicable, and October’s figures for the current year of the Adjustment Date. All comparisons will be made using Index figures derived from the same base period. If the Index cited above is revised or discontinued during the Term, then the Index that is designated to replace it by BOMA Oregon will be used.
- **Appraisal Adjustment:** At five-year intervals, the next 2025, the County will procure an Appraisal Report, consistent with Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP) to ascertain Fair Market Rent for all leased space at the Airport, which will form the basis for the adjustment of Rent in that fiscal year.

10.03. Taxes and Assessments

Lessees agree to timely pay any and all federal, state, or local taxes or assessments which may lawfully be levied against a lessee due to a lessee’s use or occupancy of the Leased Premises or any improvements or property placed on the premises by a lessee as a result of its occupancy.

11. INSURANCE

Lessees shall be responsible for any and all property damage insurance for each lessee’s hangar, aircraft, and other property on the Leased Premises. Additionally, lessees, at their sole cost and expense, shall procure and maintain at all times, in full force and effect during the Term of the Lease, a policy or policies of insurance, naming Crook County and the City of Prineville as additional insureds and covering all risks arising directly or indirectly out of the lessee’s activities at the Leased Premises, including but not limited to (1) coverage for hangar premises liability of others; (2) aircraft liability; and (3) if the lessee or any occupant of the Leased Premises has property of others, including aircraft, in their care, custody, or control then they shall maintain hangar keeper’s liability coverage with limits adequate to cover the potential damage. The limits for all such policies shall exceed the minimum of the current statutory limits of liability for the County under the Oregon Tort Claims Act, which as of June 2023 are \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Evidence of the required insurance coverages issued by an insurance company satisfactory to the County shall be provided to the County by way of a County-approved certificate of insurance

upon execution of a Lease and each time Rent is due. The certificate of insurance shall contain a requirement that the insurance company notify the County 30 days prior to any cancellation or material change in coverage. If the approved insurance company will not provide this 30-day notice, a lessee shall provide written notice to the County within two calendar days after the lessee becomes aware that its coverage has been cancelled or has been materially changed. Regardless of what circumstances caused the lessee's insurance coverage to cease or be modified, it is the lessee's responsibility to notify the County.

12. HAZARDOUS SUBSTANCES

Only hazardous materials used to facilitate aeronautical activities are allowed at the Airport. All hazardous materials stored in a hangar must be stored in Department of Transportation and OSHA approved containers and disposed of per hazardous waste requirements, as required by law. The total volume of stored hazardous materials may not exceed 5 US gallons. The storage of engine oil, in the manufacturer's original containers, will not be included in the calculation of the total allowable storage volume. To minimize fire hazard and hazardous waste contamination issues, the following actions are prohibited in a hangar: using combustible chemicals or cleaning solvents, fuel system draining, fuel system repair (except where the fuel system has been drained), chemical stripping, chemical washing, and painting (except as described elsewhere in this Lease Policy). Any hot work (i.e., cutting, welding, brazing, soldering, and grinding) may not be performed inside a hangar; any such work performed in the hangar itself must be done by a person properly licensed to perform such work. A lessee, and all persons performing work on a lessee's behalf, must at all times comply with all applicable current state and local laws, ordinances, regulations, and fire prevention codes.