

PORT OF BREMERTON
BOARD OF COMMISSIONERS
REGULAR BUSINESS MEETING

A G E N D A

June 22, 2021
6:00 PM

Remote Access Only
Zoom Meeting ID: 335 903 0010
Zoom Call-In: (253) 215-8782
BKAT Live Stream

Call to Order

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 June 8, 2021.
- B. Payment of checks #E00533 and #E00534 and #82505 through #82522 and #E00535 through #E00539 and #901354 through #901356 and #82524 through #82545 and #E00540 through #E00547 and #901357 from the General Fund for \$103,300.05; #82523 from the Construction Fund for \$2,172.80.
- C. Resolution 2021-03 declaring the Airport Diner and all its contents surplus and authorizing disposal in the Port's best interest.

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.*

Action Items

- 1. Bid Award to Ahearn Electric, Inc. for the Wastewater Emergency Generator Project
- 2. Lease Agreements (3) with SAFE Boats International for locations in Olympic View Industrial Park
- 3. Final Acceptance for SR3 Frontage Development Project with Henderson Partners, 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>06/22</i>	<i>6:00 pm</i>	<i>*Commission Regular Meeting via ZOOM</i>
<i>06/24</i>	<i>10:00 am</i>	<i>Puget Sound Regional Council (PSRC) Executive Board</i>
<i>06/24</i>	<i>11:45 pm</i>	<i>PSRC Executive Committee</i>
<i>07/13</i>	<i>10:00 am</i>	<i>*Commission Regular Meeting via ZOOM</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

June 8, 2021
10:00 AM

Remote Access Only
Zoom Meeting ID: 335 903 0010
Zoom Call-In: (253) 215-8782
BKAT Live Stream

Commissioners and Staff Present

Commissioners

Cary Bozeman
Gary Anderson

Staff Members

Jim Rothlin
Fred Salisbury
Sherman Hu
Arne Bakker
James Weaver
Warren Hendrickson
Ginger Waye
Taylor Korizon
Anne Montgomery, Atty

Call to Order

President Bozeman called the meeting to order at 10:00 a.m.

Approval of Agenda

It was moved by BOZEMAN, seconded by ANDERSON to:

Approve the Agenda as presented.

MOTION CARRIES, 2-0

Consent Items

- A. Minutes of the regular business meeting and executive session of May 25, 2021.
- B. Payment of checks #E00508 and #901344 through #901347 and #901348 through #901349 and #E00509 and #82443 and #82446 through #82472 and #E00511 through #E00520 and #901350 through #901352 and #901353 and #82473 and #82476 through #82504 and #E00521 through #E00532 from the General Fund for \$382,295.43; #E00510 and #82444 through #82445 and #82474 through #82475 from the Construction Fund for \$226,989.82.
- C. Excuse Commissioner Strakeljahn's absence.

It was moved by BOZEMAN, seconded by ANDERSON to:

Approve the Consent Items as presented.

MOTION CARRIES, 2-0

Information Items

1. Freedom Boat Club Update – Nick Hooge, President

James Weaver, Director of Marine Facilities, introduced Nick Hooge, President of the very successful Freedom Boat Club that leases several slips at Port Orchard and Bremerton Marinas.

Mr. Hooge provided his history with Freedom Boat Club and how he came to purchase the Kitsap side last October. He discussed the number of boat trips out of the marinas with the expectation of increasing those trips as another location at Bremerton Marina opens and more boats are added to the fleet once their local boat builder, Defiance Boats, is no longer experiencing supply issues due to COVID. Once there is a full fleet of twelve vessels, FBC will be investing just shy of \$1M this year in the local economy with an 8 to 1 member to boat ratio. He clarified FBC does not operate like an ownership timeshare; there is a one-time membership fee and monthly fee for access to FBC boats worldwide.

Mr. Hooge responded to questions and comments from the board related to boats, insurance, number of members, and locations. Commissioner Anderson commented he has received a tour of the local FBC and is not surprised at their success; it is a wonderful concept and thinks what is offered is well-needed. CEO Rothlin congratulated Mr. Hooge on his purchase of the Kitsap area and stated he appreciates being provided the information on the economic impact of FBC.

Citizen Comments - None

Action Items

1. SR3 Frontage Project #04-19-0284 Change Order #7 with Henderson Partners LLC *Presented by Arne Bakker, Director of Business Development*

Following presentation and discussion;

It was moved by ANDERSON, seconded by BOZEMAN to:

Approve SR3 Frontage Project Change Order 7 in the amount of \$3,815 for the installation of additional fire alarm sensors and authorize the CEO to execute the change order.

MOTION CARRIES, 2-0

Staff Reports

Jim Rothlin, Chief Executive Officer

- Provided the following employee recognitions:
 - Work Anniversaries
 - Chris Johnson, Port Maintenance II – 32 years
 - Fred Salisbury, Chief Operations Officer – 22 years
 - New Hires
 - Kayle Lenz, Port Maintenance II – Harbor
 - Ian Stensrud, Port Attendant - Harbor

Commission Reports / New Business

Commissioner Anderson

- Have been attending the Kitsap Economic Development Alliance (KEDA) forums and will be attending the full board meeting later this month.
- Reported on recent Kitsap Regional Coordinating Council (KRCC) meetings he has been attending in Commissioner Strakeljahn's absence.

Commissioner Bozeman

- Asked for input from staff on the derelict boat situation he has been reading about in the newspaper. Mr. Weaver stated that if the boats are not within the marina, they are outside our jurisdiction; however, the Port tries to assist with the issue even though it is not happening within our jurisdiction. He noted it is a Puget Sound issue not just Sinclair Inlet.
- Would like the Port to be part of the conversation regarding gaining infrastructure for the amazing growth Kitsap County is experiencing.
- Mr. Salisbury provided an update on the Multipurpose Facility in response to Commissioner Bozeman's request for information on the project.

Executive Session - None

Adjournment

There being no further business before the Board, the meeting was adjourned at 10:35 a.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
June 17, 2021

Gary Anderson
Commission Secretary
June 22, 2021

**PORT OF BREMERTON
KITSAP COUNTY, WASHINGTON
RESOLUTION NO. 2021-03
DATED: June 22, 2021**

A RESOLUTION of the Board of Commissioners, Port of Bremerton, declaring the Airport Diner located at 8830 SW State Hwy 3 Bremerton, WA 98312 and all its contents surplus and authorizing disposal in the Port of Bremerton's best interest.

WHEREAS, RCW 53.08.090 provides that the Bremerton Port Commission may declare any of its real or personal property to be no longer needed for district purposes and may therefore find the property surplus to port needs; and

WHEREAS, the Bremerton Port Commission does hereby declare the following items surplus under RCW 53.08.090:

The building referred to as the Airport Diner, a 5,500 square foot wood structure, built in the early 1980's, and its contents, to be demolished/removed and replaced by a new 9,753 square foot metal Multipurpose Facility which will include an aircraft hangar, office space, pilots lounge, kitchen and restaurant dining area.

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners, Port of Bremerton, that the above listed items are no longer needed for port district purposes and are declared surplus according to the criteria established in RCW 53.08.090, and hereby authorize Port staff to dispose of the items in the best interest of the Port

ADOPTED by the Board of Commissioners of the Port of Bremerton at the regular public meeting thereof held this 22nd day of June 2021 and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission.

Commission President

ATTEST:

Commission Vice President

Commission Secretary

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #1
Subject: Notice of Award, Ahearn Electric, Inc., Wastewater Emergency Generator Project
Exhibits: None
Prepared By: Fred Salisbury, COO
Meeting Date: June 22, 2021

Summary:

On June 16, 2021 bids were received and opened for the Wastewater Emergency Generator project at the Port's wastewater facility. This project consists of the purchase and installation of a 35kW generator, protective enclosure, concrete pad, manual transfer switch, required hardware, conduit, and wires. Eight companies were solicited to bid on this project. The Port's estimate, including permits and taxes was \$58,183. Two bids were received (bid price includes permits and WSST):

Ahearn Electric, Inc. \$54,585.26

Bainbridge Island Electric \$60,554.95

Port staff has completed its due diligence on Ahearn Electric Inc. with very favorable comments on quality of work, schedule, and ability to stay within budget.

Fiscal Impact:

Funding for this project (\$65,000) is provided via the CARES Act and is in the 2021 Capital Budget.

Strategic Purpose:

Goal 2. Operate all Port facilities efficiently and cost effectively with high degree of customer service.

Recommendation:

Recommend the bid award to Ahearn Electric, Inc. and authorize the CEO to execute the contract and issue a Notice to Proceed.

Motion for Consideration:

Move to approve the bid award to Ahearn Electric, Inc. and authorize the CEO to execute the contract and issue a Notice to Proceed.

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #2
Subject: Leases Safe Boats International, LLC.
Exhibits: Lease OVIP 5 – 8800 SW Barney White Road
Lease 3.5 acres –8800 SW Barney White Road
Lease OVIP 2 – 5650 Imperial Way
Prepared By: Arne Bakker, Director of Business Development
Meeting Date: June 22, 2021

Summary:

Safe Boats International has been a tenant in good standing in the Olympic View Industrial Park since 1999 and provides approximately 350 jobs. Currently, Safe Boats International leases 3 properties from the Port. Their main headquarters is based on Barney White Road, (8800 SW Barney White Rd); their training facility on SW Imperial Way (5650 Imperial Way); and a 3.5-acre land lease on Barney White Road (8800 Barney White Rd.). Their existing leases are set to expire on June 30, 2021, and Safe Boats International has requested new leases with the Port.

The terms of these leases are for a five (5) year initial term and five (5) one (1) year options. In negotiations with Safe Boats International, CPI increases will come into effect on July 1, 2023 for all three leases. Terms were based on market rate of these particular locations and site conditions.

These leases have been through legal review and have been approved as to form.

Fiscal Impact: Lease Revenue:

For OVIP 5 off Barney White Road:	\$26,216.00 per month
For the land lease off Barney White Road:	\$2,625.00 per month
For OVIP 2 off Imperial Way SW:	\$7,655.40 per month

Strategic Purpose:

Goal 1: To be a significant leader in promoting the local economy and job growth both on and off Port Assets

Recommendation:

1. Staff recommends approval by separate motions of all three leases between the Port of Bremerton and Safe Boats International, LLC., as presented.

Motions for Consideration:

- 1. Motion to approve the building lease for the premises at 8800 Barney White Road (OVIP 5) between the Port of Bremerton and Safe Boats International, LLC., as presented.**
- 2. Motion to approve the land lease for the premises off 8800 Barney White Road between the Port of Bremerton and Safe Boats International, LLC., as presented.**
- 3. Motion to approve the building lease for the premises on 5650 Imperial Way (OVIP 2) between the Port of Bremerton and Safe Boats International, LLC., as presented.**

AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this _____ day of JUNE, 2021, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **SAFE BOATS INTERNATIONAL, 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 State Hwy 3
Bremerton, WA 98312

Lessee: Safe Boats International, LLC
Lessee's Address: Prior to Lease Commencement:
8800 Barney White Rd
Bremerton, WA 98312

After Lease Commencement:
At the Premises, Attn: Richard Schwarz

Premises: 62,500 Square Feet Building
4,300 Square Feet Butler Hut
2 acres land

Use of Premises: Boat manufacturing and storage

Exhibits: Exhibit "A" - Legal Description of Premises
Exhibit "B" - Map of Premises

Commencement Date: July 1, 2021

Term: Commencing upon the Commencement Date and expiring on the "Termination Date" five (5) years thereafter.

Renewals: Five (5) consecutive options to renew for the period of one (1) year each

Base Rent: Exclusive of Washington State Leasehold Excise Tax

<u>Months of Lease Term</u>	<u>Rent Per SF (Mo)</u>	<u>Monthly Total</u>
Building Months 1-12	\$0.37	\$23,125.00
Butler hut Months 1-12	\$0.37	\$1,591.00
Building Months 13-24	\$0.41	\$25,625.00
Butler hut Months 13-24	\$0.41	\$1,763.00
2 acres Month 1-24	\$750.00 acre/mo	\$1,500.00

Initial Amount of Financial Security: \$ 24,135.47

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 five (5) years beginning July 1, 2021, through June 30, 2026 ("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.

2.3 **RENEWALS:** Subject to the terms and conditions herein, Lessee shall have the right to renew this Lease for five (5) consecutive one (1) 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 tenth (10th) 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 annually based upon the change in the Consumer Price Index (the "CPI") for all Urban Consumers (the "Annual Adjustment") and periodically based upon agreement or appraisal the "Periodic Adjustment").

3.2.1. **Annual Adjustment.** Base Rent for the Premises shall be subject to annual adjustment on the first (1st) day of the month of July, 2023, and each year thereafter 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 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 months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate.

3.2.2 **Periodic Adjustment.** In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment effective on the following dates: July 1, 2026 and on the first (1st) month of any renewal term (herein such dates shall be collectively referred to as the "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 Date (hereinafter such 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.

3.4 **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 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: Manufacturing of boats and storage (the "Authorized Use").

4.1.1 **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.

4.1.2 **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, excepting 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.

4.3 **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, and Lessor requirements. 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 staff, 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 **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") 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 sever, remove and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense, charge Lessee rent for the use of them, or both.

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 that are not designated fixtures; and
- d. The following Existing Improvements: none.

4.4.1 **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 PREMISES:** Maintenance and repair of the Premises and all improvements thereon is the sole responsibility of Lessee. 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.

4.5.1 **Lessor's Maintenance Obligations.** Lessor shall maintain in good condition the structural parts of the Buildings which shall include the foundation, bearing and exterior walls, subflooring and roof, the unexposed electrical, plumbing and sewerage systems, including those portions of the systems lying outside the Premises, exterior doors, window frames, gutters, downspouts on the Buildings, and the heating, ventilating and air conditioning system servicing the Premises; provided. Notwithstanding the foregoing, the cost of any maintenance and repairs occasioned by the negligent or willful act or omission of Lessee, its employees, agents, licensees or invitees shall not be considered Operating Expenses but, rather, shall be the sole responsibility of Lessee and shall be paid within fifteen (15) days after invoice.

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 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 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 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 thirty (30) 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 effected 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 the requirements of state law, Lessee agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond, or by providing other financial security satisfactory to Lessor (herein referred to as the "Bond"), in an amount not less than 7.67% of the sum of annual Rent, plus state leasehold excise tax. The Bond shall be in a form and issued by a surety company acceptable to Lessor and shall comply with the requirements of Washington law. Lessee shall obtain such Bond and forward evidence thereof to Lessor within fourteen (14) days of execution of this Lease, but in no event later than the Commencement Date of this Lease. Failure to comply with this requirement shall be grounds for termination of this Lease without notice by Lessor. Such Bond shall be kept always in effect during the term of this Lease; failure to comply with this requirement shall render Lessee in default. The Bond shall be increased annually to reflect any adjustments in annual Rent. Upon any default by Lessee in its obligations under this Lease, Lessor may collect on the Bond to

offset the liability of Lessee to Lessor. Collection on the Bond shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

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 70.105D, 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.** 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, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, 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 which contains Hazardous Substances, 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 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, 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 was 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 which may be 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 hours (24) notification to remove the sign by the Lessor, Lessee shall pay the Lessor a penalty of \$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, 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 subassignment, 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 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, or if the underlying beneficial interest of Lessee is transferred, or if 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, but 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 by Lessee of covenants on the part of Lessee 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's 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 tenth 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, upon thirty (30) 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: A default by Lessee under any other agreement or lease with the Lessor; insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; 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; attachment of or the levying of execution on the leasehold interest; and 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 notices requiring Lessee either to: (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.

7.17 **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 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 use to which the Lessee is putting the Premises or interfere unduly 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 at any time, and 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 **ATTORNEY 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 attorney 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 **ATTORNMEN:** 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:

Safe Boats International, Llc.

Richard Schwarz
Its: CEO

Tom Gumpert
Its: CFO

LESSOR:

PORT OF BREMERTON

Cary Bozeman
Its: Commission President

Axel Strakeljahn
Its: Commission Vice-President

Gary Anderson
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 President of the Port of _____ 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 _____, 20__.

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

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 Secretary of the Port of _____ 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

EXHIBIT "A"
Legal Description of Premises

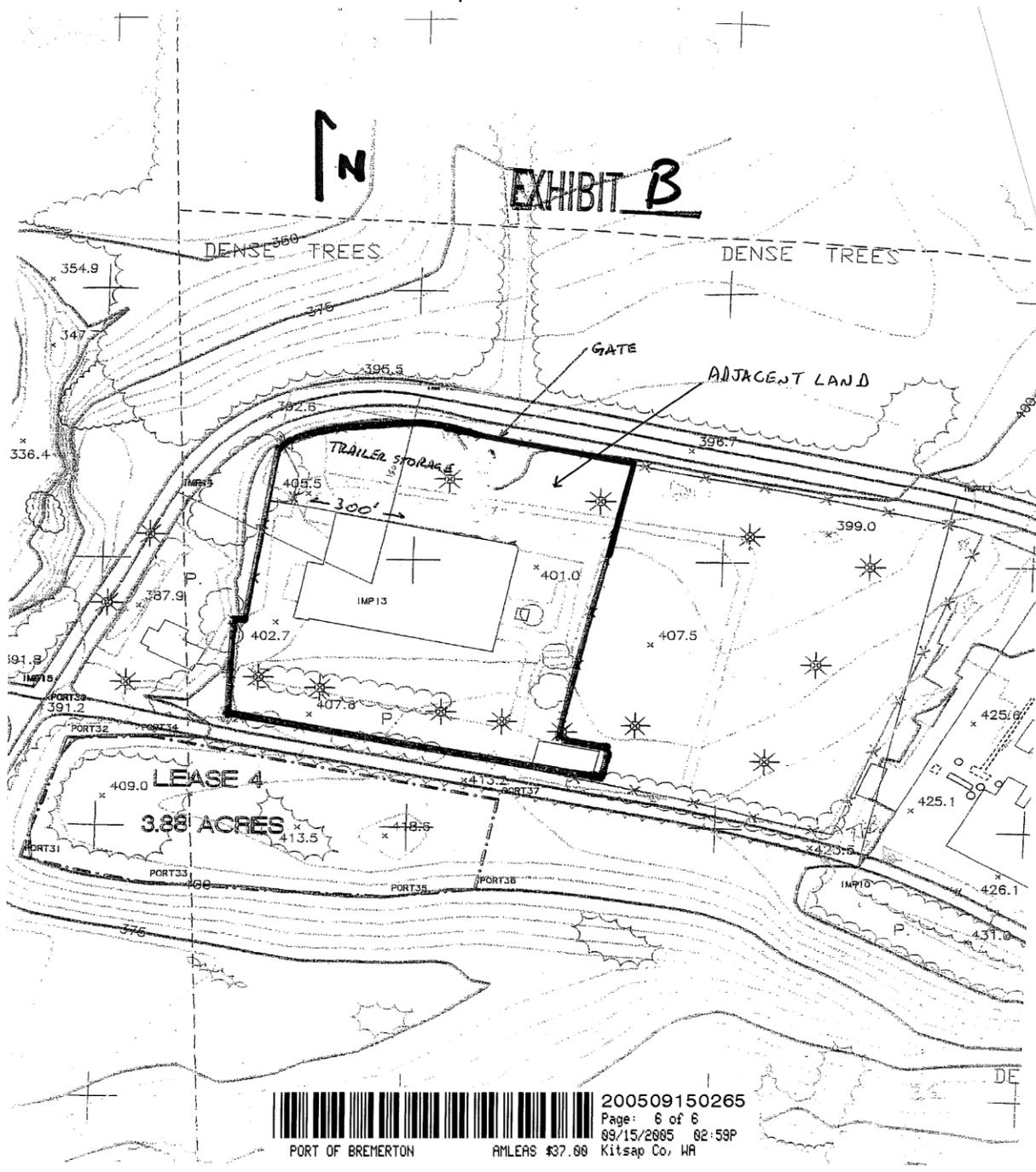
OVIP Building No. 5

That portion of the Southwest quarter of the Northeast quarter and that portion of the Northwest quarter of the Northeast quarter of Section 11, Township 23 North, Range 1 West of the Willamette Meridian in Kitsap County, Washington, described as a whole as follows:

Commencing at the northwest corner of said Section 11; thence along the north line of said Section South $88^{\circ}50'46''$ East 2639.89 feet to the north 1/4 corner of said Section 11; thence along the north-south centerline of said Section 11, South $02^{\circ}17'10''$ East 1614.60 feet; thence South $78^{\circ}38'09''$ East 3.05 feet; thence North $26^{\circ}00'16''$ East 148.11 feet to the True Point of Beginning; thence North $26^{\circ}00'16''$ East 55.34 feet; thence North $07^{\circ}08'03''$ East 213.99 feet; thence South $78^{\circ}09'51''$ East 84.36 feet; thence North $11^{\circ}13'19''$ East 20.00 feet; thence South $78^{\circ}46'41''$ East 140.00 feet; thence South $11^{\circ}13'19''$ West 20.00 feet; thence South $78^{\circ}46'41''$ East 191.64 feet; thence North $81^{\circ}05'08''$ East 150.44 feet; thence South $11^{\circ}57'35''$ West 364.26 feet; thence South $48^{\circ}44'44''$ West 45.45 feet; thence South $37^{\circ}06'11''$ West 59.92 feet; thence North $79^{\circ}03'39''$ West 476.10 feet; thence North $02^{\circ}25'00''$ East 140.35 feet to the true point of beginning.

EXHIBIT A-1

EXHIBIT "B"
Map of Premises



AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this _____ day of JUNE, 2021, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **SAFE BOATS INTERNATIONAL, 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 State Hwy 3
Bremerton, WA 98312

Lessee: Safe Boats International, LLC
Lessee's Address: Prior to Lease Commencement:
8800 Barney White Rd
Bremerton, WA 98312

After Lease Commencement:
At the Premises, Attn: Richard Schwarz

Agreed Premises: 3.5 acres

Use of Premises: Boat manufacturing and storage

Exhibits: Exhibit "A" - Legal Description of Premises
Exhibit "B" - Map of Premises

Commencement Date: July 1, 2021

Term: Commencing upon the Commencement Date and expiring on the "Termination Date" five (5) years thereafter.

Renewals: Five (5) consecutive options to renew for the period of one (1) year each

Base Rent: Exclusive of Washington State Leasehold Excise Tax

<u>Months of Lease Term</u>	<u>Rent Per Acre (Mo)</u>	<u>Monthly Total</u>
3.5 acres Month 1-24	\$750.00	\$2,625.00

Initial Amount of Financial Security: \$ 2,416.68

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 five (5) years beginning July 1, 2021, through June 30, 2026 ("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.

2.3 **RENEWALS:** Subject to the terms and conditions herein, Lessee shall have the right to renew this Lease for five (5) consecutive one (1) 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 tenth (10th) 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 annually based upon the change in the Consumer Price Index (the "CPI") for all Urban Consumers (the "Annual Adjustment") and periodically based upon agreement or appraisal the "Periodic Adjustment").

3.2.1. **Annual Adjustment.** Base Rent for the Premises shall be subject to annual adjustment on the first (1st) day of the month of July and each year thereafter 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 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 months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate.

3.2.2 Periodic Adjustment. In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment effective on the following dates: July 1, 2026 and on the first (1st) month of any renewal term (herein such dates shall be collectively referred to as the "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 Date (hereinafter such 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.

3.3 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 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: Manufacturing of boats and storage (the "Authorized Use").

4.1.1 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.

4.1.2 **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, excepting 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.

4.3 **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, and Lessor requirements. 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 staff, 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 **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") 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 sever, remove and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense, charge Lessee rent for the use of them, or both.

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 that are not designated fixtures; and
- d. The following Existing Improvements: none.

4.4.1 **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 PREMISES:** Maintenance and repair of the Premises and all improvements thereon is the sole responsibility of Lessee. 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.

4.5.1 **Lessor's Maintenance Obligations.** Lessor shall maintain in good condition the structural parts of the Building which shall include the foundation, bearing and exterior walls, subflooring and roof, the unexposed electrical, plumbing and sewerage systems, including those portions of the systems lying outside the Premises, exterior doors, window frames, gutters, downspouts on the Building, and the heating, ventilating and air conditioning system servicing the Premises; provided, however, that the cost of all such routine maintenance shall be considered Operating Expenses as provided herein. Notwithstanding the foregoing, the cost of any maintenance and repairs occasioned by the negligent or willful act or omission of Lessee, its employees, agents, licensees or invitees shall not be considered Operating Expenses but, rather, shall be the sole responsibility of Lessee and shall be paid within fifteen (15) days after invoice.

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 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 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 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 thirty (30) 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 effected 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 the requirements of state law, Lessee agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond, or by providing other financial security satisfactory to Lessor (herein referred to as the "Bond"), in an amount not less than 7.67% of the sum of annual Rent, plus state leasehold excise tax. The Bond shall be in a form and issued by a surety company acceptable to Lessor and shall comply with the requirements of Washington law. Lessee shall obtain such Bond and forward evidence thereof to Lessor within fourteen (14) days of execution of this Lease, but in no event later than the Commencement Date of this Lease. Failure to comply with this requirement shall be grounds for termination of this Lease without notice by Lessor. Such Bond shall be kept always in effect during the term of this Lease; failure to comply with this requirement shall render Lessee in

default. The Bond shall be increased annually to reflect any adjustments in annual Rent. Upon any default by Lessee in its obligations under this Lease, Lessor may collect on the Bond to offset the liability of Lessee to Lessor. Collection on the Bond shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

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 70.105D, 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.** 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, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, 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 which contains Hazardous Substances, 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 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, 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 was 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 which may be 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 hours (24) notification to remove the sign by the Lessor, Lessee shall pay the Lessor a penalty of \$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 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, 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 subassignment, 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 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, or if the underlying beneficial interest of Lessee is transferred, or if 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, but 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 by Lessee of covenants on the part of Lessee 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's 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 tenth (10th) 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, upon thirty (30) 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: A default by Lessee under any other agreement or lease with the Lessor; insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; 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; attachment of or the levying of execution on the leasehold interest; and 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 notices requiring Lessee either to: (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.

7.17 **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 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 use to which the Lessee is putting the Premises or interfere unduly 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 at any time, and 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 **ATTORNEY 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 attorney 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 **ATTORNMEN:** 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:

Safe Boats International, Llc.

Richard Schwarz
Its: CEO

Tom Gumpert
Its: CFO

LESSOR:

PORT OF BREMERTON

Cary Bozeman
Its: Commission President

Axel Strakeljahn
Its: Commission Vice-President

Gary Anderson
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 President of the Port of _____ 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 _____, 20__.

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

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 Secretary of the Port of _____ 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

EXHIBIT "A"
Legal Description of Premises

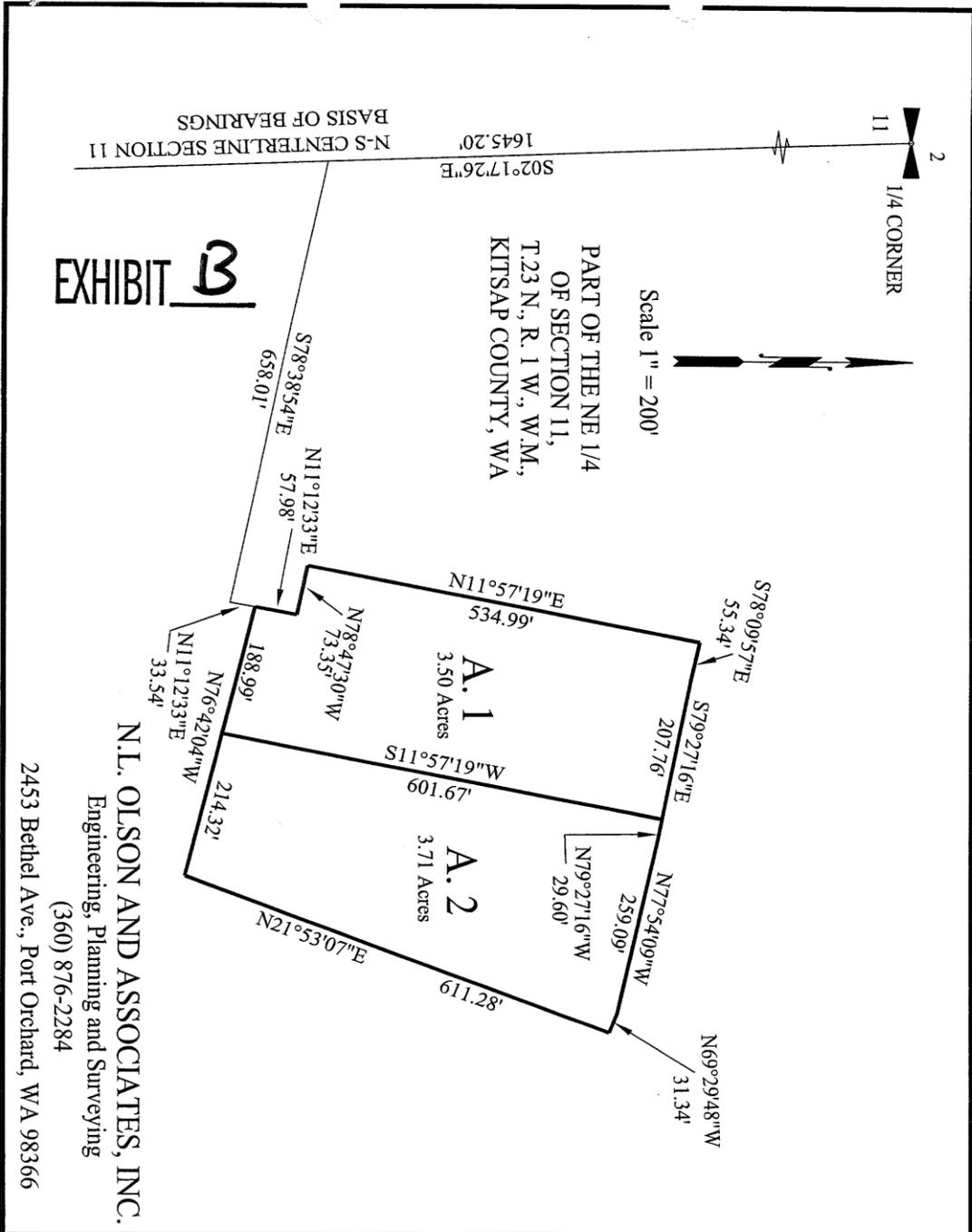
EXHIBIT A
OVIP LEASE A.1

That portion of the Northeast quarter of Section 11, Township 23 North, Range 1 West, W.M., Kitsap County, Washington, more particularly described as follows:

Commencing at the Northwest corner of said Section 11;
Thence South 88°51'02" East along the North line of said section 2639.95 feet to the North ¼ corner of said Section 11;
Thence South 2°17'25" West, 1645.20 feet along the North-South centerline of said Section 11 to a point on the centerline of Barney White Road;
Thence South 78°38'54" East along said centerline 658.01 feet;
Thence North 11°12'33" East and leaving said centerline 33.54 feet to **the POINT OF BEGINNING**;
Thence continuing North 11°12'33" East, 57.98 feet;
Thence North 78°47'30" West, 73.35 feet;
Thence North 11°57'19" East, 534.99 feet;
Thence South 78°09'57" East, 55.34 feet;
Thence South 79°27'16" East, 207.76 feet;
Thence South 11°57'19" West, 601.67 feet;
Thence North 76°42'04" West, 188.99 feet to the **POINT OF BEGINNING**.

(Comprising 152,460 square feet or 3.50 acres)

EXHIBIT "B"
Map of Premises



AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this _____ day of JUNE, 2021, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **SAFE BOATS INTERNATIONAL, 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 State Hwy 3
Bremerton, WA 98312

Lessee: Safe Boats International, LLC
Lessee's Address: Prior to Lease Commencement:
8800 Barney White Rd
Bremerton, WA 98312

After Lease Commencement:
At the Premises, Attn: Richard Schwarz

Premises: OVIP #2 5650 SW Imperial Way

Agreed Rentable Area: 16,170 Square Feet Building
2.23 acres land

Use of Premises: Boat manufacturing and storage

Exhibits: Exhibit "A" - Legal Description of Premises
Exhibit "B" - Map of Premises

Commencement Date: July 1, 2021

Term: Commencing upon the Commencement Date and expiring on the
"Termination Date" five (5) years thereafter.

Renewals: Five (5) consecutive options to renew for the period of one (1)
year each

Base Rent: Exclusive of Washington State Leasehold Excise Tax

<u>Months of Lease Term</u>	<u>Rent Per SF (Mo)</u>	<u>Monthly Total</u>
Building Months 1-12	\$0.37	\$5,982.90
Building Months 13-24	\$0.41	\$6,629.70
Months 1-24	\$750 acre/mo	\$1,672.50

Initial Amount of Financial Security: \$ \$7,047.86

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 five (5) years beginning July 1, 2021, through June 30, 2026 ("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.

2.3 **RENEWALS:** Subject to the terms and conditions herein, Lessee shall have the right to renew this Lease for five (5) consecutive one (1) 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 tenth (10th) 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 annually based upon the change in the Consumer Price Index (the "CPI") for all Urban Consumers (the "Annual Adjustment") and periodically based upon agreement or appraisal the "Periodic Adjustment").

3.2.1. **Annual Adjustment.** Base Rent for the Premises shall be subject to annual adjustment on the first (1st) day of the month of July, 2023, and each year thereafter 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 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 months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate.

3.2.2 **Periodic Adjustment.** In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment effective on the following dates: July 1, 2026 and on the first (1st) month of any renewal term (herein such dates shall be collectively referred to as the "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 Date (hereinafter such 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.

3.3 **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 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: Manufacturing of boats and storage (the "Authorized Use").

4.1.1 **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.

4.1.2 **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, excepting 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.

4.3 **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, and Lessor requirements. 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 staff, 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 **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") 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 sever, remove and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense, charge Lessee rent for the use of them, or both.

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 that are not designated fixtures; and
- d. The following Existing Improvements: none.

4.4.1 **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 PREMISES:** Maintenance and repair of the Premises and all improvements thereon is the sole responsibility of Lessee. 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.

4.5.1 **Lessor's Maintenance Obligations.** Lessor shall maintain in good condition the structural parts of the Building which shall include the foundation, bearing and exterior walls, subflooring and roof, the unexposed electrical, plumbing and sewerage systems, including those portions of the systems lying outside the Premises, exterior doors, window frames, gutters, downspouts on the Building, and the heating, ventilating and air conditioning system servicing the Premises; provided, however, that the cost of all such routine maintenance shall be considered Operating Expenses as provided herein. Notwithstanding the foregoing, the cost of any maintenance and repairs occasioned by the negligent or willful act or omission of Lessee,

its employees, agents, licensees or invitees shall not be considered Operating Expenses but, rather, shall be the sole responsibility of Lessee and shall be paid within fifteen (15) days after invoice.

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 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 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 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 thirty (30) 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 effected 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 the requirements of state law, Lessee agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond, or by providing other financial security satisfactory to Lessor (herein referred to as the "Bond"), in an amount not less than 7.67% of the sum of annual Rent, plus state leasehold excise tax. The Bond shall be in a form and issued by a surety company acceptable to Lessor and shall comply with the requirements of Washington law. Lessee shall obtain such Bond and forward evidence thereof

to Lessor within fourteen (14) days of execution of this Lease, but in no event later than the Commencement Date of this Lease. Failure to comply with this requirement shall be grounds for termination of this Lease without notice by Lessor. Such Bond shall be kept always in effect during the term of this Lease; failure to comply with this requirement shall render Lessee in default. The Bond shall be increased annually to reflect any adjustments in annual Rent. Upon any default by Lessee in its obligations under this Lease, Lessor may collect on the Bond to offset the liability of Lessee to Lessor. Collection on the Bond shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

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 70.105D, 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.** 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, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, 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 which contains Hazardous Substances, 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 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, 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 was 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 which may be 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 hours (24) notification to remove the sign by the Lessor, Lessee shall pay the Lessor a penalty of \$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, 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 subassignment, 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 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, or if the underlying beneficial interest of Lessee is transferred, or if 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, but 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 by Lessee of covenants on the part of Lessee 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's 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 tenth 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, upon thirty (30) 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: A default by Lessee under any other agreement or lease with the Lessor; insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; 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; attachment of or the levying of execution on the leasehold interest; and 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 notices requiring Lessee either to: (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, be deemed to have accepted any surrender by Lessee of the Premises or be deemed to have otherwise terminated this Lease or 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 operate as a waiver of any past or future default by Lessee, or to deprive Lessor of its right to terminate this Lease or 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 State Hwy 3
Bremerton, WA 98312
E-mail: arneb@portofbremerton.org

TO LESSEE: Safe Boats International, LLC.
Attn. Richard Schwarz
8800 Barney White Rd
Bremerton, WA 98312
E-mail: rschwarz@safeboats.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 email 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 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 use to which the Lessee is putting the Premises or interfere unduly 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 at any time, and 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 **ATTORNEY 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 attorney 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:
Safe Boats International, Llc.

LESSOR:
PORT OF BREMERTON

Richard Schwarz
Its: CEO

Cary Bozeman
Its: Commission President

Tom Gumpert
Its: CFO

Axel Strakeljahn
Its: Commission Vice-President

Gary Anderson
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 President of the Port of _____ 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 _____, 20__.

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

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 Secretary of the Port of _____ 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

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 _____, 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 _____, 20__.

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

EXHIBIT "A"
Legal Description of Premises

Safe Boats International OVIP Building #2

That portion of the east half of Section 11, Township 23 North, Range 1 West of the Willamette Meridian in Kitsap County, Washington, described as follows:

Commencing at the northwest corner of said Section 11; thence along the west line of said Section 11, South 00°53'44" West 2681.99 feet to the west quarter section corner; thence along the east-west centerline of said Section, South 87°56'06" East 4014.94 feet to the centerline of Imperial Way; thence along said center line North 46°02'08" East 143.89 feet; thence South 43°57'52" East 50.00 feet to the southeasterly right of way line of said Imperial Way and the True Point of Beginning; thence South 43°57'52" East 274.93 feet; thence North 46°01'37" East 335.21 feet; thence North 42°58'54" West 281.03 feet to said southeasterly right of way line of Imperial Way at an intersection with a 766.20 foot radius, the radius point of which bears North 51°12'09" West; thence southwesterly along said right of way line and along said curve an arc distance of 96.79 feet through a central angle of 07°14'17" ; thence continuing along said right of way line, South 46°02'08" West 243.50 feet to the true point of beginning.

All bearings in this description are based upon the NAD 83/91 meridian.

PORT OF BREMERTON **AGENDA SUMMARY**

Agenda Item No: Action Item #3
Subject: Final Acceptance SR3 Frontage Development
Exhibits: NONE
Prepared By: Arne Bakker, Director of Business Development
Meeting Date: June 22, 2021

Summary:

On December 10, 2019, the Port Commission awarded the bid for the SR3 Frontage Development to Henderson Partners, LLC, in the amount of \$2,043,629.97 for the site development of approximately 12 acres of property and a 5,300-sf facility. Work on this project commenced in January of 2020.

A final acceptance inspection was completed by Port staff and Blue Architecture on June 9, 2021.

There were seven (7) change orders throughout the project.

CO-1 was for an entry road and landing pad required by the logger @ \$3,924.

CO-2 was for grubbing and clearing of debris left onsite after logging @ \$43,600.

CO-3 was for grinding stumps and adding fill soils to be able to grade the site @ \$33,932.79.

CO-4 was required by the City of Bremerton to raise the manholes and fire hydrants that were in place @ \$18,163.54.

CO-5 was for relocating the watermain as required by the City of Bremerton and replacing a deteriorated sewer line @ \$139,566.91.

CO-6 was for tenant improvements @ \$9,179.98.

CO-7 was for last minute requirements by the City of Bremerton for additional heat sensors in the building @ \$3,815.

Total cost of construction, including change orders and WSST is \$2,295,812.19.

Fiscal Impact:

Total project cost including, design, engineering, permitting, and construction was \$2,507,033.80. The project budget was \$2,650,000 which resulted in costs under budget by of \$142,966.20.

Strategic Purpose:

Goal 1: Be a significant leader in promoting the local economy and job growth both on and off Port assets. The Port is an economic engine. It is authorized to build and operate facilities as well as provide more programmatic support to the community's efforts to increase job growth.

Recommendation:

Staff recommends accepting as final the construction contract with Henderson Partners, LLC., in the amount of \$2,295,812.19. The Port will release retainage once all applicable documentation is received.

Motion for Consideration:

Move to accept as final the SR3 Frontage Development construction contract with Henderson Partners, LLC., in the amount of \$2,295,812.19.