

PORT OF NEWPORT WORK SESSION AGENDA

Tuesday, September 15, 2015, noon

South Beach Activities Room, 2120 SE Marine Science Drive, Newport, OR 97365

- I. Call to Order 12:00
- II. Introduction of Brett Joyce 12:01
- III. Status Review of Lease Negotiations..... 12:05
- IV. Adjournment 1:00

Regular meetings are scheduled for the fourth Tuesday of every month at 6:00 p.m.

The Port Newport South Beach Marina and RV Park Activity Room is accessible to people with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours in advance of the meeting to Port of Newport Administration Office at 541-265-7758.

~~###~~

ROGUE BREWERY EXPANSION WORK SESSION, Staff Report

September 10, 2015, Noon, RV Park Day Use Room

INTRODUCTION

The purpose of the work session this month is to (re-) introduce Brett Joyce, President of Oregon Brewing Company, to members of the Port Commission, especially to the new members and to review the progress on the lease negotiations for Rogue's expansion plans in South Beach.

Included in your packet is a copy of the Rogue lease and the draft Memo of Understanding (MOU) that Brett and I have been working on for almost a year. David Jincks and Dean Fleck have assisted me during the progress and Ken Brown replaced Dean in July. I have shared with Brett the issues that were brought up at the Commission's August 18th work session.

It's also important to note that the Rogue expansion was the Commission's top priority for me during my annual performance evaluation.

DRAFT MEMO OF UNDERSTANDING TALKING POINTS

Staff will review the bullet points and progress to date. After reviewing the bullet points, I'd recommend up opening it up for commission input and discussion.

√ Provisions of the original 2007 lease and subsequent amendments are intact unless changed in this amendment. The Port and Rogue agrees to keep the underlying lease intact.

√ Rogue desires to build a 40,500 sf warehouse addition to the east of the current warehouse. The Port and Rogue reviewed a number of sights on port property including the 3.5-acre Sportsman Annex, 2-4-acre Yaquina Bay Fruit Lot, and space at McLean Pt. on the Hall property. If the negotiations for the preferred site cannot be resolved, the other spaces are still available.

√ Parties would like to have a lease in place by the end of 2015. This is a goal so that the Parties would be able to prepare for the Spring 2016 building season.

√ The Additional Footprint Area will be used to construct an additional warehouse to provide for product storage, additional cold storage, bottling equipment and brewing capacity; and a truck loading ramp and forklift dock; and incorporate additional employee/customer parking required by city, to be used in accordance with Section 5 of the Lease. This section describes the uses and the new leasehold will include any parking spaces required by the city as part of the building permit. Section 5 of the original lease describes the Uses permitted within the leasehold.

√ Parties agree to work together on the siting of special event activities as specified in Section 1 of the Lease. Section 1 describes the use of and access through port property for other events. Specifically, the Chamber of Commerce has requested and

Rogue has agreed to allow the Seafood and Wine Festival to utilize the warehouse for their event for a limited number of years (five to ten). In prior years a similar relationship allowed the use of Rogue's warehouse for the Festival. Though the siting of Festival in the warehouse is not a specific concern of the Port, we can certainly help facilitate the arrangement if both parties agree.

√ Sec. 2, Extension of Term. Starting on July 1, 2015 and finishing June 30, 2037. To tie in to the other leases/amendments.

√ Sec. 3, Rent. From the date of this Amendment through June 30, 2015, Lessee. 20-cents per sq. ft. with annual CCI adjustments. These rates are market value and similar to other Rogue leases and amendments. The Port generates approximately \$275,000 annually through our current leases and this would add another \$90,000+ that could be used toward port maintenance of the commercial/southbeach dock facilities.

- Add mural or other decorative feature to north and south sides of building. (from August 18th work session.) Rogue agreed lease terms in their last amendment to produce a mural on the backside of the cooperage. Though the exterior siding surface of that building was designed for a mural, the mural has not been completed to date. Specifics of the mural/decorative feature should be identified as part of the negotiations and a possible performance bond required to ensure that the feature is completed.
- Develop traffic/parking plan for city/port review. Include truck routes in and out of facility. Estimate daily truck loads and show where active trucks park when waiting to be loaded. (from August 18th work session.) Ken and I met with Brett and Derrick before the meeting to review this issue. We'll be able to give an update based upon the discussion.
- Rogue has parking and loading needs equal to 4,500 sf. Include all external storage in leasehold. (from August 18th work session.) This area includes parking for visitors, employees and moving trucks and equipment storage that would be viewed as permanent in nature. This square footage would be added to the new leasehold amount and would not change based upon the new structure.
- Rogue is currently being charged for about 10,000 sf of additional storage around Port property. This area includes the temporary storage trailers currently located around port property. This area would be regained as the new warehouse would eliminate the need for the storage trailers.
- Rogue agrees to pay for reasonable costs related to filling the old decommissioned boat launch and bringing the House of Spirits parking lot to grade with the dry camping lot. The cost estimate from the engineer for filling the boat launch is approximately \$25,000 using Rogue's excavated material.
- Rogue agrees to pay for the reasonable costs related to paving the newly gained area between the House of Spirits parking lot and the dry camping lot and developing a traffic/parking plan through this area. (from August 18th work session) The cost estimate

for paving 20,000 sf of asphalt would cost about \$121,000. This cost would not include any repairs to perimeter of the building site so the actual square footage could be higher.

□ Configure the building to stay west of the Ferry Slip Rd. view shed by building toward the north. (from August 18th work session) There was also discussion about utilizing as much of the property to the north of the proposed extension site to minimize the view shed.

The assumption includes that all utilities will be relocated at Rogue expense as part of the new construction and that any damages to port property (asphalt, utilities, etc.) would be repaired.

CONCLUSION

We still have a ways to go in developing the transportation plan, confirming the costs of the off-site improvements, and finding the best building design for the limited use of the property. Even though we're still a ways off from having a final lease proposal, this should give the commission a sense of the issues and progress to date on the negotiations.

-###-

SAVED: 8/19/2015 5:49 PM RSTILLMAKER PLOTTED: 8/19/2015 5:58 PM RON STILLMAKER
 U:\stillmaker\2015\Port of Newport\61203-Facility Plan Base Map - Boat Ramp Fill Project with aerial.dwg



PRELIMINARY

PORT OF NEWPORT FACILITY PLANNING NEWPORT, OREGON		DESIGN RFS		CONSULTING ENGINEERS & GEOLOGISTS, INC.		VERIFY SCALES	
OLD BOAT RAMP FILL PROJECT		DR	RFS	275 MARKET AVENUE COOS BAY, OR. 97420		BAR IS ONE INCH ON ORIGINAL DRAWING	
SHEET 1		CHK	RFS	WWW.SHN-ENGR.COM		0 1"	
SEQ 1		APP'D	RFS	541-266-9890		IF NOT ONE INCH ON THIS SHEET, ADJUST SCALES ACCORDINGLY	
DATE 07/2015		NO.		DATE		REVISION	
PROJ. NO. 615013		BY		NO.		BY	

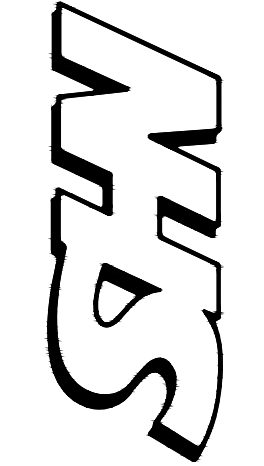
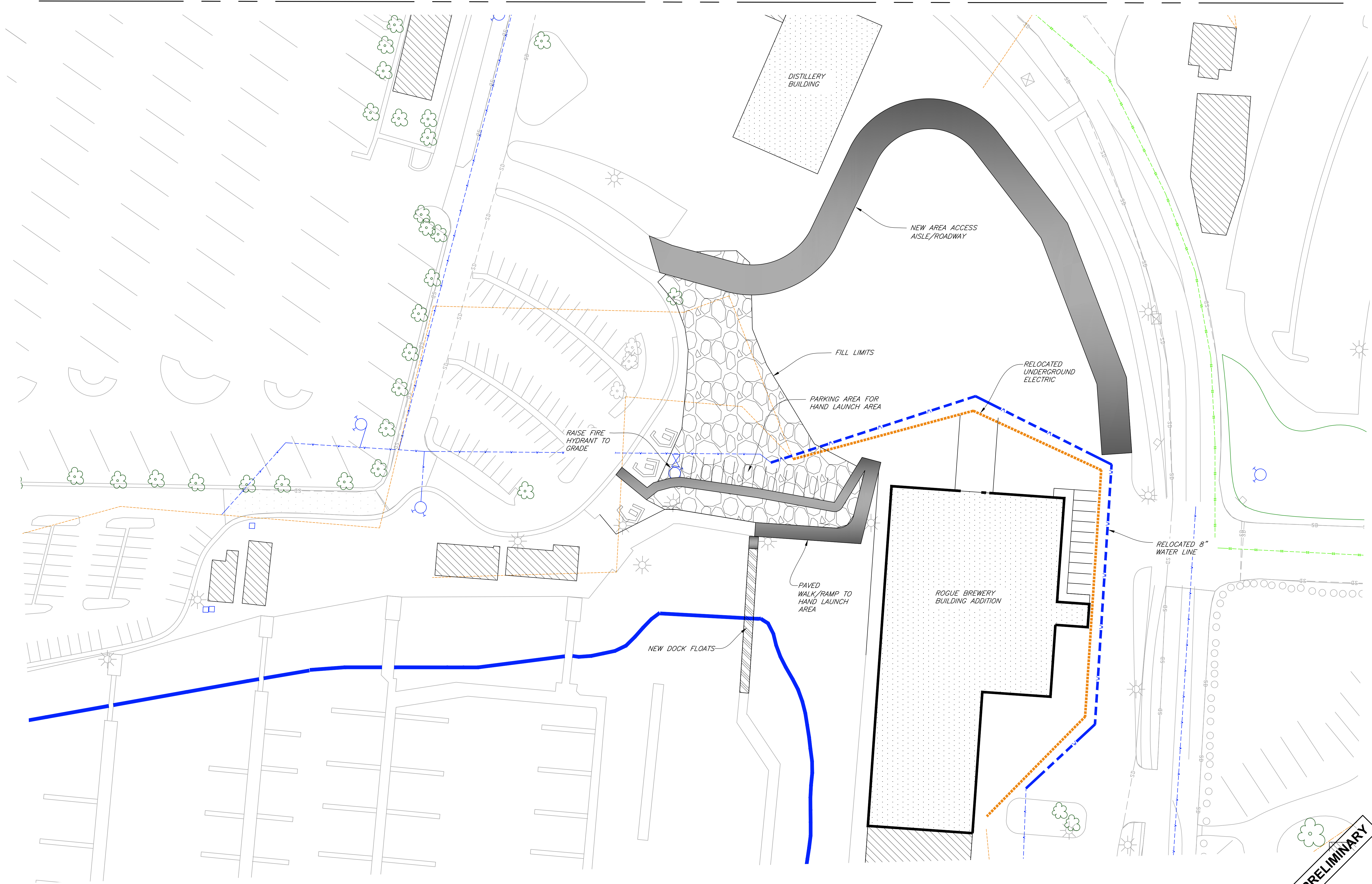


Image © 2015 DigitalGlobe

SAVED: 7/23/2015 12:09 PM RSTILLMAKER_PLOTTED: 7/23/2015 1:04 PM RON STILLMAKER
 U:\stillmaker\2015\Port of Newport\61203-Facility Plan Base Map - Boat Ramp Fill Project.dwg



PRELIMINARY

		WWW.SHN-ENGR.COM 275 MARKET AVENUE COOS BAY, OR. 97420 541-266-9890	
DESIGN	RFS	NO.	DATE
DIR	RFS	REVISION	BY
CHK	RFS		
APP'D	RFS		
PORT OF NEWPORT FACILITY PLANNING NEWPORT, OREGON		OLD BOAT RAMP FILL PROJECT	
SHEET	1		
SEQ	1		
DATE	07/2015		
PROJ. NO.	615013		

VERIFY SCALES:
 BAR IS ONE INCH ON ORIGINAL DRAWING
 IF NOT ONE INCH ON THIS SHEET, ADJUST SCALES ACCORDINGLY



OPINION OF ESTIMATED COST

Old Boat Ramp Fill Project - including dry camp paving

ITEM NO.	ITEM DESCRIPTION	UNIT	EST. QTY.	UNIT PRICE	TOTAL EST. PRICE
1	Mobilization	LS	All	\$ 30,000	\$ 30,000.00
2	Temporary Utilities/Facilities	LS	All	\$ 15,000	\$ 15,000.00
3	Clearing and grubbing	Acre	0.5	\$ 5,000	\$ 2,500.00
4	Demolition	LS	All	\$ 15,000	\$ 15,000.00
5	8" Water Line Relocation	LF	650.0	\$ 80	\$ 52,000.00
6	Power Line Relocation	LF	675.0	\$ 25	\$ 16,875.00
7	Raise Hydrant to grade	LS	All	\$ 1,750	\$ 1,750.00
8	Fill Installation	YD	3847	\$ 4.00	\$ 15,388.00
9	Hand Launch Access Walk	SF	3900	\$ 2.00	\$ 7,800.00
10	Aggregate Base	YD	550	\$ 25.00	\$ 13,750.00
11	2" Asphalt Surface	SF	92,000	\$ 2.00	\$ 184,000.00
12	Dock extension floats	SF	875	\$ 45.00	\$ 39,375.00
13	Landscaping	LS	All	\$ 15,000.00	\$ 15,000.00
14	Cleanup	LS	All	\$ 1,500	\$ 1,500.00
SUB TOTAL CONSTRUCTION COSTS					\$ 409,938.00
Engineering		18%			\$ 73,788.84
Legal and Administrative		4%			\$ 16,397.52
Contingency		15%			\$ 61,490.70
TOTAL ALL PRICES					\$ 561,615.06



OPINION OF ESTIMATED COST

Old Boat Ramp Fill Project - Rogue's expense with no off-site imps.

ITEM NO.	ITEM DESCRIPTION	UNIT	EST. QTY.	UNIT PRICE	TOTAL EST. PRICE
1	Mobilization	LS	All	\$ 10,000	\$ 10,000.00
2	Temporary Utilities/Facilities	LS	All	\$ 5,000	\$ 5,000.00
3					\$ -
4	Pavement Saw Cutting	LF	1.3	\$ 1,300	\$ 1,625.00
5	8" Water Line Relocation	LF	650.0	\$ 90	\$ 58,500.00
6	Power Line Relocation	LF	675.0	\$ 30	\$ 20,250.00
7					\$ -
8					\$ -
9					\$ -
10					\$ -
11					\$ -
12					\$ -
13					\$ -
14	Cleanup	LS	All	\$ 1,500	\$ 1,000.00
SUB TOTAL CONSTRUCTION COSTS					\$ 96,375.00
Engineering		18%			\$ 17,347.50
Legal and Administrative		4%			\$ 3,855.00
Contingency		15%			\$ 14,456.25
TOTAL ALL PRICES					\$ 132,033.75

Floor area of Expansion = 37,556 ft²
56,334 ft₃
2,086 yd³
3,130 yd³



OPINION OF ESTIMATED COST

Old Boat Ramp Fill Project - off site imps only minus complete overlay

ITEM NO.	ITEM DESCRIPTION	UNIT	EST. QTY.	UNIT PRICE	TOTAL EST. PRICE
1	Mobilization	LS	All	\$ 15,000	\$ 15,000.00
2	Temporary Utilities/Facilities	LS	All	\$ 7,500	\$ 7,500.00
3	Clearing and grubbing	Acre	0.5	\$ 5,000	\$ 2,500.00
4	Demolition	LS	All	\$ 15,000	\$ 15,000.00
5					\$ -
6					\$ -
7	Raise Hydrant to grade	LS	All	\$ 1,750	\$ 1,750.00
8	Fill Installation	YD	3847	\$ 4.00	\$ 15,388.00
9	Hand Launch Access Walk	SF	3900	\$ 2.00	\$ 7,800.00
10	Aggregate Base	YD	550	\$ 25.00	\$ 13,750.00
11	3" Asphalt Surface	SF	20,000	\$ 2.66	\$ 53,200.00
12	Dock extension floats	SF	875	\$ 45.00	\$ 39,375.00
13					\$ -
14	Cleanup	LS	All	\$ 1,500	\$ 1,500.00
SUB TOTAL CONSTRUCTION COSTS					\$ 172,763.00
	Engineering		18%		\$ 31,097.34
	Legal and Administrative		4%		\$ 6,910.52
	Contingency		15%		\$ 25,914.45
TOTAL ALL PRICES					\$ 236,685.31

\$ 368,719.06

Rogue in South Beach

a brief history

- Brewery relocated to South Beach 1992
- Expansion into eastern section 1994
- Phase 1 3,600 sq ft 2004
- Phase 2 7,000 sq ft 2006
- Distillery established at marina store 2006
- Phase 3 11,000 sq ft 2007
- Sevren takeover 2008
- Phase 4 20,000 sq ft 2012
- Second distillery opened 2012
- Rolling Thunder Barrel Works 2014

Barrel Growth

1998	18,000 barrels	2007	66,000
1999	18,000	2008	68,000
2000	24,000	2009	75,000
2001	27,000	2010	81,000
2002	30,000	2011	91,000
2003	33,000	2012	114,000
2004	38,000	2013	110,000
2005	43,000	2014	120,000 (est.)
2006	51,000	2015	130,000 (est.)

Go East Young Man

- 6 West coast breweries have or are opening East coast and Midwest breweries
 - New Belgium (North Carolina)
 - Sierra Nevada (North Carolina)
 - Oskar Blues (North Carolina)
 - Lagunitas (Chicago)
 - Green Flash (Virginia)
 - Stone (Virginia)
- Second breweries being established to expand capacity and reduce freight impact
- Significant local economic incentives begin provided (see attachments)

Rogue in Newport

- 100+ jobs
- Feed the Fisherman
- Tourist attraction
- Brewer's Memorial Ale Fest
- Bay to Brews
- Barrel to Keg
- Pillar of Newport
- 26 years and counting....

Proposed Structure

- 40,500 square feet
- Allows for continued & contiguous expansion
- Space pressure being applied by bottle line impact & growth
- Would provide 5-10 year growth runway

FUNDING

- \$2.5M project
- 100% Rogue funded
- No municipal bonds
- No local taxes
- Local contractors used exclusively

Seafood & Wine

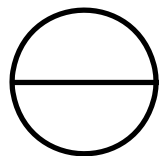
- Hosted in brewery for many years in 1990s
- Proposed structure could house roughly 50% of Seafood/Wine
- Would require letter of agreement with Chamber
- See Chamber of Commerce's attached letter of endorsement

Rate & Term

- Term proposal: sync up with current lease, through 2037
- Rate proposal: \$.20/sq ft/month with annual increases



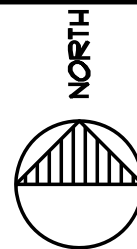
Printed 11/14/2014

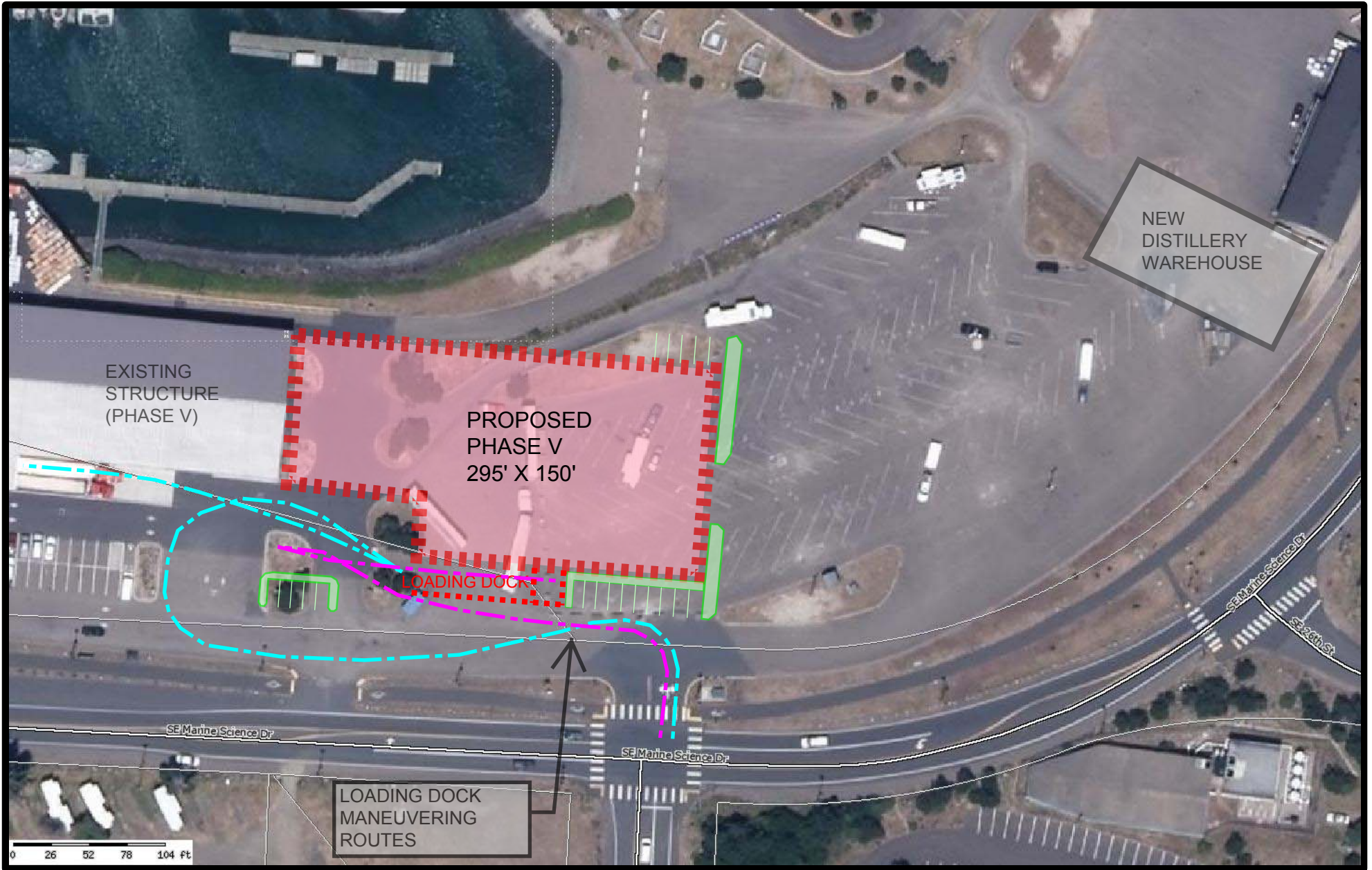


PROPOSED SITE PLAN (PHASE V)

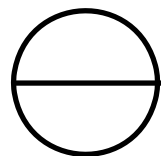
ROGUE BREWERY

NOT TO SCALE





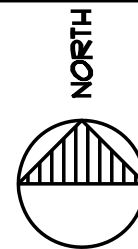
Printed 11/14/2014

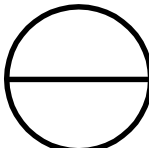
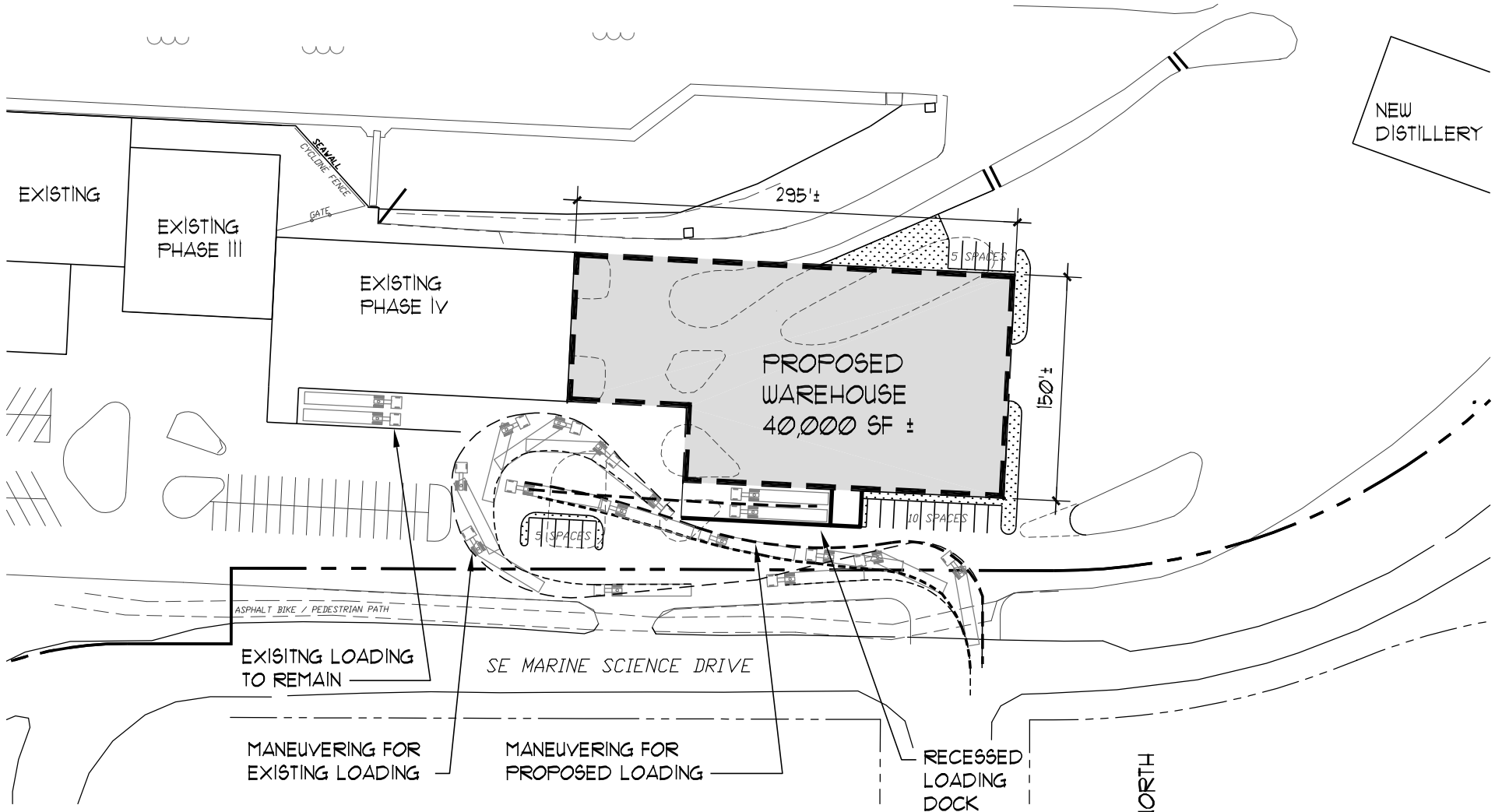


PROPOSED SITE PLAN (PHASE V)

ROGUE BREWERY

NOT TO SCALE

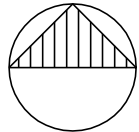




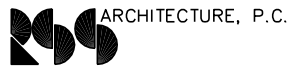
PROPOSED SITE PLAN

12.1.14

1" = 100'-0"



MASTER PLAN & WAREHOUSE
 ROGUE BREWERY
 NEWPORT, OREGON
 DSL BUILDERS, INC.



Randal S. Saunders Architect/President

2225 COUNTRY CLUB RD.
 WOODBURN, OREGON 97071 (503) 982-1211
 (503) 370-7929

PROJECT NO. 1419
 NOVEMBER 2014

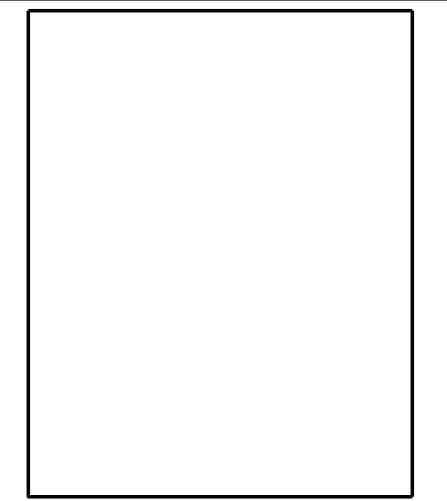
DRAWN BY :
MDR
CHECKED :
RSS
APPROVED :
RSS

These drawings, as instruments of service, remain the property of the Architect. Any changes, publication, or unauthorized use is prohibited unless expressly approved by the Architect.
Copyright 2014

NEWPORT, OREGON 97365

ROGUE BREWERY
SHIPPING WAREHOUSE
DSL BUILDERS, INC.

2320 OSU DRIVE

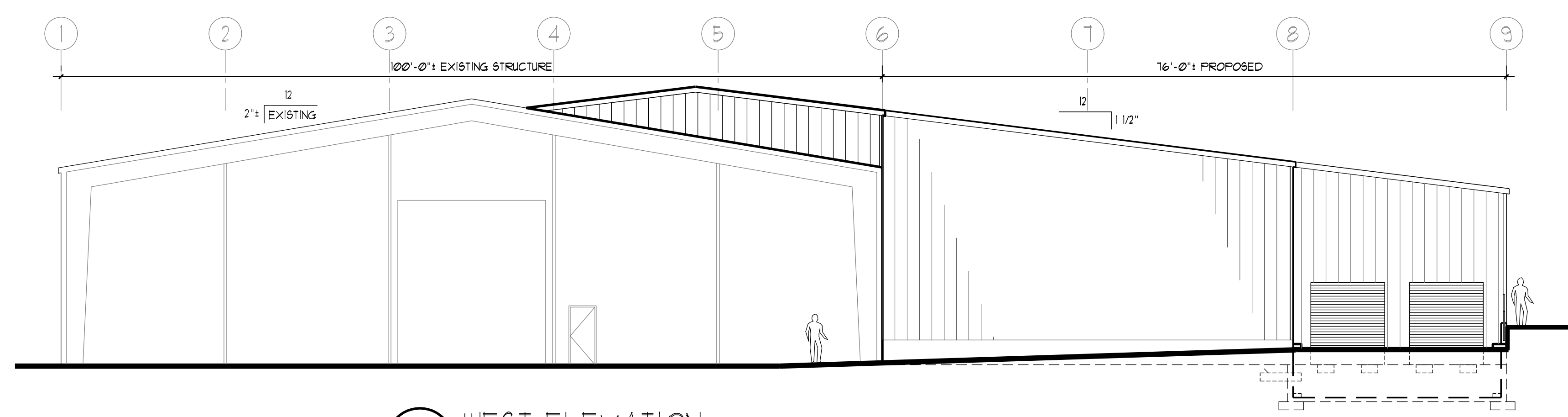


REVISIONS

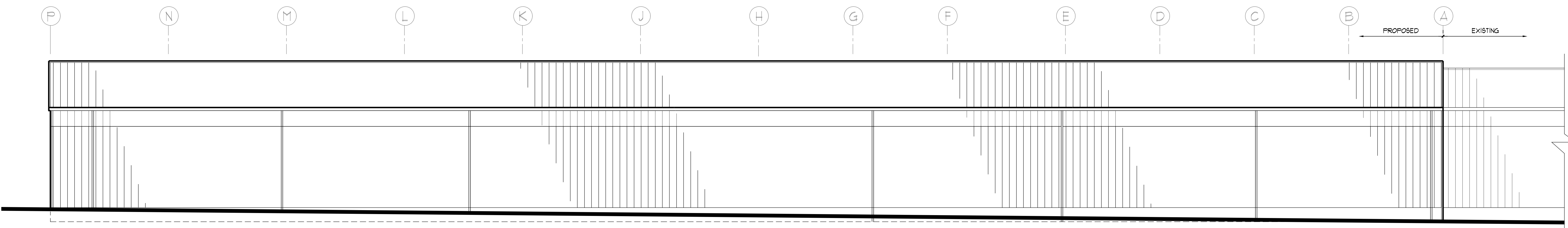
A PROFESSIONAL CORPORATION

2225 COUNTRY CLUB ROAD
WOODBURN, OREGON 97071
(503) 982-1211

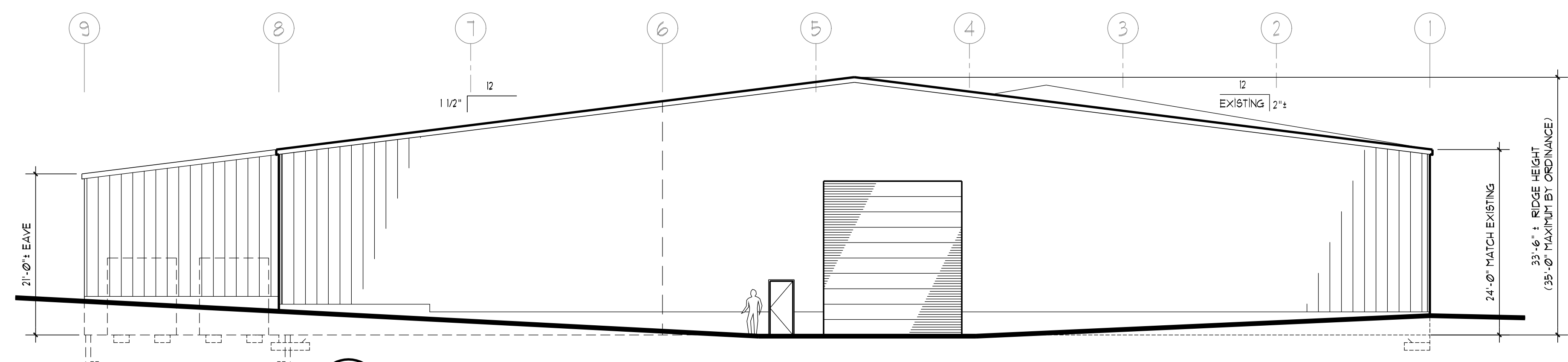
PROJECT NO.: 1419
DATE: NOV. 2014
DRAWING NO.: A2.0



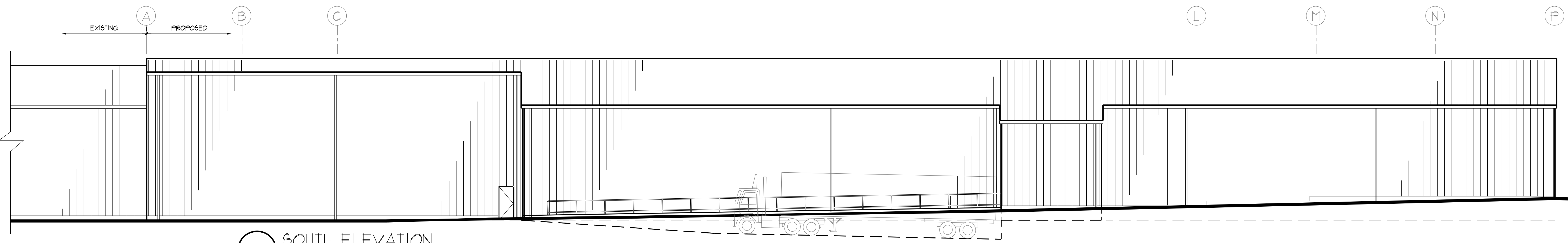
WEST ELEVATION
PROPOSED NEW CONSTRUCTION
3/32"=1'-0"



NORTH ELEVATION
PROPOSED NEW CONSTRUCTION
3/32"=1'-0"



EAST ELEVATION
PROPOSED NEW CONSTRUCTION
3/32"=1'-0"



SOUTH ELEVATION
PROPOSED NEW CONSTRUCTION
3/32"=1'-0"

PLOT DATE/TIME: DATE: 12/14 TIME: 3:45 PM FILE: PRELIMINARY FLOOR PLAN-SOUTH LOADING.DWG

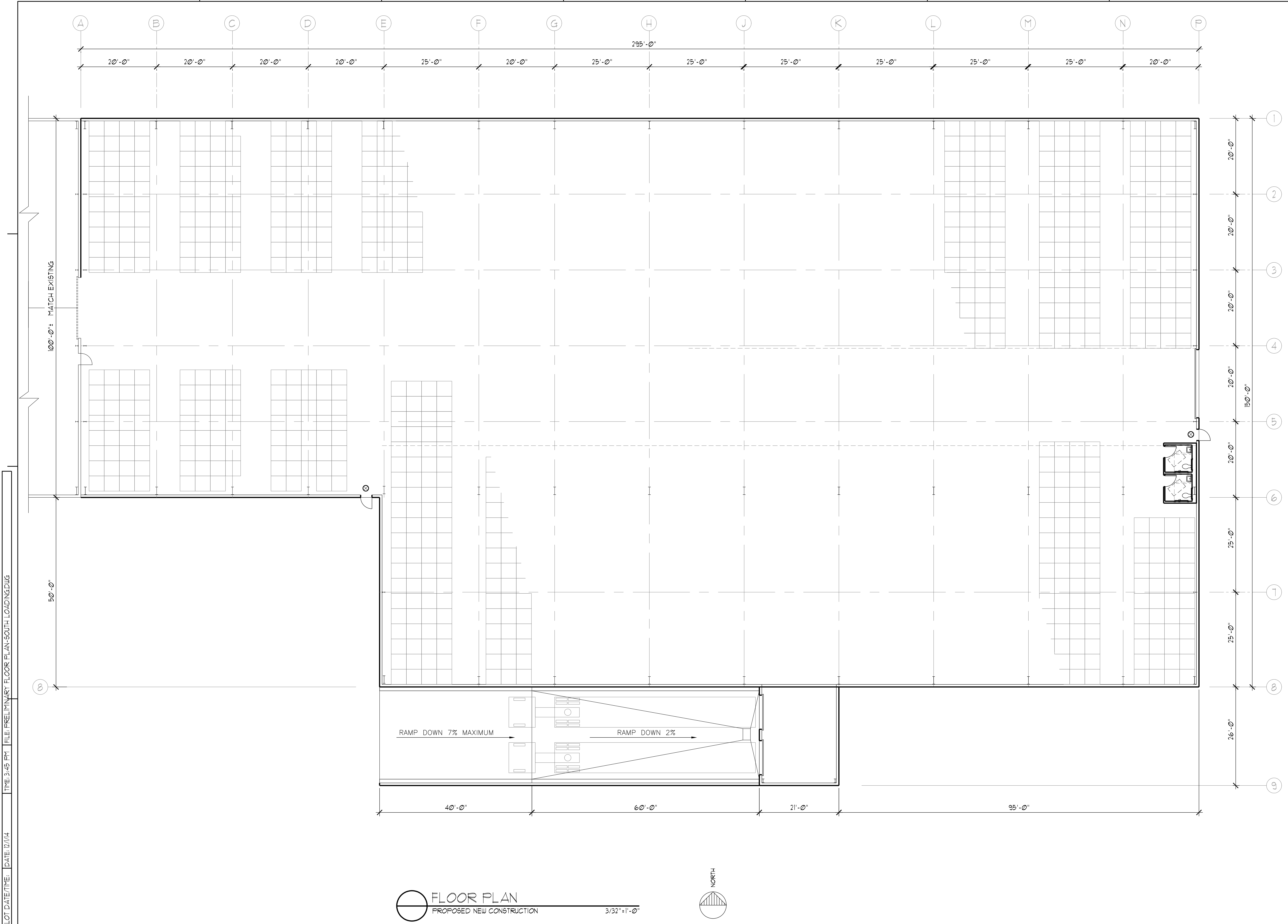
NO.	REVISIONS

--

A PROFESSIONAL CORPORATION

2225 COUNTRY CLUB ROAD
 WOODBURN, OREGON 97071
 (503) 982-1211

PROJECT NO.: 1419
 DATE: NOV. 2014
 DRAWING NO.: A1.0



PLOT DATE/TIME: DATE: 12/14 TIME: 3:45 PM FILE: PRELIMINARY FLOOR PLAN-SOUTH LOADING.DWG

FLOOR PLAN
 PROPOSED NEW CONSTRUCTION
 3/32" = 1'-0"

AGREEMENT FOR LEASE OF BUSINESS PREMISES

THIS AGREEMENT, made and entered into and effective as of the 1st day of July 2007 by and between the PORT OF NEWPORT, a municipal corporation and political subdivision of the State of Oregon, organized under and existing by virtue of ORS Chapter 777, hereinafter called "Lessor", and OREGON BREWING COMPANY, an Oregon Corporation, hereinafter called "Lessee",

RECITAL

Lessor and Lessee entered into a certain lease, dated May 1, 1992, for a portion of the then dry boat storage warehouse, consisting of approximately 7,000 square feet, for the purpose of brewing, storage, and distribution of micro-brews, including a tasting room, and for sale of food and beer for consumption on the premises, and sales of brand-related souvenir items. In October of 1994, the Lessee's business had grown to such an extent that the Lessee required additional indoor and outdoor space for the purpose of increased storage of inventory and warehousing, and was therefore granted, by addendum (dated October 1, 1994) to the original lease, the balance of the square footage of the entire warehouse. Also at this time, certain improvements to the warehouse were accomplished by both the Lessor and Lessee, including floor repair to the north side of the warehouse, new restrooms, and expansion of brewing capability. Also during this term, a loan was provided to the Lessee by the Lessor through the Oregon Economic and Community Development Department (OECDD) for the above improvements. This loan was retired by the Lessee in July 2002. In May, 1997, the Lessee requested to modify the amount of outside leased space, known as the "sand pit" area, and also expanded the restaurant area inside, now known as "Brewer's on the Bay". Lessee also added indoor refrigerated storage, as well as constructing a two-story office complex inside the warehouse facility. The 1997 expansion and improvements were included in an "Amendment of Lease Agreement and Extension of Term" dated January 14, 1997. These improvements were accomplished in part through a second loan from the Lessor to Lessee, via the OECDD, was retired in July 2003. In June of 2004, the Lessee presented a plan to Lessor for further expansion of the facility to be accomplished in three phases of new construction. The total new expansion provided an additional approximate 20,000 square feet, which provides for a new bottling area, additional cold storage, and product storage. The first phase was completed in February 2005, the second phase was completed in February 2007, and the third phase was completed in June 2007. The premises herein described is presently occupied by the Lessee, as it has been for the past fifteen years. Lessee and Lessor agreed in May 2002 by mutual consent to rewrite this agreement based on the above chronological

changes that have occurred and used that opportunity to renegotiate the terms and conditions of the original document.

WITNESSETH

1. PREMISES.

In consideration of the covenants, agreements and stipulations herein contained on the part of the Lessee to be paid, kept, and faithfully performed, the Lessor does hereby lease, demise, and let unto the said Lessee those certain premises, situated in the County of Lincoln, State of Oregon, more particularly described as follows:

The South Beach Marina warehouse, hereinafter referred to as “the premises”, is located on the southwest portion of The Port of Newport’s Marina at South Beach.

The premises as described in Exhibit A, as attached, are hereby leased to the Lessee. (Exhibit A, a survey and property description prepared by Denison Surveying, Inc., dated June 28, 2007.)

Excepting therefrom:

1.a. Rights of the public in roads, streets, and highways.

1.b. Rights of the public and of governmental bodies in and to any portion of the premises herein described lying below the high water mark of the Yaquina Bay, specifically including any ownership rights which may be claimed by the State of Oregon below the high water mark, and also subject to the rights of the public and of the State of Oregon in the ocean shore and dry sands area, if any, defined as lying between the mean high tide and visible line of vegetation, or as defined in ORS 390.605-ORS 390.770.

1.c. Any adverse claim based upon the assertion that some portion of said land is tide or submerged lands, or has been created by artificial means or has accreted to such portion so created, and any adverse claim based on the assertion that some portion of said land has been brought within the boundaries thereof by a change in location of the Yaquina River.

1.d. Conditions, restrictions, easements, covenants, obligations and restrictions imposed by the United States Government acting by, through or under the Army Corps of Engineers, and any other governmental body having jurisdiction, whether by agreement, condition of any grant, by operation of law or otherwise. Lessee shall observe and comply with all such requirements PROVIDED, however, that if such requirements shall operate to prevent Lessee from making reasonable use of the premises for the purposes intended, Lessee

may terminate this Lease after first giving Lessor notice, within 60 days after the occurrence of any event or the commencement of any condition serving as the basis for such termination, stating the condition or occurrence and that Lessee intends so to terminate the Lease unless Lessor, within 60 days from the date of Lessee's notice, is able to abate the conditions or restrictions so as to permit reasonable use of the premises for the purpose intended hereunder.

The premises is subject to a Restriction on the right to sell grocery items arising by reason of the exclusive rights granted to the lessees of the grocery store (South Beach Marina Store and Charters) at the South Beach Marina area, including the same or any substantially similar exclusive right granted to the operators of the grocery store (and their successors) by reason of any renewal, renegotiation, extensions or new lease or license agreements respecting such a grocery store operation on the Marina property. However, Lessor will not voluntarily impose new restrictions as would adversely impact Lessee's ability to sell take-out beer produced by Lessee. Lessee shall have the exclusive right to sell restaurant food items at the South Beach Marina area as it relates to mobile food vendors subject to the following limitations: (i) this right shall not apply to or affect development on any of the Lessor's properties of new permanent full-service, sit down restaurants; and (ii) Lessor may locate mobile food vendors on Lessor's adjoining properties during the Newport Chamber of Commerce Seafood and Wine Festival or on major holiday weekends, i.e. Memorial Day, Fourth of July, Labor Day, and President's Day (such mobile food vendors on major holiday weekends shall be strictly limited to food stands run by local charitable organizations for the purpose of fundraising) provided that the vendors shall be located in a manner not to diminish available parking spaces presently used by Lessee.

Lessee will have access to the premises by travel over and across the Lessor's adjacent parking lot, and may have reasonable use of the Lessor's parking lot to meet the City of Newport's code required for the parking of vehicles as on a first-come, first-served basis, but in no event less than the minimum governmental requirement, in common with Lessor and subject to Lessor's right to impose reasonable regulation of the parking and to restrict usage to certain areas and further subject to Lessor's right reasonably to restrict or regulate by mutual agreement Lessee's or the public's use and access during aforementioned holidays or special events. Lessee is prohibited from charging parking fees for any parking during any event in the adjacent parking lot, described in Exhibit A, parking area.

2. EXTENSION OF TERM.

TO HAVE AND TO HOLD the said described premises unto the said Lessee for a term of five (5) years from July 1, 2007, until midnight on June 30, 2012, at and for a rental determined as hereafter provided. It is understood that the Lessee's obligation to pay rent hereunder shall commence on July 1, 2007.

Subject to the conditions hereafter set forth, Lessor hereby grants to the Lessee the right, privilege and option of extending the aforementioned lease for up to three (3) additional consecutive terms of five (5) years each. Rental during such renewal terms shall be determined as hereinabove provided.

The option to extend the term hereof shall be conclusively deemed to have been automatically exercised by the Lessee unless Lessee shall give to the Lessor notice in writing not less than 90 days prior to the expiration date of the lease, in the case of the first option, or 90 days prior to the expiration date of the term of the prior renewal, in the case of the exercise of the second or any subsequent renewal option, but not more than 360 days prior to any such expiration date, of Lessee's intent not to renew.

Renewal options are available only in the event and upon the above conditions that the lease shall remain in full force and effect and that the Lessee shall not, at the time such renewal term is to commence, be in default with respect to any material obligation or requirement on the part of the Lessee to be performed. With respect to the condition that Lessee shall not be in default, the term "default" shall have the meaning set forth in Section 29 of the lease agreement, defining default and providing that certain failures of performance in certain circumstances constitute an act of default only after notice and a failure to timely cure such nonperformance.

In consideration of the leasing of said premises and of the mutual agreements herein contained, each party expressly covenants and agrees to and with the other as follows:

3. RENT.

Rent shall be determined as follows:

3.a. For the initial five (5) year term of this lease agreement, Lessee shall pay to Lessor a base rent of Ninety Eight Thousand Eight Hundred Twenty Dollars (\$98,820.00) per annum payable at the rate of Eight Thousand Two Hundred Thirty Five Dollars (\$8,235.00) per month payable monthly in advance, the first such rental installment to be due July 1, 2007, and on or before the first day of each month thereafter during the entire term of the lease, and that the base rent shall be subject to increases based on the Consumer Price Index ("CPI"), as hereafter provided.

3.b. Lessee shall pay all costs, expenses, assessments and taxes, and any fees and charges whatsoever in any manner associated as described in Sections 10b. and 10c.

3.c. CPI Increase: The base rent as described in Section 3.a above shall be increased according to the CPI at the completion of each two (2) year period. The first increase will be calculated for the 2007-2009 index increase and applied on July 1, 2009. The increase shall be determined by a percentage equal to the percentage change in the Consumer Price Index published by the United States Bureau of Labor Statistics of the United States Department of Labor, but at no time shall the adjustment exceed three percent (3%) over the base rent payable for the prior period. Comparisons shall be made using the index entitled U.S. City Average (Portland Index)—All Items and Major Group Figures For All Urban Consumers (1982-84 = 100) for the latest available month preceding the month in which the lease year commenced, or the nearest comparable data on changes in the cost of living if such index is no longer published.

Such CPI factor shall be utilized as hereafter set forth:

3.c.1. Such indices are published each calendar month, but are not immediately released. Accordingly, the parties agree to use the CPI for the month which is two (2) months prior to the date of rental increase. For instance, for the rent increase taking place on July 1, 2009, the parties will compare the CPI for the month of May, 2007, to the CPI for May, 2009.

3.d.2. On the occasion of each rent increase, if upon comparison there has been an increase in the CPI over the preceding 2-year period, the rent for the subsequent 2-year period shall be increased over the rent for the preceding period (the rent in effect immediately prior to the adjustment) in proportion to such increase in the CPI.

4. ACCEPTANCE OF LEASE.

Lessee accepts said lease and agrees to pay to the order of Lessor the rental above stated for the full term of this lease at the times and in the manner aforesaid. Lessee assumes all risks associated with the use of the premises in any manner, except that Lessee shall not be responsible for the acts or omissions of persons other than the Lessee and its representatives occurring upon the premises during the "events" for which Lessee has surrendered possession of the portion of the premises on which the occurrence takes place.

5. USE.

Lessee is hereby authorized to use the leased premises for the operation of a micro-brewery, including a tasting room and restaurant selling food and beer for consumption on the premises, with ancillary sales of brand related souvenir items, storage of product, and for no other purpose without the Lessor's express, written consent in advance obtained, of which this consent shall not be unreasonably withheld.

6. LIMITS ON USE.

Lessee will not make any unlawful, improper or offensive use of said premises; it will not suffer any strip or waste thereof; it will not permit anything to be done upon or about said premises in any way tending to create a nuisance.

7. COMPLIANCE WITH LAW.

Lessee shall comply at Lessee's own expense with all laws and regulations of any municipal, county, state, federal, or other public authority respecting the use of said lease premises.

The duty of such compliance shall include, but not be limited to, the obligation to comply with all federal, state and local statutes, ordinances, rules, regulations and other laws pertaining to Hazardous Substances. Lessee agrees to hold harmless, indemnify and defend Lessor from and against any claim, demand, penalty, fee, lien, damage, loss, expense or liability resulting from (i) any breach of the agreements and warranties made by Lessee herein, the term "expense" to include but not be limited to, attorney's fees, costs and expense of, or in preparation for, any administrative or judicial proceeding or review or appeal; or (ii) the contamination by Hazardous Substances of the subject premises or any other properties directly or indirectly resulting from any act or omission of Lessee or Lessee's agents or representatives, or from any activities on the property occurring during the term of this lease agreement.

However, Lessee shall not be responsible for any condition relating to hazardous substances on the premises as may be in existence prior to May 1, 1992. Lessor warrants that it has no knowledge of any condition constituting a violation of any such laws pertaining to hazardous substances.

As used herein, the term "Hazardous Substance" shall mean any hazardous, toxic or dangerous substance, any waste, any material that is or may hereafter become regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect relating to environmental protection or contamination, or requiring removal or cleanup, including, without limitation, the Comprehensive Environmental Response Compensation Liability Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, or the Clean Air Act.

8. TAXES, UTILITIES & OTHER FEES.

Lessee shall promptly pay for all water, heat, light, power and other services or utilities used in the leased premises during the term of this lease and

all personal property taxes on all personal property located on the premises during the Lessee's occupancy thereof.

Lessee shall also pay for all taxes, charges and assessments which now or hereafter may be levied upon the real property or improvements during the term of the lease or as a consequence of the Lessee's use or occupancy thereof, promptly when the same are levied and assessed and before the same shall become delinquent. At Lessee's option, Lessee may pay taxes in installments, as and to the extent permitted by law, so long as all such installments are paid when due and are not allowed to become in arrears. Lessee shall provide Lessor with a copy of the tax statement and proof of payment within 30 days after each payment is due. Lessor will cooperate with Lessee in obtaining the assignment of a separate tax lot number to the premises to be occupied by Lessee hereunder, and will cooperate with Lessee should Lessee desire to contest the tax appraisal thereon, provided that Lessee shall be responsible for all costs and expenses associated therewith. To the extent that the premises used or occupied by Lessee shall be valued or assessed in common with other properties of the Lessor, the parties agree that the taxes so imposed shall be allocated between the Lessor and the Lessee in such manner as to carry out the intent and purposes of this Section 8.

Lessee also may elect to pay local improvement district assessments in installments, as permitted by law, and Lessee shall be responsible only for such assessments as shall become due and payable during the term of the lease agreement.

9. FIRE INSURANCE.

Lessee shall obtain a policy of fire insurance upon Lessee's property located on the premises, Lessor shall have no liability or responsibility to Lessee for the loss, damage or destruction of such property. Lessee will obtain from its insurance carrier a written waiver of subrogation against Lessor, to the extent available and on condition that Lessor shall pay any surcharge required for such waiver of subrogation.

Lessor shall insure the leased premises against loss by fire, vandalism or other casualty, with extended coverage, in a company or companies satisfactory to the Lessor, and if Lessor shall so elect, Lessee shall reimburse to Lessor the proportional part of the amounts so paid by Lessor as are attributable to the portions of the premises used by Lessee.

In the event of loss, the proceeds of any such casualty insurance shall be applied as provided in Section 17, hereafter.

10. CONDITIONS, REPAIRS AND IMPROVEMENTS.

10.a. Lessor Improvements.

Lessor agrees, at Lessor's expense, to maintain the original design structural integrity of the roof, floor, and all exterior walls. Lessee shall be responsible for all other improvements necessary to render the premises suitable for Lessee's purposes, subject to the requirement that Lessee shall obtain in advance Lessor's written approval of any improvements to be made, which approval shall not be unreasonably withheld, and shall submit to Lessor adequate plans and specification and shall obtain all necessary permits. All work shall be carried out in a good and workmanlike manner. All new construction or repairs, when applicable, shall be engineered by a licensed structural engineer and all prepared plans and specifications are to be presented to the Lessor for final approval before repairs or construction is to begin, which approval shall not be unreasonably withheld.

10.b Lessee Improvements.

Lessee will make and pay for any improvements required for the purposes of rendering the premises fit for Lessee's purposes, including the maintenance, repair or replacement of large warehouse doors located on the west and east ends of the premises, and any building or permit fees or system development charges or other similar fees associated with any improvements, subject to the requirements of subsection 10.a and 10.d herein.

10.c. Lessee Repairs and Maintenance

Lessee hereby agrees to maintain and keep the premises and all improvements thereon in good order and repair including the fire suppression and sprinkler system during the entire term of this lease and any renewal thereof, at Lessee's own cost and expense, but excepting those repairs as are the responsibility of Lessor under subsection 10.d. below. Lessee is responsible for any costs associated with increasing the load bearing capacity of the building's concrete floor. Original design loads of the existing concrete floor are not to exceed 36 pounds per square foot. Any loads beyond this load capacity are the responsibility of Lessee and are subject to the repair conditions as stipulated in 10.a above. Lessee further agrees that it will make no alterations, additions or improvements to or upon said premises without the written consent of the Lessor first being obtained. However, such written consent shall not be unreasonably withheld by the Lessor. The Lessor shall not be required to make any repairs whatsoever, except as provided in subsection 10.d. below. Lessee shall maintain the premises in a neat, clean and safe condition.

10.d. Lessor Repairs.

Lessor shall be responsible only for the repair of the water lines and sewer lines serving the premises (but only that portion lying beyond the walls outside of the premises) and for the repair and maintenance of the roof and walls with respect to the original design loads of the building. Lessor also will be responsible for repairs to the structural integrity of the exterior siding of the building and proceed with repairs as stated in Section 10.a. above. Notwithstanding any provision to the contrary contained herein, Lessor shall be responsible for any repair or replacement of the floor, floor drains, or other improvements/utilities damaged as a result of settlement or subsidence of the floor of the premises due to settling or subsidence of the structural fill underneath the premises; provided, however, the Lessor shall not be responsible for repairing any floor damage to the extent damage is caused by Lessee as it relates to exceeding original design load bearing limits of the concrete floor. Lessor shall not be responsible for any repairs required as a result of any act, omission or fault of Lessee. If Lessee shall believe that any repairs are required which are the responsibility of Lessor, Lessee shall give to Lessor written notice thereof, and Lessor shall commence to make such repairs within 30 days after the receipt of such notice and diligently prosecute the same to completion, which shall be Lessor's sole duty hereunder. In case of emergency, Lessee may give notice to Lessor of the need for immediate repairs, and if Lessor is unable to act with reasonable speed to make such repairs as are reasonably required to avert consequential losses arising from such emergency, then and in that event Lessee may make such repairs as reasonably are determined to be immediately necessary, and in such event Lessor shall be responsible for the reasonable cost thereof, and the Lessor's liability shall be limited to such reasonable cost of such repairs.

10.e. Insurance Proceeds.

To the extent that any insurance proceeds become available by reason of any loss, damage or casualty to the premises, the proceeds of any such policy of insurance shall be applied toward the cost of repair or restoration, such proceeds to be credited first toward the portion of any such repair or restoration chargeable to the party having such insurance except as provided in Section 17 below.

11. INSPECTION.

The Lessor, its agents and representatives, upon advance notice to Lessee may enter upon or into said premises for the purpose of examining the condition thereof and for any other lawful purpose.

12. TRANSFER OR SUBLEASE.

Lessee will not assign, transfer, pledge, hypothecate, surrender or dispose of this lease, or any interest therein, or permit any other person or persons whomsoever to occupy the premises, without the written consent of the Lessor

first being obtained in writing, which consent Lessor shall not unreasonably withhold. The parties acknowledge that Lessee is a corporation, and any change in the ownership of the voting stock of Lessor shall likewise constitute a transfer, if such transfer, taken together with any prior transfers, shall result in a change of ownership affecting more than twenty-five percent (25%) of such voting stock. This restriction on transfer shall not apply to or restrict any transfer occurring by reason of inheritance, devise or other devolution upon death, or by reason of any transfer into an inter vivos trust for estate planning purposes, so long as the original holder of such shares shall continue to have control thereof. In the event such consent should be granted, any such transfer shall not serve to release Lessee with respect to any obligation hereunder, and any such assignee, transferee or sublessee shall be deemed, by acceptance of the benefits of such assignment, transfer or sublease, to have assumed and agreed to perform, jointly and severally with any other party so obligated, the Lessee's obligations hereunder, and Lessor may require written acknowledgement of the assumption of such obligation as a condition of such assignment.

13. LIENS.

Lessee shall keep the demised premises free from all liens of every kind and description caused, incurred, permitted or suffered by any act or omission of Lessee, and Lessee shall not have the right or authority to incur any mechanic's, laborer's, materialmen's or any other liens.

14. OBSTACLES.

At all times Lessee shall keep the areas adjacent to the demised premises free and clear of ice, snow, rubbish and obstruction of every sort. Lessor will provide sweeping of the parking lot from time to time.

15. LIABILITY.

Except to the extent attributable to the fault of Lessor, Lessor shall not be responsible or liable in any way for the injury or death of any person or damage to any property caused on or about the premises, nor shall Lessor be liable for any damage or loss suffered by the business or occupation of Lessee arising or resulting from any such accident or injury to goods or persons happening on or about the premises. Lessee does hereby covenant to save, hold and defend Lessor harmless from any claim, loss, damage or liability resulting from or arising out of any such accident or injury, or in any manner arising from or as a result of the Lessee's use or occupancy of the premises, or that of any employee, representative or invitee of Lessee, and in the event of any suit or action for damages, claim or penalties being brought by any person whomsoever, Lessee agrees at its own cost and expense to defend Lessor against any such suit or action and any and all appeals thereof and to satisfy and discharge any judgement which may be awarded against Lessor on account thereof. Lessee

will at all times indemnify and hold harmless the Lessor, its agents and employees, against any and all actions or causes of action, claims, demands, liabilities, losses, damages or expenses of any kind or nature which Lessor shall or may at any time sustain or incur by reason of Lessee's operations hereunder. However, Lessee shall not be obligated to indemnify Lessor (1) on account of any matter, to the extent attributable to the fault of Lessor, (2) or for any matter attributable to the fault of any person or entity other than Lessee or its representatives accruing on that portion of the premises surrendered for, and during, an event as mentioned hereinabove.

16. LIABILITY INSURANCE.

Lessee shall at all times during the term hereof, at its sole cost and expense, procure and maintain in force and effect a policy or policies of comprehensive public liability insurance issued by an insurance carrier approved by Lessor, insuring against loss, damage or liability of injury to or death of persons and loss or damage to property occurring from any cause whatsoever in, upon or about the premises or in connection with the business operated by Lessee pursuant to this lease. Such liability insurance shall be written with limits of not less than \$1,000,000 combined single limit coverage or its equivalent insurance in respect of the premises and the conduct or operation of its business, including liquor liability and auto liability coverage, with Lessor as additional insured with \$1,000,000 minimum combined single limit coverage or its equivalent.

A certificate issued by the insurance carrier for each policy of insurance required to be maintained by Lessee under the provisions of this lease shall be delivered to Lessor upon the execution of this lease and thereafter, as to policy renewals, within thirty (30) days prior to the expiration of the term of such policy. Each of said certificates of insurance and each such policy of insurance required to be maintained by Lessee hereunder shall expressly evidence insurance coverage as required by this lease (including an express waiver of rights of subrogation thereunder as required hereunder) and shall contain an endorsement or provision requiring not less than thirty (30) days' written notice to Lessor prior to the cancellation, diminution in the perils insured against, or reduction of the amount of coverage of the particular policy in question.

The scope and limits of such insurance shall be subject to change in the event of changes in economic conditions, changes in circumstances or in the Oregon Tort Claims Act or other law or statutes tending to increase or reduce Lessor's potential liability.

17. DESTRUCTION OF PREMISES.

In the event of the destruction of the improvements on the real property to the extent of more than 75% of their sound value, the Lease shall terminate

unless the Lessor shall elect to replace or restore the premises. Lessor shall have thirty (30) days after the occurrence of an event resulting in the destruction of the leased premises to the extent of more than seventy-five percent (75%) of their sound value in which to determine whether or not to proceed to replace or restore the premises. If Lessor shall not elect to restore the premises, the lease shall thereupon terminate. If the Lessor shall elect to restore the premises, Lessor shall notify Lessee of its intent to do so, and shall provide Lessee with Lessor's reasonable best estimate of the time required for such restoration. If it is determined that the restoration shall require a period of more than six months, Lessee shall have thirty (30) days in which to give Lessor notice of Lessee's intent to cancel the lease agreement; otherwise, the lease shall continue in full force and effect. Lessor shall have no obligation to proceed following its election until and unless Lessee shall have determined and communicated to Lessor whether or not Lessee will terminate its lease.

In the event of damage or destruction to the extent of 75% or less, the proceeds of any policy of casualty insurance shall be used to restore the premises to their original condition, unless the parties shall otherwise agree. Under no circumstances shall Lessor have any obligation to expend any sums in excess of available insurance proceeds to repair or replace any part or portion of the premises so destroyed, and in the event such proceeds are inadequate to entirely defray the cost of such repair or replacement, the lease shall terminate unless the Lessor shall elect, in its sole discretion, to expend such additional funds as shall be required for such purpose.

18. CONDEMNATION.

In case of condemnation or appropriation by any public or private corporation under the laws of eminent domain of a part of the premises not causing interference with the Lessee's use of the premises to the extent of rendering the remainder of the premises unfit for the purposes intended hereunder, the lease agreement shall continue in effect, but otherwise shall be terminated unless, in the discretion, of either party, such party shall elect to make such improvement of the premises as shall render the same fit for the continuation of the purposes hereunder intended. In the event of such taking and consequent termination of the lease, the parties shall share in the condemnation award as their respective interests shall appear immediately prior to the taking and lease termination. Provided that it does not diminish Lessor's award, Lessee shall have the right to make a separate claim for compensation related to the condemnation, including reasonable relocation costs, the value of immovable fixtures and lease improvements, lost revenue, the increase in lease rates (if any) between the premises and the replacement premises, and other costs and expenses associated with Lessee's loss of use of the premises due to condemnation.

19. HOLDING OVER.

Strict and literal compliance with the terms and conditions provided for any renewal of this lease shall be a condition precedent thereto, and in the event the Lessee shall for any reason hold over after the expiration of this lease, other than pursuant to a valid renewal hereof, such holding over shall not be deemed to operate as a renewal or extension of this lease but shall create a tenancy which may be terminated at will at any time by the Lessor.

20. SIGNS.

Lessee may erect signs identifying Lessee's presence and activities upon the premises, subject to all applicable requirements of law and ordinance, and subject to the requirement that such signs shall be attractive and consistent with any signage plan or theme adopted by Lessor. Lessor will also assist Lessee by making space available for reasonable direction signage to assist the public in locating Lessee. The parties acknowledge that all such signage is restricted as to number and area by ordinances of the City of Newport and any other governmental body having jurisdiction thereof, with a limited amount of signage area available to Lessee.

21. NOTICES.

Any notices required by the terms of this lease to be given by one party to the other, or desired so to be given, shall be sufficient if the writing is in a sealed envelope, deposited in the United States registered or certified mail with return receipt requested and with postage full prepaid and addressed to the other party at the following address, or such other address as to which either party may have properly notified the other:

LESSOR:
General Manager
Port of Newport
600 S.E. Bay Blvd.
Newport, OR 97365

LESSEE:
Oregon Brewing Company
2320. S.E. OSU Drive
Newport, OR 97365
and
Jonathan Pearlstein
P.O. Box 448
North Bend, WA 98045

22. STRICT PERFORMANCE.

Full, strict, complete and literal performance, and the time thereof, are of the essence of this agreement; any waiver by the Lessor of any breach of any covenant or agreement herein contained to be kept and performed by the Lessee shall not be deemed or considered a continuing waiver and shall not operate to bar or prevent Lessor from any right or remedy for that breach or for any

succeeding breach, either of the same condition, covenant or agreement, or of any other.

23. ATTORNEY'S FEES.

In the event either party to this lease shall be required to retain the services of an attorney to enforce any obligation under this lease agreement, such party shall be entitled to recover from the other reasonable attorney's fees so incurred, whether or not any suit or action shall be commenced. In the event either party to this lease shall commence any suit or action to enforce any obligation hereunder, the prevailing party shall be entitled to recover from the other such party's reasonable attorney's fees so incurred, including any appeal.

24. SURRENDER OF PREMISES.

At the expiration of said term or upon any sooner termination of this lease, or upon the termination of any extension hereof, or upon the termination of any tenancy created hereafter, the Lessee will quit and deliver up said leased premises and all erections, additions, or improvements to or upon the same, broom clean to the Lessor, or those having Lessor's estate in the premises, peaceably, quietly and in good order and condition, reasonable use and wear thereof, damage by fire, unavoidable casualty and the elements, to the extent covered by insurance, alone excepted, as the same are now in, or such better condition as the premises hereafter may be put in, or may be required, by terms of this lease, to be put in.

Any holding over shall not result in a renewal or extension of the lease agreement, but shall create only a tenancy at sufferance. During the term of any such tenancy at sufferance, Lessee shall continue to be obligated to pay and perform, and to be liable for payment and performance of, each and every obligation and requirement under this lease agreement, including but not limited to monthly rents determined in accordance with the terms of this lease agreement and additional payments pursuant to Section 8 of the lease agreement as may come due until such time as such tenancy at sufferance is terminated as provided in ORS 91.040, or otherwise.

Subject to the statutory lien right of Lessor, Lessee shall have the right to remove, upon termination of the tenancy, any furniture, equipment or other personal property belonging to Lessee, and failure of Lessee to remove the same shall constitute a failure to vacate. However, nothing herein contained shall be construed to limit Lessor's right to expel the Lessee and Lessee's effects upon termination of the lease term or any renewal thereof. Upon removal of such property, Lessee shall repair any damage to the premises occasioned by such removal.

25. SUCCESSORS.

All rights, remedies and liabilities herein given to or imposed upon either of the parties hereto shall extend and inure to the benefit of and bind, as the circumstances may require, the heirs, executors, administrators, successors and assigns of such parties. However, this provision shall not be construed to permit any transfer of the rights of the Lessee in derogation of any term or provision of this lease agreement requiring the consent of the Lessor.

26. NEAT AND PRESENTABLE CONDITION.

Lessee agrees at all times during the term of this lease to maintain the leased premises in a clean, net, orderly and presentable condition.

27. INTEGRATION.

This is the complete and entire agreement between the parties, and supersedes any other or prior agreement, except a certain lease of personal property entered into contemporaneously herewith, as mentioned in Section 28, hereafter. Any modification hereof shall be effective only if reduced to writing and subscribed by the parties sought to be bound thereby.

28. WAIVER.

Time and strict, complete, and punctual performance of each and every obligation on the part of the Lessee to be performed are of the essence of this agreement. Failure of Lessor to enforce any term, provision or requirement of this agreement, or to exercise any remedy on account of Lessee's failure to perform the same, shall not constitute a waiver of such failure or of the provision itself.

29. DEFAULT.

The Lessee's failure to pay timely the rent provided hereunder, or any portion thereof, shall be a default and shall operate to terminate the tenancy of the Lessee hereunder, without waiver of any right of Lessor, including the right to be compensated for Lessor's damages, including but not limited to the rent and other performance due to Lessor hereunder, in the following events:

29.a. If Lessee shall fail to pay the rent or any other sum required to be paid hereunder (whether to Lessor or to another) when due and within ten (10) days after written notice from the Lessor that the same has not been paid when due.

Except as above provided, no notice to quit or to pay such rent shall be required and the holding of such tenant thereafter shall be wrongful. However, in

any event, if the Lessor, after such default in payment of rent, accepts payment of the full amount in arrears, without taking, or making demand for, possession, then the lease is reinstated for the full term hereof, subject to termination by subsequent defaults in payment of rent or to termination for other default as hereafter provided. Acceptance by Lessor of payment of arrearage of rent, or a portion thereof, shall not reinstate the lease unless the Lessee shall pay or perform, all sums the payment of which is in arrears and all other defaults then existing.

29.b. If Lessee shall fail to perform any other obligation, requirement, condition, covenant or agreement material hereunder, or shall otherwise, by act or omission, be or become in breach of any requirement hereof, (excepting only failure to pay rent or other sums required to be paid hereunder), if Lessor shall give to the Lessee written notice of such failure of performance or other act or omission in breach of this lease agreement, and Lessee shall fail to cure the same within twenty (20) days after such notice.

With respect to all matters relating to the condition of the premises, if the act or omission complained of by Lessor may not reasonably be cured within twenty (20) days, the Lessee shall nonetheless not be deemed in default hereunder if the Lessee shall commence the cure of such breach within ten (10) days following receipt of such notice and shall diligently prosecute such cure to completion, such cure in any event to be completed within ninety (90) days after receipt of such notice.

30. LATE PAYMENT.

Any payment due hereunder from the Lessee to the Lessor shall be subject to a late charge, as additional rental consideration to Lessor, equal to 18% per annum (1.5% per month), if the same shall not be paid when due, whether or not Lessor shall have given notice pursuant to subsection (a) of Section 29, above.

31. REMEDIES.

In the event the lease shall terminate for default, as aforesaid, or by reason of any other default as a matter of law, or for any other reason, and if the Lessee shall fail to immediately surrender possession of the leased premises, in any of such cases, the Lessor or those having Lessor's estate in the premises, lawfully and at the option of the Lessor, immediately or at any time thereafter, without demand or notice, may enter into and upon the demised premises and every part thereof and repossess the same as of Lessor's former estate and expel Lessee's effects at the expense of Lessee, forcibly if necessary, and store the same and/or lock the demised premises, all without being deemed guilty of trespass or other wrongful act, and as a remedy pursuant hereto and not in derogation hereof, and without prejudice to any other right or remedy which

otherwise might be used for arrears of rent, breach of this agreement, or otherwise.

In addition, if the Lessor shall retake possession of the premises, Lessee shall pay to Lessor all of the reasonable costs of reentry and reletting, including but not limited to the cost of any cleanup, refurbishing, removal and storage of Lessee's property and fixtures and any other expense occasioned by Lessee's failure to quit the demised premises upon termination or to leave them in the required condition, any cost of repair to the building, attorneys' fees, court costs, brokers' commissions and advertising costs.

In the event of termination for breach, Lessor may, at its option, require the Lessee to pay to the Lessor:

31.a. The amount of the unpaid rent that had been earned at the time of termination of this lease, with interest at the judgement rate;

31.b. The amount, at the time of the award of payment thereof, by which the unpaid rent that would have been earned after the date of termination of this lease until the time of payment or award exceeds the amount of the loss of rent that Lessee proves could reasonably have been avoided;

31.c. The amount, at the time of the payment or award, by which the present value of the unpaid rent for the balance of the lease after the time of the award exceeds the amount of the loss of rent that Lessee proves could reasonably have been avoided.

31.d. Any other amount, and court costs, including reasonable attorneys' fees, necessary to compensate Lessor for all detriment proximately caused by Lessee's default.

All of the Lessor's rights and remedies hereunder shall be cumulative, one with the other, and with any other right or remedy as may now or later exist by force and effect of law or otherwise.

Lessor, at any time Lessee has failed to perform a provision hereof, can provide such performance at Lessee's cost, and such costs or amounts paid shall be a debt due immediately from Lessee to Lessor.

32. GRAMMATICAL CONSTRUCTION.

In construing this lease, it is understood that the Lessor or the Lessee may be more than one person, and if the context so requires, the singular pronoun may be taken to mean and include the plural, the masculine may include the feminine and the neuter, and vice versa, and generally all grammatical changes shall be made, assumed, and implied as are necessary to carry out the intent

hereof and to make the provisions of this agreement apply equally to corporations as to individuals.

IN WITNESS WHEREOF, the parties have executed this instrument in duplicate to be effective as of the day and year above set forth, and any corporate signature is affixed hereto only pursuant to the authority of the board of directors or other governing body thereof, and the execution hereof constitutes a warranty of such authority and of the authority of the Lessor and of the Lessee to make and enter into this agreement.

LESSOR:
PORT OF NEWPORT

LESSEE:
OREGON BREWING COMPANY,
An Oregon Corporation

By: _____
President

By: _____
President

By: _____
Secretary

By: _____
Secretary