

PORT OF BREMERTON
BOARD OF COMMISSIONERS
REGULAR BUSINESS MEETING

A G E N D A

May 27, 2025
10:00 AM

Bill Mahan Conference Room
Port Administration Offices
Bremerton Nat'l Airport Terminal Bldg
8850 SW State Hwy 3, Bremerton

The Port of Bremerton Board of Commissioners have resumed in-person meetings but are maintaining the option for the public to participate remotely as well. The public is invited to view and/or participate in the hybrid meeting by attending in person or through one of the following options:

- To stream online only (via BKAT feed, with no interaction possible):
<https://bremerton.vod.castus.tv/vod/?live=ch1&nav=live>
- To join the online Zoom meeting: <https://us02web.zoom.us/j/3359030010>
- For audio only; dial 1.253.215.8782; Meeting ID: 335 903 0010

Call to Order

Pledge of Allegiance

Approval of Agenda

Consent Items

All matters listed under Consent Items have been distributed to each member of the Commission for reading and study, are considered to be routine, and will be enacted by one motion of the Commission with no separate discussion. If separate discussion is desired, that item may be removed from the Consent Items and placed under Action Items by request.

- A. Minutes of the regular business meeting of May 13, 2025.
- B. Payment of checks #86791 through #86809 and #E02662 through #E02674 and #902809 through #902814 and #902815 through #902818 and #902819 and #902820 and #902821 through #902822 and #86810 through #86825 and #E02675 through #E02689 and #E02690 and #902823 through #902835 and #86826 through #86843 and #E02691 through #E02693 and #902839 through #902842 from the General Fund for \$348,433.96. Voided Checks #85557 and #85991 and #85994.

Citizen Comments: *Open to the public for comment. Speakers are asked to keep their comments to less than 3 minutes. Please feel free to submit further comments in writing to the Clerk of the Board (gingerw@portofbremerton.org).*

Action Items

1. Resolution 2025-04 supporting a Washington State Department of Transportation (WSDOT) Aviation Division Airport Aid Application for the Airport Layout Plan Update.
2. Lease Amendments and Lease Agreement with Steelhead Group Holdings, LLC

Staff Reports

Commission Reports / New Business

Executive Session *(if necessary)*

Adjournment

Regular business and other meetings that may be attended by members of the Board

| <u><i>Date</i></u> | <u><i>Time</i></u> | <u><i>Meeting</i></u> |
|--------------------|--------------------|--|
| <i>05/27</i> | <i>10:00 am</i> | <i>*Commission Regular Business Meeting – Hybrid</i> |
| <i>06/04</i> | <i>10:00 am</i> | <i>CANCELLED - Puget Sound Regional Council (PSRC) Executive Board</i> |
| <i>06/10</i> | <i>10:00 am</i> | <i>*Commission Regular Business Meeting – Hybrid</i> |

Meetings are subject to change or cancellation

**Denotes events in which two (2) or more Commissioners may attend*

PORT OF BREMERTON
BOARD OF COMMISSIONERS
REGULAR BUSINESS MEETING

MINUTES

May 13, 2025
10:00 AM

Bill Mahan Conference Room
Port Administration Offices
Bremerton Nat'l Airport Terminal Bldg
8850 SW State Hwy 3, Bremerton
Remote Option via Zoom

Commissioners and Staff Present

Commissioners

Cary Bozeman
Axel Strakeljahn

Staff Members

Jim Rothlin - Remote
Arne Bakker
Aaron Schielke
James Weaver
James Goodman

Erica Filler

Ginger Waye

Stephanie Frame

Anne Montgomery, Atty

Call to Order

Vice-President Bozeman called the meeting to order at 10:00 a.m. and led the Pledge of Allegiance. He noted he was standing in for Commissioner Anderson as he is attending a conference in Seattle.

Approval of Agenda

It was moved by STRAKELJAHN, seconded by BOZEMAN to:

Approve the Agenda as presented.

MOTION CARRIES, 2-0

Consent Items

- A. Minutes of the regular business meeting of April 22, 2025.
- B. Payment of checks #902773 through #902785 and #902786 and #E02626 and #902787 through #902791 and #86740 through #866775 and #E02627 through #E02646 and #E02647 and #902792 and #902793 through #902796 and #902797 and #E02648 and #902798 through #902800 and #902801 through #902803 and #86776 through #86789 and #E02649 through #E02661 and #86790 and #902804 through #902807 and #902808 from the General Fund for \$1,315,040.70. Void Checks #86697 and #86776.

It was moved by BOZEMAN, seconded by STRAKELJAHN to:

Approve the Consent Items as presented.

MOTION CARRIES, 2-0

Information Items

1. Quarterly Financial Review – Aaron Schielke, Chief Financial Officer

Mr. Schielke presented a high-level financial review detailing the results of operations (Q1 actuals of profit and loss); capital spending which includes prior year carryover; and cash and investments reserves analysis. He responded to questions from the Board throughout the presentation.

Citizen Comments - None

Action Items

1. Bay Street Properties Environmental Remediation Project 03-23-30018 Change Order No. 1 with Innovative Construction Solutions.
Presented by James Weaver, Director of Marine Facilities

Following presentation and after questions/comments were addressed:

It was moved by STRAKELJAHN, seconded by BOZEMAN to:

Approve Change Order No. 1 with Innovative Construction Solutions for Project 03-23-30018 Bay Street Properties Environmental Remediation and authorize the Port CEO to execute the change order in the amount of \$48,501.88, inclusive of tax.

MOTION CARRIES, 2-0

2. Airport Layout Plan Agreement with Mead & Hunt.
Presented by Arne Bakker, Chief Operations Officer for Cole Barnes, Airport Manager

Following presentation and after questions were addressed:

It was moved by BOZEMAN, seconded by STRAKELJAHN to:

Approve the Professional Services Agreement with Mead & Hunt for the Airport Layout Plan update and authorize the Port CEO to execute the agreement.

MOTION CARRIES, 2-0

Staff Reports

Jim Rothlin, Chief Executive Officer, reported on the following:

- Employee Anniversaries
 - Ken Eisenhardt, 10 years, Port Maintenance II - Airport/Industrial Facilities, specialist on HVAC and stormwater compliance.
 - Connie Daggett, 3 years, Staff Accountant, managing payroll and supporting the entire accounting team.
 - Jenifer Zuweni, 3 years, Accounts Receivable, handles all facilities – airport, industrial park, and marinas.
- New Hires
 - Sam Dugo, Port Maintenance II – Marine Facilities – recently relocated to Kitsap; previously with the City of Mukilteo.
 - Marina seasonal employees include Kevin Sauerland, Cory Wager, Corbin Egler, and James Clark.

Commission Reports / New Business

Commissioner Strakeljahn

- Serving on the nominating committee for Puget Sound Regional Council (PSRC) Executive Board officers.
- Attending the following meetings:
 - PSRC General Assembly on May 22.
 - Kitsap Regional Coordinating Council (KRCC) Executive Committee.
 - Bremerton Navy League event this weekend.
- Conveyed the story behind his new Kentucky Derby tie.

Commissioner Bozeman

- Following the Governor's work on the ferry system and pleased with his decisions which include finally getting a second Bremerton boat back online.

Executive Session - None

Adjournment

There being no further business before the Board, the meeting was adjourned at 10:47 a.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
May 22, 2025

Axel Strakeljahn
Commission Secretary
May 27, 2025

Draft

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #1
Subject: Resolution authorizing the submittal of the WSDOT Aviation Division Airport Aid Application for 2025
Exhibits: Resolution 2025-04
Prepared By: Cole Barnes, Airport Manager
Meeting Date: May 27, 2025

Summary:

On May 13, 2025, the Commission approved a contract with Mead & Hunt for the Airport Layout Plan (ALP). The project is funded by a combination of FAA funds, State funds, and the anticipated receipt of a WSDOT Aviation grant. The WSDOT grant application is due by May 30, 2025.

The WSDOT Aviation Division Airport Aid Application for 2025 requires that the airport sponsor submit a resolution adopted by its elected officials which authorizes the submission of the application to WSDOT Aviation, states that the sponsor has the required matching funds available, and that elected officials support the application.

Fiscal Impact:

| | |
|---|--------------|
| FAA Funding | \$326,756.76 |
| State Aeronautics Transportation Budget | \$300,000.00 |
| WSDOT Aviation Grant Request | \$17,197.73 |
| Total Master Plan Contract | \$643,954.49 |
| Port Funding | \$0.00 |

Strategic Purpose:

This action conforms with the Port's strategic plan in Goal 4.a. Continually assess niche markets in the Port's marinas and airfield lines of business for growth opportunities.

Recommendation:

Staff recommends the Commission authorize the submittal of the WSDOT Aviation Division Airport Aid Application for 2025.

Motion for Consideration:

Move to approve Resolution 2025-04 authorizing the submittal of the WSDOT Aviation Division Airport Aid Application for 2025.

PORT OF BREMERTON
KITSAP COUNTY, WASHINGTON
RESOLUTION NO. 2025-04
DATED: May 27, 2025

A RESOLUTION of the Board of Commissioners, Port of Bremerton, supporting a Washington State Department of Transportation (WSDOT) Airport Aid Application for the Airport Layout Plan (ALP) update at Bremerton National Airport, and providing assurance of available local match funds.

WHEREAS, WSDOT has established a competitive Airport Aid Program for pavement, safety, maintenance, security, and planning projects; and

WHEREAS, the Port of Bremerton has submitted an Airport Layout Plan (ALP) update at Bremerton National Airport.

WHEREAS, the total cost of the project cost for professional services is \$643,954.49, of which the Port is requesting \$17,197.73 in grant funds from WSDOT.

NOW, THEREFORE BE IT RESOLVED that the Board of Commissioners, Port of Bremerton, support the Airport Aid application for completion of the Airport Layout Plan (ALP) Update and assure the availability of the Port's matching funds.

ADOPTED by the Board of Commissioners of the Port of Bremerton at the regular public meeting thereof held this 27th day of May 2025, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission.

Commission President

Commission Vice-President

ATTEST:

Commission Secretary

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #2
Subject: Steelhead Group Holdings Lease Amendments and new Lease Agreement
Exhibits: Lease Amendments 1, Lease Agreement Steelhead Group Holdings LLC
Prepared By: Arne Bakker, COO
Meeting Date: May 27, 2025

Summary:

In February 2022, The Port entered into lease agreements with Steelhead Group Holdings for 2 properties on Mount Jupiter Way and Sentinel Peak Way. These properties are 4.41 and 1.39 acres respectively and were set to go into effect upon the Port completing the site development work and construction of Mount Jupiter Way. This work is now complete and the start date of these leases will be June 1, 2025, upon commission approval.

Early 2025, Steelhead group approached the Port to lease an additional acre adjacent to their current leases. The terms of these leases are as follows for undeveloped land:

Lease term: fifty (50) years
Options: three (3) options of ten (10) years each
Lot size: 1 acre
CPI Increases: Commencing on the 10th anniversary of this lease and consisting of an increase of the cumulative of the previous 5 years and not to exceed 3% annually. CPI increases will continue annually thereafter.

Fiscal Impact:

Increased revenue for the Port of Bremerton's Olympic View Industrial and Business Park:

4.41 Acre Mount Jupiter Way: \$3,153.11 per month
1.39 Acre Sentinel Peak Way: \$1,112.00 per month
1.00 Acre Mount Jupiter Way: \$500.00 per month

Strategic Purpose:

This action conforms with the Port's strategic plan in Goal 1. Be a significant leader in promoting the local economy and job growth both on and off Port assets.

Recommendation:

Staff recommends Commission approval of:

1. The lease commencement date of June 1, 2025, for the two existing leases with Steelhead Group Holdings.
2. The new 50-year lease for 1 acre of undeveloped land under the terms outlined above.

Motions for Consideration:

Move to approve:

- 1. Steelhead Group Holdings Lease Amendment 1, establishing a commencement date of June 1, 2025, for 4.41 acres at 8651 Mount Jupiter Way SW**
- 2. Steelhead Group Holdings Lease Amendment 1, establishing a commencement date of June 1, 2025, for 1.39 acres at 8742 SW Sentinel Peak Way**
- 3. Steelhead Group Holdings Lease Agreement for 1 acre of undeveloped land at 8751 SW Sentinel Peak Way adjacent to the existing parcels**

**FIRST AMENDMENT TO
AIRPORT INDUSTRIAL PARK LEASE**

This **FIRST AMENDMENT TO AIRPORT INDUSTRIAL PARK LEASE** (the "First Amendment") is made and entered into this ____ day of _____, 2025, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **STEELHEAD GROUP HOLDINGS, LLC.**, a Limited Liability Company in the State of Washington (hereinafter referred to as "Lessee"). Lessor and Lessee shall be collectively referred to herein as the "Parties," and individually as a "Party."

WHEREAS, Lessor and Lessee entered into that certain Airport Industrial Park Lease dated February 8, 2022 (the "Lease"), wherein Lessor leased approximately four and forty-one hundredths (4.41) acres of property to Lessee defined as the "Premises" in the Lease;

WHEREAS, the "Commencement Date" of the Lease, as defined therein, was contingent upon Lessor completing certain Lessor's Work on the Premises; and

WHEREAS, Lessor has completed Lessor's Work, and Lessor and Lessee desire to amend the Lease to establish the Commencement Date upon the terms and conditions set forth in this First Amendment.

NOW, THEREFORE, the Lease is hereby amended as follows:

A. Any and all references to the Commencement Date in the Lease are amended to read that the Commencement Date is June 1, 2025.

B. **CLAIM WAIVER.** In partial consideration for Lessor consenting to this First Amendment, Lessee does hereby forever release, indemnify, and hold harmless Lessor, and its commissioners, employees, and agents, from any and all Claims arising from or connected with the Lease or the Premises through the date of this First Amendment. For purposes of this Paragraph, the term "Claims" means any and all claims, demands, lawsuits, judgments, demands, fines, or penalties, whether known or unknown, and whether liquidated or unliquidated, on the date of this First Amendment.

C. **LEASE TERMS.** All other terms and conditions of the Lease shall remain the same and in full force and effect.

D. **VALIDATION. IN WITNESS WHEREOF**, Lessor has caused this instrument to be signed by its President, Vice President, and Secretary by authority of the Commission of the Port of Bremerton, and this instrument has been signed and executed by Lessee, the day and year first above written

****Signatures on Subsequent Page****

LESSEE:

STEELHEAD GROUP HOLDINGS, LLC

By: William Hanson
Its: _____

By: Carol Hanson
Its: _____

LESSOR:

PORT OF BREMERTON

By: Gary Anderson
Its: Commission President

By: Cary Bozeman
Its: Commission Vice President

By: Axel Strakeljahn
Its: Commission Secretary

****Notaries on Subsequent Pages****

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **GARY ANDERSON**, to me known to be the **PRESIDENT** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this ____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **CARY BOZEMAN**, to me known to be the **VICE PRESIDENT** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this ____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **AXEL STRAKELJAHN**, to me known to be the **SECRETARY** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **WILLIAM HANSON**, to me known to be the **MEMBER/MANAGER** of the **STEELHEAD GROUP HOLDINGS, LLC**, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the limited liability company.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **CAROL HANSON**, to me known to be the **MEMBER/MANAGER** of the **STEELHEAD GROUP HOLDINGS, LLC**, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the limited liability company.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

**FIRST AMENDMENT TO
AIRPORT INDUSTRIAL PARK LEASE**

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WHEREAS, Lessor and Lessee entered into that certain Airport Industrial Park Lease dated February 8, 2022 (the "Lease"), wherein Lessor leased approximately one and thirty-nine hundredths (1.39) acres of property to Lessee defined as the "Premises" in the Lease;

WHEREAS, the "Commencement Date" of the Lease, as defined therein, was contingent upon Lessor completing certain Lessor's Work on a separate approximately four and forty-one hundredths (4.41)-acre parcel of property Lessee leased from Lessor; and

WHEREAS, Lessor has completed Lessor's Work, and Lessor and Lessee desire to amend the Lease to establish the Commencement Date upon the terms and conditions set forth in this First Amendment.

NOW, THEREFORE, the Lease is hereby amended as follows:

A. Any and all references to the Commencement Date in the Lease are amended to read that the Commencement Date is June 1, 2025.

B. **CLAIM WAIVER.** In partial consideration for Lessor consenting to this First Amendment, Lessee does hereby forever release, indemnify, and hold harmless Lessor, and its commissioners, employees, and agents, from any and all Claims arising from or connected with the Lease or the Premises through the date of this First Amendment. For purposes of this Paragraph, the term "Claims" means any and all claims, demands, lawsuits, judgments, demands, fines, or penalties, whether known or unknown, and whether liquidated or unliquidated, on the date of this First Amendment.

C. **LEASE TERMS.** All other terms and conditions of the Lease shall remain the same and in full force and effect.

D. **VALIDATION. IN WITNESS WHEREOF**, Lessor has caused this instrument to be signed by its President, Vice President, and Secretary by authority of the Commission of the Port of Bremerton, and this instrument has been signed and executed by Lessee, the day and year first above written

****Signatures on Subsequent Page****

LESSEE:

STEELHEAD GROUP HOLDINGS, LLC

LESSOR:

PORT OF BREMERTON

By: William Hanson
Its: _____

By: Gary Anderson
Its: Commission President

By: Carol Hanson
Its: _____

By: Cary Bozeman
Its: Commission Vice President

By: Axel Strakeljahn
Its: Commission Secretary

****Notaries on Subsequent Pages****

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **GARY ANDERSON**, to me known to be the **PRESIDENT** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **CARY BOZEMAN**, to me known to be the **VICE PRESIDENT** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **AXEL STRAKELJAHN**, to me known to be the **SECRETARY** of the **PORT OF BREMERTON**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me **WILLIAM HANSON**, to me known to be the **MEMBER/MANAGER** of the **STEELHEAD GROUP HOLDINGS, LLC**, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the limited liability company.

GIVEN under my hand and official seal this _____ day of _____, _____.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, Residing at _____
My Commission Expires: _____

AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this ___ day of _ 2025, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **STEELHEAD GROUP HOLDINGS, LLC.**, a Limited Liability Company in the State of Washington (hereinafter referred to as "Lessee").

ARTICLE I

Summary of Lease Terms and Definitions

Lessor: Port of Bremerton
Lessor's Address: 8850 SW State Hwy 3
Bremerton, WA 98312

Lessee: Steelhead Group Holdings, LLC.
Lessee's Address: Prior to Lease Commencement:
5626 SW Imperial Way
Bremerton, WA 98212
After Lease Commencement:
At the Premises, Attn: William Hansen

Premises: 8751 SW Sentinel Peak Way
Bremerton, WA 98312

Agreed Rentable Area: 1.00 acres

Use of Premises: Boat manufacturing facility and related uses

Exhibits: Exhibit "A" - Legal Description of Premises
Exhibit "B" - Map of Premises
Exhibit "C" - Design & Construction Criteria
Exhibit "D" - Puget Sound Industrial Center –
Bremerton Zoning Code

Commencement Date: June 1, 2025

Term: Commencing upon the Commencement Date and expiring
on the "Termination Date" Fifty (50) years thereafter

Renewals: Three (3) options of ten (10) years each

Base Rent:

| <u>Months of</u> <u>Lease Term</u> | <u>Rent Per</u> <u>Acre (Mo)</u> | <u>Monthly</u> <u>Total</u> |
|---------------------------------------|-------------------------------------|--------------------------------|
| Months 1-120 | \$500.00 | \$500.00 per month* |

* Plus Washington State Leasehold Excise Tax

ARTICLE II
Premises, Term, Renewals, Common Areas

2.1 **PREMISES:** Lessor, in consideration of the rents hereinafter reserved and of the covenants and conditions herein set forth to be performed by Lessee, does hereby lease to Lessee the Premises.

2.2 **TERM:** The term of this Lease shall be for fifty (50) years beginning June 1, 2025, through May 31, 2075. ("Commencement Date"). If Lessee takes possession of the Premises before the Commencement Date set forth above, Lessee shall pay the pro rata rent for the period prior to commencement of the Lease term.

2.2.1 **Early Termination Option.** During the initial Term of this Lease (and not during any renewal terms), the Lessee shall be entitled to terminate this Lease on not less than thirty (30) days' prior written notice (the "Early Termination Notice") to the Lessor and payment of an early termination fee equal to five (5) years of the then-existing Base Rent plus Washington State leasehold excise tax (the "Early Termination Fee"). The Early Termination Fee shall be due and payable to the Port on or before the termination date set forth in the Early Termination Notice. In the event Lessee fails to timely pay the Early Termination Fee, the Lease shall not terminate, and Lessee shall remain liable for all amounts due and owing under the Lease.

2.3 **RENEWALS:** Subject to the terms and conditions herein, Lessee shall have the right to renew this Lease for three (3) consecutive ten (10) year periods by giving written notice of such intention to Lessor at least one-hundred twenty (120) days prior to the expiration of the term of this Lease or any renewal thereof. Lessee shall not be entitled to renew this Lease unless the Lease is in good standing at the time of renewal and the Lessee is not in default under the terms of this Lease or any other lease or agreement with the Lessor. The terms and conditions of any renewal shall be the same as set forth in this Lease, except that rent shall be recalculated as provided herein, and the terms of this Lease shall be updated to be consistent with the terms and conditions then existing in the Lessor's standard form Commercial Lease.

ARTICLE III
Compensation, Rental Adjustment

3.1 **RENT:** The term "Rent" as used herein includes Base Rent, Additional Rent, plus applicable Washington State leasehold excise tax, and other fees and charges assessed herein. Except as expressly provided elsewhere herein, Rent and all other sums payable by Lessee pursuant to this Lease shall be paid without the requirement that Lessor provide prior notice or demand, and shall not be subject to any counterclaim, setoff, deduction, defense or abatement.

3.1.1 **Rent Paid in Advance – Late Charges.** Rent shall be paid monthly in advance on or before the first (1st) day of each month beginning on the Commencement Date. A late charge of one percent (1%) per month will be assessed against past due Rent from the date such Rent became due. Additionally, if Rent is not received by the fifth (5th) day of any month, Lessee shall pay Lessor an additional fee of \$100 or five percent (5%) of the delinquent payment, whichever is greater, to defray costs of collecting and handling such late payment. All

accrued interest and late charges shall be paid no later than the first (1st) day of the month following that month in which such interest or late charges accrued.

3.2 BASE RENT ADJUSTMENTS: As set forth in this section, the Base Rent shall be adjusted on the tenth (10th) anniversary of the Commencement Date and each year thereafter based upon changes in the Consumer Price Index (the “CPI”) for all Urban Consumers for the Seattle-Tacoma-Bellevue Metropolitan area (the “CPI Adjustments”), and periodically based upon agreement or appraisal (each a “Periodic Adjustment”).

3.2.1 Year 10 CPI Adjustment: On the tenth (10th) anniversary of the Commencement Date, the Base Rent for the Premises shall be adjusted as follows: The monthly Base Rent rates shall be adjusted using the cumulative change in the CPI for all Urban Consumers published by the United States Department of Labor Bureau of Labor Statistics for the Seattle-Tacoma-Bellevue Metropolitan area over the previous five (5) year period. The indexes used shall be those published for the nearest period preceding the month in which the initial Lease year begins and the same period preceding the anniversary date. The percentage change from the earlier index to the later index shall be multiplied by the Base Rent rate and the result added to that beginning Base Rent rate to arrive at the adjusted Base Rent rate which will apply to each of the twelve (12) months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate. By way of example, if the CPI had increased by exactly three percent (3%) during each of the previous five (5) years, then the Base Rent would be increased by fifteen percent (15%) ($3 \times 5 = 15$).

3.2.2 Periodic Adjustment: On the eleventh (11th) anniversary of the Commencement Date and each year thereafter (except for on an Adjustment Date for a Periodic Adjustment as set forth in 3.2.2 below), Base Rent for the Premises shall be subject to annual adjustment as follows: The monthly Base Rent rates shall be adjusted on each yearly anniversary date by using the CPI for all Urban Consumers published by the United States Department of Labor Bureau of Labor Statistics for the Seattle-Tacoma-Bellevue Metropolitan area. The indexes used shall be those published for the nearest period preceding the month in which the initial Lease year begins and the same period preceding the anniversary date. The percentage change from the earlier index to the later index, which shall not exceed three percent (3%), shall be multiplied by the Base Rent rate at the beginning of each Lease year and the result added to that beginning Base Rent rate to arrive at the adjusted Base rent rate, which will apply to each of the twelve (12) months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate. In any annual CPI Adjustment hereunder, if the percentage change from the earlier index to the later index exceeds three percent (3%), a percentage change of three percent (3%) shall be used in lieu of the actual percentage change.

3.2.3 Periodic Adjustment: In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment effective on the following dates: (i) on the twentieth (20th) anniversary of the Commencement Date; (ii) every ten (10) years thereafter; and (iii) on the first (1st) month of any renewal term (hereinafter such dates shall be collectively referred to as “Adjustment Date”). The parties agree to renegotiate the amount of Base Rent payable to Lessor, and to agree on the amount of Base Rent at least ninety (90) days prior to each adjustment (hereinafter each ninety (90)-day period shall be referred to as the “Renegotiation Deadline”). If the parties cannot agree on an adjustment of Base Rent before the Renegotiation Deadline, then the Base Rent shall be determined according to the “Appraisal” section herein. Once determined, the adjusted Base Rent shall relate back to the Adjustment Date. Regardless

of the way the new Base Rent is determined, the adjusted Base Rent shall not be less than the Base Rent for the preceding Lease year.

3.2.3 **Renewal Term Adjustment.** The adjusted Base Rent for the renewal term shall be consistent with the then existing _____ of the Lessor, but in no event less than the fair market rental value of the Premises.

3.3 **ABATED RENT:** If this Lease provides for a postponement of any monthly rental payments, a period of free Rent, or other Rent concession, such postponed rent or free rent is called the "Abated Rent." Lessee shall be credited with having paid all the Abated Rent on the expiration of the term of this Lease only if Lessee has fully, faithfully, and punctually performed all of Lessee's obligations hereunder, including the payment of all Rent (other than the Abated Rent) and all other monetary obligations, and the surrender of the Premises in the condition required by this Lease. Lessee acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Lessee's full, faithful, and punctual performance of its obligations under this Lease. If Lessee defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full, and this Lease shall be enforced as if there were no such Rent abatement or other Rent concession. In such case, Abated Rent shall be calculated based on the full initial rent payable under this Lease, plus interest thereon, at the rate of twelve percent (12%) per annum from the date each monthly Rental payment was postponed.

ARTICLE IV

Use of Premises, Condition of Property, Improvements, Removal of Property, Maintenance, and Utilities, Federal Aviation Requirements, Fire Protection, and Off-Street Parking

4.1 **LESSEE'S USE OF PREMISES:** Lessee shall only conduct the following activity on the Premises: for any outright permitted use (as opposed to conditional uses, or uses granted by a variance or other permission) contained in the version of the Puget Sound Industrial Center – Bremerton Zoning Code attached hereto as Exhibit D, except for the uses prohibited in Section 4.1.1 below (the "Authorized Use"). No changes, amendments, or updates to the portion of the Puget Sound Industrial Center – Bremerton Zoning Code attached hereto as Exhibit "D" shall have any effect on the Authorized Use herein unless this Lease is specifically amended by the Lessor and Lessee.

4.1.1 **Use Restrictions.** Notwithstanding the foregoing, no part of the Premises shall be used for any of the following uses:

- a. Cannabis or cannabis related businesses.

4.1.2 **Default – Unauthorized Use.** Lessee shall be in default under this Lease if it (i) ceases conducting the Authorized Use for any period exceeding thirty (30) days; or (ii) conducts any other business or activity on the Premises without first obtaining a validly executed lease modification. In conducting the Authorized Use, Lessee shall properly and fairly serve the public, providing reasonable hours of operation and suitable service.

4.1.3 **No Flammable or Dangerous Materials.** Notwithstanding the foregoing described use, the Premises shall not be used to store, distribute, or otherwise handle flammable or dangerous materials, except only such uses which are necessary to conduct the Authorized Use. At the request of Lessor, Lessee shall provide a list of all flammable or dangerous materials stored or used on the Premises.

4.2 **LESSEE INSPECTION – CONDITION OF PROPERTY:** Prior to executing this Lease. Lessee has fully and carefully inspected the Premises. Lessee accepts the Premises, including all existing improvements thereon, "as is," without further maintenance liability on the part of the Lessor, except as specifically noted herein. Lessee is not relying on any representations of Lessor as to condition, suitability, zoning restrictions, or usability, except Lessor's right to grant a lease of the Premises.

4.2.1 **Development of Premises.** Lessee shall be solely responsible for any and all costs associated with (i) the development of the Premises, including, but not limited to, any connection to public roadways; (ii) detention for storm water, and quality treatment and flow of storm water (which shall be accomplished on the Premises or off Lessor's property); (iii) construction of parking to meet regulatory requirements; and (iv) any and all other costs as may be required for the development of the Premises.

4.3 **CONSTRUCTION OF TENANT IMPROVEMENTS:** The Lessee and Lessor shall abide by the following terms with regard to making tenant improvements on the Premises ("Tenant Improvements").

4.3.1 **Tenant Improvements.** Subject to obtaining Lessor's prior written approval, Lessee may make and install, at its own expense, such Tenant Improvements as are normal and customary in connection with the Authorized Use set forth herein. Lessee shall develop the Premises consistent with regulatory requirements, including, but not limited to, zoning, permitting, Federal Aviation Administration (FAA) requirements, and Lessor requirements including, but not limited to, those on Exhibit C hereto. The Lessor shall not be required to make any improvements whatsoever. Lessee's contractor, if any, shall be subject to Lessor's approval, not unreasonably withheld. Lessor reserves the right to condition its approval upon the Lessee providing payment and/or performance bonds satisfactory to Lessor. Lessee shall submit plans to, and obtain written approval from, Lessor before commencing any Tenant Improvements. Lessor shall have a reasonable period to review such plans prior to issuing a decision. Lessor may charge Lessee a reasonable fee for consultant or attorney time required to review the plans. All Tenant Improvements which are to be designated fixtures shall be so designated by Lessor upon Lessor's approval of the plans for such improvements. All improvements by Lessee shall conform to the requirements of the Americans With Disabilities Act of 1990, 42 U.S.C. §12101 et seq. (the "ADA").

4.3.2 Notwithstanding the foregoing, Tenant's initial improvements shall include construction of an approximately 15,000 square foot showroom and office on the Premises (the "Initial Tenant Improvements").

4.3.3 **Completion Schedule for Major Tenant Improvements by Lessee.** Lessee shall comply with the following requirements with respect to the Initial Tenant Improvements to be made at the commencement of the Lease:

- a. To commence construction within two (2) years of the Commencement Date; and
- b. To complete construction within eighteen (18) months after commencing said construction.

4.3.4 **Unauthorized Improvements.** Any Tenant Improvements made on the Premises without Lessor's prior written consent, or which are not in conformance with the plans submitted to and approved by the Lessor ("Unauthorized Improvements"), except valid change orders during construction of Tenant's initial improvements, shall immediately become the property of Lessor unless Lessor elects otherwise. Regardless of the ownership of Unauthorized Improvements, Lessor may, at its option, require Lessee to (i) sever, remove, and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense; (ii) charge Lessee rent for the use of them; or (iii) both.

4.3.5 **Construction Period.** The Lessee shall provide security fencing systems suitable to surround the entire Premises for the duration of construction of its Tenant Improvements. In addition, during construction, Lessee shall manage construction of its Tenant Improvements in a manner that minimizes the impact on the Bremerton National Airport operations.

4.4 **REMOVAL OF PERSONAL PROPERTY AND TENANT IMPROVEMENTS AT END OF LEASE:** Prior to the conclusion of the Lease, at Lessor's option, Lessee shall remove the following from the Premises:

- a. All equipment;
- b. All personal property;
- c. All Tenant Improvements if required to be removed pursuant to the process set forth in Paragraph 4.4.1, below; and
- d. The following Existing Improvements: none.

4.4.1 **Tenant Improvement Removal Determination Process.** Upon the earlier of (i) the expiration of the Lease Term; (ii) learning that Lessee does not plan to exercise a renewal option under this Lease; or (iii) any earlier termination of this Lease, title to all Tenant Improvements on the Premises shall automatically revert and transfer to Lessor unless Lessor exercises its option under this Section 4.4.1 to reject such reversion and transfer, and require that the Lessee remove the Tenant Improvements at Lessee's sole cost and expense (the "Removal Option"). Lessor shall only be entitled to exercise its Removal Option as to any Tenant Improvements if an independent third-party building inspector determines that the Tenant Improvements have a remaining useful life of less than five (5) years (the "Useful Life Threshold"). The Lessor shall select and pay for the independent third-party building inspector. The Lessor shall be entitled to exercise its Removal Option for all, or only some, of the Tenant Improvements which fail to meet the Useful Life Threshold, at its sole discretion. In the event the Lessor exercises its Removal Option hereunder, it shall provide written notice of the same to Lessee, along with a copy of the building inspector's report.

4.4.2 **Lessor's Remedies.** If any of the foregoing items are not removed from the Premises by the conclusion of the Lease or when Lessor has the right of re-entry, then Lessor may, at its sole option, elect any or all the following remedies:

- a. To remove any or all the items and to dispose of them without liability to Lessee. Lessor shall not be required to mitigate its damages, to dispose of the items in a commercially reasonable manner, or to make any effort whatsoever to obtain payment for such items. Lessee agrees to pay Lessor's costs and damages associated with Lessee's failure to remove such items, including, but not limited to, the following: storage, demolition, removal, transportation, and lost rent (collectively "Disposal Costs"); provided, however, that any net proceeds recovered by Lessor in excess of its Disposal Costs will be deducted from Lessee's financial obligation set forth herein. Lessee's financial obligations herein shall survive the termination of this Lease.
- b. To have the title to any or all such items revert to Lessor.
- c. To commence suit against Lessee for damages or for specific performance.

The foregoing remedies are cumulative and in addition to any other remedies provided by law, and Lessor shall not be required to elect its remedies.

4.5 **MAINTENANCE OF FACILITIES:** Maintenance and repair of the Premises, and all improvements thereon including, without limitation, any building, is the sole responsibility of Lessee including, but not limited to, maintenance and repair of any damage to the Premises from unforeseen or unexpected events or Acts of God. Without limiting the generality of the foregoing, Lessee shall maintain the Premises in good condition including, without limitation, repairing all walls, floors, ceiling, interior doors, interior and exterior windows and fixtures, as well as damage caused to any portion of the Premises or Lessor's property by Lessee, its employees, agents, licensees, invitees, or anyone on the Premises or Lessor's property as a result of Lessee's activities.

4.6 **UTILITIES AND SERVICES:** Lessor will supply the following utilities and services to the Premises: none. The cost of any work required to such utilities and services due to damage caused by Lessee, its employees, agents, licensees, or invitees shall be paid solely by Lessee.

4.6.1 **Lessee Utility Obligations.** With the exception of the above utilities and services, Lessee will arrange and pay for all utility connections and services, and distribution of such utilities, within the Premises. At the end of this Lease, Lessee shall arrange for such utility services to be terminated and for the final bill to be sent to Lessee. Lessee shall be liable for all utility charges that accrue if it fails to so terminate services.

4.7 **FIRE PROTECTION:** The Lessee understands that the Lessor has no responsibility to provide fire protection for the Lessee's buildings, property, or equipment located in or upon the leased Premises. It shall be the exclusive responsibility of the Lessee to provide for its own fire protection, including, but not limited to, promptly paying all fire district service charges when due. In this regard, the Lessee understands that it is the Lessee's responsibility and duty to include the value of its buildings, property, and equipment to appropriate County authorities for personal property tax purposes through which fire district service charges are paid. Failure of

the Lessee to accurately list its improvements or to promptly pay its fire district service charges when due shall be a breach of this Lease and shall be grounds for the Lessor to terminate this Lease agreement. The Lessee shall promptly provide the Lessor with a copy of its personal property declaration within seven (7) days from the time such declaration is made to the Kitsap County Assessor.

4.8 **OFF-STREET PARKING:** Lessee agrees to (i) provide space for the parking of vehicles in the number necessary to comply with applicable regulations and otherwise to accommodate its normal business requirements on the Premises included within this Lease; and (ii) not use any public streets, rights-of-way, or other properties not included in this Lease for the parking of said vehicles.

ARTICLE V

Insurance and Financial Security

5.1 **CASUALTY LOSS OF LESSEE:** The parties hereto agree that the Lessor, its commissioners and employees, Lessor's insurance carrier, and Lessor's casualty policy shall not be responsible to the Lessee for any property loss or damage done to the Lessee's property, whether real, personal, or mixed, occasioned by reason of any fire, storm, or other casualty whatsoever. It shall be the Lessee's sole responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Lessor, Lessee, third party, or act of nature. Lessee hereby releases and discharges the Lessor, its commissioners and employees, Lessor's insurance carrier, and Lessor's casualty policy from any claims for loss or damage to Lessee's property.

5.2 **INSURANCE:** Lessee shall procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises or Lessor's property) arising on the Premises or Lessor's property as a result of, or arising out of, Lessee's operations under this Lease. The limits of liability shall be not less than Two Million Dollars (\$2,000,000.00) for each occurrence and in the aggregate unless the Lessee requests, and Lessor approves, in writing, a lesser liability limit. If the Lessee maintains higher insurance limits than the minimums required herein, the Lessor shall be insured for the full available limits of Commercial General and/or Excess or Umbrella liability maintained by the Lessee, irrespective of whether such limits maintained by the Lessee are greater than those required by this Lease or whether any certificate of insurance furnished to the Lessor evidences the lower limits of liability set forth above. Lessor may impose changes in the limits of liability (i) on any Adjustment Date; (ii) as a condition of approval of assignment or sublease of this Lease; (iii) upon any breach of the environmental liability provision herein; (iv) upon a material change in the condition of any improvements; or (v) upon a change in the Authorized Use. If the liability limits are changed, Lessee shall obtain new or modified insurance coverage within thirty (30) days after changes in the limits of liability are required by Lessor. The liability policies shall contain a cross-liability provision such that the policy will be construed as if separate policies were issued to Lessee and to Lessor.

5.2.1 **Policy Provisions.** The foregoing insurance policy shall name Lessor as an additional named insured by way of a policy endorsement. Lessee shall provide certificates of insurance and, if requested, copies of any policy to Lessor. Receipt of such certificate or policy by Lessor does not constitute approval by Lessor of the terms of such policy. Furthermore, the

policy of insurance required herein shall (i) be written as a primary policy; (ii) expressly provide that such insurance may not be materially changed, amended, or canceled with respect to Lessor, except upon forty-five (45) days' prior written notice from the insurance company to Lessor; (iii) contain an express waiver of any right of subrogation by the insurance company against Lessor and Lessor's elected officials, employees, or agents; (iv) expressly provide that the defense and indemnification of the Lessor as an "additional insured" will not be affected by any act or omission by Lessee which might otherwise result in a forfeiture of said insurance; (v) contain a separation of insureds provision such that the policy applies separately to each insured that is subject of a claim or suit; (vi) not contain a cross-claim, cross-suit, or other exclusion that eliminates coverage by one insured against another; and (vii) provide for coverage for damage to the Lessor's property caused by the Lessee.

5.2.2 **Failure to Obtain and Maintain Insurance.** If Lessee fails to procure and maintain the insurance described above, Lessor shall have the right, but not the obligation, to procure and maintain substitute insurance and to pay the premiums. Lessee shall pay to Lessor upon demand the full amount paid by Lessor.

5.2.3 **Prudent Business Insurance.** The Lessee believes and states that the insurance obligation herein does not exceed that which the Lessee would otherwise normally place upon itself and obtain in order to operate its business in a prudent manner.

5.3 **FINANCIAL SECURITY:** In compliance with RCW 53.08.085, Lessor has exercised its discretion and waived its rent security requirements, as the improvements, including the building to be constructed by Tenant as part of its initial improvements, will revert to Lessor upon expiration or earlier termination of this Lease.

ARTICLE VI

Environmental Liability

6.1 **ENVIRONMENTAL INDEMNIFICATION:** Lessee shall defend (with legal counsel suitable to Lessor), indemnify, and hold Lessor harmless from any and all claims, demands, judgments, orders, or damages resulting from Hazardous Substances on the Premises or Lessor's property caused in whole or in part by the activity of the Lessee, its agents, subtenants, or any other person or entity (i) on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement; or (ii) on the Lessor's property as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement. It is the intent of the parties that Lessee shall be responsible and shall defend and hold Lessor harmless from any Hazardous Substances that have or may occur on the Premises or Lessor's property as a result of, arising out of, or relating to Lessee's operations since Lessee first occupied the Premises or other portion of the Lessor's property through this Lease or any previous lease or agreement with Lessor. The term "Hazardous Substances" as used herein shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1251 et seq.; the Clean Air Act, 42 USC Sec. 7401 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70A.305, all as amended and subject to all regulations promulgated thereunder.

6.1.1 **Unconditional Environmental Obligations.** Lessee's defense and indemnity obligations under this article are unconditional, shall not be discharged or satisfied by Lessor's re-entry of the Premises or exercise of any other remedy for Lessee's default under this Lease, shall continue in effect after any assignment or sublease of this Lease, and shall continue in effect after the expiration or earlier termination of this Lease.

6.1.2 **Environmental Investigations.** Lessee shall not be liable for any Hazardous Substances on the Premises that was not caused—in whole or in part—by the activity of the Lessee, its agents, subtenants, or any other person or entity on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement. In the event Lessee uncovers any Hazardous Substances during construction of the Initial Tenant Improvements, Lessor shall be responsible for the costs of any environmental investigations or remediation arising from the construction of the Initial Tenant Improvements. By way of example only, if the Lessee excavates soil on the Premises which contains Hazardous Substances during construction of the Initial Tenant Improvements, then the Lessor will be responsible for the cost associated with disposing of those soils.

6.1.2.1 **Environmental Investigations after Initial Development.** Although Lessee shall not be liable for any Hazardous Substances on the Premises that was not caused—in whole or in part—by the activity of the Lessee, its agents, subtenants, or any other person or entity on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement *before* the Lessee's construction of the Initial Tenant Improvements, the Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises *after* the Lessee's construction of the Initial Tenant Improvements, and Lessee hereby releases the Lessor from any contribution claim for those costs. By way of example only, if the Lessee excavates soil on the Premises after completes construction of the Initial Tenant Improvements, then the Lessee will be responsible for the cost associated with disposing of those soils regardless of when or how the Hazardous Substances were released into those soils.

6.2 **CURRENT CONDITIONS AND DUTY OF LESSEE:** Lessor makes no representation about the condition of the Premises. Hazardous Substances may exist in, on, under, or above the Premises. Lessee should, but is not required to, conduct environmental assessments or investigations of the Premises prior to or during this Lease to determine the existence, scope, and location of any Hazardous Substances. If there are any Hazardous Substances in, on, under, or above the Premises as of the Commencement Date, Lessee shall exercise the utmost care with respect to the Hazardous Substances, the foreseeable acts or omissions of third parties affecting the Hazardous Substances, and the foreseeable consequences of those acts or omissions.

6.2.1 **Prior Notice of Environmental Investigation.** Prior to conducting any environmental investigation of the subsurface of the Premises, the Lessee shall provide prior written notice to the Lessor. Lessee shall provide the Lessor with the results of all such investigations.

6.3 **NOTIFICATION AND REPORTING:** Lessee shall immediately notify Lessor if Lessee becomes aware of any of the following:

a. A release or threatened release of Hazardous Substances in, on, under or, above the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises;

b. Any problem or liability related to or derived from the presence of any Hazardous Substance in, on, under, or above the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises;

c. Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances with respect to the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises; or

d. Any lien or action with respect to any of the foregoing.

6.3.1 **Copies of All Environmental Reports.** Lessee shall, at Lessor's request, provide Lessor with copies of any and all reports, studies, or audits which pertain to environmental issues or concerns with the Premises, and which are or were prepared by or for Lessee and submitted to any federal, state, or local authorities pursuant to any federal, state, or local permit, license, or law. These permits include, but are not limited to, any National Pollution Discharge and Elimination System permit, any Army Corps of Engineers permit, any State Hydraulics permit, any State Water Quality certification, or any Substantial Development permit.

ARTICLE VII

Miscellaneous Provisions

7.1 **APPRAISAL:** When Base Rent is to be determined by appraisal, the process in this article shall govern. Within seven (7) calendar days from the Rental Renegotiation Deadline, Lessor and Lessee shall mutually agree upon a disinterested, MAI certified appraiser with at least ten (10) years' experience appraising property in Kitsap County to perform an appraisal of the fair market rental rate for the Premises. The appraiser's costs shall be shared equally by the parties. The rental rate arrived at in the appraisal shall constitute the new Base Rent, which shall be retroactive to the Adjustment Date.

7.1.1 **Failure to Agree on Appraiser.** If Lessor and Lessee cannot mutually agree upon an appraiser by the end of the seventh (7th) day as set forth above, then each party shall select an MAI certified appraiser to perform an appraisal of the fair market rental value of the Premises. Each party shall bear the costs of its own appraisal. The appraisals shall be completed no later than ninety (90) days after the Rental Renegotiation Deadline (herein this date shall be referred to as the "Appraisal Completion Date"). The average of the two (2) appraisals shall apply to Paragraph 7.1 above. If either of the appraisals is not timely completed on or before the Appraisal Completion Date, and unless there were circumstances beyond the appraisers' control that prevented its timely completion, then the appraisal that was timely completed shall apply to Paragraph 7.1 above.

7.2 **LESSEE WILL OBTAIN PERMITS:** Lessee agrees to obtain and comply with all necessary permits for any Tenant Improvements and to conduct the Authorized Use. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all costs incurred by Lessor, including actual attorneys' fees. In this way, Lessee agrees to be

solely responsible for all damages, costs, and expenses incurred as a result of Lessee's failure to fully comply with any necessary permit process and requirements.

7.3 **LIENS:** Lessee agrees to keep the Premises described herein free and clear of all liens and charges whatsoever. Lessee shall not allow any mechanics' and materialmen's liens, or other liens, to be placed upon the leased Premises. If such a lien is placed or recorded, Lessee shall cause it to be discharged of record, at its own expense, within ten (10) days of Lessor's demand. Failure to comply with Lessor's demand within ten (10) days shall be a default under the terms of this Lease.

7.4 **INDEMNIFICATION AND HOLD HARMLESS:** The Lessee agrees that it will defend (with legal counsel acceptable to Lessor), indemnify, and hold harmless the Lessor, its officers, employees, and agents from any and all demands, claims, judgments, or liability for loss or damage arising as a result of accidents, injuries, or other occurrences on the Premises or on Lessor's property (i) occasioned by either the negligent or willful conduct of the Lessee or its agents; or (ii) made by any person or entity holding under the Lessee, or any person or entity on the Premises or on the Lessor's property as a result of Lessee's activity, regardless of who the injured party may be. This indemnification and hold harmless shall not apply to the extent the damages were caused by the gross negligence or willful misconduct of the Lessor.

7.5 **LIMITED WAIVER OF IMMUNITY UNDER WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW, AND OTHER SIMILAR INDUSTRIAL INSURANCE SCHEMES:** For purposes of the foregoing indemnification provision, and only to the extent of claims against Lessee by Lessor under such indemnification provision, Lessee specifically waives any immunity it may be granted under the Washington State Industrial Insurance Act, Title 51 RCW, The United States Longshore and Harbor Workers Compensation Act, 33 USC §901-950, or any other similar workers' compensation schemes. The indemnification obligation under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefit acts. The foregoing provision was specifically negotiated and agreed upon by the parties hereto.

7.6 **LAWS AND REGULATIONS:** Lessee agrees to conform to and abide by all applicable rules, codes, laws, regulations, and Port policies in connection with its use of the Premises, and the construction of improvements and operation of Lessee's business thereon, and not to permit said Premises to be used in violation of any applicable rule, code, law, regulation, Port policy, or other authority.

7.6.1 **Environmental Laws and Regulations.** Lessee's obligations herein shall include, but in no way be limited to, the obligation to comply with all State and Federal environmental laws and regulations. Lessee shall defend (with legal counsel acceptable to Lessor), indemnify, and hold harmless the Lessor from any fine, penalty, or damage imposed by any lawful authority, which may arise as a result of the Lessee's failure to comply with the obligations of this article.

7.7 **WASTE AND REFUSE:** Lessee agrees not to allow conditions of waste and refuse to exist on the Premises, and to keep the Premises in a neat, clean, and orderly condition.

7.8 **TAXES AND ASSESSMENTS:** Lessee agrees to pay all taxes assessed against the leasehold interest and a pro rata share of any assessments made against the Premises for installation of public utility systems based upon a reasonable overall sharing program among all properties within the assessment area.

7.9 **SIGNS:** No signs shall be installed without the prior written permission of Lessor. In the event that an unauthorized sign has been installed, and after twenty-four (24) hours notification to remove the sign by the Lessor, Lessee shall pay the Lessor a penalty of One Hundred Dollars (\$100) per day for each day the sign remains in place after such notification. The penalty shall automatically resume, without notice, if the sign is reinstalled after having been removed. The penalty accrued shall be paid with the next month's Base Rent. In addition, the Lessor reserves the right to provide notice of, and treat an unauthorized sign as, a non-monetary default of this Lease.

7.10 **EQUAL OPPORTUNITY:** Lessee agrees that in the conduct of activities on the Premises, it will be an equal opportunity employer in accordance with Title VII of the Civil Rights Act of 1964, 42 USC §2000 et seq., and shall comply with all requirements of the ADA.

7.11 **LITIGATION:** In the event Lessor shall be made a party to any litigation commenced by or against Lessee (other than actions commenced by Lessee or Lessor concerning the interpretation or enforcement of any of the terms and conditions of this Lease), then Lessee agrees to pay all costs, expert witness fees, and attorneys' fees, including all customary charges incurred by Lessor in connection with such litigation. However, if Lessor is made a party defendant and Lessee undertakes the defense of the action on behalf of Lessor, then no obligation for costs and attorneys' fees will be chargeable against Lessee by Lessor for costs arising out of such undertaking.

7.12 **ASSIGNMENT OF LEASE:** Lessee shall not assign, rent, or sublease any portions of this Lease or any extension thereof, without the prior written consent of Lessor, which consent shall not be unreasonably withheld, and no rights hereunder in or to said Premises shall pass by operation of law or other judicial process, or through insolvency proceedings. Otherwise, the rights and obligations hereof shall extend to and be binding upon their respective successors, representatives, and assigns, as the case may be. Lessee shall furnish Lessor with copies of all such sub-assignment, sublease, or rental documents. For the purposes of this Lease, any change of ownership including sale, liquidation, or other disposition of some or all of the corporate stock or limited liability company units which singularly or collectively represents a majority of the beneficial and voting interest of Tenant will be considered an assignment. Should the Lessor consent to an assignment made by the Lessee for the purposes of obtaining a loan or other consideration from a third party, then the Lessor's consent shall be made in accordance with the consent to assignment document used by Lessor for these specific assignments. A copy of this consent form shall be provided by Lessor upon request of Lessee.

7.12.1 **Remedy If Lessor Denies Assignment.** If Lessor refuses to consent to an assignment, Lessee's sole remedy shall be the right to bring a declaratory judgment action to determine whether Lessor was entitled to refuse such assignment under the terms of this Lease.

7.12.2 **No Waiver of Future Consents.** No consent by Lessor to any assignment or sublease shall be a waiver of the requirement to obtain such consent with respect to any other

or later assignment or sublease. Acceptance of Rent or other performance by Lessor following an assignment or sublease, whether or not Lessor has knowledge of such assignment or sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

7.12.3 **Transfer Fee.** An administrative handling and transfer fee ("Transfer Fee") of Three Hundred Dollars (\$300.00) shall be payable by Lessee to Lessor if Lessee requests the Lessor's consent to a proposed assignment (including an assignment to a creditor for security purposes) or sublease. Such Transfer Fee shall be submitted to the Lessor at the same time that Lessee requests the Lessor's consent to the proposed sublease or assignment.

7.12.4 **Attorneys' Fees.** In addition to the Transfer Fee, Lessee shall pay Lessor's reasonable and customary attorneys' fees incurred relating to the Lessee's request for Lessor's consent to a proposed assignment. Lessee's failure to remit this amount within sixty (60) days of the mailing of the notice of such charges shall constitute a default under this Lease. Notwithstanding anything to the contrary herein, the Lessee shall not be obligated to reimburse the Lessor in any case where an assignment or sublease is not accomplished due to total refusal on the part of Lessor to grant its consent to the request.

7.12.5 **Excess Rent.** If, pursuant to any assignment or sublease, Lessee receives rent, either initially or over the term of the assignment or sublease, (i) in excess of the Rent called for hereunder; or (ii) in the case of a sublease of a portion of the Premises, in excess of such Rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for hereunder are appropriately taken into account, Lessee shall pay to Lessor, as Additional Rent hereunder, fifty percent (50%) of the excess of each such payment of Rent received by Lessee after its receipt.

7.12.6 **Lessee's Liability on Assignment or Sublease.** If this Lease is assigned, the underlying majority beneficial interest of Lessee is transferred, or the Premises or any part thereof is sublet to or occupied by anybody other than Lessee, Lessor may collect Rent from the assignee, subtenant, or occupant, and apply the net amount collected to the Rent herein reserved; however, no such assignment, subletting, occupancy, or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant, or occupant as tenant, or a release of Lessee from the further performance of covenants herein contained. No assignment or subletting shall affect the continuing primary liability of Lessee (which, following assignment, shall be joint and several with the assignee), and Lessee shall not be released from performing any of the terms, covenants, and conditions of this Lease.

7.12.7 **Proceed Against Lessee.** Notwithstanding any assignment or sublease, or any indulgences, waivers, or extensions of time granted by Lessor to any assignee or sublessee, or failure of Lessor to take action against any assignee or sublease, Lessee hereby agrees that Lessor may, at its option, proceed against Lessee without having taken action against or joined such assignee or sublessee, except that Lessee shall have the benefit of any indulgences, waivers, and extensions of time granted to any such assignee or sublessee.

7.12.8 **Assignee/Sublessee Insurance.** In the event the Lessor approves an assignment or sublease hereunder, such assignee or sublessee shall provide Lessor with insurance certificates and/or endorsements evidencing such assignee or sublessee's

compliance with the insurance provisions set forth herein, including, but not limited to, the endorsement of Lessor as an additional insured under such policy or policies.

7.13 DEFAULT, CROSS DEFAULT, AND REMEDIES:

7.13.1 **Monetary Defaults.** Failure to pay Rent or any other monetary obligations by the first (1st) day of each month shall constitute a default under the terms of this Lease. If Lessee is in default in the payment of Rent or other monetary obligations then, at Lessor's sole option, and upon ten (10) days' written notice, this Lease may be terminated, and Lessor may enter upon and take possession of the Premises. Without limiting the generality of the foregoing, Lessee expressly authorizes Lessor to obtain a prejudgment writ of restitution in the event of default by Lessee. This remedy is in addition to, and is not exclusive of, any other remedies provided either by this Lease or by law.

7.13.2 **Non-monetary Defaults.** If Lessee shall fail to perform any term or condition of this Lease, other than the payment of Rent or other monetary obligations, then Lessor, upon providing Lessee thirty (30) days' written notice of such default, may terminate this Lease, and enter upon and take possession of the Premises. This remedy is in addition to, and is not exclusive of, any other remedies provided either by this Lease or by law.

7.13.3 **Other Defaults.** The following shall also constitute a default under the terms of this Lease: (i) a default by Lessee under any other agreement or lease with the Lessor; (ii) insolvency of Lessee; (iii) an assignment by Lessee for the benefit of creditors; (iv) the filing by Lessee of a voluntary petition in bankruptcy; (v) an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; (vi) the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after filing; (vii) attachment of or the levying of execution on the leasehold interest; and (viii) failure of Lessee to secure a discharge of the attachment or release of the levy of execution within ten (10) days.

7.13.4 **Multiple Defaults in a Year.** If within any one (1)-year-period, Lessor serves upon the Lessee three (3) notices requiring Lessee to either (i) comply with the terms of this Lease or to vacate the Premises; or (ii) pay Rent or vacate (collectively referred to herein as "Default Notices"), then Lessee shall, upon a subsequent violation of any term of this Lease by the Lessee (including failure to pay Rent), be deemed to be in unlawful detainer, and Lessor may, in addition to any other remedies it may have, immediately terminate the Lease and/or commence an unlawful detainer action without further notice to Lessee.

7.13.5 **Cross-Default.** A default under this Lease shall constitute a default under any other lease or agreement which Lessee has with Lessor (hereinafter such other agreements shall be referred to as "Collateral Agreements"). Likewise, any material breach or default under a Collateral Agreement shall be deemed a material breach or default under the terms of this Lease. If a Collateral Agreement is terminated for a material breach or default of Lessee, then Lessor shall, without limiting any other remedies it may have, be entitled to terminate this Lease upon five (5) days' written notice to Lessee.

7.13.6 **Other Remedies.** In addition to the foregoing remedies specified in this article, Lessor may exercise any remedies or rights under the laws of the State of Washington, including, but not limited to, recovering damages for past due rent, future rent, costs to re-let the

Premises, and costs to restore the Premises to its prior condition (reasonable wear and tear excepted). Under no circumstances shall Lessor be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Lessor shall not, by any re-entry or other act, (i) be deemed to have accepted any surrender by Lessee of the Premises; (ii) be deemed to have otherwise terminated this Lease; or (iii) to have relieved Lessee of any obligation hereunder. Lessor shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Lessee unless, and until, Lessee cures such default. A fee of Five Hundred Dollars (\$500.00) shall be assessed to Lessee for each Default Notice issued to Lessee to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the Default Notice.

7.14 **TERMINATION**: This Lease shall terminate for default if Lessee fails to cure any default within the time provided for herein. Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon, as herein provided, Lessee shall surrender to Lessor the Premises peaceably and quietly. Lessee shall restore the Premises to the condition existing at the time of initiation of this Lease, except for (i) normal wear and tear; and (ii) any improvements which Lessor permits to remain on the Premises.

7.15 **NON-WAIVER**: Neither the acceptance of Rent nor any other act or omission of Lessor after a default by Lessee or termination shall (i) operate as a waiver of any past or future default by Lessee; (ii) deprive Lessor of its right to terminate this Lease; or (iii) be construed to prevent Lessor from promptly exercising any other right or remedy it has under this Lease. Any waiver by Lessor shall be in writing and signed by Lessor in order to be binding on Lessor.

7.16 **NOTICES**: Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party shall be in writing, addressed to the other party at the addresses as follows:

TO LESSOR:

Port of Bremerton
Attn. Arne Bakker
8850 SW State Hwy 3
Bremerton, WA, 98312
E-mail: arneb@portofbremerton.org

TO LESSEE:
Hansen

Steelhead Group Holdings Attn. William
8651 Mount Jupiter Way SW
Bremerton, WA, 98312
E-Mail: bill@inventechmarine.com

or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served (i) on the date sent by e-mail if the e-mail is sent during regular business hours or, if sent outside of normal business hours, at 8:00 am on the next regular business day; (ii) on the date of actual delivery; or (iii) the first (1st) attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

7.17 **AGENT FOR SERVICE:** Lessee agrees that if Lessee is in unlawful detainer, pursuant to Chapter 59.12 RCW, and Lessor is unable to serve Lessee with the unlawful detainer pleadings after one (1) service attempt, then Lessor shall be deemed to have complied with the service requirements of Chapter 59.12 RCW if it mails such pleadings via certified mail to the address set forth in the notice section of this Lease and posts such pleadings in a conspicuous location on the Premises. Service shall be deemed complete on the third (3rd) day following the day of posting or day of mailing, whichever is later.

7.18 **SECURITY:** Lessee specifically acknowledges that Lessor has no duty to provide security for any portion of the Premises or Property. Lessee assumes sole responsibility and liability for the security of itself, its employees, customers, and invitees, and their respective property in or about the Premises or Property. Lessee agrees that to the extent Lessor elects to provide any security, Lessor is not warranting the effectiveness of any such security personnel, services, procedures, or equipment, and that Lessee is not relying and shall not hereafter rely on such security personnel, services, procedures, or equipment. Lessor shall not be responsible or liable in any manner for failure of any such security personnel, services, procedures, or equipment to prevent or control, or apprehend anyone suspected of personal injury or property damage in, on, or around the Premises or Property.

7.19 **QUIET ENJOYMENT:** Lessor acknowledges that it has ownership of the Premises and that it has the legal authority to lease the Premises to Lessee. Lessor covenants that Lessee shall have quiet enjoyment of the Premises during the term of this Lease so long as Lessee complies with this Lease, and subject to Lessor's right of entry onto the Premises as set forth herein.

7.19.1 **Easements.** The Lessor reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses applied for will not unduly interfere with the Lessee's Authorized Use or with the approved plan of development for the Premises.

7.19.2 **Closure by Government Order.** Lessee understands that various federal agencies, including the Department of Homeland Security and U.S. Coast Guard, have the authority to restrict access to certain areas on property owned by Lessor in order to counter a terrorist or other threat. Such restrictions could impact Lessee's ability to access the Premises for an indefinite period of time. Since such restrictions on access are outside the control of Lessor, Lessee agrees that such interruptions shall not be deemed a violation of this Lease or the Covenant of Quiet Enjoyment.

7.20 **LESSOR MAY ENTER PREMISES:** It is agreed that the duly authorized officers or agents of Lessor may enter to view said Premises and, subject to this notification requirement, if the business or normal function of Lessor should at any time require that it enter upon the Premises to perform any work or make any improvements, it may do so, but not in such manner as to materially injure Lessee with its normal and usual operation.

7.21 **TIME:** It is mutually agreed and understood that time is of the essence of this Lease, and that a waiver of any default of Lessee shall not be construed as a waiver of any other default.

7.22 **INTERPRETATION:** This Lease has been submitted to the scrutiny of the parties hereto and their counsel, if desired. In any dispute between the parties, the language of this Lease shall, in all cases, be construed as a whole according to its fair meaning and not for or against either the Lessor or the Lessee. If any provision is found to be ambiguous, the language shall not be construed against either the Lessor or Lessee solely on the basis of which party drafted the provision. If any word, clause, sentence, or combination thereof, for any reason, is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

7.23 **HOLDING OVER:** If the Lessee remains in possession of said Premises after the date of expiration of this Lease without Lessor's prior written consent, such holding over shall constitute and be construed as tenancy at sufferance only, at a monthly rent equal to one hundred fifty percent (150%) of the Base Rent owed during the final month of the Term of this Lease and otherwise upon the terms and conditions in this Lease. If Lessee holds over with Lessor's prior written consent, then until such time as a new written Lease is executed by the parties hereto, Lessee shall continue to make payments to Lessor on a month-to-month basis as provided for in this Lease. Such authorized holdover tenancy may be terminated by either party at the end of any such monthly period by sending written notice not less than five (5) days before the end of such period. Such authorized holdover tenancy shall be subject to all terms and conditions contained herein.

7.24 **SURVIVAL:** All obligations of the Lessee, as provided for in the Lease, shall not cease upon the termination of this Lease and shall continue as obligations until fully performed. All clauses of this Lease which require performance beyond the termination date shall survive the termination date of this Lease.

7.25 **GOVERNING LAW:** This Lease, and the right of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the parties agree that in any such action, jurisdiction and venue shall lie exclusively in Kitsap County, Washington, and not in any federal court.

7.26 **ATTORNEYS' FEES – LEASE ENFORCEMENT:** The prevailing party in any action to enforce any term or condition of this Lease shall be entitled to an award of their reasonable costs and attorneys' fees.

7.27 **ESTOPPEL CERTIFICATES:** At Lessee's request, Lessor agrees to execute and deliver to Lessee or its lender(s) a customary estoppel certificate, in a form acceptable to the Lessor, which sets forth the following information: (i) the terms and conditions of this Lease; (ii) the status of the Rent payments under the Lease; and (iii) Lessor's knowledge of any breaches or anticipated breaches of the Lease. Lessor shall have no obligation to execute an estoppel certificate which requests any information other than as set forth above. Lessee agrees to reimburse the Lessor for all staff time incurred and attorneys' fees paid by Lessor for the review and opinion of such attorney acting on the request for such estoppel certificate and in negotiating acceptable language in the estoppel certificate. A failure to reimburse Lessor within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease.

7.28 **ATTORNMENT:** In the event the Premises are sold, Lessee shall attorn to the purchaser upon the sale, provided that the purchaser expressly agrees in writing that, so long as Lessee is not in default under the Lease, Lessee's possession and occupancy of the Premises will not be disturbed and that such purchaser will perform all obligations of Lessor under the Lease.

7.29 **COUNTERPARTS AND ELECTRONIC TRANSMISSION:** This Agreement may be signed in counterparts. Electronic transmission of any signed original document, and retransmission of any signed electronic transmission, shall be the same as delivery of an original document.

7.30 **ENTIRE AGREEMENT:** This Lease contains all of the understandings between the parties. Each party represents that no promises, representations, or commitments have been made by the other as a basis for this Lease which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Lease, executed with all necessary legal formalities by the Commission of the Port of Bremerton.

7.31 **VALIDATION:** IN WITNESS WHEREOF, Lessor has caused this instrument to be signed by its President and Secretary, by authority of the Commission of the Port of Bremerton, and this instrument has been signed and executed by Lessee, the day and year first above written.

THIS LEASE CONTAINS INDEMNIFICATIONS FROM THE LESSEE TO THE LESSOR, RELEASES BY THE LESSEE AND A LIMITED WAIVER OF IMMUNITY UNDER THE WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW, OR ANY OTHER SIMILAR WORKERS' COMPENSATION SCHEMES

LESSEE:
STEELHEAD GROUP HOLDINGS. LLC

LESSOR:
PORT OF BREMERTON

William Hansen

Gary Anderson
Its: Commission President

Carol Hansen

Cary Bozeman
Its: Commission Vice-President

Axel Strakeljahn
Its: Commission Secretary

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, _____, to me known to be the _____ of **Steelhead Group Holdings, LLC**, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this __ day of _____, 2022.

Print Name: _____
NOTARY PUBLIC in and for the
State of Washington, residing at _____ My
commission expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, _____, to me known to be the _____ of the Port of Bremerton, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this __ day of _____, 2022.

Print Name: _____
NOTARY PUBLIC in and for the

State of Washington, residing at _____ My
commission expires: _____

EXHIBIT "A"
LEASE AREA LEGAL DESCRIPTION

THAT PORTION OF SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER,
SECTION 11, TOWNSHIP 23 NORTH, RANGE 1WEST, W.M.,KITSAP COUNTY,
WASHINGTON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SECTION 11,TOWNSHIP 23
NORTH, RANGE 1WEST, W.M.,KITSAP COUNTY, WASHINGTON; THENCE NORTH
00° 07'22" WEST ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF THE OF
LAST SAID SECTION

2612.42 FEET TO THE WEST QUARTER CORNER OF SAID SECTION; THENCE SOUTH
87° 56' 12" EAST ALONG THE EAST-WEST CENTERLINE OF SAID SECTION 2792.23
FEET TO THE CENTER OF SAID SECTION 11;THENCE CONTINUING SOUTH 87° 56'
12" EAST 522.70

FEET; THENCE SOUTH 46° 02' 08" WEST 250.13 FEET; THENCE SOUTH 20° 59' 37" WEST
1197.89

FEET; THENCE SOUTH 69° 00' 23" EAST 54.91 FEET; THENCE SOUTH 20° 59' 37" WEST
266.30 FEET TO THE NORTHWESTERLY CORNER OF AN EXISTING LEASE PARCEL; THENCE
SOUTH 41°13'04" WEST ALONG SAID PARCEL 325.84 FEET; THENCE SOUTH 22°43'00"
WEST ALONG SAID PARCEL 232.39 FEET TO THE POINT OF BEGINNING; THENCE SOUTH
54°50'38" EAST ALONG SAID PARCEL 294.99 FEET TO THE NORTHWESTERLY RIGHT-OF-
WAY LINE OF STATE HIGHWAY N0.3; THENCE SOUTH 46°01'38" WEST ALONG SAID
RIGHT-OF-WAY LINE 157.89 FEET; THENCE NORTH 43°58'22" WEST ALONG SAID RIGHT-
OF-WAY LINE 160.00 FEET; THENCE SOUTH 46°01'38" WEST ALONG SAID RIGHT-OF-WAY
LINE 62.92 FEET; THENCE NORTH 43°58'22" WEST 129.27 FEET; THENCE NORTH
60°49'00" EAST 105.29 FEET; THENCE NORTH
22°43'00" EAST 69.00 FEET TO THE POINT OF BEGINNING.



1-20-2025

EXHIBIT "B"
SE1/4 SW1/4 SEC.11, Map of Premises
TWP.23N.,RNG.1W., W.M.

MOUNTAIN
JUPITER WAY

◆ = Brass Monument/case
imprinted LS#20795

~ Inventech Marine
Solutions Building ~

State Highway R/W



NORTH: NAD83 2011

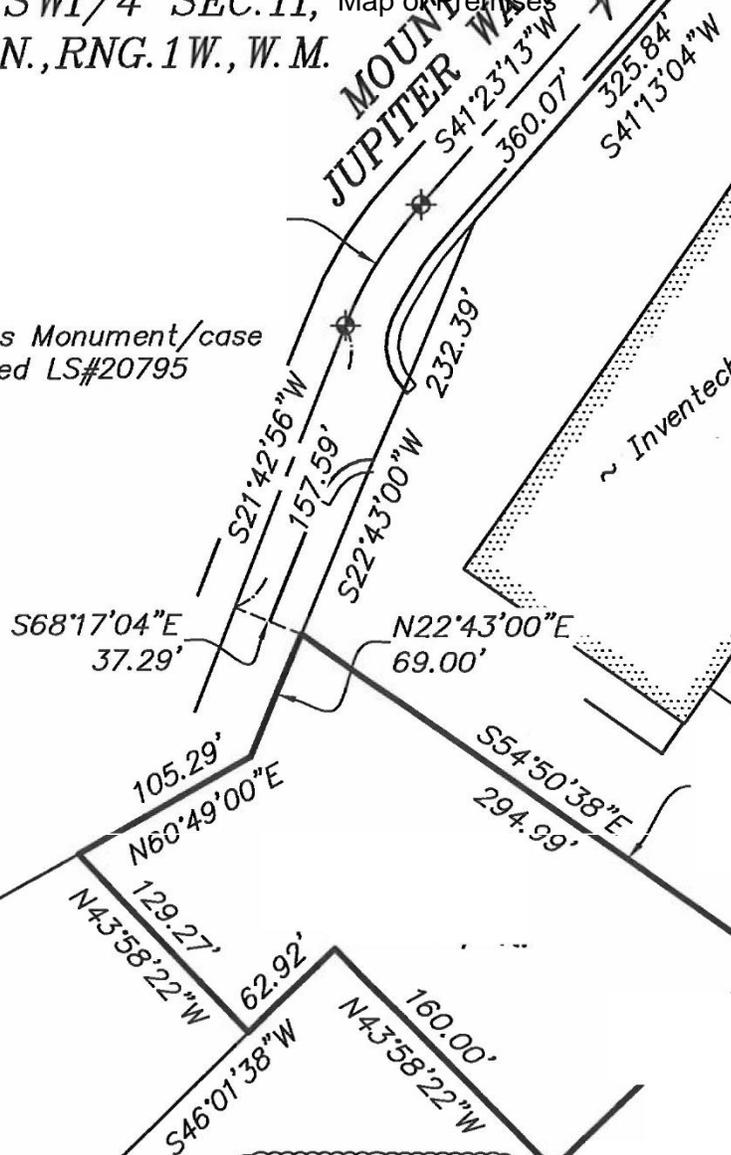


EXHIBIT "C"
Design & Construction Criteria

(1) Building shall be constructed conforming to the following setbacks, unless stricter setbacks are required by local governmental building rules and regulations:

| | | |
|----|------------------------------|-------|
| a. | Front yard to street | 50 ft |
| b. | Side yard to street | 25 ft |
| c. | Side yard to a property line | 15 ft |
| d. | Rear yard to a property line | 15 ft |

(2) All structures shall be architecturally compatible with emphasis being placed on design and color schemes of walls visible from street. All designs, exterior appearance, and color schemes shall be subject to the prior approval of the Lessor.

(3) All exterior walls for buildings shall be finished masonry, concrete, face brick, or stone, painted steel or equivalent. Wood exterior construction may be used for structures upon written approval of the Lessor. Building will consist of steel framing.

(4) All electrical telephone and cable lines shall be placed underground.

(5) Landscaping of each individual lot shall be installed and maintained in accordance with the landscape ordinance in effect in the County. Areas disturbed during construction shall be landscaped.

(6) Loading docks shall not be permitted to front or face any streets within the Park without prior written approval of the Lessor.

(7) Parking areas and driveways must be paved with an asphalt or concrete surface unless otherwise approved by the Lessor.

(8) Inside storage of material is encouraged. Outside storage will be permitted to the rear of side of buildings provided that the storage area is screened from view by fencing no less than six (6) feet high. Such fencing shall be of quality consistent with all other fencing and structures in the Olympic View Industrial Park, and shall be of sound construction compatible with the building design and be subject to the prior written approval of the Lessor.

(9) Building shall be constructed conforming to the following setbacks, unless stricter setbacks are required by local governmental building rules and regulations:

| | | |
|----|------------------------------|-------|
| a. | Front yard to street | 50 ft |
| b. | Side yard to street | 25 ft |
| c. | Side yard to a property line | 15 ft |
| d. | Rear yard to a property line | 15 ft |

- (10) All structures shall be architecturally compatible with emphasis being placed on design and color schemes of walls visible from street. All designs, exterior appearance, and color schemes shall be subject to the prior approval of the Lessor.
- (11) All exterior walls for buildings shall be finished masonry, concrete, face brick, or stone, painted steel or equivalent. Wood exterior construction may be used for structures upon written approval of the Lessor. Building will consist of steel framing.
- (12) All electrical telephone and cable lines shall be placed underground.
- (13) Landscaping of each individual lot shall be installed and maintained in accordance with the landscape ordinance in effect in the County. Areas disturbed during construction shall be landscaped.
- (14) Loading docks shall not be permitted to front or face any streets within the Park without prior written approval of the Lessor.
- (15) Parking areas and driveways must be paved with an asphalt or concrete surface unless otherwise approved by the Lessor.
- (16) Inside storage of material is encouraged. Outside storage will be permitted to the rear of side of buildings provided that the storage area is screened from view by fencing no less than six (6) feet high. Such fencing shall be of quality consistent with all other fencing and structures in the Olympic View Industrial Park, and shall be of sound construction compatible with the building design and be subject to the prior written approval of the Lessor.

EXHIBIT "D"
Puget Sound Industrial Center –
Bremerton Zoning Code