

PORT OF BREMERTON
BOARD OF COMMISSIONERS
REGULAR BUSINESS MEETING

A G E N D A

December 11, 2018
10:00 AM

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

Call to Order

Pledge of Allegiance

Approval of Agenda

Consent Items

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

- A. Minutes of the regular business meeting and executive session of November 27, 2018.
- B. Payment of checks #103633 through #103665 and #78680 through #78684 and #78685 through #78691 and #78692 through #78753 from the General Fund for \$165,324.73; and the payment of payroll taxes for \$19,047.68.

Information Items

1. Port Orchard Development Project Update – Steve Seago, Waterman Investment Partners

Citizen Comments: *Open to the public for comment. Speakers are asked to keep their comments to less than 3 minutes. A Commissioner may request to waive the 3 minute time limit. Please feel free to submit further comments in writing to the Clerk of the Board.*

1. Consideration of Interlocal Agreement between Port of Bremerton and Kitsap Public Facilities District (KPFDD) for the Circuit of the Northwest Project
2. Other Comments

Action Items

1. Final Acceptance with CHG Building Systems, Inc. for the 2018 Hangar Roofing Project
2. Bremerton National Airport Rates and Charges
3. Land Lease Agreement with International Flooring and Protective Coatings, Inc.

Commission New Business

Staff Reports

Commission Reports

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>12/11</i>	<i>10:00 am</i>	<i>*Commission Regular Meeting – Bill Mahan Conference Rm</i>
<i>12/13</i>	<i>3:00 pm</i>	<i>Kitsap Economic & Development Alliance Board Meeting</i>
<i>12/25</i>	<i>12:30 pm</i>	<i>CANCELLED *Kitsap Aerospace & Defense Alliance Steering Committee</i>
<i>12/25</i>	<i>6:00 pm</i>	<i>CANCELLED *Commission Regular Meeting – Bill Mahan Conference Rm</i>
<i>12/25</i>		<i>Christmas Day – All Port Offices Closed</i>
<i>1/1/2019</i>		<i>New Year's Day – All Port Offices Closed</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

November 27, 2018
6:00 PM

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

Commissioners and Staff Present

Commissioners

Larry Stokes
Cary Bozeman
Axel Strakeljahn

Staff Members

Jim Rothlin	James Weaver
Fred Salisbury	Victoria Peters
Sherman Hu	Ginger Waye
Arne Bakker	Jim Ryan, Atty

Call to Order

President Stokes called the meeting to order at 6:00 p.m. and led the Pledge of Allegiance.

Approval of Agenda

It was moved by STRAKELJAHN, seconded by BOZEMAN to:

Approve the Agenda as presented.

MOTION CARRIES, 3-0

Consent Items

- A. Minutes of the regular business meeting of November 13, 2018.
- B. Payment of checks #103602 through #103632 and #78614 through #78617 and #78625 through #78679 from the General Fund for \$178,120.15; #78618 through #78624 from the Construction Fund for \$148,074.58 and the payment of payroll taxes for \$18,445.95.

It was moved by STRAKELJAHN, seconded by BOZEMAN to:

Approve the Consent Items as presented.

MOTION CARRIES, 3-0

Information Items

1. Update on signage project for airport and industrial properties – Fred Salisbury, Chief Operations Officer, and Victoria Peters, Marketing & Communications Coordinator

Mr. Salisbury reported that in follow-up to the airport and industrial park signage design concepts presented at the August 28, 2018, board meeting, Commission input has been incorporated into the design and the update is now being presented.

Ms. Peters presented the following:

- Four versions of Airport and industrial park entrance signs. Version #3 was preferred with discussion on the Port logo and lighting.
- Industrial park directory sign versions and business address sign options. Version 2 of the directory sign was recommended and Commissioners suggested increasing the size of the individual street/business signs. There was discussion on sizing requirements.
- Airport directory sign – discussion on potential for expansion if additional businesses need to be added.
- “District” sign – description of sign and sketch of location was provided. Ability to see sign from both directions was discussed.
- Diagram of aerial view was displayed showing overall sign locations.

Mr. Salisbury closed by stating staff will again meet with the consultant taking the Commission comments into consideration and come back with preferred alternatives after the first of the year.

Citizen Comments

Roger Gay, South Kitsap

- Related to the Port banking their excess levy capacity, he spoke to taxpayers wanting to see a Port plan on what is intended for the banked capacity.
- He also spoke to taxpayers wanting to see a plan for the potential interlocal agreement with the Kitsap Public Facilities District related to the Circuit of the Northwest track project.

Action Items

1. Final Budget for Calendar Year 2019
Presented by Sherman Hu, Chief Financial Officer

1.1 Budget Presentation

CFO Hu provided the budget presentation highlighting the 2019 Port Directives and the revisions from the preliminary budget.

1.2 Public Hearing

President Stokes opened the public hearing 6:50 p.m. No public comments were received and the public hearing was closed.

1.3 Action Items

a. Resolution 2018-06

It was moved by BOZEMAN, seconded by STRAKELJAHN to:

Approve Resolution 2018-06 providing for a regular property tax levy and all allowable levies for calendar year 2019.

Following discussion;

MOTION CARRIES, 3-0

b. Resolution 2018-07

It was moved by STRAKELJAHN, seconded by BOZEMAN to:

Approve Resolution 2018-07 providing a limit factor for the regular levy for the 2019 calendar year to determine future years' levies and to enable the Port to bank excess levy capacity.

MOTION CARRIES, 3-0

c. Resolution 2018-08

It was moved by STOKES, seconded by BOZEMAN to:

Approve Resolution 2018-08 adopting the final budget for calendar year 2019

MOTION CARRIES, 3-0

d. Resolution 2018-09

It was moved by BOZEMAN, seconded by STRAKELJAHN to:

Approve Resolution 2018-09 filing the final budget and submitting request for tax levies for calendar year 2019 with the Clerk of the Board of County Commissioners.

MOTION CARRIES, 3-0

Commission New Business

Commissioner Strakeljahn

- Suggested the Port honor Vernon Fletcher, a firefighter that lost his life fighting a fire at the airport on January 24, 1964, on the anniversary of his death. He suggested staff contact the fire department to see what their protocol is after the loss of a firefighter.

Commissioner Bozeman

- In response to the citizen comment regarding an Interlocal agreement with Kitsap Public Facilities District related to the Circuit of the Northwest project, he asked staff to clarify the process. CEO Rothlin stated the Port is waiting to see if KPFD decides to move

forward; if they do, the public will be given an opportunity to comment, and the following meeting a potential agreement would be brought before the Board.

- Request an update be provided before the end of the year on the building of a new Port building. There was discussion on square footage and cost. Staff should have solid numbers by the next meeting and will provide an update.

Staff Reports

Jim Rothlin, Chief Executive Officer

- Along with Commissioner Strakeljahn, attended the audit exit conference with the Washington State auditor's office. It was a financial and management audit without any findings.
- Suggested canceling the 2nd meeting in December which falls on Christmas Day; the Board concurred.
- Highlighted the agenda of the upcoming Washington Public Ports Association annual meeting being held next week in Bellevue.

Commission Reports

Commissioner Strakeljahn

- Commended CFO Hu and team for no findings during the audit. He commented that funds are included in the 2019 budget to increase financial software which will help make the auditing process more efficient – there was discussion on audit cost.
- Reported on the Kitsap Aerospace & Defense Alliance steering committee meeting he attended earlier in the day.
- Stated Federal Aviation Administration (FAA) is doing an assessment of all airports in the state of Washington and, so far, Bremerton National Airport has been identified as one of only two airports in the state that has room to grow with service work on some of the larger aircraft.
- Reminded everyone of the Kitsap Regional Coordinating Council (KRCC) legislative reception being held on Thursday, November 29.

Executive Session

President Stokes recessed the meeting at 7:20 p.m. and reconvened into executive session at 7:25 p.m. for approximately 10 minutes regarding: real estate issues [RCW 42.30.110(1)(c)]. At 7:35 p.m. executive session was extended by 5 minutes.

At 7:40 p.m. the regular meeting was reconvened.

Adjournment

There being no further business before the Board, the meeting was adjourned at 7:40 p.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
December 6, 2018

Axel Strakeljahn
Commission Secretary
December 11, 2018

PORT OF BREMERTON
BOARD OF COMMISSIONERS
EXECUTIVE SESSION

MINUTES

November 27, 2018
7:25 p.m.

CEO Office
Port Administration Offices
Bremerton Nat'l Airport Terminal Bldg
8850 SW State Hwy 3, Bremerton

Call to Order

President Stokes called the executive session to order at 7:25 p.m., November 27, 2018.

Commissioners and Staff Present

Commissioners

Larry Stokes
Cary Bozeman
Axel Strakeljahn

Staff Members

Jim Rothlin
Fred Salisbury
Arne Bakker
Jim Ryan, Atty

Item #1: Real estate issues were discussed [RCW 42.30.110(1)(c)].

With no further business to come before the Board, the meeting was adjourned into regular session at 7:40 p.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
December 6, 2018

Axel Strakeljahn
Commission Secretary
December 11, 2018

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #1
Subject: Final Acceptance, CHG Building Systems Inc., 2018 Hangar Roofing Project
Exhibits: None
Prepared By: Fred Salisbury, Chief Operations Officer
Meeting Date: December 11, 2018

Summary:

On August 28, 2018 the Commission awarded the 2018 Hangar Roofing Project to CHG Building Systems, Inc. in the amount of \$73,012.56 (incl. WSST). On November 29, 2018 a final acceptance inspection was completed by the Port and contractor. There were no change orders to the project.

Fiscal Impact:

The project was completed within the budgeted amount.

Recommendation:

Accept as final the construction contract with CHG Building Systems, Inc. in the amount of \$73,012.56. The Port will release retainage once all applicable documentation is received.

Motion for Consideration:

Move to accept as final the 2018 hangar roofing construction contract with CHG Building Systems, Inc. in the amount of \$73,012.56.

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #2
Subject: 2019 Airport Hangar Rate Adjustment
Exhibits: 2018 Hangar Rate Survey
Prepared By: Fred Salisbury, Chief Operations Officer
Meeting Date: December 11, 2018

Summary:

Several years ago a hangar rate-setting procedure was established between the Port and the Bremerton Pilot Association. This procedure outlined a 3-year cycle: Year 1, rate survey and market adjustment as necessary; Year 2, CPI adjustment; Year 3, CPI adjustment; repeat cycle. A survey was scheduled for 2017 but was not completed. In 2018, Port staff completed a survey of hangar rates and charges of comparable airports within the area. Following the survey, staff reviewed the airport's income/expense information, and airport operations (number of based aircraft, fuel sale trends, waiting lists, etc.). Historically, the Port's hangar rates have been slightly below the surveyed average for small hangars and slightly above for the large hangars. Bremerton National Airport offers its tenants one of the best maintained and operated general aviation airports in the region. Based on its analysis, Port staff recommends the following changes effective January 1, 2019:

Large hangars: increase rent by 3.1% (October 2018 CPI-U percentage {3.1%} as provided in the U.S. Department of Labor, Seattle-Tacoma-Bellevue Consumer Price Index, All Items (CPI-U)). This will increase the base rent from the current \$318.33/month to \$328.20/month, which is slightly above the survey average. The increased rate, plus LET would be \$370.34/month.

Small hangars: increase rent by 4.1% to close the expanding gap between the current base rent of \$207.50 and the average \$220.09. This will increase the base rent to \$216.00/month, which is still lower than the average. This increased rate, plus LET would be \$251.29

Monthly tie-downs: increase rent by 7.8% to close the expanding gap between the current base rent of \$41.77 and the average \$48.42. This will increase the base rent to \$45.00/month, which is still lower than the average. This increased rate, plus LET would be \$52.35/month.

Daily tie down charge: remains unchanged at \$5.00/day, slightly above the survey average of \$4.70/day

Electric rates and landing fees: remain unchanged for 2019.

Fiscal Impact: Annual increase of \$6,222 for small hangars, \$2,368.80 for large hangars, and \$585.00 for tie-downs (15) for a total of \$9,175.80.

Recommendation:

Staff recommends adoption of the 2019 rates and those rates be reviewed and increased by the October CPI-U in years 2020 and 2021, if appropriate. A full review of rates should be performed again for the 2022 rates.

Motion for Consideration:

Move to approve the 2019 hangar rates and direct staff to review rates and increase by the October CPI-U for 2020, 2021, if appropriate. Staff should conduct a full review for the 2022 rates.

AIRPORT		T-HANGARS				OPEN HANGARS				TIE DOWNS				Parking	Rate increases expected in coming year?	
Location	Door Size	Rent Mo.	Door Size	Rent Mo.	Door Size	Rent Mo.	Door Size	Rent/mo.	Door Size	Rent/mo.	Month	Month	Type	Daily		
Arlington Municipal Airport (360-403-3470) Mary Hine mhine@arlingtonwa.gov website: https://www.arlingtonwa.gov																
2018	40'9"	224.47	55'	360.81							40.00			3.00	no charge	All charges include tax. No rate increases expected.
Auburn Municipal Airport (253-333-6821) Kasey Maiorca (kasey@s50wa.com) website: https://auburnmunicipalairport.com/																
2018																
Jefferson County International Airport (360-385-2323) Jim Pivarnik (Jim@portofpt.com) website: http://portofpt.com/air-services/jefferson-county-international-airport/																
2018																
Olympia Regional Airport (360-528-8079) Lorie Watson (LorieW@portolympia.com) website: http://www.portolympia.com/31/Airport																
2018	40'x12'	245.32	45'x13.8	359.27	60'x16'	616.09	40'	193.37			79.01	48.74	\$5.00-\$30.00 for 0-117000 lbs	6.00	\$3.75/day	Rates increase annually in January
Tacoma Narrows Airport (253 798-2421) Jay Simons jsimons1@co.pierce.wa.gov																
2018	40'	279.15	40"	379.65	50"	326.37					84.01	61.76			\$5.00/day	Rates increase annually in January
Skagit Regional Airport (360 757-9835) Scott Perterson@portofskagit.com																
2018	standard	262.61	large	289.93							50.00	45.00	7.00	6.00	Daily-\$5;Wkly-\$10; Mnth-\$48; Ann- \$358.22 up to 25'; >25'- \$404.21	
											multi	single	multi-eng	single		
Port of Walla Walla (360)525-3100 Karla Miller, Administrative Assistant/Accounts Receivable M@portwallawalla.com> website: https://portwallawalla.com/																
2018	10.7'x39'	137.66	12'x41'	161.36	12'x41'	215.52	50'	131.72			30.00			5.00	Free up to two weeks	Hangar amounts include tax. Hangar rentals will increase by 3% starting January 1, 2019
Port of Port Angeles (360)417-3363 Jerry Ludke, Airport Marina Manager, <jerryl@portofpa.com>, website: https://www.portofpa.com/																
2018	46'	293.25	38-39'	101.50			38'	101.50			53.25			5.25	short term-no charge; Annual parking-#321.25	All charges do not include tax. Probable CPI increase on 1/1/19
AVERAGES																
2018	Large	324.66					Small	220.09			48.42			4.70		
Bremerton National Airport																
2018	46'	318.33					40'	207.50			41.77			5.00	0.00	
Proposed 2019	46'	328.20					40'	216.00			45.00			5.00		

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item #3
Subject: Lease Agreement - International Flooring and Protective Coating, Inc
Exhibits: Lease Agreement
Prepared By: Arne Bakker, Director of Business Development
Meeting Date: December 11, 2018

Summary:

International Flooring and Protective Coating, Inc. has leased property consisting of approximately 0.54 acres at the Olympic View Industrial Park since February 1, 2017. Their original lease with the Port of Bremerton was for the period of one (1) year and an option to lease for the period of one (1) year. The option is set to expire on January 31, 2019.

As such, International Flooring and Protective Coatings, Inc., is requesting to enter into a new lease with the Port of Bremerton for a period of five (5) years commencing on the 1st day of February, 2019, through the 31st day of January, 2024, with an option to renew or extend the lease for two (2) successive terms of one (1) year each.

International Flooring and Protective Coating, Inc., is currently a tenant in good standing with the Port of Bremerton.

This Lease has been reviewed by the Port Attorney.

Fiscal Impact:

None

Recommendation:

Staff recommends approval of the lease between the Port of Bremerton and International Flooring and Protective Coating, Inc.

Motion for Consideration:

Move to approve the lease between the Port of Bremerton and International Flooring and Protective Coating, Inc.

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PORT OF BREMERTON LEASE AGREEMENT

THIS AGREEMENT is made and entered into as of the _____ day of _____, _____, by and between the **PORT OF BREMERTON**, a Municipal Corporation organized under the laws of the State of Washington (hereinafter "Port"), and **INTERNATIONAL FLOORING AND PROTECTIVE COATINGS, INC.** a State of Virginia Corporation (hereinafter "Lessee").

WITNESSETH:

WHEREAS, the Port represents that it is the owner and operator of the Olympic View Industrial Park, subject to the conditions in that certain instrument recorded under Kitsap County Auditor's File No. 477805 and has the right to enter into this lease; and

WHEREAS, the Port desires to lease certain property to Lessee located within the Olympic View Industrial Park and Lessee desires to lease from the Port that property, all upon the terms, conditions, and provisions set forth below.

1. PREMISES

1A. Property and Premises

The real property subject matter "Premises" of this Lease consists of approximately .54 acres and is described and graphically depicted for illustrative purposes on the diagram attached hereto as **Exhibit "A"**. As used herein, the term "Premises" includes the real property and improvements now existing or hereafter constructed or installed on the property. Lessee has examined the Premises and accepts the same in their present condition, "as is".

2. TERM

2A. Initial Term

The Port leases the Premises to Lessee and Lessee leases the Premises from the Port for a term of five (5) year commencing on the 1st day of February, 2019, and terminating on the 31st day of January, 2024, unless sooner terminated as provided in this Lease.

2B. Option

In addition, so long as Lessee is not in default, the Port grants Lessee an option to renew or extend this Lease upon the same terms and conditions, except as to rent, for two successive terms of one (1) year each, upon prior written notice

thereof to the Port prior to 90 days of the expiration of this Lease or any extended term hereof.

2C. Possession

Lessee is entitled to possession of the Premises as of the Effective Date.

3. RENTAL

3A. Base Rent

Lessee shall pay the Port as "Base Rent" rental in the amount of \$694.28 per month, in advance, commencing on the 1st day of February, 2019, and adjusted as hereinafter provided. In the event that Lessee occupies the premises prior to the Term date, Lessee agrees to pay a pro-rata rate of \$22.00 per day for the days occupied.

3B. Additional Rent

As additional rent, Lessee shall pay any applicable leasehold tax and property taxes or assessments, general or special, or fees in lieu thereof, in connection with the Premises or any improvements on the Premises.

3C. Late Payments

In the event any rental payment is not made within ten (10) days of its due date, Lessee shall also pay the Port a late payment charge in the amount of \$50.00 for each such delinquent rental payment, together with interest on the delinquent total at the rate of eighteen percent (18%) per annum (minimum \$20.00 per month) until the delinquency is cured. The acceptance of rent by the Port for any period or portions thereof after default by the Lessee shall not constitute a waiver of the default unless the Port so notifies Lessee in writing. The Lessee agrees that the Port shall have a lien against all assets of the Lessee located on the Premises or used in connection with the Lessee's occupation of the Premises for all rents, charges, interest and fees payable under this Lease, and the Lessee further agrees that it shall not remove any of said assets from its locations until all such charges and fees payable under this Lease are paid in full.

4. RENTAL ADJUSTMENTS

The Base Rent shall be adjusted in accordance with the terms of this Section. Any date upon which the Base Rent is to be adjusted is referred to as an "Adjustment Date" in this Lease.

4A. Periodic Adjustment

All rental rates and other charges due hereunder shall be adjusted annually as of the first day of February of each year (hereinafter referred to as the "Adjustment

Date”) commencing on the first day of February, 2020 and applied each year thereafter. The adjustment shall be equal to the increase, if any, in the latest October Consumer Price Index (CPI-U), all items, Seattle, Tacoma, Bellevue Area, as published by the U.S. Department of Labor. In no event shall the Base Rent ever decrease from one year to the next.

Prior to the completion of the initial five year term, or any extended term, all rental rates and other charges due hereunder shall be renegotiated by the parties prior to the expiration of the applicable period.

4B. Arbitration

If the parties cannot mutually agree upon the rental and charges payable for said Premises at any such renegotiation interval for the ensuing period, then each of the parties shall appoint one (1) arbitrator. If the two (2) arbitrators cannot agree upon the rental rates and charges at issue within thirty (30) days after submission to such arbitration panel, they shall appoint a third arbitrator. The amounts payable fixed by any two (2) such arbitrators shall be the amounts to be paid for said Premises for the ensuing one-year period. The decision of the arbitrators shall be reduced in writing and delivered to each party within thirty (30) days of submission of the issue to the arbitration panel for determination.

(1) In determining the rate issue under consideration, the arbitrators shall endeavor to determine and base their decision upon a “fair market” value of like and similar rates and practices for properties of similar uses, with a market primarily found in Kitsap County, or if sufficient data is not available in that area, then from properties and practices found in Pierce and Snohomish counties, if any.

(2) The fees of the respective arbitrators shall be paid by the party who selected the same, and if a third arbitrator is employed, his fees shall be divided equally between the parties and paid accordingly.

(3) These renegotiations shall be commenced and completed during the last six (6) months of the specified five-year initial term as set forth above. In no event shall the rate be less than in the immediately preceding period. The increase in the rent resulting from the first such renegotiation shall be effective on the first day of the succeeding period. The new rate shall be applied retroactively to the beginning of the new period if not determined prior to the end of the previous period. During any extended renegotiation period, the Lessee shall pay the previously established rent and charges until the new rate is established. Any deficiency shall be paid by the Lessee on the next rental due date.

5. USE OF THE PREMISES

Lessee shall use the Premises for the following purposes(s): Storage of equipment, storage containers, and vehicles associated with Lessee operations.

Lessee shall not use the Premises for any other purposes without the prior written consent of the Port. The Lessee shall observe, abide and comply with any and all applicable federal, state or local laws, rules or regulations that affect the Premises, as well as all of the Port's rules and regulations applicable to the Olympic View Industrial Park as they are now formulated, or as they may be re-formulated in the future. Lessee shall not allow any illegal or unlawful activities on the Premises. Nothing herein shall be deemed or construed to grant Lessee any exclusive right or interest to conduct the type of business or activity permitted hereunder.

6. OBLIGATIONS OF LESSEE

During the term of this Lease or any extensions thereof, the Lessee shall:

6A. Expenses

Pay all costs and expenses associated and in connection with the use of the Premises and the rights and privileges herein granted, including, but not limited to, leasehold and other taxes, permit fees, license fees, and assessments lawfully levied or assessed upon the Premises or the improvements and other property on the Premises. The Lessee may, however, at its sole expense and cost, contest any tax, fee, or assessment, but shall in no event allow the same to become a lien on the Premises.

6B. Maintenance

Keep and maintain the Premises in neat, clean, sanitary and safe condition and repair. The Port shall be the sole judge of the quality of maintenance and repair of the Premises and upon written notice by the Port to the Lessee, the Lessee shall be required to perform whatever maintenance and repair the Port deems reasonably required. If the maintenance and repair is not undertaken within ten (10) days after receipt of written notice, the Port shall have the right to enter upon the Premises and perform such maintenance and repair, the cost of which shall be charged to and borne by the Lessee. Said amount(s) shall be paid by the Lessee as an additional rent on the next due date after receipt of notice as to the amount(s) thereof.

6C. Rubbish

Properly dispose of all rubbish, garbage, and waste in a clean and sanitary manner at reasonable and regular intervals and assume all costs of extermination and fumigation for any infestation caused by Lessee.

6D. Use of Utilities

Properly use and operate all electrical, gas, heating, plumbing, and other fixtures and appliances that are or may be available for use by the Lessee.

6E. Damage

Not intentionally or negligently destroy, deface, damage, impair, or remove a part of the Premises, its appurtenances, facilities, equipment, furniture, furnishings, appliances, or fixtures, nor permit any person, whether family, invitee, licensee, or otherwise, acting under control of the Lessee to do so.

6F. Nuisance

Not permit any nuisance or common waste on the Premises.

6G. Sewage

Lessee will allow only domestic wastewater into the Port's sewer system. "Domestic Wastewater" means water carrying human waste, including kitchen and bath wastes from industrial buildings. "Industrial Wastes", which include water or liquid carrying wastes from any industrial, trade or business process or activity, are not allowed into the Port's sewage system.

7. IMPROVEMENTS/ALTERATIONS

The Lessee shall not make any improvements or alterations to the Premises without the express, prior written consent of the Port, which consent shall not be unreasonably withheld. Any improvements or alterations shall become the property of the Port upon the termination of this Lease (except trade fixtures and equipment which may be removed by Lessee at its own cost and expense, and Lessee agrees to and shall make any repairs to the Premises necessitated by the removal). If the Lessee intends to make changes in the Premises, Lessee shall submit plans to the Port no less than thirty (30) days before the commencement of such changes. Upon completion, the Lessee shall provide the Port with "as built" diagrams and specifications for its records. The Lessee agrees that it is solely responsible for and shall secure all permits required in connection with any construction and improvements and pay the required fees therefore. The Lessee agrees that all construction, improvements, and maintenance shall be paid for by the Lessee and be made in conformance with the provisions of applicable laws, rules, codes, and regulations. It is further agreed that all leasehold improvements shall be kept in condition so as to meet the requirements of applicable laws, rules, codes and regulations at all times. Upon receiving all necessary approvals of its plans and specifications, the Lessee shall engage one or more qualified contractors to construct said improvements. Other provisions: None. The Port does not assume any responsibility for compliance with the foregoing requirements or the improvements/alterations made.

8. SIGNS

8A. Installation of Signs

Lessee shall have the right, at its own expense, to place in or on the Premises a sign or signs identifying the Lessee. Said sign or signs shall be of a size, shape, and design, and at a location or locations, approved by the Port in writing and in conformance with any overall directional graphics or sign program, codes, rules or regulations established by the Port or any other governmental entity having jurisdiction over the Premises, including, but not limited to, City of Bremerton. Said sign or signs shall be kept presentable and in good repair. Notwithstanding any other provision of this Lease, said sign or signs shall remain the property of the Lessee.

8B. Removal of Signs

The Lessee shall remove, at its expense, all lettering, signs, and placards so erected on the Premises at the expiration of the term of this Lease. If the Lessee violates this provision, the Port may remove the sign or signs without any liability, and may charge the expense incurred by such removal to the Lessee, which expense Lessee shall pay within ten (10) days of receipt of notice thereof. Provided, however, that the Port shall give the Lessee written notice of the Lessee's violation of this provision, and Lessee shall have forty-eight (48) hours after receiving said notice to comply before the Port removes said sign(s).

9. AIRSPACE

Lessee hereby grants and conveys for the use and benefit of the public a right of way over the Premises for the unobstructed passage of all aircraft ("aircraft" being defined for the purpose of this Lease as any contrivance now known or hereafter invented, used or designed for navigation of or flight in the air), by whomsoever owned and operated, in all air space above the surface of the Premises to an infinite height.

9A. Airport Noise

In addition, this easement grants the right to cause in all airspace above the Premises such noise, vibrations, fumes, dust, fuel particles, and all other effects that may be caused by the current or future operation of aircraft landings at, or taking off from, or operating at or on the Bremerton National Airport. The Lessee does hereby fully waive, remise, and release any right or cause of action which they may now have or which they may have in the future against the Port, its successors and assigns, due to such noise, vibrations, fumes, dust, fuel particles, and all other effects that may be caused by the operation of such aircraft.

9B. Airspace Obstructions

In addition, this easement includes the continuing right of the Port to prevent the erection of or growth upon the Premises of any building, structure, tree, or other object extending into the air space which would constitute an obstruction to said air space in accordance with Federal Air Regulation Part 77 (or its successor law, rule or regulation). The Lessee for themselves, their heirs, personal representatives, successors, and permitted assigns, do hereby agree that for and during the life of this Lease they will not erect, permit the erection of, or permit or suffer to remain upon the Premises any building, structure, tree or other object extending into such airspace. In addition, Lessee agrees that it shall not use, permit or suffer the use of the Premises in such a manner as to create electrical or other interference with radio communications between any installation upon the Bremerton National Airport and aircraft, or to make it difficult for flyers to distinguish between airport lights and others, or as to impair visibility in the vicinity of the airport, or to endanger the landing, taking off or maneuvering of aircraft.

10. STORM WATER REQUIREMENTS

10A. NPDES Permit

Lessee agrees that storm water it allows to discharge from the Premises shall, at Lessee's expense, be so directed and contained so as to comply with the Federal National Pollutant Discharge Elimination (NPDES) program, State Department of Ecology requirements as implemented on behalf of the federal Environmental Protection Agency or any successor agency(s) or department(s), and City of Bremerton requirements.

10B. On-Site Facilities

Storm water facilities required by City of Bremerton drainage ordinances shall be installed and maintained by the Lessee. Such facilities shall not be altered, damaged or removed without prior written agreement with the Port and City of Bremerton. Lessee shall pay before delinquency any and all federal, state or local storm water drainage taxes, fees or assessments attributable to the Premises.

11. UTILITIES

The Lessee, at its own expense, shall provide for and make connections to all utilities that it requires to serve the Premises. Any on-site utility improvements within the Premises shall be the sole responsibility of Lessee, including, but not limited to, all design and construction costs. Lessee shall pay all charges for utilities and services provided to the Premises prior to delinquency.

12. HAZARDOUS SUBSTANCES

As used in this Lease, the term "Hazardous Substance" means any hazardous, toxic, dangerous or extremely dangerous substance, material or waste, which is or becomes regulated by the United States Government, the State of Washington, or any local governmental authority. The term includes, without limitation, any substance containing constituents regulated as specified above. The term "release" shall be defined as provided in 42 U.S.C. 9601 and RCW 70.105D.020, as amended. In the event a conflict exists between the two definitions, the broader definition shall apply. For purposes of this Lease, the term release shall also include a threatened release. During the term of this Lease, or any extended term:

12A. Storage and Use, etc.

Lessee shall not use, store, treat, generate, sell or dispose of any Hazardous Substances on or in any manner that affects the Premises, improvements, common areas, or any areas adjacent thereto, without the prior written consent of the Port.

12B. Compliance

The Lessee shall, at its sole cost and expense, comply with all laws, statutes, ordinances, regulations, rules, and other governmental requirements regarding the proper and lawful generation, use, sale, transportation, storage, treatment, and disposal of Hazardous Substances (hereinafter "Laws") on the Premises or in any manner that affects the Premises.

12C. Right of Entry

The Port or its designated agents may, at the Port's sole discretion and at reasonable times, enter upon the Premises for the purpose of monitoring Lessee's activities or conducting environmental testing and sampling to determine compliance with applicable Laws and the terms of this Lease. If such monitoring discloses the presence or release of Hazardous Substances in violation of either applicable Laws or this Lease, the cost of such monitoring shall be paid by the Lessee. In addition, within five (5) days of the Port's written request, the Lessee shall provide the Port with a detailed written description of the Lessee's generation, use, sale, transportation, storage, treatment, and disposal of Hazardous Substances on the Premises or which may affect the Premises or adjacent property. The Port's discretionary actions pursuant to this paragraph shall not constitute a release, waiver or modification of the Lessee's obligations otherwise specified in this Lease.

12D. Notification

The Lessee shall notify the Port within twenty-four (24) hours of any release of Hazardous Substances that may affect the Premises or any adjacent property

and shall promptly provide the Port with a copy of any notifications given to any governmental entity regarding any such release. The Lessee shall promptly provide the Port with copies of any inspection report, order, fine, request, notice, or other correspondence from any governmental entity regarding the release of Hazardous Substances that may affect the Premises or any adjacent property. The Lessee shall provide the Port with a copy of all reports, manifest, material safety data sheets (MSDS), and identification numbers regarding Hazardous Substances at the same time they are submitted to the appropriate governmental authorities.

12E. Environmental Assessment

The Lessee shall, upon written request from the Port, based on a sufficient reason to believe there has been a release of Hazardous Substances, within sixty (60) days following expiration or other termination of this Lease, provide the Port with an environmental assessment prepared by a qualified professional approved in advance by the Port. The environmental assessment shall, at a minimum, certify that a diligent investigation of the Premises has been conducted, including a specific description of the work performed, and either (1) certify that diligent investigation of the Premises has revealed no evidence of a release of Hazardous Substances or violation of applicable Laws, or (2) if a release or violation of applicable Laws is detected, identify and describe: (i) the types and levels of Hazardous Substances detected; (ii) the physical boundaries of the release, including property other than the Premises; (iii) the actual and potential risks to the environment from such release or violation; and (iv) the procedures and actions necessary to remedy the release or violation in compliance with applicable Laws. The Lessee shall pay the expense of obtaining the environmental assessment and of performing all remediation.

12F. Indemnification and Hold Harmless

The Lessee shall defend (with attorneys approved in writing by the Port), indemnify and hold the Port, its Commissioners, employees and agents and representatives harmless from any loss, claim, fine, or penalty arising from the release of Hazardous Substances or any violation of applicable Laws affecting the Premises caused in whole or in part by the Lessee. Such obligation shall include, but shall not be limited to, environmental response and remedial costs, other cleanup costs, environmental consultants' fees, attorneys' fees, fines and penalties, laboratory testing fees, claims by third parties and governmental authorities for death, personal injuries, property damage, business disruption, lost profits, natural resource damages and any other costs, and the Port's expenses incurred under the foregoing provisions. The Lessee's obligation pursuant to this paragraph shall survive expiration or other termination of this Lease.

12G. Default

Notwithstanding any other provision of this Lease, the Port may, in the event of a release of Hazardous Substances or a violation of applicable Laws affecting the Premises, elect to declare this Lease in default and terminate it. Such election by the Port, if made, shall be without prejudice to any other remedy provided in this Lease. Should the Port not elect to declare a default, it may cure any release of Hazardous Substances or any violation of applicable Laws by the Lessee, and impose a surcharge sufficient to recover such expenses together with interest at eighteen percent (18%) per annum, for such portion of the unexpired term of this Lease as the Port may deem proper.

12H. Rights and Remedies

Notwithstanding any other provision of this Lease, and without prejudice to any other such remedy, the Port, in the event of a release of Hazardous Substances, a violation of applicable Laws or a breach of this Lease, shall be entitled to all rights and remedies provided by law or in equity, including, but not limited to the following, at the Port's option: (i) Terminate this Lease immediately; recover any and all damages associated with the default, including but not limited to cleanup costs and charges, civil and criminal penalties and fees, loss of business and sales by the Port and other tenants, and any and all damages and claims asserted by the parties' and the Port's attorneys' fees and costs; or (ii) to renegotiate the terms of this Lease to recover any return on expenditures made by the Port in order to insure that the Premises and the use of such Premises comply with all governmental rules, regulations and requirements. The Port, in pursuing any particular remedy, shall not be deemed to have made an election of remedies to the exclusion of any other remedies available to it.

13. RIGHTS RESERVED FOR PORT

During the term or any extensions of this Lease, the Port shall:

13A. Use of Facilities

Have the perpetual right and privilege to construct and maintain for the use of itself and its agents or tenants underground pipe, cable, ducts, and other necessary facilities to serve other users and tenants, together with the right to enter upon the Premises at any time with all necessary men, materials, and appliances for the purposes of constructing, inspecting, operating, repairing, and maintaining the same.

13B. Entry

Have the right to enter upon the Premises at any reasonable time for the purpose of making any inspection it may deem expedient to the proper enforcement of any of the covenants or conditions of this Lease.

13C. No Improvements

Not be required to make any improvements or repairs of any kind upon the Premises, except as may be specifically provided for in this Lease.

13D. Perform Agreements

Have the right to make any changes to and perform any construction on the Premises required by any agreement or obligation to which it is subject with any other governmental agency or agencies having jurisdiction thereon upon prior written notice served upon the Lessee at least ninety (90) days in advance of such proposed work.

14. DEFAULT AND TERMINATION

This Lease shall terminate at the option of the Port in the event of any one or more of the following events:

14A. Payment Default

Lessee's default in the payment of the monthly rent or any additional rent for more than thirty (30) days after the time such payment becomes due.

14B. Failure to Perform

Lessee's default in the performance of any of the terms, covenants, or conditions of this Lease, or in the event of its failure to comply with the reasonable instructions of the Port relative to default, and the failure of the Lessee to remedy, or undertake to remedy, to the Port's satisfaction, such default for the period of thirty (30) days after receipt of written notice from the Port.

14C. Abandonment

Lessee's abandonment of the Premises.

14D. Insolvency

If the Lessee files a voluntary petition in bankruptcy, makes a general or other assignment for the benefit of creditors, is adjudicated bankrupt, or if a receiver is appointed for the property or affairs of the Lessee. This Lease shall not be an asset of the Lessee in any bankruptcy proceeding.

14E. Assignment

Lessee assigns this Lease without the Port's prior written consent.

Except as to bankruptcy proceedings, such termination shall be effective upon thirty (30) days prior written notice given to the Lessee. If this Lease is so terminated by the Port, all rights of the Lessee, or any person claiming through the Lessee, shall cease and terminate, and all payments made thereon shall belong to the Port. The Port

may, without notice, re-enter and take full possession of the Premises, including all leasehold improvements thereon. The Port shall be entitled to all leasehold improvements, and title thereto shall vest in the Port free and clear of any lien of claim of the Lessee or its successors. All property of the Lessee which is located on the Premises, whether exempt from execution or not, shall be bound by and subject to a lien for the payment of any amount(s) owing hereunder, and for any other damages arising from a breach by the Lessee of any portion of this Lease. Lessee agrees that the Port may take possession of said property, or any part or parts thereof, and sell or cause the same to be sold at a public or private sale, without notice, to the highest bidder for cash, and apply the proceeds of said sale toward the cost thereof and then toward the indebtedness or other damages. Subject to the Port's lien rights set forth above, upon termination of this Lease, the Lessee shall, at its sole cost and expense, remove all signs, trade fixtures, furnishings, personal property, equipment, and materials from the Premises which the Lessee was permitted to install or maintain under the rights granted herein. Lessee shall repair all damages caused by such removal. If the Lessee fails to do so within thirty (30) days, then the Port may effect such removal or restoration at the Lessee's expense, and the Lessee agrees to pay to the Port such expense promptly upon receipt of a proper invoice therefore.

15. LEASEHOLD IMPROVEMENTS AT TERMINATION

Except as may otherwise be specifically provided in Section 14 above, leasehold improvements upon the Premises shall become the property of the Port upon expiration or termination of this Lease. Upon expiration of the term of this Lease or upon the sooner termination hereof pursuant to any of the provisions of this Lease, the Port shall take and have title to all improvements then located upon the Premises, and title to those improvements shall vest in the Port free and clear of any lien or claims of Lessee or its successors. Lessee shall deliver any and all keys to the Premises upon expiration or termination of this Lease. Provided, however, that upon the expiration of the term of this Lease or upon the sooner termination thereof, the Port shall be entitled, upon its specific written request given sixty (60) days in advance in the case of expiration of the Lease term, to have the Premises returned to it clear of all improvements, clean, and in good condition, in which event, title to all of said improvements shall remain in and with the Lessee.

If the Port requests such removal, the Lessee shall complete the same within sixty (60) days after the termination of this Lease. If the Lessee fails to so remove said improvements within the specified time, they may be removed by the Port and the Lessee shall pay the Port the cost thereof upon demand.

If, in the reasonable opinion of the Port, the Premises are left in an unclean condition or state of disrepair by the Lessee, the Port may cause the Premises to be repaired or cleaned to its satisfaction and Lessee shall pay the costs therefore.

16. ASSIGNMENT, SUBLETTING AND USE BY OTHERS

16A. Restriction

Neither this Lease, nor any part hereof, may be assigned, transferred, rented or sublet by the Lessee by process or operation of law or in any other manner whatsoever, without the prior written consent of the Port. Such consent shall not be unreasonably withheld. Copies of all proposed agreements between the Lessee and any prospective sublessee or other party relating in any way to the use of the Premises, shall be filed with the Port for review and consideration not less than thirty (30) days prior to the effective date of said documents. The Port reserves the right to require submission of additional detailed information concerning such other party including, but not limited to, financial records and statements, business background and references.

16B. Right to Sublease

(1) Lessee will not permit any use or activity to be conducted upon the Premises that does not conform to all applicable zoning and construction regulations. Lessee will not enter into any sublease or other tenancy agreement when the proposed use of the Premises requires a Special Use Permit, rezone, variance of any kind, environmental impact statement, determination of non-significance, or any other use that requires special permission by a governing body, without the prior written consent of the Port.

(2) The Port reserves the right to adopt a policy or policies which specially exclude certain types of business activities that are inconsistent with the Port's planned development of the Olympic View Industrial Park. Lessee hereby agrees to comply with all such policy or policies, and further agrees to require that all of the Lessee's approved sublease or tenancy documents contain the following covenant:

"Sublessee shall perform all covenants and conditions contained in the Lease Agreement between the Port and Lessee, except for the covenant relating to the payment of rent. Sublessee also understands and agrees that the only activity authorized by this sublease document is that which is specifically addressed in the Lease Agreement between Port and Lessee and no other activity."

(3) The Port may withhold its consent to any assignment, sublease, other transfer, or tenancy if the proposed transferee's use of the Premises may involve the generation, storage, use, treatment, or disposal of Hazardous Substances, as defined in this Lease.

17. HOLD HARMLESS/INDEMNIFICATION

The Lessee covenants and agrees to hold harmless, defend and indemnify the Port, its commissioners, employees, agents and representatives from and against any and all liability, damages, judgments, or claims therefore, which may arise from or are attributable to the Lessee's occupancy or use of the Premises or any of the Port facilities, whatsoever the nature, and whether authorized or unauthorized. The Lessee shall defray the expenses, including reasonable attorney's fees and costs, for the defense of any such claim, including but not limited to litigation in any court of competent jurisdiction or any other dispute resolution process or proceeding. The Lessee also agrees that the Port or its employees or agents shall not be held liable for any damage to property or persons caused by any defects now in said Premises or equipment, and hereafter occurring, and the Lessee shall defend, indemnify, and hold the Port harmless therefrom. The Port may, at its option, select the defense counsel of its choice in any such matters.

18. INSURANCE

18A. Liability Insurance

The Lessee shall obtain and keep in force during the term of this Lease, Comprehensive General Liability insurance, extended to cover the Premises and the Lessee's business operations in companies and in form to be approved by the Port. Coverage provided by the foregoing insurance policy shall be re-evaluated in accordance with the time schedule established for renegotiation of rental rates and shall include such areas of coverage as the Port deems reasonably required and appropriate to protect itself from claims of liability in light of the nature of Lessee's business operations and use of the Premises.

18B. Property Insurance

In addition, Lessee shall keep and maintain in full force and effect during the term of this Lease All-Risk insurance on all fixed improvements located or situated on or in the Premises to the full replacement value thereof. Proceeds from such insurance shall be used to restore the Premises.

18C. Policy Requirements

All such policies shall:

- (1)** Name the Port as an Additional Insured and Loss Payee and list the Premises as a covered site.

- (2)** Apply as primary insurance irrespective of any insurance which the Port may carry.

(3) In the case of the Comprehensive General Liability policy, it shall be in an amount not less than \$2,000,000 general aggregate, \$1,000,000 for single limit bodily injury/property damage. The policy shall also include similar coverage for site specific pollution for the Premises. The Lessee shall be responsible for notifying the Port in the event that the Lessee receives notice of cancellation of coverage. The Lessee shall provide this notice to the Port within 10 days of receiving notice of cancellation from its insurer. It will be considered a material breach of this Lease if the Port is not notified and given the opportunity to place coverage as it deems appropriate. The Lessee will be responsible for any premium costs that the Port incurs for replacing said coverage.

(4) A true copy of the insurance policy, including all of the aforementioned coverage and endorsements, shall be provided to the Port upon request. The insurance carrier must annually provide the Port with a complete and properly authenticated Certificate of Insurance as evidence of the coverage required herein, said Certificate to be subject to the approval of the Port.

18D. Release and Waiver

The Port and the Lessee herein hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective property insurance contracts, for all perils insured thereunder. Provided, that this paragraph shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of the Port or the Lessee.

19. NONDISCRIMINATION

Notwithstanding any other or inconsistent provision of this Lease, during the term hereof, or any extended term, the Lessee, for itself, its heirs, personal representatives, successors in interest, permitted assigns, and subtenants, does hereby covenant and agree that no person, on the grounds of race, color, religion, sex, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of the Premises or in the construction of any improvements on, over, or under the Premises, or the furnishing of services therein or thereon.

20. NOTICE

Any notice given by one party to the other in connection with this Agreement shall be in writing and shall be personally delivered or mailed. If mailed, it shall be sent certified mail, return receipt requested, with postage and certification fees prepaid:

If to the Port, addressed to: Port of Bremerton
8850 SW State Hwy 3
Bremerton, WA 98312

If to the Lessee, addressed to: International Flooring & Protective Coatings, Inc
4675 E. Princess Anne Road
Norfolk, VA 23502

Notice shall be deemed to have been received on the date of receipt as shown on the return receipt or three (3) days after mailing, whichever first occurs.

21. SECURITY

Lessee shall deposit with the Port security for Lessee's full and faithful performance of all the terms, covenants, and conditions of this Lease in the amount of \$2,082.84. The Port shall return such sum, without interest, after the expiration hereof, if Lessee has fully and faithfully carried out all of such terms, covenants, and conditions. The Port may apply any part of such deposit to cure any of Lessee's defaults. In such event, Lessee shall, upon demand, deposit with the Port the amount so applied so that the Port shall have the full deposit on hand at all times during the term hereof. Lessee shall not mortgage, assign, or encumber the security deposited under this Lease without the Port's written consent, and any attempt to do so shall be void.

22. MISCELLANEOUS

The following miscellaneous provisions apply to this Lease:

22A. Captions

The captions used in this Lease are intended for convenience of reference only, and do not define or limit the scope or meaning of any provision of this Lease.

22B. Joint and Several Liability; Binding Effect

Each party who signs this Lease (other than in a representative capacity) will be jointly and severally liable for the performance of the obligations under this Lease. This Lease is and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and permitted assigns.

22C. "Lessee" Includes Lessees

It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender, or fact of incorporation of the party who is, or of the parties who are, the actual Lessee or Lessees under this Lease.

22D. Waiver

The failure to enforce any provision concerning breach, violation, or default in or with respect to the performance or observance of the covenants and conditions contained herein shall not be taken to constitute a waiver of rights to enforce such provisions with respect to any such subsequent breach, violation, or default in or with respect to the same or any other covenant or condition hereof.

22E. Governing Law

The place of making of the Lease shall be deemed to be Kitsap County, Washington, and the legal rights and obligations of the Port and the Lessee shall be determined by the laws of the State of Washington.

22F. Jurisdiction and Venue

In the event any suit, action or other proceeding shall be brought in connection with any of the terms or conditions of this Lease, the Port and the Lessee hereby stipulate that jurisdiction and venue of each suit, action or other proceeding shall be in Kitsap County, Washington.

22G. Attorney's Fees and Costs

In the event that any suit, action or other proceeding shall be instituted to enforce compliance with any of the terms or conditions of this Lease, there shall be paid to the substantially prevailing party in such suit, action or proceeding reasonable attorneys' fees (including the allocated cost of in-house counsel) and costs, with the foregoing applicable to proceedings both in the trial and appellate court levels and arbitration proceedings.

22H. Holding Over

In the event that the Lessee, for any reason, shall hold over in possession of the Premises following the expiration of this Lease, or any extensions hereof, such holding over shall not be deemed to operate as a renewal or extension of this Lease, but shall only create a tenancy from month to month which may be terminated at will at any time by the Port.

22I. Severability

In the event that any section, or any part of any section, of this Lease shall be declared invalid by a court of competent jurisdiction, said holding shall have no effect upon the remaining sections of this Lease, which remain in full force and effect.

22J. Entirety

The Lease constitutes the entire agreement and understanding between the Port and the Lessee. There are no other agreements or representations, either written

or oral, which modify or have any effect upon this Lease. This Lease is not effective in any manner until such time as formally approved and accepted by the Bremerton Port Commissioners as evidenced by their signatures below.

22K. No Recordation; Memorandum

This Lease Agreement may not be recorded. A memorandum of lease approved by the Port may be executed in recordable form and recorded with the Kitsap County Auditor.

24L. Submission of Lease Form Not an Offer

One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Port and Tenant until it has been fully signed by both Port and Tenant.

IN WITNESS WHEREOF the parties hereto have caused this Lease Agreement to be executed as of the day and year first above written.

**INTERNATIONAL FLOORING &
PROTECTIVE COATINGS, INC.
A State of Virginia Corporation**

**PORT OF BREMERTON
A Municipal Corporation**

Larry Stokes
President and Commissioner

Cary Bozeman
Vice President and Commissioner

Axel Strakeljahn
Secretary and Commissioner

Approved As To Form:

Port Attorney

Date: _____

STATE OF _____)
)ss
County of _____)

On this _____ day of _____ before me personally appeared _____ to me known to be the _____ of the corporation/company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation/company, for the uses and purposes therein mentioned, and that they are authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

Notary Public in and for the State of _____

Name Printed

residing at _____

My commission expires: _____

STATE OF WASHINGTON)
)ss
County of KITSAP)

On this _____ day of _____ before me personally appeared _____ to me known to be the _____ of the **Port of Bremerton**, the municipal corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and that they are authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

Notary Public in and for the State of Washington

Name Printed

residing at _____

My commission expires: _____