



**Tillamook Urban Renewal Agency
210 Laurel Avenue
Tillamook, Oregon 97141**

Phone: 503-842-2472

Fax: 503-842-3445

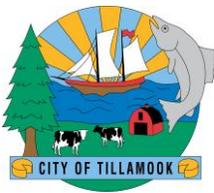
**Public Meeting Notice
November 9, 2011 - 5:30 PM
Tillamook City Hall – 210 Laurel Avenue – Tillamook Oregon 97141
Meeting Agenda**

1. **Call to Order and Roll Call**
2. **Approval of Minutes:** Regular Meeting Minutes of October 26, 2011
3. **Approval of Bills:** \$6,039.63
4. **Approval of Financial Report:** None
5. **Public Non-Agenda Items:** Public Concerns/Comments (5 minute limitation).
6. **Pending Business:**
 - a) City/TURA Parking Lot Lease Agreement DRAFT
 - b) Plan Amendment Summary Report from Elaine Howard Consulting – Discussion and Recommendations
 - c) Update on the Financing of 3rd Street Improvement Project
7. **New Business:**
 - a) Discuss Reschedule of November 23, 2011 Board Meeting
 - b) Discuss and Set Dates for Work Sessions Regarding Planning for Future Projects
8. **Committee Reports and Project Updates:**
 - a) Beals Building Update
 - b) Elks Lodge Update
9. **Correspondence/Information:**
 - a) Certificate of Liability for Economic Consultants (Elaine Howard)
10. **Concerns of the Board/ Non-Agenda Items**
11. **TURA Meetings:**
 - a) Potential Rescheduled Board Meeting – November 30, 2011 @ 5:30 pm
12. **Adjournment**

This is a public meeting per ORS Chapter 192. The Board reserves the right to adjourn into Executive Session per ORS 192.660. The meeting location is accessible to persons with disabilities. Please contact the office of the City Manager of Tillamook at 503-842-2472 should special accommodations be required for citizens with visual or hearing impairment. Persons with hearing impairments may contact the Oregon Relay Service at 1-800-648-3458 (TDD) OR 1-800-648-4442 (VOICE)

**Posted November 7, 2011
Tillamook Fire District * Tillamook City Hall * Tillamook County Library *Tillamook County Court House**

Agency Board Members:
Chair: Don Hurd; Vice-Chair: Carolyn Decker
Cheryl Davy, John Sandusky, Alene Allen, Lynda Casey, Dave Schrom
Administrator: Paul Wyntergreen, Executive Assistant: Debbi Reeves



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**TURA Regular Meeting
Wednesday – October 26, 2011 - 5:30 P.M.**

Board Members Present:

Chairman Don Hurd
Vice Chair Carolyn Decker
Alene Allen
Lynda Casey
Dave Schrom

Board Members Absent:

John Sandusky (excused)
Cheryl Davy (excused)

Staff Present:

Administrator Paul Wyntergreen; Executive Assistant Debbi Reeves

Guests/Public:

Steve Kershaw

1. **Call to Order and Roll Call:** Chairman Hurd called the meeting to order at 5:30 p.m. Reeves did the roll call. Sandusky and Davy were excused.
2. **Approval of the Minutes:** Chairman Hurd asked for approval of the minutes.
 - Allen made a motion to approve the minutes of October 12, 2011 as presented. Casey seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.
3. **Approval of the Bills:** None
4. **Financial Report:** Chairman Hurd said the September 30, 2011 Financial Statement included in the packets needed approval. Decker asked about the brackets on the statement, which Wyntergreen explained. There were no other questions.
 - Schrom made a motion to approve the financial report of September 30, 2011 as presented. Allen seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.
5. **Public Non-Agenda Items:** Steve Kershaw asked if TURA is involved with the sidewalks in the city. He voiced his concerns and this was discussed. There was also some discussion of parking in downtown Tillamook.

6. Pending Business:

a) **City/TURA Parking Lot Lease:** Chairman Hurd has spoken with Attorney Sam Kuzma but the lease is not ready yet. He will call Kuzma tomorrow and will try to have the lease agreement ready for the November 7th City Council meeting.

7. New Business:

a) **Financing the 3rd Street Project:** Chairman Hurd, Wyntergreen, and Reeves met with representatives from Sterling Bank on October 24th and will meet with representatives from Bank of Astoria on October 31st to request proposals for the financing of the 3rd Street construction costs. Hurd noted TLC Federal Credit Union sent back an email with a lower interest rate than previously submitted. Hurd said the agency is looking at several options to show “due diligence” in taking this extra step in this large financing request.

b) **Steven Kershaw Façade Grant Application:** Chairman Hurd, Casey, and Reeves met with Kershaw on October 24th to review and discuss the façade application. Painting, cleaning, lighting, and awnings were discussed. Kershaw explained all of his plans. He spoke about the building and adjacent buildings. The board discussed the application. Hurd would like the Streetscapes Committee to look into a blade signs and a program. There was discussion about the contractor quote.

➤ Decker made a motion to approve up to \$5,000 to Steven Kershaw in the form of a grant for upgrades to his building as submitted in his application. Casey seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.

c) **3rd Street Engineering Invoice:** Chairman Hurd stated the next agenda item was approval of the 3rd Street Engineering Invoice for the month of October.

➤ Schrom made a motion to approve the 3rd Street Engineering invoice for \$719.89. Allen seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.

8. Committee Reports and Project Updates:

a) **Plan Amendment:** Chairman Hurd asked Reeves if she had spoken to Howard about attending a meeting. Reeves will call her and see if something can be set up. There was board discussion about the financial data being compiled by Howard. The board would like Howard to come to the November 9th meeting if possible.

b) **Beals Building:** Chairman Hurd mentioned a there was a handout for an amendment to the agreement with Marilyn Saito. Reeves explained the monthly payment had been calculated incorrectly and that she has spoken with Saito about the change. Saito has agreed to a \$500

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Don Hurd: Chairman; Vice Chair; Carolyn Decker
Cheryl Davy, John Sandusky, Alene Allen, Lynda Casey, Dave Schrom
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balloon payment at the end of the contract term. There was discussion about the awning and final payment. **Reeves** said **Saito** will contact NW Awning and give her final approval then the balance of the invoice will be paid. The building and colors were discussed.

➤ **Casey made a motion to approve the First Amendment to the Beals Building Façade Loan and Grant Agreement as presented. Schrom seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.**

c) **Elks Lodge: Chairman Hurd** spoke about the upgrades to the Elks building and everyone agreed it looks very nice. There was discussion about the windows, the trim, the awning, and the other items that will be completed. He also noted a request for payment of \$1,680.00 for removal of the metal from the windows had been sent in from the Elks for reimbursement. **Chairman Hurd** explained an amendment to the agreement, which was handed out to the board. This amendment will include the other upgrades agreed upon at the October 12, 2011 meeting.

➤ **Allen made a motion to reimburse the Elks Club \$1680.00 as requested. Decker seconded the motion. Ayes were received by all board members seated. The motion passed unanimously**

➤ **Schrom made a motion to approve the First Amendment to the Elks Lodge Grant agreement to amend the total grant amount not to exceed \$7,345 as presented at the October 12, 2011 meeting. Decker seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.**

9. **Correspondence/Information:** **Reeves** explained the Tax Revenue information included in the board packet for fiscal year 2011-2012.

10. **Concerns of the Board:** **Chairman Hurd** mentioned the City Beautification Committee has met. **Wyntergreen** handed out a letter of request from the City to TURA for partial funding of playground equipment for Goodspeed Park. He explained what had been presented by the Beautification committee. The board discussed the request of \$26,583.88 and the prior playground equipment proposal from last spring. At that time, \$21,000.00, had been committed by TURA for playground equipment. **Wyntergreen** noted the grant applied for at that time had not been successful. There was discussion about installation and freight costs. **Allen** asked if there was any further discussion of the Carlich House and Goodspeed Park. There has been no further discussion of that.

➤ **Casey made a motion to approve \$21,000 toward the purchase of playground equipment for Goodspeed Park. Decker seconded the motion. Ayes were received by all board members seated. The motion passed unanimously.**

Wyntergreen will advise the Beautification Committee of the counter proposal. **Schrom** noted his thoughts and ideas pertaining to additional costs for the park. **Wyntergreen** will get some estimates of costs to improve the tennis and basketball courts at the park. **Allen**

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asked about the amount of parking spaces for the park and **Wyntergreen** thought they were sufficient at this time.

Reeves asked if all the board members had sent the audit survey back to the auditor. She will send it out again for completion.

Schrom spoke about sign designs and if the Streetscapes and Associations Committees were in conflict at all. **Wyntergreen** explained Streetscapes are looking at blade signs and the Associations Committee is working on directions and informational signs. TURA is interested in individual business signs. **Decker** would like to see signs that tell travelers where the next gas, food, etc. is located.

There was discussion about the upcoming ODOT project at 1st Street and Pacific. **Wyntergreen** has spoken with the Pioneer Museum about the area to the north of them.

11. **Meetings:** The next regular TURA meeting is November 9, 2011 at 5:30 p.m.
12. **Adjournment:** **Chairman Hurd** adjourned the meeting at 6:37 P.M.

Prepared by:
Debbi Reeves
Administrative Assistant

Reviewed by:

Don Hurd – Chairman

12:50 PM
November 7, 2011
Cash Basis

Tillamook Urban Renewal Agency
Check Report
November 9, 2011

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Split</u>	<u>Paid Amount</u>
Nov 9, 11					
11/9/2011	598	Northwest Awning & Sign Inc	70070 Beals Building Facade Grant	70070 · Facade Loan Grant	-4,215.00
11/9/2011	599	City of Tillamook	62145 October Web Services	62145 · Internet Web Services	-32.13
11/9/2011	600	Bryan P. Fitzsimmons CPA	62142 October CPA Services	62142 · Financial/Audit Service	-750.00
11/9/2011	601	TLC Federal Credit Union	70148 3rd Street LOC Interest	70148 · TLC Loan #148 3rd St Enginee...	-992.37
11/9/2011	602	Tillamook PUD	70106 Project Fees - Electrical 1st Street...	70106 · Project Fees	-50.13
Nov 9, 11					-6,039.63

Debbi Reeves

From: Sam Kuzma <skuzma@johntuthill.com>
Sent: Friday, November 04, 2011 12:09 PM
To: Hurds Upholstery
Cc: dreeves@tillamookor.gov
Subject: TURA and City of Tillamook Lease Agreement.
Attachments: Lease TURA CofT-11-3-11-draft.pdf

Dear Mr. Hurd:

Attached please find a draft version of the Lease Agreement between TURA and the City of Tillamook that I have prepared at your request. I would draw your attention to the following:

- (1) I would like to have legal descriptions for both parking lots to incorporate into the Agreement as exhibits;
- (2) Please review Section 1.3: I do not know if you want to specify the number of terms that the lease can be renewed;
- (3) Section 6: I don't know if you want to identify specifically what type of policy or policies TURA is requiring;
- (4) Section 10.3: Please review this paragraph and then advise which option or options you want included and in what amount the coverages should be;
- (5) Section 16: This is how I understood the agreement between the parties. Please review and confirm it is as you wanted;
- (6) Section 17: Please review this section and ensure that it accomplishes everything you wanted; based on what you have told me, I believe it does;
- (7) Interest: You will notice that there are several places where interest amounts are identified. I inserted the statutory interest amount (9% per annum), but obviously we can change that to whatever amount you think appropriate;
- (8) To make sure I am understanding the arrangement correctly, the RV parking spaces are in the 1st Street parking lot? Also, in your August 15 letter to Mayor Weber and the City Council, you mention that there would be a two hour time limit. I assume you're talking about the Dutch Mill parking lot? If so, isn't what you and I discussed in my office that we wanted not to identify a specific time limit, but leave it open-ended for TURA to determine?

As always, please let me know if you have any questions. I will wait to hear your response and any requested revisions.

Thank you,

Sam Kuzma

--

Samuel J. Kuzma

John H. Tuthill & Associates

Haberlach Building

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Tillamook, Oregon 97141

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LEASE AGREEMENT

Date: November ___, 2011

Between: Tillamook Urban Renewal Agency (“Landlord”)
210 Laurel Avenue, Tillamook, Oregon 97141

And: City of Tillamook (“Tenant”)
210 Laurel Avenue, Tillamook, Oregon 97141

Landlord leases to Tenant and Tenant leases from Landlord the following described property (the “Premises”) on the terms and conditions stated below:

Section 1. Occupancy

1.1 Original Term. The term of this lease shall commence November ___, 2011, and continue through November ___, 2013, unless sooner terminated as hereinafter provided.

1.2 Possession. Tenant’s right to possession and obligations under the lease shall commence on November ___, 2011.

1.3 Renewal Option. If the lease is not in default when each option is exercised or when the renewal term is to commence, Tenant shall have the option to renew this lease for five (5) successive terms of two (2) years each, as follows:

(1) Each of the renewal terms shall commence on the day following expiration of the preceding term;

(2) The option may be exercised by written notice to Landlord given not less than 120 days before the last day of the expiring term; and

(3) The terms and conditions of the lease for each renewal term shall be identical with the original term except for rent and except that Tenant will no longer have any option to renew this lease that has been exercised. Rent amount for a renewal term shall be proposed by Tenant in writing to Landlord not less than 120 days before the last day of the expiring term. Landlord may then accept or decline Tenant’s proposed rent amount and shall do so in writing to Tenant not less than 60 days before the last day of the expiring term. If the Landlord declines Tenant’s proposed rent amount, the lease shall not be renewed and shall expire at the end of the then-current lease term.

Section 2. Percentage Rent

2.1 Amount. Tenant shall pay to Landlord as percentage rent an amount equal to ten percent (10%) of Tenant's annual gross receipts received by Tenant for monthly parking fees for the Premises.

2.2 Definition of Gross Receipts. The term *gross receipts* means the amount paid or payable for all services sold or provided from the Premises by Tenant or any other party, for cash or on credit and including the value of any exchanges. Services rendered by Tenant, directly or indirectly, from any other Premises because of orders originating in or arising out of business transacted on the Premises are included.

2.3 Quarterly Payments. Payments of percentage rental shall be made every three (3) months from the date of this Agreement with an adjustment to an annual basis at the end of each calendar year as provided below. Each quarterly payment shall be determined by applying the percentage to the gross receipts for the quarter.

2.4 Annual Adjustment. On or before February 15 of each year, Tenant shall submit to Landlord an unaudited statement for the preceding year showing Tenant's total gross receipts, the aggregate percentage rental payable, and the amount actually paid. Any deficiency shall be paid on submission of the statement. Any excess shall be reimbursed to Tenant by Landlord within 30 days after receipt of the statement unless within that time Landlord requests an audit.

2.5 Audit. Within three (3) months after Tenant's statement of annual receipts and rent is due, whether or not it has been submitted and whether or not Landlord has accepted a deficiency payment or refunded an excess, Landlord may request an audit of Tenant's gross receipts by an independent certified public accountant chosen by Tenant from a list of not fewer than three submitted by Landlord in conjunction with the request. If Tenant does not make the choice within five days, Landlord may do so. The auditor shall have access to all of Tenant's records and shall take such steps as the auditor deems necessary to make a certified audit. The report shall be final and binding on both parties, and payments required to make adjustments in rent to conform to the report shall be made within five days after receipt of the report. The cost of the audit shall be borne by either or both parties depending on the difference in percentage rent shown to be due, as follows: less than 1% additional due—by Landlord; from 1% to 3% additional due—by Tenant and Landlord equally; over 3% additional due—by Tenant. If the audit discloses more than 6% additional due, Landlord will have the right to terminate this lease.

2.6 Records. Tenant shall keep proper books of account and other records pertaining to gross receipts and render quarterly statements of gross

receipts at the time quarterly payments of percentage rent are due. The books and records shall be kept or made available at a location reasonably accessible to Landlord, who may inspect all such books and records, and copies of Tenant's federal and state income tax returns for relevant years, at all reasonable times to verify Tenant's gross receipts. Tenant shall submit to Landlord a copy of any sales report filed by Tenant with any local, state, or federal taxing authority promptly after filing.

2.7 Continuous Operation. Tenant shall occupy the Premises continuously for the purpose stated in this lease and carry on business during the hours customary in comparable businesses similarly situated. This provision shall not prevent Tenant from closing for brief periods when reasonably necessary for repairs or other legitimate purpose related to the business carried on, or when closure is the result of a labor dispute, however caused, or other factors not within Tenant's control.

2.8 No Partnership. Landlord is not by virtue of this section a partner or joint venturer with Tenant in connection with the business carried on under this lease, and shall have no obligation with respect to Tenant's debts or other liabilities, and no interest in Tenant's profits other than those identified in Section 2.1, above.

2.9 Additional Rent. All taxes, insurance costs and utility charges that Tenant is required to pay by this lease, and any other sum that Tenant is required to pay to Landlord or third parties shall be additional rent.

Section 3. Use of the Premises

3.1 Permitted Use. The Premises shall be used for monthly fee parking lot purposes and for no other purpose without the written consent of Landlord. If this use is prohibited by law or governmental regulation, this lease shall terminate.

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

(1) Conform to all applicable laws and regulations of any public authority affecting the Premises and the use, and correct at Tenant's own expense any failure of compliance created through Tenant's fault or by reason of Tenant'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 Landlord from taking advantage of any ruling of the Oregon Insurance Rating Bureau, or its successor, allowing Landlord to obtain reduced premium rates for long-term insurance policies, unless Tenant pays the additional cost of the insurance;

(3) Refrain from any use that would be reasonably offensive to other tenants or owners or users of neighboring Premises or that would tend to create a nuisance or damage the reputation of the Premises;

(4) Retain four (4) RV parking spaces on the Premises as free public parking; and

(5) Increase the monthly fee amount for parking spaces on the Premises from \$20 per parking space to \$30 per parking space.

3.3 Hazardous Substances. Tenant shall not cause or permit any Hazardous Substance to be spilled, leaked, disposed of, or otherwise released on or under the Premises. Tenant shall comply with all Environmental Laws and exercise the highest degree of care in the use, handling, and storage of Hazardous Substances and shall take all practicable measures to minimize the quantity and toxicity of Hazardous Substances used, handled, or stored on the Premises. On the expiration or termination of this Lease, Tenant shall remove all Hazardous Substances from the Premises. The term *Environmental Law* shall mean any federal, state, or local statute, regulation, or ordinance or any judicial or other governmental order pertaining to the protection of health, safety, or the environment. The term *Hazardous Substance* shall mean any hazardous, toxic, infectious, or radioactive substance, waste, and material as defined or listed by any Environmental Law and shall include, without limitation, petroleum oil and its fractions.

Section 4. Repairs and Maintenance

4.1 Landlord's Obligations. Landlord shall be under no obligation to make or perform any repairs, maintenance, replacements, alterations, or improvements on the Premises.

4.2 Tenant's Obligations. Tenant, at its expense, shall keep the Premises in first-class repair, operating condition, working order, and appearance. The following shall also be the responsibility of Tenant:

(1) Repair and maintenance of sidewalks, drives, curbs and parking areas;

(2) Any repairs necessitated by the negligence of Tenant, its agents, employees, and invitees; and

(3) Any repairs or alterations required under Tenant's obligation to comply with laws and regulations as set forth in Section 3.2(1).

4.3 Reimbursement for Repairs Assumed. If Tenant fails or refuses to make repairs that are required by this Section 4, Landlord may make the repairs and charge the actual costs of repairs to Tenant. Such expenditures by Landlord shall be reimbursed by Tenant on demand together with interest at the rate of nine

percent (9%) per annum from the date of expenditure by Landlord. Except in an emergency creating an immediate risk of personal injury or property damage, neither party may perform repairs that are the obligation of the other party and charge the other party for the resulting expense unless at least twenty-one (21) days before work is commenced, and the defaulting party is given notice in writing outlining with reasonable particularity the repairs required, and such party fails within that time to initiate such repairs in good faith.

4.4 Inspection of Premises. Landlord shall have the right to inspect the Premises at any reasonable time or times to determine the necessity of repair.

Section 5. Alterations

5.1 Alterations Prohibited. Tenant shall make no improvements or alterations on the Premises of any kind without first obtaining Landlord'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 Landlord or Tenant shall be the property of Landlord when installed unless the applicable Landlord's consent or work sheet specifically provides otherwise. Improvements and alterations performed by Tenant shall, at Landlord's option, be removed by Tenant and the Premises restored unless the applicable Landlord's consent or work sheet specifically provides otherwise.

Suggested Form of Work Sheet

WORK SHEET

Attached to and made part of a lease dated November ____, 2011, between TURA, Landlord, and City of Tillamook, Tenant.

The following work is to be done on the Premises by the _____ at the Tenant's expense:

The work shall be commenced promptly by _____, 20__ subject only to delays caused by factors not within the party's reasonable control.

Tenant [shall / shall not] be required on termination of the lease to remove the alterations and improvements effected by the above work and to restore the Premises to the condition that existed before the work was done.

Landlord: TILLAMOOK URBAN RENEWAL AGENCY

Don Hurd, Chairman

Date

Tenant: CITY OF TILLAMOOK

Paul Wyntergreen, Manager

Date

Section 6. Insurance

6.1 Insurance Required. Tenant shall keep the Premises insured at Tenant's expense by an insurance policy with an endorsement for extended coverage. Tenant shall bear the expense of any insurance insuring the property of Tenant 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 any of the risks enumerated in an 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 Property Taxes. Tenant shall apply for tax exempt status of the Premises. If Tenant is unable to obtain tax exempt status for the Premises, Tenant shall pay as due all real property taxes and special assessments levied against the Premises. As used herein, real property taxes includes any fee or charge relating to the ownership, use, or rental of the Premises, other than taxes on the net income of Landlord or Tenant.

7.2 Special Assessments. If an assessment for a public improvement is made against the Premises, Landlord may elect to cause such assessment to be paid in installments, in which case all of the installments payable with respect to the lease term shall be treated the same as general real property taxes for purposes of Section 7.1.

7.3 Contest of Taxes. Tenant shall be permitted to contest the amount of any tax or assessment as long as such contest is conducted in a manner that does

not cause any risk that Landlord's interest in the Premises will be foreclosed for nonpayment.

7.4 Proration of Taxes. Tenant's share of real property taxes and assessments for the years in which this lease commences or terminates shall be prorated based on the portion of the tax year that this lease is in effect.

7.5 New Charges or Fees. If a new charge or fee relating to the ownership or use of the Premises or the receipt of rental therefrom or in lieu of property taxes is assessed or imposed, then, to the extent permitted by law, Tenant shall pay such charge or fee. Tenant, however, shall have no obligation to pay any income, profits, or franchise tax levied on the net income derived by Landlord from this lease.

7.6 Payment of Utilities Charges. Tenant shall pay when due all charges for services and utilities incurred in connection with the use, occupancy, operation, and maintenance of the Premises, including (but not limited to) charges for fuel, water, gas, electricity, sewage disposal, power, refrigeration, air conditioning, telephone, and janitorial services. If any utility services are provided by or through Landlord, charges to Tenant shall be comparable with prevailing rates for comparable services. If the charges are not separately metered or stated, Landlord shall apportion the charges on an equitable basis, and Tenant shall pay its apportioned share on demand.

Section 8. Damage and Destruction

8.1 Partial Damage. If the Premises are partly damaged and Section 8.2 does not apply, the Premises shall be repaired by Tenant at Tenant's expense. Repairs shall be accomplished with all reasonable dispatch subject to interruptions and delays from labor disputes and matters beyond the control of Tenant and shall be performed in accordance with the provisions of Section 4.2.

8.2 Destruction. If the Premises are destroyed or damaged such that the cost of repair exceeds fifty percent (50%) of the value of the property 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 Tenant shall be entitled to the reimbursement of any prepaid amounts paid by Tenant and attributable to the anticipated term. If neither party elects to terminate, Tenant 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 Tenant's reasonable control.

8.3 Rent Abatement. Rent shall be abated during the repair of any damage to the extent the Premises are untenantable, except that there shall be no rent abatement where the damage occurred as the result of the fault of Tenant.

8.4 Damage Late in Term. If damage or destruction to which Section 9.2 would apply occurs within one year before the end of the then-current lease term, Tenant may elect to terminate the lease by written notice to Landlord given within 30 days after the date of the damage. Such termination shall have the same effect as termination by Landlord under Section 8.2.

Section 9. Eminent Domain

9.1 Partial Taking. If a portion of the Premises is condemned and Section 9.2 does not apply, the lease shall continue on the following terms:

(1) Landlord shall be entitled to all of the proceeds of condemnation, and Tenant shall have no claim against Landlord as a result of the condemnation;

(2) Landlord shall proceed as soon as reasonably possible to make such repairs and alterations to the Premises as are necessary to restore the remaining Premises to a condition as comparable as reasonably practicable to that existing at the time of the condemnation;

(3) After the date on which title vests in the condemning authority or an earlier date on which alterations or repairs are commenced by Landlord to restore the balance of the Premises in anticipation of taking, the rent shall be reduced in proportion to the reduction in value of the Premises as an economic unit on account of the partial taking. If the parties are unable to agree on the amount of the reduction of rent, the amount shall be determined by arbitration in the manner provided in Section 19; and

(4) If a portion of Landlord's property not included in the Premises is taken, and severance damages are awarded on account of the Premises, or an award is made for detriment to the Premises as a result of activity by a public body not involving a physical taking of any portion of the Premises, this shall be regarded as a partial condemnation to which Sections 9.1(1) and 9.1(3) apply, and the rent shall be reduced to the extent of reduction in rental value of the Premises as though a portion had been physically taken.

9.2 Total Taking. If a condemning authority takes all of the Premises or a portion sufficient to render the remaining Premises reasonably unsuitable for the use that Tenant was then making of the Premises, the lease shall terminate as of the date the title vests in the condemning authorities. Such termination shall have the same effect as a termination by Landlord under Section 8.2. Landlord shall be entitled to all of the proceeds of condemnation, and Tenant shall have no claim against Landlord as a result of the condemnation.

9.3 Sale in Lieu of Condemnation. Sale of all or part of the Premises to a purchaser with the power of eminent domain in the face of a threat or probability of the exercise of the power shall be treated for the purposes of this Section 9 as a taking by condemnation.

Section 10. Liability and Indemnity

10.1 Liens

(1) Except with respect to activities for which Landlord is responsible, Tenant shall pay as due all claims for work done on and for services rendered or material furnished to the Premises, and shall keep the Premises free from any liens. If Tenant fails to pay any such claims or to discharge any lien, Landlord may do so and collect the cost as additional rent. Any amount so added shall bear interest at the rate of nine percent (9%) per annum from the date expended by Landlord and shall be payable on demand. Such action by Landlord shall not constitute a waiver of any right or remedy which Landlord may have on account of Tenant's default.

(2) Tenant may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, as long as Landlord's property interests are not jeopardized. If a lien is filed as a result of nonpayment, Tenant shall, within 10 days after knowledge of the filing, secure the discharge of the lien or deposit with Landlord cash or sufficient corporate surety bond or other surety satisfactory to Landlord in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

10.2 Indemnification. Tenant shall indemnify and defend Landlord from, and reimburse Landlord for, any cost, claim, loss, or liability suffered directly or from a third-party claim arising out of or related to any activity of Tenant on the Premises or any condition of the Premises in the possession or under the control of Tenant including any such cost, claim, loss, or liability that may be caused or contributed to in whole or in part by Landlord's own negligence or failure to effect any repair or maintenance required by this lease and including without limitation any cost, claim, loss, or liability suffered directly or from a third-party claim for damage to the Premises or any other persons or property arising out of or related to Tenant's failure to comply with Section 3.3. Landlord shall have no liability to Tenant for any injury, loss, or damage caused by third parties, or by any condition of the Premises (except to the extent caused by Landlord's negligence or breach of duty under this lease).

Landlord shall have no liability for the failure or interruption of utilities.

10.3 Liability Insurance. Before going into possession of the Premises, Tenant shall procure and thereafter during the term of the lease shall continue to carry the following insurance at Tenant's cost: ??[comprehensive general liability insurance in a responsible company with limits of not less than \$300,000–1,000,000 for injury to one person, \$(500,000–3,000,000) for injury to two or more persons in one occurrence, and \$(300,000–1,000,000) for damage to property] OR [commercial general liability policy (occurrence version) in a responsible company with coverage for bodily injury and property damage liability, personal and advertising injury liability, and medical payment with a general aggregate limit of not less than \$_____ and a per occurrence limit of not less than \$_____]??]. Such insurance shall cover all risks arising directly or indirectly out of Tenant's activities on or any condition of the Premises whether or not related to an occurrence caused or contributed to by Landlord's negligence. Such insurance shall protect Tenant against the claims of Landlord on account of the obligations assumed by Tenant under Section 10.2, and shall name Landlord as an additional insured. Certificates evidencing such insurance and bearing endorsements requiring 10 days' written notice to Landlord before any change or cancellation shall be furnished to Landlord before Tenant's occupancy of the property.

Section 11. Quiet Enjoyment; Mortgage Priority

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

11.2 Mortgage Priority. This lease is and shall be prior to any mortgage or deed of trust ("Encumbrance") recorded after the date of this lease and affecting the Premises. However, if any lender holding such an Encumbrance requires that this lease be subordinate to the Encumbrance, then Tenant agrees that the lease shall be subordinate to the Encumbrance if the holder thereof agrees in writing with Tenant that as long as Tenant performs its obligations under this lease no foreclosure, deed given in lieu of foreclosure, or sale pursuant to the terms of the Encumbrance, or other steps or procedures taken under the Encumbrance shall affect Tenant's rights under this lease. If the foregoing condition is met, Tenant shall execute the written agreement and any other documents required by the holder of the Encumbrance to accomplish the purposes of this paragraph. If the Premises are sold as a result of foreclosure of any Encumbrance thereon, or otherwise transferred by Landlord or any successor, Tenant shall attorn to the purchaser or transferee.

11.3 Estoppel Certificate. Either party will, within 20 days after notice from the other, execute and deliver to the other party a certificate stating whether or not this lease has been modified and is in full force and effect and specifying any modifications or alleged breaches by the other party. The certificate shall also state the amount of quarterly base rent, the dates to which rent has been paid in advance, and the amount of any security deposit or prepaid rent. Failure to deliver the certificate within the specified time shall be conclusive on the party from whom the certificate was requested that the lease is in full force and effect and has not been modified except as represented in the notice requesting the certificate.

Section 12. Assignment and Subletting

No part of the Premises may be assigned, mortgaged, 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 Landlord. This provision shall apply to all transfers by operation of law. No consent in one instance shall prevent the provision from applying to a subsequent instance. Landlord may withhold or condition such consent in its sole and arbitrary discretion.

Section 13. Default

The following shall be events of default:

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

13.2 Default in Other Covenants. Failure of Tenant 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 Landlord 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 Tenant 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.

13.3 Insolvency. Insolvency of Tenant; an assignment by Tenant for the benefit of creditors; the filing by Tenant of a voluntary petition in bankruptcy; an adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant; the filing of any involuntary petition of bankruptcy and failure of Tenant to secure a dismissal of the petition within 30 days after filing; attachment of or the levying of execution on the leasehold interest and failure of Tenant to secure discharge of the attachment or release of the levy of execution within 10 days shall constitute a default. If Tenant consists of two or more individuals or business entities, the events of default specified in this Section 13.3

shall apply to each individual unless within 10 days after an event of default occurs, the remaining individuals produce evidence satisfactory to Landlord that they have unconditionally acquired the interest of the one causing the default. If the lease has been assigned, the events of default so specified shall apply only with respect to the one then exercising the rights of Tenant under the lease.

13.4 Abandonment. Failure of Tenant for thirty (30) days or more to occupy the Premises for one or more of the purposes permitted under this lease, unless such failure is excused under other provisions of this lease.

Section 14. Remedies on Default

14.1 Termination. In the event of a default the lease may be terminated at the option of Landlord by written notice to Tenant pursuant to Section 16, below. Whether or not the lease is terminated by the election of Landlord or otherwise, Landlord shall be entitled to recover damages from Tenant for the default, and Landlord may reenter, 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.

14.2 Reletting. Following reentry or abandonment, Landlord may relet the Premises and in that connection may make any suitable alterations or refurbish the Premises, or both, or change the character or use of the Premises, but Landlord shall not be required to relet for any use or purpose other than that specified in the lease or which Landlord may reasonably consider injurious to the Premises, or to any tenant that Landlord may reasonably consider objectionable. Landlord may relet all or part of the Premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this lease, on any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

14.3 Damages. In the event of termination or retaking of possession following default, Landlord shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the lease term, the following amounts as damages:

- (1) The loss of rental from the date of default until a new tenant is, or with the exercise of reasonable efforts could have been, secured and paying out;
- (2) The reasonable costs of reentry and reletting including without limitation the cost of any cleanup, refurbishing, removal of Tenant's property and fixtures, costs incurred under Section 14.5, or any other expense occasioned by Tenant's default including but not limited to, any remodeling or repair costs, attorney fees, court costs, broker commissions, and advertising costs; and

(3) Any excess of the value of the rent and all of Tenant's other obligations under this lease over the reasonable expected return from the Premises for the period commencing on the earlier of the date of trial or the date the Premises are relet, and continuing through the end of the term. The present value of future amounts will be computed using a discount rate equal to the prime loan rate of major Oregon banks in effect on the date of trial.

14.4 Right to Sue More than Once. Landlord may sue periodically to recover damages during the period corresponding to the remainder of the lease term, and no action for damages shall bar a later action for damages subsequently accruing.

14.5 Landlord's Right to Cure Defaults. If Tenant fails to perform any obligation under this lease, Landlord shall have the option to do so after 30 days' written notice to Tenant. All of Landlord's expenditures to correct the default shall be reimbursed by Tenant on demand with interest at the rate of nine percent (9%) annum from the date of expenditure by Landlord. Such action by Landlord shall not waive any other remedies available to Landlord because of the default.

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

Section 15. Surrender at Expiration

15.1 Condition of Premises. On expiration of the lease term or earlier termination on account of default, Tenant shall surrender the Premises in first-class condition. Alterations constructed by Tenant with permission from Landlord 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 Tenant is responsible shall be completed to the latest practical date before such surrender. Tenant's obligations under this section shall be subordinate to the provisions of Section 8 relating to destruction.

15.2 Holdover

(1) If Tenant does not vacate the Premises at the time required, Landlord shall have the option to treat Tenant as a tenant from month to month, subject to all of the provisions of this lease except the provisions for term and renewal and at a rental rate equal to 150% of the rent last paid by Tenant during the original term, or to eject Tenant from the Premises and recover damages caused by wrongful holdover. Failure of Tenant to remove fixtures, furniture, furnishings, or trade fixtures that Tenant 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 tenant or with occupancy by Landlord for any purpose including preparation for a new tenant.

(2) If a month-to-month tenancy results from a holdover by Tenant under this Section 15.2, the tenancy shall be terminable at the end of any quarterly rental period on written notice from Landlord given not less than 10 days before the termination date which shall be specified in the notice. Tenant waives any notice that would otherwise be provided by law with respect to a month-to-month tenancy.

Section 16. Termination of Lease.

Landlord and Tenant shall have the right to terminate the lease, providing the terminating party first provides the other party with 120 days written notice.

Section 17. Use of Parking Lot on Corner of Ivy and 2nd Streets.

During the term of this lease and any subsequent renewal thereof, Tenant shall allow Landlord unrestricted use of seventeen (17) parking spaces in the parking lot located on the southeast corner of the intersection of Ivy Street and 2nd Street and behind the business commonly known as Sunseri's Dutch Mill in Tillamook, Oregon.

Landlord shall use the 17 parking spaces for public parking. Landlord shall determine in its sole discretion the maximum time period allowed for free parking in the 17 parking spaces.

Tenant shall enforce the maximum time period as determined by Landlord for the 17 free parking spaces consistently with Tenant's enforcement of other parking restrictions and ordinances in downtown Tillamook, Oregon.

Section 18. Miscellaneous

18.1 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. The acceptance of a late payment of rent shall not waive the failure to perform an obligation under this Lease except for the failure to pay the rent so accepted when due and shall not affect Landlord's remedies for failure to perform such other obligations.

18.2 Attorney Fees. If suit or action is instituted in connection with any controversy arising out of this lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees at trial, on petition for review, and on appeal.

18.3 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.

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

18.5 Recordation. This lease shall not be recorded without the written consent of Landlord.

18.6 Entry for Inspection. Landlord shall have the right to enter on the Premises at any time to determine Tenant's compliance with this lease, to make necessary repairs to the building or to the Premises, or to show the Premises to any prospective tenant 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 on the Premises notices for leasing or selling of the Premises.

18.7 Interest on Rent and Other Charges. Any rent or other payment required of Tenant by this lease shall, if not paid within 10 days after it is due, bear interest at the rate of nine percent (9%) per annum (but not in any event at a rate greater than the maximum rate of interest permitted by law) from the due date until paid. In addition, if Tenant fails to make any rent or other payment required by this lease to be paid to Landlord within five days after it is due, Landlord may elect to impose a late charge of five cents per dollar of the overdue payment to reimburse Landlord for the costs of collecting the overdue payment. Tenant shall pay the late charge on demand by Landlord. Landlord may levy and collect a late charge in addition to all other remedies available for Tenant's default, and collection of a late charge shall not waive the breach caused by the late payment.

18.8 Proration of Rent. In the event of commencement or termination of this lease at a time other than the beginning or end of one of the specified rental periods, then the rent shall be prorated as of the date of commencement or termination and in the event of termination for reasons other than default, all prepaid rent shall be refunded to Tenant or paid on its account.

18.9 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this lease.

Section 19. Arbitration

19.1 Disputes to Be Arbitrated. If any dispute arises between the parties, either party may request arbitration and appoint as an arbitrator an independent real estate appraiser having knowledge of valuation of rental properties comparable to the Premises. The other party shall also choose an arbitrator with

such qualifications, and the two arbitrators shall choose a third. If the choice of the second or third arbitrator is not made within 10 days of the choosing of the prior arbitrator, then either party may apply to the presiding judge of the judicial district where the Premises are located to appoint the required arbitrator.

19.2 Procedure for Arbitration. The arbitrator shall proceed according to the Oregon statutes governing arbitration, and the award of the arbitrators shall have the effect therein provided. The arbitration shall take place in the county where the leased Premises are located. Costs of the arbitration shall be shared equally by the parties, but each party shall pay its own attorney fees incurred in connection with the arbitration, subject to Section 18.2, above.

Landlord: TILLAMOOK URBAN RENEWAL AGENCY

Don Hurd, Chairman Date

Tenant: CITY OF TILLAMOOK

Paul Wyntergreen, Manager Date

MEMO

TO: Tillamook Urban Renewal Agency

FRO Elaine Howard

RE: Financial Analysis

DAT November 7, 2011

This summary memorandum will cover three items:

1. Financial projections to the urban renewal district with and without the proposed Bi-Mart development,
2. Projections with long term borrowing, and
3. Summary of the acreage issues.

It will present decision points which must be addressed in order to move forward with the amendment.

1. Financial Projections for the Tillamook Urban Renewal Area

The current Maximum Indebtedness (MI)¹ of the Tillamook Urban Renewal Plan is \$12,228,000. The original calculations estimated the plan would go until 2031-32. According to the figures in Table 1, \$1,065,096 of MI has been used through FY 2010/11 with a \$137,722 unappropriated fund balance. These figures come from the Tillamook Urban Renewal Agency Annual Report for year ending June 30, 2011.

Table 1 – Estimate of Maximum Indebtedness Used

			FY
	FY 2008/09	FY 2009/10	2010/11

¹ Maximum indebtedness is the limit on an urban renewal plan for how much can be spent on projects and programs (this includes administration) throughout the life of the plan. In accordance with state law, every urban renewal district has a maximum indebtedness.

Unappropriated Fund			
Balance			\$137,722
Materials and Services	\$4,111	\$26,698	\$42,985
Projects and Programs	\$0	\$551,720	\$439,582
Sub Total By Year	\$4,111	\$578,418	\$482,567
Total			\$1,065,096

The initial review of the financial analysis shows the following financial status of your district without incorporating long term debt with interest payments.

- The Tillamook Urban Renewal Area (Area), with no new development projected, using a 3.5% growth figure as used in the original plan, is estimated to generate \$13.4 million in Tax Increment Funding (TIF) from 2011 through 2031–32. This is \$2,374,818 in excess of your present MI. Given this projection, you would reach your MI approximately 2 years earlier than anticipated in your original Plan. (This anticipates no interest costs.)
- The Area, with new growth from the proposed development on Highway 6 (Bi-Mart) on the property that is already in the Tillamook Urban Renewal Plan Area, is estimated to generate \$14.8 million in TIF from 2011–2031/32 (\$1.4M from the new development.) This is \$3,774,818 in excess of your present MI. Given this projection, you would reach your MI approximately 3 years earlier than anticipated in your original Plan. (This anticipates no interest costs.)

Table 2 – Bi-Mart Development Projections No Expansion			
Assessed Value	2014	2015	2016
	\$	\$	\$
Bi Mart Development	5,347,370	296,835	559,363

- The Area, with the growth shown above and with the addition of the 5-acre parcel that is also a part of the proposed development is estimated to generate \$15.7 million in TIF from 2011–2031/32 (\$.9M from the new development which is presently outside of the area.) This is \$4,674,818 in excess of your present MI. Given this projection, you would reach your MI approximately 4 years earlier than anticipated in your original Plan. (This anticipates no interest costs.)

Table 3 – Bi-Mart Development Projections With Expansion			
Assessed Value	2014	2015	2016
	\$	\$	\$
Bi Mart Development	7,482,069	2,459,247	559,363

A review of new legislation limiting increases in MI indicates you could increase your MI \$2.9M without concurrence from impacted taxing districts. (Indexing your current MI of \$12,228,000 from October 2006 to October 2011 by 3.5%, the percentage inflation indicated in your original plan.)

Table 4 – Estimate of Maximum Indebtedness to Increase	
Index Rate	0.035
Original MI	\$12,228,000
Indexed 2007	\$12,655,980
Indexed 2008	\$13,098,939
Indexed 2009	\$13,557,402
Indexed 2010	\$14,031,911
Indexed 2011	\$14,523,028
20% of Indexed 2011	\$2,904,606

Depending on how much MI you have already used and how you anticipate using the MI, and with the caveat that you do not issues long term debt and therefore do not have additional interest costs, the projections estimate you may be able to increase the MI without extending the date for which the original calculations were made (2031–32.) Although the date is not a set factor in the Plan, it is the date used to calculate impacts on taxing jurisdictions. (If you incur interest payments, those will lengthen the projected time frame of the Plan.)

2. Projections with Long Term Borrowing

We have also done projections on the financial status of your plan incorporating long term debt. The projections in Tables 5 and 6 anticipate the addition of the 5 acre Bi-Mart parcel and that the Bi-Mart development proceeds as planned. The projections which include the addition of the 5 acre parcel show the greatest ability to do projects within the next five years. The reason to use long term debt is to allow the Agency to pursue projects earlier in the term of the urban renewal plan. The following projections show the ability to issue the following long term debt:

Table 5 – Long Term Debt	
Year	Millions
2012	\$1.25
2013	1
2015	1
2018	1
2022	1
2027	2.5
Total Long Term Debt	\$7.75

You will also be able to issue enough short term debt to reach your maximum indebtedness. The following tables are DRAFT tables and show Revenues and POTENTIAL Expenditures over the next five years of the Plan. We have put in DRAFT numbers for your review to look at potential expenditures in the future. We will need your input to completely fill out these projections. The projections show that you are able to issue long term debt at the schedule listed above and shown in the table below and that you can then allocate your expenditures accordingly. It also shows to us that you probably do not have the capacity to increase your Maximum Indebtedness if you are going to issue long term debt and still anticipate terminating your Plan in FY2031–32.

We show allocations to façade loans, signage, sidewalk improvements, streetscape, agency approved projects and administration over the next five years. We used the “catch-all” terminology of Agency Approved projects as we know you will have projects that come up that you will want the flexibility to pursue. As we prepare the amendment, we will work with you to allocate expenditures throughout the life of the Plan to cover the projects identified in the Plan. Obviously these numbers and categories may all change. This table is to provide the information that you have sufficient resources to undertake some significant projects in the next few years. It also gives you an idea of when you could take on other significant projects.

We also looked at Revenues and Expenditures if you do not add the 5 acre Bi-Mart parcel and there is no new development on the parcel which is already within the boundary. In this circumstance, you do not have sufficient tax increment revenue for the third bond sale and are therefore not able to do significant projects between 2015 and 2018.

Table 6 - Revenue and Expenditures	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
TIF Revenue	\$ 245,552	\$ 283,580	\$ 380,926	\$ 437,380	\$ 479,059	\$ 517,263	\$ 556,788	\$ 597,683	\$ 639,993	\$ 683,768
<i>Debt Service</i>										
1. Janac Loan	\$ (45,776)									
2. Cameron	\$ (41,085)									
3. First Street Parking Lot	\$ (27,411)									
4. Misc. Short-Term Loan		\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)					
5. Consolidated Loans		\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)	\$ (145,037)
6. Bond			\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)
7. Bond					\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)
8. Bond								\$ (116,029)	\$ (116,029)	\$ (116,029)
9. Bond										
10. Bond										
Total Debt Service	\$ (114,272)	\$ (156,037)	\$ (272,066)	\$ (272,066)	\$ (388,095)	\$ (377,095)	\$ (377,095)	\$ (493,124)	\$ (493,124)	\$ (493,124)
Coverage Ratio	2.15	1.82	1.40	1.61	1.23	1.37	1.48	1.21	1.30	1.39
TIF Revenue After Debt Service	\$ 131,280	\$ 127,543	\$ 108,860	\$ 165,314	\$ 90,964	\$ 140,168	\$ 179,693	\$ 104,559	\$ 146,869	\$ 190,644
<i>Resources</i>										
Beginning Balance	\$ 183,383	\$ 284,791	\$ 84,462	\$ 18,650	\$ 22,438	\$ 58,316	\$ 130,953	\$ 241,089	\$ 1,254,004	\$ 1,327,080
Bond/Loan Proceeds	\$ 50,000	\$ 1,250,000	\$ 1,000,000		\$ 1,000,000			\$ 1,000,000		
TIF Revenue After Debt Service	\$ 131,280	\$ 127,543	\$ 108,860	\$ 165,314	\$ 90,964	\$ 140,168	\$ 179,693	\$ 104,559	\$ 146,869	\$ 190,644
Total Resources	\$ 364,663	\$ 1,662,334	\$ 1,193,322	\$ 183,964	\$ 1,113,402	\$ 198,484	\$ 310,646	\$ 1,345,648	\$ 1,400,873	\$ 1,517,724
<i>Expenditures</i>										
Loan Repayment to Agency	\$ (12,872)	\$ (12,872)	\$ (12,872)	\$ (12,872)	\$ (12,872)					
Third Street Project		\$ (900,000)								
Façade Loans	\$ (6,000)	\$ (50,000)	\$ (50,000)	\$ (55,000)	\$ (56,650)					
Signage		\$ (30,000)	\$ (30,000)							
Sidewalk Improvements		\$ (200,000)	\$ (300,000)		\$ (300,000)					
Streetscape		\$ (300,000)	\$ (200,000)	\$ (30,000)	\$ (200,000)					
Agency Approved Project			\$ (500,000)		\$ (400,000)					
Financing Costs	\$ (1,000)	\$ (25,000)	\$ (20,000)		\$ (20,000)			\$ (20,000)		
Administration	\$ (60,000)	\$ (60,000)	\$ (61,800)	\$ (63,654)	\$ (65,564)	\$ (67,531)	\$ (69,557)	\$ (71,644)	\$ (73,793)	\$ (76,007)
Total Expenditures	\$ (79,872)	\$ (1,577,872)	\$ (1,174,672)	\$ (161,526)	\$ (1,055,086)	\$ (67,531)	\$ (69,557)	\$ (91,644)	\$ (73,793)	\$ (76,007)
Balance to Carry Over	\$ 284,791	\$ 84,462	\$ 18,650	\$ 22,438	\$ 58,316	\$ 130,953	\$ 241,089	\$ 1,254,004	\$ 1,327,080	\$ 1,441,717

Table 6 - Revenue and Expenditures	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
TIF Revenue	\$ 729,059	\$ 775,919	\$ 824,400	\$ 874,563	\$ 926,460	\$ 980,157	\$ 1,035,713	\$ 1,093,194	\$ 1,152,665	\$ 1,214,196	\$ 1,277,860
<i>Debt Service</i>											
1. Janac Loan											
2. Cameron											
3. First Street Parking Lot											
4. Misc. Short-Term Loan											
5. Consolidated Loans	\$ (145,037)	\$ (145,037)	\$ (145,037)								
6. Bond	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)							
7. Bond	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)					
8. Bond	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)	\$ (116,029)		
9. Bond		\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)	\$ (132,668)
10. Bond							\$ (585,441)	\$ (585,441)	\$ (585,441)	\$ (585,441)	\$ (585,441)
Total Debt Service	\$ (493,124)	\$ (625,792)	\$ (625,792)	\$ (480,755)	\$ (364,726)	\$ (364,726)	\$ (834,138)	\$ (834,138)	\$ (834,138)	\$ (718,109)	\$ (718,109)
Coverage Ratio	1.48	1.24	1.32	1.82	2.54	2.69	1.24	1.31	1.38	1.69	1.78
TIF Revenue After Debt Service	\$ 235,935	\$ 150,127	\$ 198,608	\$ 393,808	\$ 561,734	\$ 615,431	\$ 201,575	\$ 259,056	\$ 318,527	\$ 496,087	\$ 559,751
<i>Resources</i>											
Beginning Balance	\$ 1,441,717	\$ 1,599,365	\$ 2,648,856	\$ 2,764,409	\$ 3,072,670	\$ 3,546,291	\$ 4,070,966	\$ 6,679,062	\$ 6,841,835	\$ 7,061,191	\$ 7,455,132
Bond/Loan Proceeds		\$ 1,000,000					\$ 2,500,000				
TIF Revenue After Debt Service	\$ 235,935	\$ 150,127	\$ 198,608	\$ 393,808	\$ 561,734	\$ 615,431	\$ 201,575	\$ 259,056	\$ 318,527	\$ 496,087	\$ 559,751
Total Resources	\$ 1,677,652	\$ 2,749,492	\$ 2,847,464	\$ 3,158,217	\$ 3,634,404	\$ 4,161,722	\$ 6,772,541	\$ 6,938,118	\$ 7,160,362	\$ 7,557,278	\$ 8,014,883
<i>Expenditures</i>											
Loan Repayment to Agency											
Third Street Project											
Façade Loans											
Signage											
Sidewalk Improvements											
Streetscape											
Agency Approved Project											
Financing Costs		\$ (20,000)									
Administration	\$ (78,287)	\$ (80,636)	\$ (83,055)	\$ (85,547)	\$ (88,113)	\$ (90,756)	\$ (93,479)	\$ (96,283)	\$ (99,171)	\$ (102,146)	\$ (105,210)
Total Expenditures	\$ (78,287)	\$ (100,636)	\$ (83,055)	\$ (85,547)	\$ (88,113)	\$ (90,756)	\$ (93,479)	\$ (96,283)	\$ (99,171)	\$ (102,146)	\$ (105,210)
Balance to Carry Over	\$ 1,599,365	\$ 2,648,856	\$ 2,764,409	\$ 3,072,670	\$ 3,546,291	\$ 4,070,966	\$ 6,679,062	\$ 6,841,835	\$ 7,061,191	\$ 7,455,132	\$ 7,909,673

The following table shows estimated impacts on taxing jurisdictions over the life of the Plan, depending on how you decide to proceed. The table shows the estimated total impacts in three different scenarios, (1) without expansion and with no new Bi-Mart development, (2) without expansion and with the Bi-Mart development and (3) with expansion and new Bi-Mart development. It is important to note that there is an increased impact on the other taxing jurisdictions with the Bi-Mart and with taking the additional 5 acre parcel into the Area. The figures also show a net present value (NPV) of the estimated impacts.

Table 7- Taxing Districts Impacts	W/O Expansion and No Development		W/O Expansion, with Development		With Expansion and New Development	
	Total	NPV	Total	NPV	Total	NPV
TILLAMOOK COUNTY	\$ (2,497,613)	\$ (1,225,381)	\$ (2,788,672)	\$ (1,369,089)	\$ (2,992,293)	\$ (1,468,968)
SCHOOL DIST 9	\$ (6,710,636)	\$ (3,292,378)	\$ (7,492,663)	\$ (3,678,496)	\$ (8,039,768)	\$ (3,946,860)
NW REGIONAL ESD	\$ (202,493)	\$ (99,347)	\$ (226,091)	\$ (110,998)	\$ (242,603)	\$ (119,098)
TILLAMOOK BAY CC	\$ (347,058)	\$ (170,274)	\$ (387,501)	\$ (190,243)	\$ (415,800)	\$ (204,124)
CITY OF TILLAMOOK	\$ (2,309,295)	\$ (1,133,616)	\$ (2,309,295)	\$ (1,133,616)	\$ (2,309,295)	\$ (1,133,616)
FAIRVIEW WATER DISTRICT	\$ (13,116)	\$ (6,261)	\$ (36,102)	\$ (17,610)	\$ (52,184)	\$ (25,499)
TILLAMOOK FIRE DIST	\$ (921,497)	\$ (452,106)	\$ (1,028,882)	\$ (505,126)	\$ (1,104,008)	\$ (541,976)
PORT TILLAMOOK BAY	\$ (47,914)	\$ (23,508)	\$ (53,501)	\$ (26,266)	\$ (57,410)	\$ (28,184)
4H-EXTENSION SD	\$ (90,842)	\$ (44,568)	\$ (101,431)	\$ (49,796)	\$ (108,836)	\$ (53,429)
EMCD-911	\$ (247,913)	\$ (121,631)	\$ (276,808)	\$ (135,897)	\$ (297,017)	\$ (145,809)
TILLA TRANSPORTATION	\$ (263,316)	\$ (129,187)	\$ (294,005)	\$ (144,340)	\$ (315,473)	\$ (154,871)
TOTAL	\$ (13,651,693)	\$ (6,698,257)	\$ (14,994,951)	\$ (7,361,477)	\$ (15,934,687)	\$ (7,822,434)

Other issues to consider:

- Your original Report indicates the MI was based on total project costs, but those costs do not appear to be indexed for inflation. (They were estimated in 2006 constant dollars.) We



have discussed your project list with Don Hurd and have prepared this initial analysis of projects over the next five years of the Plan with specific projects identified for the initial years of the analysis and with a category for Agency Approved Projects to allow for flexibility. These projects could include any of the projects identified in your present Plan.

3. Acreage Considerations

In the first summary memorandum dated February 21, 2011, we established that you could have, at most, 255.71 acres in urban renewal in your Area, and the overriding factor setting the limit for you is the 25% of total acreage in the City of Tillamook. This amount could change with your current annexation.

Table 8	Acres
Acres of Tillamook Urban Renewal Area	250.26
20% limitation on increase	0.20
Amount Area can increase	50.05
Limitation on 25% of City Acreage	255.71

If you add the Bi Mart development property of 5.08 acres, you are still within the 255.71 cap, with approximately an additional .37 acres to add to the Area without having to delete any acreage. (This expansion still requires a substantial amendment as it is more than 1% of the total initial acreage of the Area.)

Table 9	Acres
Acres of Tillamook Urban Renewal Area	250.26
Bi Mart property	5.08
	255.34

The potential right of way additions for street paving add up to a ROUGH estimate of 19.4 acres. (Using an estimate of 2.5 blocks of ROW equaling 1 acre)

Table 10	Acres
ROW on the east side of Liberty School and 9 th street from Stillwell to Fir Street	4.4
ROW on west side of Liberty School and Grove St.	15.0
	19.4

If you decide to delete the Hoquarton Slough property, you potentially remove 21.91 acres from the Area. This shows an ability to add some additional acreage, but we are hesitant to proceed with that until you get a better estimate of acreage of the ROW parcels.

Table 11	Acres
Acres of Tillamook Urban Renewal Area	250.26
Bi Mart property	5.08
	255.34
Hoquarton Slough deletion	(21.91)
Net acreage	233.43
ROW on east of Liberty School	4.40
ROW on west of Liberty School	15.00
Sub Total	252.83
ROW at South Entrance	.50
Total	253.33
Remaining	2.38 acres

Decision Points:

1. Given the projections for your Area with long term borrowing and with reaching maximum indebtedness in 2031/32 as your present Plan projects, we do NOT recommend that you increase your MI.
2. We DO recommend that you consider long term borrowing, and the projections show you could do that and still meet your MI in 2031/32. Long term borrowing allows you to have funds up front to pay for projects and to pay for those projects over time. We think this is especially important to fund improvements in your downtown core to be able to withstand the economic impact of shopping going to the Bi-Mart development.
3. We recommend that you amend your Plan to include the additional 5.08 parcel in the Bi-Mart development. This will provide you additional tax increment funds which will allow you to issue long term debt. It will potentially allow you to reach your MI at an earlier date, thereby closing down the tax increment to the Agency, and putting those properties in the Area back on the tax rolls so all taxing jurisdictions can gain from the increase in tax revenues in the Area.
4. We recommend you add the area at the south of Tillamook to provide for improvements for "gateway" improvements to Tillamook.
5. We recommend you consider whether you have sufficient funds to pay for paving, and if you do, you may decide how to add additional right of way areas for this purpose. In order to add any

additional areas, you must first delete acreage from the Area. To decide if you have sufficient funding, we will need you to allocate dollars to each of your existing project categories and then let us put those in the spreadsheet with inflated numbers to account for inflation and then see what the results are. You may first want to review the project list and put them in priority order with updated projected costs.

To enable us to proceed with this amendment, we need decisions from the Agency on these points. Once we have decisions, we will begin the preparations of the amendment documents. These would potentially include:

1. Add the 5.08 parcel
2. Determine acreage of gateway property. If necessary, delete acreage to allow for this inclusion
3. Delete acreage to provide for the addition of acreage
4. Add right of way for street paving projects



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/31/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Ward Insurance Agency P O Box 10167 Eugene OR 97440		CONTACT NAME: Kristy Martin PHONE (A/C No, Ext): (541) 687-1117 FAX (A/C, No): (541) 342-8280 E-MAIL ADDRESS: kristy@wardinsurance.net PRODUCER CUSTOMER ID #: 00009069																			
INSURED Economic Consultants Oregon Ltd. DBA: ECONorthwest 99 W 10th Ave. Ste 400 Eugene OR 97401		INSURER(S) AFFORDING COVERAGE <table border="1"> <tr> <td>INSURER A</td> <td>Hartford Casualty Insurance Co</td> <td>29424</td> </tr> <tr> <td>INSURER B</td> <td>Hartford Underwriters Ins Co</td> <td>30104</td> </tr> <tr> <td>INSURER C</td> <td>Philadelphia Indemnity Ins</td> <td></td> </tr> <tr> <td>INSURER D</td> <td></td> <td></td> </tr> <tr> <td>INSURER E</td> <td></td> <td></td> </tr> <tr> <td>INSURER F</td> <td></td> <td></td> </tr> </table>		INSURER A	Hartford Casualty Insurance Co	29424	INSURER B	Hartford Underwriters Ins Co	30104	INSURER C	Philadelphia Indemnity Ins		INSURER D			INSURER E			INSURER F		
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INSURER C	Philadelphia Indemnity Ins																				
INSURER D																					
INSURER E																					
INSURER F																					

RECEIVED
 NOV 02 2011

COVERAGES **CERTIFICATE NUMBER:** 11/12GL/AL/UMB/PL **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC		52SBQIK2164	04/01/2011	04/01/2012	EACH OCCURRENCE	\$ 1,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300,000
						MED EXP (Any one person)	\$ 10,000
						PERSONAL & ADV INJURY	\$ 1,000,000
						GENERAL AGGREGATE	\$ 2,000,000
						PRODUCTS - COMP/OP AGG	\$ 2,000,000
B	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		52UEQHY4229	04/01/2011	04/01/2012	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
							\$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> DEFENSITIVE RETENTION \$ 10,000		52SBQIK2164	04/01/2011	04/01/2012	EACH OCCURRENCE	\$ 3,000,000
						AGGREGATE	\$ 3,000,000
							\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N <input type="checkbox"/> N/A					WC STATUTORY LIMITS	OTHER
						E L EACH ACCIDENT	\$
						E L DISEASE - EA EMPLOYEE	\$
						E L DISEASE - POLICY LIMIT	\$
	PROFESSIONAL LIABILITY		PHSD616599	04/01/2011	04/01/2012	\$3,000,000 PER CLAIM	\$10,000 DED. PER CLAIM

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 RE: 20682 TILLAMOOK
 THE CITY OF TILLAMOOK AND TILLAMOOK URBAN RENEWAL AGENCY, THEIR ELECTED OFFICIALS, DEPARTMENTS, EMPLOYEES, AND AGENTS ARE NAMED AS ADDITIONAL INSUREDS WITH REGARD TO OPERATIONS OF THE NAMED INSURED IN ACCORDANCE WITH THE POLICY TERMS, CONDITIONS AND EXCLUSIONS PER THE ATTACHED ENDORSEMENT SS0008.

CERTIFICATE HOLDER TILLAMOOK URBAN RENEWAL AGENCY ATTN: DON HURD, CHAIR & AGREEMENT MGR 210 LAUREL AVENUE TILLAMOOK, OR 97141	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Doc DuMars/CLYNN
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(b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your "employees", "volunteer workers", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

b. Real Estate Manager

Any person (other than your "employee" or "volunteer worker"), or any organization while acting as your real estate manager.

c. Temporary Custodians Of Your Property

Any person or organization having proper temporary custody of your property if you die, but only:

- (1) With respect to liability arising out of the maintenance or use of that property; and
(2) Until your legal representative has been appointed.

d. Legal Representative If You Die

Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

e. Unnamed Subsidiary

Any subsidiary and subsidiary thereof, of yours which is a legally incorporated entity of which you own a financial interest of more than 50% of the voting stock on the effective date of this Coverage Part.

The insurance afforded herein for any subsidiary not shown in the Declarations as a named insured does not apply to injury or damage with respect to which an insured under this insurance is also an insured under another policy or would be an insured under such policy but for its termination or upon the exhaustion of its limits of insurance.

3. Newly Acquired Or Formed Organization

Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain financial interest of more than 50% of the voting stock, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

- a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier; and

b. Coverage under this provision does not apply to:

- (1) "Bodily injury" or "property damage" that occurred; or
(2) "Personal and advertising injury" arising out of an offense committed before you acquired or formed the organization.

4. Operator Of Mobile Equipment

With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

- a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

5. Operator of Nonowned Watercraft

With respect to watercraft you do not own that is less than 51 feet long and is not being used to carry persons for a charge, any person is an insured while operating such watercraft with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the watercraft, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

- a. "Bodily injury" to a co-"employee" of the person operating the watercraft; or
b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

6. Additional Insureds When Required By Written Contract, Written Agreement Or Permit

The person(s) or organization(s) identified in Paragraphs a. through f. below are additional insureds when you have agreed, in a written

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contract, written agreement or because of a permit issued by a state or political subdivision, that such person or organization be added as an additional insured on your policy, provided the injury or damage occurs subsequent to the execution of the contract or agreement, or the issuance of the permit.

A person or organization is an additional insured under this provision only for that period of time required by the contract, agreement or permit.

However, no such person or organization is an additional insured under this provision if such person or organization is included as an additional insured by an endorsement issued by us and made a part of this Coverage Part, including all persons or organizations added as additional insureds under the specific additional insured coverage grants in Section F. - Optional Additional Insured Coverages.

a. Vendors

Any person(s) or organization(s) (referred to below as vendor), but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business and only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

(1) The insurance afforded to the vendor is subject to the following additional exclusions:

This insurance does not apply to:

- (a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;
- (b) Any express warranty unauthorized by you;
- (c) Any physical or chemical change in the product made intentionally by the vendor;
- (d) Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

(e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

(f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

(g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

(h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

- (i) The exceptions contained in Subparagraphs (d) or (f); or
- (ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

b. Lessors Of Equipment

(1) Any person or organization from whom you lease equipment; but only with respect to their liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.