

REAL PROPERTY SUBLEASE

PARTIES:

Les Schwab Tire Centers of Washington, Inc. (“Tenant”)
Attn: David Gibson
Delivery: 20900 Cooley Road, Bend, OR 97701
Mail: PO Box 5350, Bend, OR 97708
Phone: 541.416.5342

Les Schwab Profit Sharing Retirement Trust (“Lessor”)
Attn: David Gibson
Delivery: 20900 Cooley Road, Bend, OR 97701
Mail: PO Box 5350, Bend, OR 97708
Phone: 541.416.5342

City of North Bend (“Subtenant”)
Attn: Lynn Fredenburg
Delivery: 126 E. 4th St, North Bend, WA 98045
Mail: PO Box 896, North Bend, WA 98045
Phone: 425.888.7646

RECITALS:

- A. Tenant leases the real property located at 610 E. North Bend Way, North Bend, WA (“Property”) from Lessor pursuant to a Ground Lease dated September 1, 1988 (as amended, the “Lease”).
- B. Tenant has exercised its option, arising under the terms of the Lease, to purchase the Property. Tenant and Lessor are working together to complete the purchase.
- C. Subtenant desires to improve and utilize a previously unused portion of the Property (defined in **Exhibit A** hereto and referred to herein as the “Park Parcel”) for the purpose of operating a City park. Lessor and Tenant believe the improvement of the Park Parcel will benefit the Property and are willing to permit City to sublease the Park Parcel under the terms set forth herein.

AGREEMENTS:

1. **PREMISES.** Tenant hereby subleases the Park Parcel to Subtenant and Subtenant accepts possession of, and responsibility for, the Park Parcel.
2. **TERM.** This Sublease shall commence on January 1, 2016 (“Commencement Date”) and, provided the City completes by January 1, 2019, the “Improvements” identified below, shall continue for so long as the City utilizes the Park Parcel for City park purposes. Notwithstanding the foregoing, this Sublease shall terminate upon the termination of the Lease unless Tenant becomes the owner of the Park Parcel, in which case this Sublease shall become a lease.
3. **RENT.** Subtenant shall pay the amount of \$10 to sublease the Park Parcel for the term hereof.
4. **PURPOSE.** Subtenant may use and occupy the Park Parcel solely for purposes of installing, maintaining, repairing, and replacing landscaping and walking paths to be used in connection with general City park purposes, including parking for vehicles provided the parking spaces are reserved solely for park users. Subtenant shall also construct a fence,

to be approved by the Tenant in the exercise of its reasonable discretion, on the boundary line of the Park Parcel and the remainder of the Property. All of the foregoing work described in this Section 4 is referred to collectively as the "Improvements." Subtenant represents and warrants that its use of the Park Parcel will be in compliance with all applicable laws and without risk to Tenant or Lessor.

5. **UTILITIES.** Lessor and Tenant shall furnish no utilities or services to the Park Parcel.
6. **REPAIRS AND MAINTENANCE.** Subtenant shall, at Subtenant's sole expense, maintain the Park Parcel in good order and condition during the term of this Sublease.
7. **INJURY TO PROPERTY OR PERSON.** Subtenant is responsible for the condition of the Park Parcel during the term of this Sublease and for any damage or injury to property or person resulting from the condition of the Park Parcel, or the activities of Subtenant and Subtenant's agents, employees, or the general public thereon, or any independent contractor hired by Subtenant, or person upon the Park Parcel with the express or implied consent of Subtenant. Subtenant shall indemnify and save Tenant and Lessor harmless from any loss, damage, claim or demand arising out of the condition of the Park Parcel or any activities thereon.
8. **LIABILITY INSURANCE.** At all times during this Sublease, Subtenant shall provide and maintain an occurrence form commercial general liability policy or policies as described in **Exhibit B** hereto, written by companies having an A.M. Best rating of "A-" or better, or equivalent. Landlord and Tenant shall be named as an additional insured in each general liability policy.

On or before the Commencement Date and thereafter during the term of this Sublease, Subtenant shall provide Landlord with current certificates of insurance, executed by a duly authorized representative of each insurer, evidencing the existence of all insurance policies required under this Section. Insurance must be maintained without any lapse in coverage during the Lease Term. Failure of Landlord to demand such certificates or other evidence of full compliance with these insurance requirements or failure of Landlord to identify any deficiency or noncompliance with coverage requirements shall not be construed as a waiver of Subtenant's obligation to maintain the insurance required by this Lease.

9. **PROPERTY LEASE.** Tenant agrees to maintain in compliance with all obligations of it as set forth in the Lease and to expend commercially reasonable efforts to maintain the Lease in full force and effect pursuant to its terms. Tenant will promptly provide to Subtenant any notice of default received by Tenant under the Lease.
10. **PURCHASE OF PROPERTY.** Tenant will expend commercially reasonable efforts to complete its purchase of the Property. Following its purchase of the Property, Tenant shall gift the Park Parcel to the Subtenant.
11. **PRIOR AGREEMENTS.** This Sublease is the entire, final and complete agreement of the parties with respect to the matters set forth in this Sublease, and supersedes and replaces all written and oral agreements previously made or existing by and between the parties or their representatives with respect to such matters.
12. **INTEGRATION.** This Sublease constitutes a final and complete statement of the agreement between the parties as to the Park Parcel, and fully supersedes all prior agreements or negotiations, written or oral.
13. **LEGAL PROCEEDINGS.** In the event any legal proceeding is commenced for the purpose

of interpreting or enforcing any provision of this Sublease, the prevailing party in such proceeding shall be entitled to recover a reasonable attorney's fee in such proceeding, or any appeal thereof, to be set by the court without the necessity of hearing testimony or receiving evidence, in addition to the costs and disbursements allowed by law.

DATED to be effective December 7, 2015.

TENANT:

LES SCHWAB TIRE CENTERS OF WASHINGTON, INC.

By: _____
Corey J. Parks, Secretary

SUBTENANT:

CITY OF NORTH BEND

By: _____
Kenneth G. Hearing, Mayor

LESSOR:

The Les Schwab Profit Sharing Retirement Trust hereby consents to the terms of this Sublease, including the purpose for which the Park Parcel is to be used by Subtenant. The Lessor does not waive or release Tenant from any obligation set forth in the Lease.

LES SCHWAB PROFIT SHARING RETIREMENT TRUST

By: _____
James A. Goad, Trustee

By: _____
Justin T. Phillips, Trustee

EXHIBIT A
Legal Description

The highlighted portion of Lot B shown below:

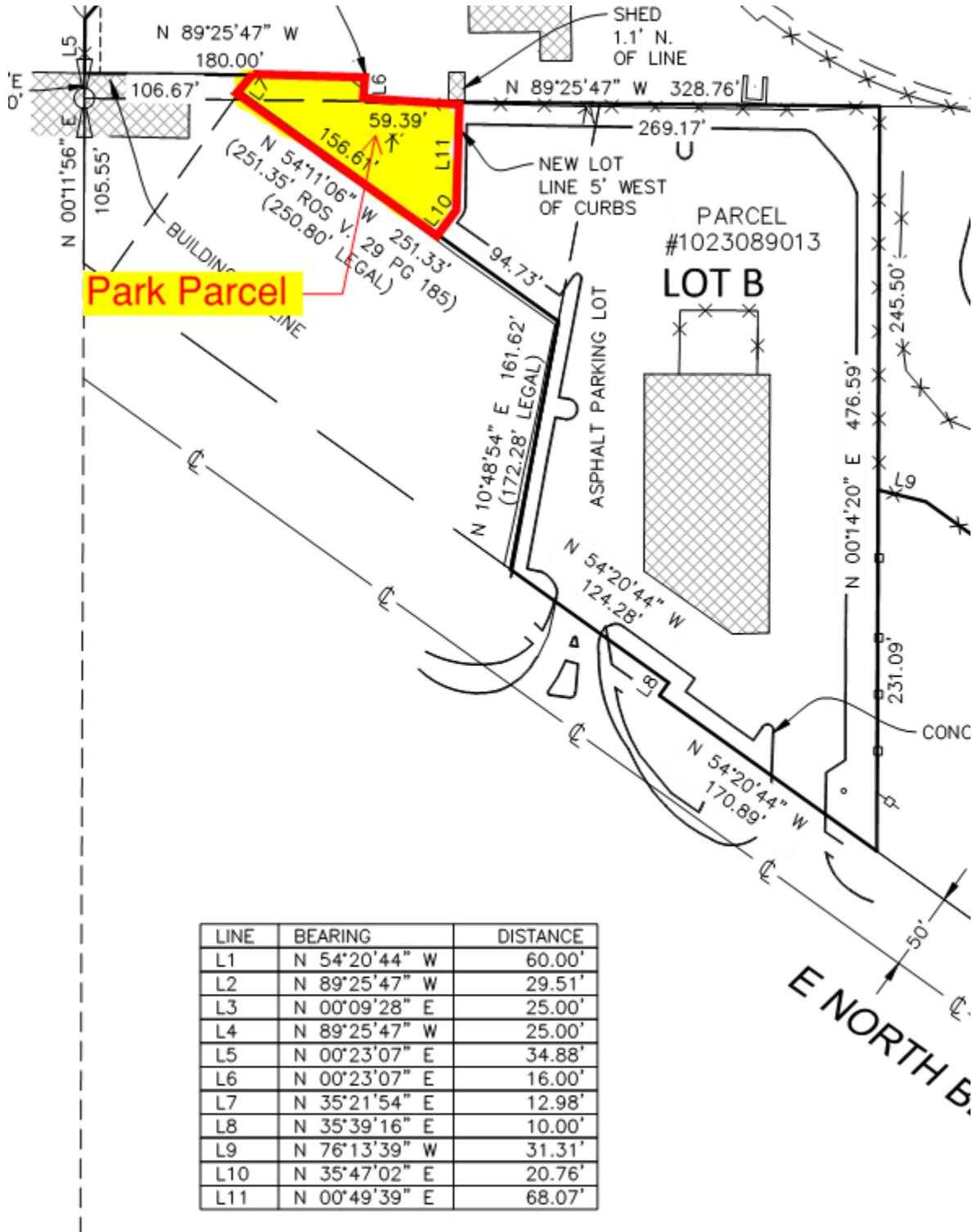


EXHIBIT B
AWC RMSA
2015
Coverage Declarations

Term of Coverage (All Lines)

From: January 1, 2015 at 12:01 A.M. (PST) to January 1, 2016 at 12:01 A.M. (PST)

Limits of Liability

In consideration of the contribution by members, this agreement provides coverage in the following amounts:

Liability Coverage:

| | |
|--------------|--|
| \$10,000,000 | General and automobile liability, per occurrence |
| \$10,000,000 | Products and completed operations, per occurrence |
| \$10,000,000 | Errors and omissions and employment practices, per occurrence |
| \$10,000,000 | Official police duties, per occurrence |
| \$15,000,000 | Annual aggregate; products liability/General liability/Law enforcement liability |
| \$5,000 | Automobile medical payments, per person |

Property Coverage:

| | |
|-----------------------|--|
| \$250,000,000 | All risks of direct physical loss or damage to insured property, except as excluded and as described in the policy, subject to sub-limits and deductibles. |
| ACV | Actual cash value coverage for motor vehicles, trucks, trailers and equipment |
| Actual loss sustained | Business interruptions |

Property Coverage Sub-Limits:

| | |
|---|--|
| \$50,000,000 | Earth movement |
| \$50,000,000 | Flood |
| \$10,000,000 | Flood as respects "Special Flood Hazard Area (SFHA)" |
| Included | Named storm |
| \$5,000,000 | Accounts receivable |
| \$10,000,000 | Newly acquired property, for a period of 90 days |
| 60 days, not to exceed | Civil or military authority |
| 5,000,000 | |
| \$1,000,000 | Contingent time element |
| \$25,000,000 | Builder's risk locations |
| \$100,000 | Computer virus |
| \$5,000,000 or 25% of loss, whichever is less | Debris removal |
| \$10,000,000 | Demolition and increased cost of construction |
| \$1,700,000 | Docks, piers and wharves |
| \$5,000,000 | Extra expense |
| \$2,500,000 | Fine arts |
| \$250,000 | Fire brigade charges |

| | |
|---|--|
| \$5,000,000 | Leasehold interest |
| \$10,000,000 | Miscellaneous unnamed locations (except equipment breakdown) |
| \$1,000,000 | Mold/Fungus named perils |
| \$5,000,000 | Service interruption qualifying period of 24 hours applies |
| \$2,500,000 | Transit |
| \$5,000,000 | Valuable papers and records |
| \$1,000,000 | Watercraft on-land |
| \$100,000 | Watercraft while over water |
| \$3,500,000 | Gross earnings |
| Included | Ordinary payroll – 90 days, included with gross earnings limit |
| Included | Rental insurance |
| 60 days | Ingress/Egress not to exceed \$5,000,000 |
| \$5,000,000 | Vehicles on premise |
| \$1,000,000 | Vehicle over the road |
| \$100,000 | Animals, not to exceed \$25,000 per animal |
| \$250,000,000 | Certified act of terrorism |
| \$5,000,000 or 25% of loss, whichever is less | Upgrade to green |
| 180 days | Extended period of indemnity |
| \$250,000 | Professional fees |
| \$1,000,000 | Tunnels, bridges, dams, culverts |
| \$50,000 | Money and securities |
| \$100,000 | Street lights, traffic signs, traffic lights – only to members with values reported for such |
| \$250,000 | Per occurrence and annual aggregate for limited pollution coverage |
| \$100,000,000 | Equipment breakdown |

Government Crime:

\$1,000,000 Employee Theft (per loss); Forgery or Alteration; Computer Fraud; Funds Transfer Fraud; Money Orders And Counterfeit Paper Currency

Aviation Liability:

\$2,000,000 Forks Airport; Odessa Municipal Airport; Quillayute Airport; Twisp Municipal Airport; Strom Field Airport; Swanson Airport; Darrington Municipal Airport; Willard Field Airport

Member Deductibles:

| | |
|------------------------------------|--|
| Pacific Northwest earthquake zones | 3% of Total Insurable Values at the time of the loss at each Location involved in the loss or damage, subject to a minimum of \$250,000 any one Occurrence \$100,000 per occurrence, except as follows: \$500,000 per Building, \$500,000 for Contents per Building and \$50,000 for Time Element per Building as respects Locations wholly or partially within Special Flood Hazard Areas, areas of 100-year flooding as defined by FEMA. |
| Flood | |
| Equipment breakdown | \$5,000 24 hour waiting period and within one (1) mile of the premises on Service Interruption and within one (1) mile of the premises on Spoilage |

These Coverage Declarations are only a summary of the coverage offered. Certain conditions and exclusions may apply. Please refer to the individual Coverage Agreement and policies for complete details of coverages, deductibles, sub-limits, extensions and exclusions.