

PORT OF BREMERTON
BOARD OF COMMISSIONERS
REGULAR BUSINESS MEETING

A G E N D A

February 8, 2022
10:00 AM

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 and executive session of January 25, 2022.
- B. Payment of checks #83282 through #83315 and #E00846 through #E00849 from the General Fund for \$18,660.73; #83280 through #83281 from the Construction Fund for \$15,231.25.
Payment of checks #E00850 and #83316 and #83317 through #83326 and #E00851 through #E00852 from the General Fund for \$96,137.08; #901485 and #E00853 from the Construction Fund for \$43,484.60.
Payment of check #83327 from the General Fund for \$57,918.02; #E00854 and #E00855 from the Construction Fund for \$367,454.77.

Information Items

- 1. Employment and Population Growth Targets – Clay White, LDC, Inc.
- 2. Multi-Purpose Facility Project Update – Fred Salisbury, Chief Operating Officer

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. Land Lease Agreements with Steelhead Group Holdings

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>02/08</i>	<i>10:00 am</i>	<i>*Commission Regular Meeting via ZOOM</i>
<i>02/15</i>	<i>1:30 pm</i>	<i>Kitsap Regional Coordinating Council (KRCC) PlanPOL</i>
<i>02/17</i>	<i>3:00 pm</i>	<i>KRCC TransPOL</i>
<i>02/18</i>	<i>10:00 am</i>	<i>Peninsula Regional Transportation Planning Organization (PRTPO)</i>
<i>02/22</i>	<i>6:00 pm</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

January 25, 2022
6:00 PM

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

Commissioners and Staff Present

Commissioners
Axel Strakeljahn
Gary Anderson
Cary Bozeman

Staff Members
Jim Rothlin
Fred Salisbury
Jeremiah Wiley
Arne Bakker
James Weaver
Warren Hendrickson
Ginger Waye
Taylor Korizon
Anne Montgomery, Atty

Call to Order

President Strakeljahn called the meeting to order at 6:00 p.m.

Approval of Agenda

It was moved by BOZEMAN, seconded by ANDERSON to:

Approve the Agenda as presented.

MOTION CARRIES, 3-0

Consent Items

- A. Minutes of the regular business meeting of January 11, 2022.
- B. Payment of checks #E00819 and #E00820 through #E00828 and #83242 through #83255 and #E00830 and #E00831 and #E00832 and #83258 through #83279 and #E00833 through #E00845 and #901481 through #901483 from the General Fund for \$149,936.88; #E00829 and #83256 through #83257 from the Construction Fund for \$177,724.49.

It was moved by BOZEMAN, seconded by ANDERSON to:

Approve the Consent Items as presented.

MOTION CARRIES, 3-0

Information Items

1. Visit Kitsap Peninsula – Beth Javens, Director

Ms. Javens provided background on herself and team member Kelle Kitchel-Cooper and shared detailed plans via PowerPoint on the refreshed approach being taken not only for Visit Kitsap but also for their partnership with the Port. She thanked the Port for their support of their office and activities and stated Visit Kitsap is looking ahead to the remainder of 2022 and assisting the Port with messaging and having a collaborative approach with the Port to promote not only the local community but also provide regional awareness.

Ms. Kitchel-Cooper stressed having more of a collaborative approach as we all climb out of the pandemic. Visit Kitsap wants to be sure to be helpful in being the Port's public relations and marketing arm.

The Board expressed appreciation for the report.

2. Bremerton Sail & Power Squadron – Dave Miller, Education Officer

Mr. Miller noted that the Bremerton Sail & Power Squadron has been rebranded and is now called Americas Boating Club. He provided history on the club and stated that being associated with the national organization provides them with additional resources. Education is a major focus of the club and he discussed in detailed some of the training which focuses on safety. He shared the national organization's website along with the local group's website highlighting the goals of the club.

Mr. Miller responded to questions and comments from the Board.

Citizen Comments - None

Action Items - None

Staff Reports

Jim Rothlin, Chief Executive Officer

- Introduced Jeremiah Wiley, the Port's new Chief Financial Officer, providing his background and highlighting his communication skills; problem-solving; and technical abilities. Mr. Wiley provided comments stating one of the reasons he was drawn to the Port was the quality of the people in the organization.
- Provided a virtual presentation to the East Bremerton Rotary. Received the same response as with other presentations given throughout the district that they are amazed by all the projects the Port is bringing to the community and that they are appreciative of what we are doing. Because of participating in their meeting, the Rotary donated 40 polio vaccines in the name of the Port through the Polio Plus Program.

- The Fly-In and Car Show will be returning to Bremerton National Airport in 2022 following a 3-year hiatus due to the COVID pandemic. He provided detail on the event which will be held Saturday, August 27.
- Reported on the virtual Washington Public Ports Association “Ports Day” which was designed to connect ports with legislators during Session. Hopeful that it can get back to in-person again as it is a lot more effective for us.
- In cooperation with his family, flags were flown at half-mast on January 24 in memory of firefighter Vernon K. Fletcher who lost his life 58 years ago while fighting a fire on airport property on January 24, 1964.

Commission Reports / New Business

Commissioner Bozeman

- As he begins his second term, he stated he is looking forward to working with the team on what he would like to see accomplished. He outlined his top priorities:
 - Moving forward on the Bremerton Marina parking project with Sound West who the Port sold the property to.
 - Actively plot out strategy to put the Olympic View Industrial Business Park Master Plan into action and create real change.
 - Port Orchard Marina (POM) Breakwater Reconstruction project which is the biggest capital project on our agenda for the foreseeable future.
 - Circuit of the Northwest proposed racetrack on Port property and how it will move forward.

Commissioner Anderson

- Similar thoughts to Commissioner Bozeman on what to focus on and shared his top priorities:
 - Pivotal year for the POM Breakwater Reconstruction project – need to continue working diligently to determine the financing.
 - The Community Center in downtown Port Orchard along with the parking and how the Port will be impacted by those things.

Commissioner Strakeljahn

- Reported on several meetings he attended with legislators, Secretary of Transportation Roger Millar, Congressman Derek Kilmer, and others regarding the Gorst corridor. He provided clarification on the differences between the Belfair Freight Corridor and Gorst Corridor projects.

Executive Session

President Strakeljahn recessed the meeting at 6:45 p.m. and reconvened into executive session for approximately 20 minutes regarding: real estate issues [RCW 42.30.110(1)(c)]. At

7:05 p.m., executive session was extended 20 minutes; at 7:28 p.m., extended another 20 minutes; and at 7:50 p.m., extended 10 minutes.

At 8:03 p.m. the regular meeting was reconvened.

Adjournment

There being no further business before the Board, the meeting was adjourned at 8:05 p.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
February 3, 2022

Cary Bozeman
Commission Secretary
February 8, 2022

Draft

PORT OF BREMERTON
BOARD OF COMMISSIONERS
EXECUTIVE SESSION

MINUTES

January 25, 2022
6:45 PM

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

Call to Order

President Strakeljahn called the executive session to order at 6:45 p.m., January 25, 2022.

Commissioners and Staff Present

Commissioners

Axel Strakeljahn
Gary Anderson
Cary Bozeman

Staff Members

Jim Rothlin
Fred Salisbury
Jeremiah Wiley
Arne Bakker
Warren Hendrickson
Anne Montgomery, 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 8:05 p.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
February 3, 2022

Cary Bozeman
Commission Secretary
February 8, 2022

PORT OF BREMERTON
AGENDA SUMMARY

Agenda Item No: Action Item 1
Subject: Steelhead Group Holdings Leases OVIBP
Exhibits: Lease 4.41 Acre Lot
Lease 1.39 Acre Lot
Prepared By: Arne Bakker, Director of Business Development
Meeting Date: February 8, 2022

Summary:

Steelhead Group Holdings has requested to lease a 4.41 acre parcel located on 8651 Mount Jupiter Way SW in the Olympic View Industrial Business Park and a 1.39 acre parcel (formerly known as the “Pea Patch”) on 8742 SW Sentinel Peak Way. Steelhead Group Holdings will be constructing a 58,500 sf boat manufacturing facility and subsequent to completion of this facility, a 10,000 – 15,000 sf showroom and office space. The terms of these leases are as follows:

Initial Term: Fifty (50) year Lease
Options: Three (3) options of ten (10) years each
4.41 Acre Parcel: Lease rate: \$3,153.11 per month (58,500 sf Manufacturing Facility)
1.39 Acre Parcel: Lease Rate: \$1,112 per month (10-15,000 sf Showroom/Office)
CPI Increases: Commencing on the 10th anniversary of this lease and consisting of an increase of the cumulative of the previous 5 years and not to exceed 3% annually. CPI increases will continue annually thereafter.
Renegotiation of base rent: On the 20th anniversary and every ten years after, the base rent is subject to renegotiation.
Lease Commencement: Upon completion of site development work done by the Port of Bremerton which consists of clearing and grading of the 4.41-acre site, installing and stubbing all utilities to the site, constructing 1000 linear feet of roadway to be able to access future development, and a stormwater facility.
Early Termination Option: Lessee is entitled to terminate lease during the initial 50-year term with an early termination fee equal to 5 years of the base rent plus Leasehold Excise Tax.

Port staff has done their due diligence and finds Steelhead Group Holdings in good standing. This lease has been written, reviewed, and approved by legal.

Fiscal Impact:

Increase revenue for the Port of Bremerton's Olympic View Industrial and Business Park of \$4,265.11 per month

Strategic Purpose:

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

Recommendation:

Staff recommends the approval of the leases with Steelhead Group Holdings for the 4.41 Acre property and the 1.39 Acre Property located in the Olympic View Industrial Park as presented.

Motion for Consideration:

Motion 1: Move to Approve the Lease with Steelhead Group Holdings, LLC, and the Port of Bremerton for the 4.41 Acre parcel located on 8651 Mount Jupiter Way SW

Motion 2: Move to Approve the Lease with Steelhead Group Holdings, LLC, and the Port of Bremerton for the 1.39 Acre parcel located on 8742 SW Sentinel Peak Way

AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this _____ day of _____ 2022, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **STEELHEAD GROUP HOLDINGS, LLC.**, a Limited Liability Company in the State of Washington (hereinafter referred to as "Lessee").

ARTICLE I
Summary of Lease Terms and Definitions

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

Lessee: Steelhead Group Holdings, LLC.
Lessee's Address: Prior to Lease Commencement:
5626 SW Imperial Way
Bremerton, WA 98212

After Lease Commencement:
At the Premises, Attn: William Hansen

Premises: 8742 SW Sentinel Peak Way
Bremerton, WA 98312

Agreed Rentable Area: 1.39 acres

Use of Premises: Construction of boat manufacturing facility

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

Commencement Date: As set forth in Paragraph 2.2

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

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

Base Rent:

<u>Months of</u> <u>Lease Term</u>	<u>Rent Per</u> <u>Acre (Mo)</u>	<u>Monthly</u> <u>Total</u>
Months 1-120	\$800.00	\$1,112 per month*

* Plus Washington State Leasehold Excise Tax

ARTICLE II
Premises, Term, Renewals, Common Areas

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

2.2 **TERM:** The term of this Lease shall be for fifty (50) years beginning on earlier of: (i) the commencement date of the Airport Industrial Park Lease between Lessor and Lessee for the 4.41 acres of real property commonly known as 8651 Mount Jupiter Way SW, Bremerton, WA 98312 (the "4.41 Acre Lease"); or (ii) commencement of any Tenant Improvements on the Premises by the Lessee (the "Commencement Date"). If Lessee takes possession of the Premises before the Commencement Date set forth above, Lessee shall pay the prorated Rent for the period prior to commencement of the Lease term.

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

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

ARTICLE III
Compensation, Rental Adjustment

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

3.1.1 **Rent Paid in Advance – Late Charges.** Rent shall be paid monthly in advance on or before the first (1st) day of each month beginning on the Commencement Date. A late charge of one percent (1%) per month will be assessed against past due Rent from the date such Rent became due. Additionally, if Rent is not received by the fifth (5th) day of any month, Lessee shall pay Lessor an additional fee of One Hundred Dollars (\$100) or five percent (5%) of the delinquent payment, whichever is greater, to defray costs of collecting and handling such late payment. All accrued interest and late charges shall be paid no later than the first (1st) day of the month following that month in which such interest or late charges accrued.

3.2. **BASE RENT ADJUSTMENTS.** As set forth in this section, the Base Rent shall be

adjusted on the tenth (10th) anniversary of the Commencement Date and each year thereafter based upon changes in the Consumer Price Index (the "CPI") for all Urban Consumers for the Seattle-Tacoma-Bellevue Metropolitan area (the "CPI Adjustments"), and periodically based upon agreement or appraisal (each a "Periodic Adjustment").

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

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

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

3.3 **ABATED RENT:** If this Lease provides for a postponement of any monthly rental payments, a period of free Rent, or other Rent concession, such postponed rent or free rent is called the "Abated Rent." Lessee shall be credited with having paid all the Abated Rent on the expiration of the term of this Lease only if Lessee has fully, faithfully, and punctually performed

all of Lessee's obligations hereunder, including the payment of all Rent (other than the Abated Rent) and all other monetary obligations, and the surrender of the Premises in the condition required by this Lease. Lessee acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Lessee's full, faithful, and punctual performance of its obligations under this Lease. If Lessee defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full, and this Lease shall be enforced as if there were no such Rent abatement or other Rent concession. In such case, Abated Rent shall be calculated based on the full initial rent payable under this Lease, plus interest thereon, at the rate of twelve percent (12%) per annum from the date each monthly Rental payment was postponed.

ARTICLE IV

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

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

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

- a. Cannabis or cannabis related businesses.

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

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

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

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

be required for the development of the Premises.

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

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

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

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

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

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

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

4.4 **REMOVAL OF PERSONAL PROPERTY AND TENANT IMPROVEMENTS AT END OF**

LEASE: Prior to the conclusion of the Lease, at Lessor's option, Lessee shall remove the following from the Premises:

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

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

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

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

b. To have the title to any or all such items revert to Lessor.

c. To commence suit against Lessee for damages or for specific performance.

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

4.5 **MAINTENANCE OF FACILITIES:** Maintenance and repair of the Premises, and all improvements thereon including, without limitation, any building, is the sole responsibility of Lessee including, but not limited to, maintenance and repair of any damage to the Premises from unforeseen or unexpected events or Acts of God. Without limiting the generality of the

foregoing, Lessee shall maintain the Premises in good condition including, without limitation, repairing all walls, floors, ceiling, interior doors, interior and exterior windows and fixtures, as well as damage caused to any portion of the Premises or Lessor's property by Lessee, its employees, agents, licensees, invitees, or anyone on the Premises or Lessor's property as a result of Lessee's activities.

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

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

4.7 **FIRE PROTECTION:** The Lessee understands that the Lessor has no responsibility to provide fire protection for the Lessee's buildings, property, or equipment located in or upon the leased Premises. It shall be the exclusive responsibility of the Lessee to provide for its own fire protection, including, but not limited to, promptly paying all fire district service charges when due. In this regard, the Lessee understands that it is the Lessee's responsibility and duty to include the value of its buildings, property, and equipment to appropriate County authorities for personal property tax purposes through which fire district service charges are paid. Failure of the Lessee to accurately list its improvements or to promptly pay its fire district service charges when due shall be a breach of this Lease, and shall be grounds for the Lessor to terminate this Lease agreement. The Lessee shall promptly provide the Lessor with a copy of its personal property declaration within seven (7) days from the time such declaration is made to the Kitsap County Assessor.

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

ARTICLE V **Insurance and Financial Security**

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

5.2 **INSURANCE:** Lessee shall procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises or Lessor's property) arising on the Premises or Lessor's property as a result of, or arising out of, Lessee's operations under this

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

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

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

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

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

ARTICLE VI **Environmental Liability**

6.1 **ENVIRONMENTAL INDEMNIFICATION:** Lessee shall defend (with legal counsel suitable to Lessor), indemnify, and hold Lessor harmless from any and all claims, demands, judgments, orders, or damages resulting from Hazardous Substances on the Premises or Lessor's property caused in whole or in part by the activity of the Lessee, its agents,

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

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

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

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

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

parties affecting the Hazardous Substances, and the foreseeable consequences of those acts or omissions.

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

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

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

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

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

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

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

ARTICLE VII **Miscellaneous Provisions**

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

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

completed shall apply to Paragraph 7.1 above.

7.2 **LESSEE WILL OBTAIN PERMITS:** Lessee agrees to obtain and comply with all necessary permits for any Tenant Improvements and to conduct the Authorized Use. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all costs incurred by Lessor, including actual attorneys' fees. In this way, Lessee agrees to be solely responsible for all damages, costs, and expenses incurred as a result of Lessee's failure to fully comply with any necessary permit process and requirements.

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

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

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

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

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

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

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

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

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

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

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

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

7.12.2 **No Waiver of Future Consents.** No consent by Lessor to any assignment or sublease shall be a waiver of the requirement to obtain such consent with respect to any other or later assignment or sublease. Acceptance of Rent or other performance by Lessor following an assignment or sublease, whether or not Lessor has knowledge of such assignment or

sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

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

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

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

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

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

7.12.8 **Assignee/Sublessee Insurance.** In the event the Lessor approves an assignment or sublease hereunder, such assignee or sublessee shall provide Lessor with insurance certificates and/or endorsements evidencing such assignee or sublessee's compliance with the insurance provisions set forth herein, including, but not limited to, the endorsement of Lessor as an additional insured under such policy or policies.

7.13 **DEFAULT, CROSS DEFAULT, AND REMEDIES:**

7.13.1 **Monetary Defaults.** Failure to pay Rent or any other monetary obligations by

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

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

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

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

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

7.13.6 **Other Remedies.** In addition to the foregoing remedies specified in this article, Lessor may exercise any remedies or rights under the laws of the State of Washington, including, but not limited to, recovering damages for past due rent, future rent, costs to re-let the Premises, and costs to restore the Premises to its prior condition (reasonable wear and tear excepted). Under no circumstances shall Lessor be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Lessor shall not, by any re-entry or other act, (i) be deemed to have accepted any surrender by Lessee of the Premises; (ii) be deemed to have otherwise terminated this Lease; or (iii) to have relieved Lessee of any obligation hereunder. Lessor shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Lessee unless, and until, Lessee cures such default. A fee of Five Hundred Dollars (\$500.00) shall be assessed to Lessee for each Default Notice issued to Lessee to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the Default Notice.

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

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

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

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

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

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

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

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

injury or property damage in, on, or around the Premises or Property.

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

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

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

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

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

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

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

7.24 **SURVIVAL**: All obligations of the Lessee, as provided for in the Lease, shall not cease

upon the termination of this Lease and shall continue as obligations until fully performed. All clauses of this Lease which require performance beyond the termination date shall survive the termination date of this Lease.

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

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

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

7.28 **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:

STEELHEAD GROUP HOLDINGS. LLC



William Hansen



Carol Hansen

LESSOR:

PORT OF BREMERTON

Axel Strakeljahn
Its: Commission President

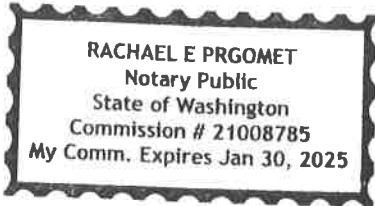
Gary Anderson
Its: Commission Vice-President

Cary Bozeman
Its: Commission Secretary

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared William Hansen to me known to be the Managing Members of Streethead Group Holdings, 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 31st day of January, 2022.



Print Name: Rachael Prgommet
NOTARY PUBLIC in and for the
State of Washington, residing at Tacoma, WA
My commission expires: Jan 30th, 2025

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

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

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

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

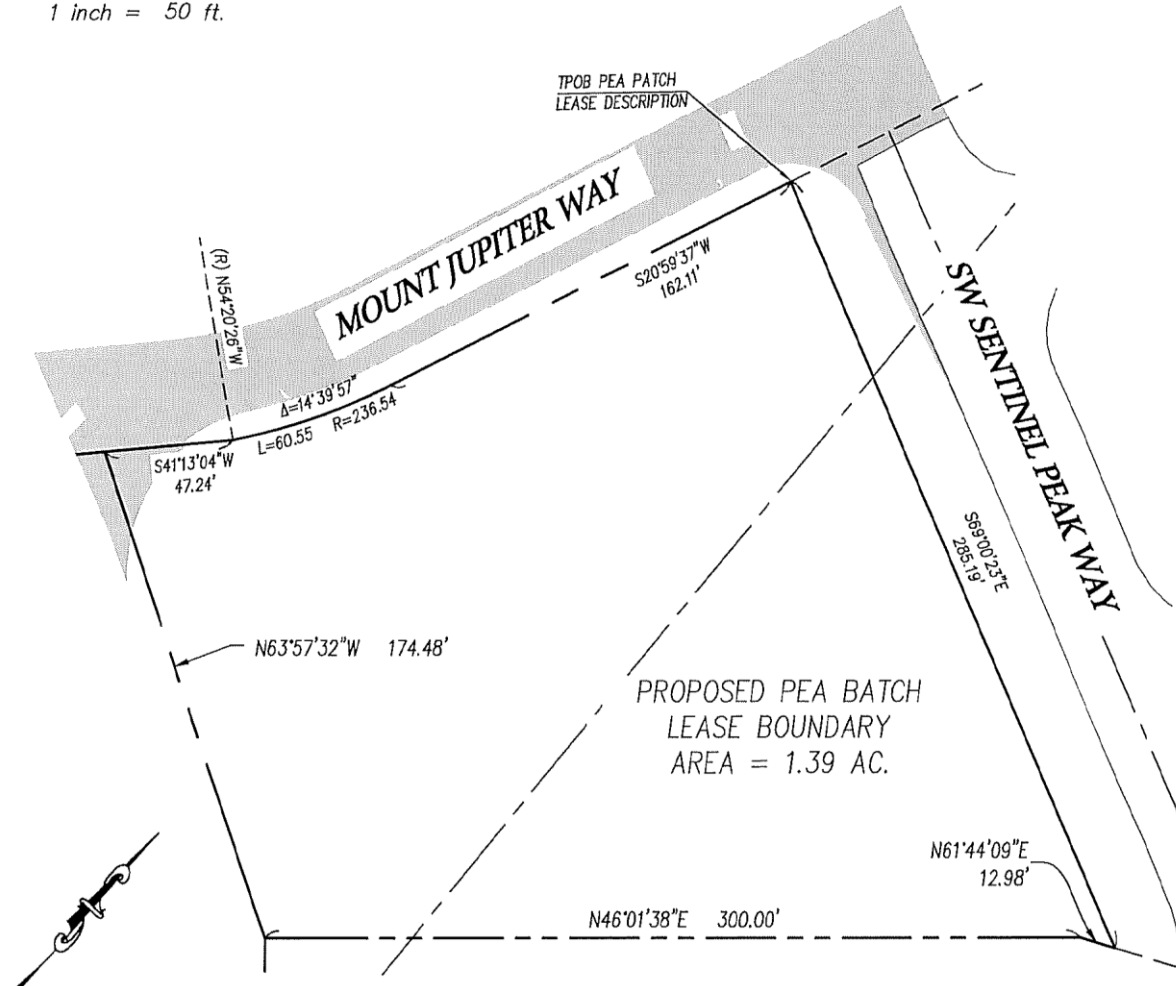
EXHIBIT "A"
Legal Description of Premises

PEA PATCH LEASE AREA

PEA PATCH

THAT PORTION OF SECTION 11, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., KITSAP COUNTY, WASHINGTON MORE PARTICULARLY DESCRIBED AS FOLLOWS:
COMMENCING AT THE SOUTHWEST CORNER OF SECTION 11, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., KITSAP COUNTY, WASHINGTON; THENCE NORTH $00^{\circ} 07' 22''$ WEST ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 2612.42 FEET TO THE WEST QUARTER CORNER OF SAID SECTION; THENCE SOUTH $87^{\circ} 56' 12''$ EAST ALONG THE EAST-WEST CENTERLINE OF SAID SECTION 2792.23 FEET TO THE CENTER OF SAID SECTION 11; THENCE CONTINUING SOUTH $87^{\circ} 56' 12''$ EAST 522.70 FEET; THENCE SOUTH $46^{\circ} 02' 08''$ WEST 250.13 FEET; THENCE SOUTH $20^{\circ} 59' 37''$ WEST 1197.89 FEET; THENCE SOUTH $69^{\circ} 00' 23''$ EAST 78.95 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTH $69^{\circ} 00' 23''$ EAST ALONG THE SOUTHERLY MARGIN OF SW SENTINEL PEAK WAY 285.19 FEET; TO A POINT ON THE WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3 AS PER THAT CERTAIN PLAN, S.R. 3 – LOST LAKE TO GORST, DATED JULY 9, 1957, BEING A POINT 381.49 FEET OPPOSITE HIGHWAY ENGINEER'S STATION 222+87.51 WHEN MEASURED AT RIGHT ANGLES TO THE HIGHWAY CENTERLINE; THENCE ALONG SAID WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3, SOUTH $61^{\circ} 44' 09''$ WEST 12.98 FEET TO A POINT 385 FEET OPPOSITE HIGHWAY ENGINEER'S STATION 223+00 WHEN MEASURED AT RIGHT ANGLES TO THE HIGHWAY CENTERLINE; THENCE ALONG SAID WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3, SOUTH $46^{\circ} 01' 38''$ WEST 300.00 FEET TO A POINT 385 FEET OPPOSITE HIGHWAY ENGINEER'S STATION 226+00 WHEN MEASURED AT RIGHT ANGLES TO THE HIGHWAY CENTERLINE; THENCE LEAVING SAID WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3, NORTH $63^{\circ} 57' 32''$ WEST 174.48 FEET; THENCE NORTH $41^{\circ} 13' 04''$ EAST 47.24 FEET TO THE POINT OF CURVATURE OF A 236.54 FOOT RADIUS NON-TANGENTIAL CURVE TO THE LEFT THE CENTER OF WHICH BEARS NORTH $54^{\circ} 20' 26''$ W; THENCE ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $14^{\circ} 39' 57''$ FOR AN ARC DISTANCE OF 60.55 FEET; THENCE NORTH $20^{\circ} 59' 37''$ EAST 162.11 FEET TO A POINT ON THE SOUTHERLY MARGIN OF SW SENTINEL PEAK WAY AND THE TRUE POINT OF BEGINNING.

EXHIBIT "B"
Lease Diagram



PEA PATCH LEASE AREA EXHIBIT

EXHIBIT "C"
Design & Construction Criteria

- (1) Building shall be constructed conforming to the following setbacks, unless stricter setbacks are required by local governmental building rules and regulations:
 - a. Front yard to street 50 ft
 - b. Side yard to street 25 ft
 - c. Side yard to a property line 15 ft
 - d. Rear yard to a property line 15 ft
- (2) All structures shall be architecturally compatible with emphasis being placed on design and color schemes of walls visible from street. All designs, exterior appearance, and color schemes shall be subject to the prior approval of the Lessor.
- (3) All exterior walls for buildings shall be finished masonry, concrete, face brick, or stone, painted steel or equivalent. Wood exterior construction may be used for structures upon written approval of the Lessor. Building will consist of steel framing.
- (4) All electrical telephone and cable lines shall be placed underground.
- (5) Landscaping of each individual lot shall be installed and maintained in accordance with the landscape ordinance in effect in the County. Areas disturbed during construction shall be landscaped.
- (6) Loading docks shall not be permitted to front or face any streets within the Park without prior written approval of the Lessor.
- (7) Parking areas and driveways must be paved with an asphalt or concrete surface unless otherwise approved by the Lessor.
- (8) Inside storage of material is encouraged. Outside storage will be permitted to the rear of side of buildings provided that the storage area is screened from view by fencing no less than six (6) feet high. Such fencing shall be of quality consistent with all other fencing and structures in the Olympic View Industrial Park, and shall be of sound construction compatible with the building design and be subject to the prior written approval of the Lessor.
- (9) Building shall be constructed conforming to the following setbacks, unless stricter setbacks are required by local governmental building rules and regulations:
 - a. Front yard to street 50 ft
 - b. Side yard to street 25 ft
 - c. Side yard to a property line 15 ft
 - d. Rear yard to a property line 15 ft
- (10) All structures shall be architecturally compatible with emphasis being placed on design and color schemes of walls visible from street. All designs, exterior appearance, and color schemes shall be subject to the prior approval of the Lessor.
- (11) All exterior walls for buildings shall be finished masonry, concrete, face brick, or stone, painted steel or equivalent. Wood exterior construction may be used for structures upon written approval of the Lessor. Building will consist of steel framing.

- (12) All electrical telephone and cable lines shall be placed underground.
- (13) Landscaping of each individual lot shall be installed and maintained in accordance with the landscape ordinance in effect in the County. Areas disturbed during construction shall be landscaped.
- (14) Loading docks shall not be permitted to front or face any streets within the Park without prior written approval of the Lessor.
- (15) Parking areas and driveways must be paved with an asphalt or concrete surface unless otherwise approved by the Lessor.
- (16) Inside storage of material is encouraged. Outside storage will be permitted to the rear of side of buildings provided that the storage area is screened from view by fencing no less than six (6) feet high. Such fencing shall be of quality consistent with all other fencing and structures in the Olympic View Industrial Park, and shall be of sound construction compatible with the building design and be subject to the prior written approval of the Lessor.

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

SECTION C: ZONING AND DEVELOPMENT STANDARDS



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SECTION C: PSIC ZONING AND DEVELOPMENT STANDARDS

Chapter 1: Introduction

1.010 Purpose

- a. The PSIC Zoning and Development Standards establish zoning provisions, minimum development standards, performance standards and design criteria that will guide all development in the Puget Sound Industrial Center (PSIC) Subarea, including both areas within and outside of the designated Manufacturing/Industrial Center (MIC). The purpose of these development standards is to:
 1. Implement the vision and policy direction contained in Section A;
 2. Promote environmental stewardship and reward businesses for being responsible neighbors and contributing to the sustainable character of the community;
 3. Promote compact industrial and commercial development on environmentally suitable sites near existing and planned infrastructure;
 4. Promote regional job creation and long term economic vitality through standards and guidelines that encourage and reward attractive, more sustainable development;
 5. Provide a streamlined review process for development that is consistent with Land Use Goal 3 of Section A and related SEPA Planned Action;
 6. Ensure the continued viability of industrial and aviation uses by providing restrictions and physical separation of uses that are deemed incompatible by the City;
 7. Provide a regulatory balance between predictability and flexibility to recognize the evolving nature of land uses, unique site conditions and development technologies.
- b. The standards address the following elements:
 1. Chapter 1: Introduction, including a description of the purpose, content, applicability and administration of the Zoning and Development Standards;
 2. Chapter 2: Definitions;
 3. Chapter 3: Land Use Zones, including purpose statements for each zone, zoning map, and standards for uses, height, setbacks, and other key standards;



Example of intensive, compact industrial development.



Sustainable industrial development.

4. Chapter 4: Development Standards, including standards for site clearing and development; building design; transportation, parking, circulation, and pedestrian access; landscaping; signs; exterior lighting; noise and emissions; and low impact development;
5. Chapter 5: Right-of-Way Standards

1.020 Applicability

- a. The Zoning and Development Standards provide minimum requirements applicable to development in the PSIC Subarea. The purposes outlined in this subsection are intended to be achieved through compliance with all mandatory standards and consideration of the design guidelines.
- b. Conflict of Provisions and Severability
 1. The standards contained in Section C are specific to PSIC and are intended to supplement or modify standards contained in the Bremerton Municipal Code (BMC Title 20).
 2. In the event of a conflict between the standards contained in Section C and those contained in the Bremerton Municipal Code, the standards in Section C shall prevail.
 3. In the event that a provision of this Chapter is held invalid, the remaining provisions shall remain in full force.

Chapter 2: Definitions

2.010 Introduction

All definitions contained with the Bremerton Municipal Code (BMC) apply in PSIC, unless specifically modified by the definitions below. Specific land uses are defined in BMC Chapter 20.42. If a specific term is not defined or referenced herein or in BMC Chapter 20.42, it shall take its normal and customary meaning within the context of how it is used.

2.020 List of Defined Terms

Critical Root Zone (CRZ) The minimum area beneath a tree that must be left undisturbed in order to preserve sufficient root mass to give a tree a reasonable chance of survival. The CRZ is typically represented by a concentric circle centering on the tree trunk with a radius equal to the distance from the outside of the trunk to any point twelve times the trunk diameter, which is measured at four and a half feet from the ground.

Dispersion Release of surface and storm water runoff from a drainage facility system such that the flow spreads over a wide area and is located so as not to allow flow to concentrate anywhere upstream of a drainage channel with erodible underlying granular soils or the potential to flood downstream properties.

Dual Supply Plumbing A plumbing system that provides separate piping and connections for the use of either potable water or reclaimed, non-potable water at the same fixture.

Effective Landscaping An area that provides sufficient quantity and quality of plant materials to screen parking, building, or hardscaped areas of a project and provides color and viewing interest.

Feasible Actions that can be accomplished with technologies and methods that have been used in the past in similar circumstances, or studies or tests have demonstrated in similar circumstances that such approaches are currently available and likely to achieve the intended results. Additionally, the action



Example of separate piping systems for potable (blue) and reclaimed non-potable (purple) water. Image courtesy of the Water Environment Federation.

shall not physically preclude achieving the project's primary intended legal use. In cases where these standards require certain actions unless they are infeasible, the burden of proving infeasibility is on the applicant. In determining an action's infeasibility, the City may weigh the action's relative costs and public benefits, considered in short- and long-term time frames.

Habitat Corridor

A continuous area of retained, multi-layered native vegetation that provides habitat for native wildlife species and connects environmentally critical areas, such as wetlands, or other permanently preserved natural areas allowing passage of wildlife through developed areas with minimal human disturbance.

Hard Surfaces

Any impervious surface, as well as any pervious or partially pervious surface that is not predominantly covered with vegetation or landscape mulch.

Infiltration

The movement of water into the soil layer. The rate of this movement is called the infiltration rate. If rainfall intensity is greater than the infiltration rate, water will accumulate on the surface and runoff will begin.

Infiltration facility

A drainage facility designed to use the hydrologic process of water soaking into the ground (commonly referred to as percolation) to dispose of surface and storm water runoff.

Low Impact Development (LID)

A stormwater management, site design and engineering approach with a basic principle that is modeled after nature: manage rainfall at the source using uniformly distributed decentralized small-scale controls. LID's goal is to mimic a site's predevelopment hydrology by using design techniques that infiltrate, filter, store, evaporate, and detain runoff close to its source. Specific LID tools and standards are identified in the Low

Impact Development: Technical Guidance Manual for Puget Sound.

Multi-layered Landscaping

Landscaping that incorporates plants of varying sizes (trees, shrubs, groundcover) to mimic the natural understory-canopy forest relationship. Such landscaping should generally be planted at densities similar to intact forest communities in the general vicinity.



Retained multilayered vegetation and habitat area.

Neighborhood Electric Vehicles

Battery electric vehicles that are legally limited to roads with certain posted speed limits, usually are built to have a top speed of 30 miles per hour (48 km/h), and have a maximum loaded weight of 3,000 lbs. NEVs fall under the United States Department of Transportation classification for low-speed vehicles.



Neighborhood electric vehicles (NEVs) provide quick access between buildings and work sites and can be shared by all employees. NEVs are allowed on all roads and trails in PSIC other than State Route 3.

Off-Site Trail Connection

A non-motorized pathway, constructed for use primarily by pedestrians, bicyclists, and neighborhood electric vehicles, that provides a connection from one development site to another or that connects to an established public regional trail system.

On-Site Trail

A non-motorized pathway, constructed for use primarily by pedestrians, bicyclists, and neighborhood electric vehicles, that provides access between buildings, parking, common areas, and open space within a development site.

Pedestrian-Scaled

The relationship between the dimensions of a building, street, outdoor space, or streetscape element and the average dimensions of the human body, as well as the space and built environment as perceived by the senses of a human being.

Pollution Generating Impervious Surface

An impervious surface that is a significant source of stormwater run-off pollutants. Pollution Generating Impervious Surface (PGIS) includes surface that receive direct rainfall and are regularly used for vehicular travel, storage of waste, storage of chemicals, or storage of erodible or

leachable materials (stockpiled soils, fertilizers, manure, ashes, petroleum products, etc). PGIS also includes metal roofs unless they are coated with an inert, non-leachable material.

Setback, External

The minimum required horizontal distance between the finished exterior wall of a structure and the nearest lot line that borders a property not located within the PSIC subarea.

Site Clearing

The clearing or removal of vegetative cover and other obstructions on a project site prior to undertaking construction work.

Support Retail and Services

Locally serving uses such as banks, child care, cafés, cleaners, medical/dental offices, and similar uses that support employees of industrial office or business uses.

Trees, large

A tree with a canopy that will reach at least 30 feet in diameter at maturity.

Trees, small

A tree with a canopy that will not exceed 30 feet in diameter at maturity.

Vehicle Storage Area

An outdoor area where vehicles and equipment are accumulated and stored for an indefinite period of time.

Chapter 3: Zoning Districts and Uses

3.010 Zone Establishment and Purpose

The following zones are hereby established within PSIC to protect the public health, safety and general welfare by implementing the goals and policies adopted in Section A. These goals include promoting the economic viability of manufacturing and industrial uses, encouraging employment growth, protecting Bremerton National Airport from incompatible land uses and preventing the encroachment of unplanned residential and other large non-industrial development within industrial zones. Specific purpose statements listed for each zone shall serve as a guide in determining the appropriate location of uses, conditions for development and in interpreting the standards.

a. General Industrial (GI)

The purpose of this zone is to promote a wide range of light and heavy industrial uses and compatible support retail and service uses.

b. Port Industrial Mix (PIM)

The purpose of this zone is to promote a wide range of light industrial, support retail and service uses, government uses and compatible service uses within a business park built form, as well as recreational facilities that are designed and operated in a manner that is compatible with industrial uses. Heavy industrial uses are also allowed in this zone, provided additional measures are taken to reduce the potential negative impacts of these uses on adjacent property through site design, screening, buffers and landscaping.

c. Aviation Business (AB)

The purpose of this zone is to provide areas for aviation related business, manufacturing and service-related uses, while ensuring compatibility with aircraft operations. A broad range of non-aviation industrial uses that do not include significant outdoor operations are also allowed in this zone, provided measures are taken to reduce the potential negative impacts of these uses on adjacent property through site design, screening, buffers and landscaping.

d. Mixed Employment (ME)

The purpose of this zone is to promote a range of commercial, office and light industrial uses outside of the MIC boundaries that are compatible with land uses in the MIC, with improved non-motorized connections and amenities. Light industrial activities in this zone should occur within enclosed buildings and heavy industrial uses are discouraged.

Shared Vision, Shared Direction

The purpose of the PSIC Zoning and development standards is to implement key policy direction identified in the Section A, such as Strategy LU 3.1, which calls for a streamlined and expedited permitting process for development that meets sustainability criteria.



Examples of development in the PIM Zone.



Example of development appropriate for the Mixed Employment Zone

**Shared Vision,
Shared Direction**

The Airport Compatibility Overlay (ACO) implements Policy LU 2.3 of Section A regarding controls on land uses and development that are incompatible with Bremerton National Airport.



ADMINISTRATIVE MANUAL

**Airports and Compatible
Land Use Guidebook**

M 3074.00
January 2011



Aviation Division

ACO Zones are defined based on guidance in the WSDOT Airports and Compatible Land Use Guidebook, available online at <http://www.wsdot.wa.gov/aviation/Planning/ACLUguide.htm>

- e. Airport Compatibility Overlay (ACO)
1. The purpose of this overlay zone is to protect the viability of Bremerton National Airport by discouraging incompatible land uses and requiring the evaluation and consideration of potential safety impacts when siting certain land uses in proximity to the airport while retaining City zoning authority.
 2. Determination of ACO. The Airport Compatibility Overlay for Bremerton National Airport is derived from the most current edition of the Washington State Department of Transportation's Airports and Compatible Land Use Guidebook. The location and mapped extent of the ACO Zones 1 through 6 are based on the WSDOT Guidebook recommended zone overlay for runways exceeding 5,000 feet as applied to Bremerton National Airport. The City retains all rights to prohibit, establish, and/or modify land uses within proximity to Bremerton National Airport. Airport compatibility zones represent areas surrounding an airport that have the potential to be affected by airport operations, including exposure to lights, noise, vibration, or increased aircraft crash hazard. To minimize safety risks, the WSDOT Guidebook contains an advisory list of sensitive land uses that generally should not be located within certain compatibility zones. In general, the most sensitive land uses should not be allowed within Zones 1-4, which are directly affected by take-off and landing procedures. Each compatibility zone corresponds to a phase of the airport traffic sequence and has an associated level of crash risk:
 - i. Zone 1 is the area immediately adjacent to either end of the runway, directly in the take-off or landing path. This zone lies on airport property and is generally kept free of structures to avoid interference with aircraft. This zone carries the highest crash risk for arriving aircraft.
 - ii. Zone 2 is an extension of Zone 1 and consists of the approach path for landing aircraft or ascent path for departing aircraft. This zone represents the most likely crash area for departing aircraft.
 - iii. Zone 3 is the inner aircraft turning zone. While crash risk is relatively low, land use compatibility is a concern due to the relatively low altitude of arriving and departing aircraft.
 - iv. Zone 4 is the outer approach/departure zone, located on a direct line from the ends of the runway. Crash risk is relatively low, but structure height should be regulated to prevent interference with aircraft landing/departure.

- v. Zone 5 represents the runway itself and land immediately adjacent to the sides of the runway.
 - vi. Zone 6 is the general traffic area for aircraft in the traffic pattern awaiting permission to land.
3. Compliance with FAA Regulations. In addition to local requirements established in the Section C, the applicant will be responsible for compliance with Federal Aviation Administration (FAA) Regulations, including, but not limited to, FAR Part 77 federal airspace regulations pertaining to the height of structures within defined areas.
 4. Consultation with the Port of Bremerton. All applicants proposing work in ACO zones 1 through 6 shall consult the Port of Bremerton after submitting a land use, site development, or building permit application. Consultation with the Port of Bremerton encourages applicants to seek input on actions that may affect Bremerton National Airport and promotes land use compatibility.

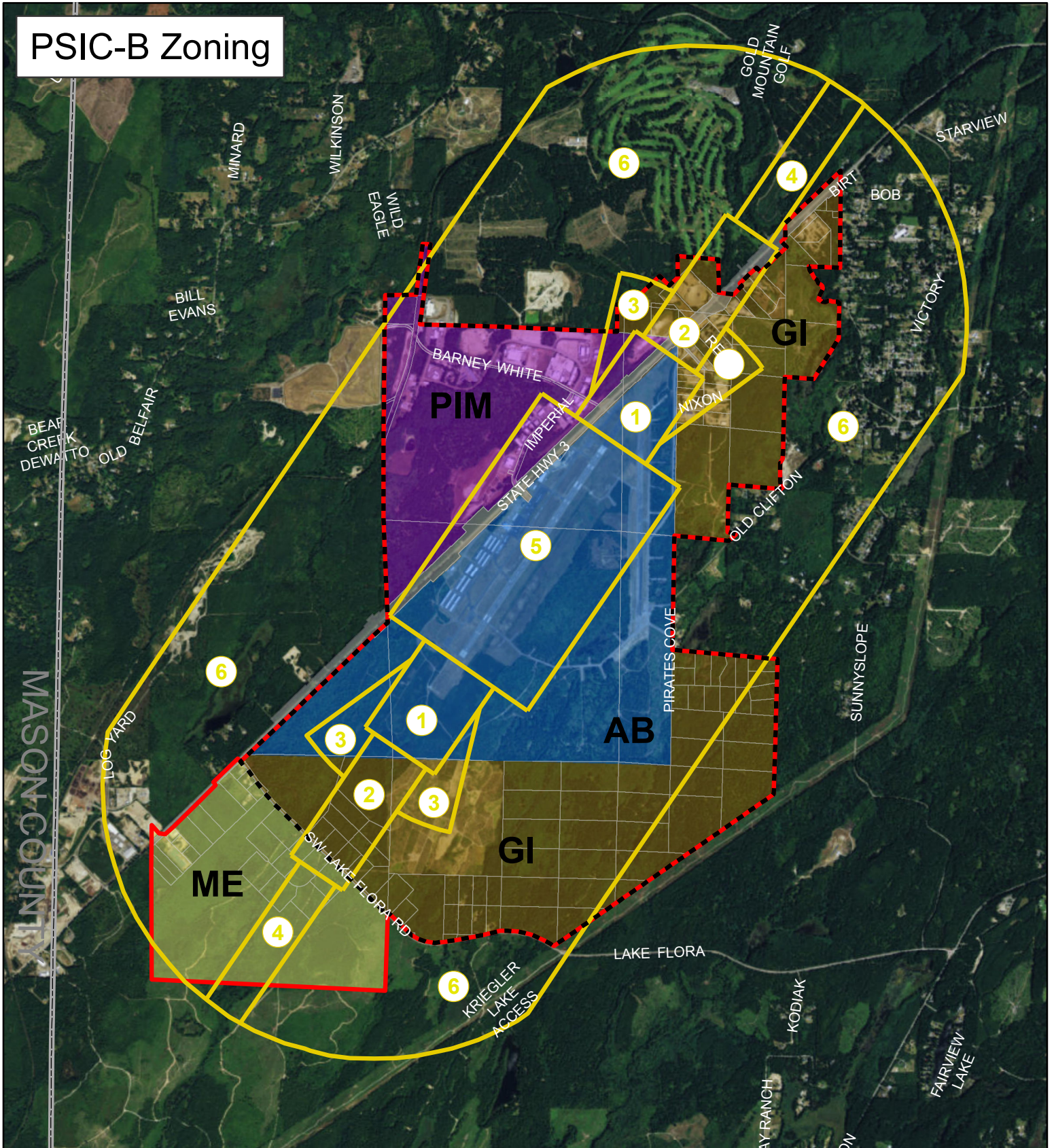
3.020 ZONING MAP

Figure C-1 depicts the location and extent of land use zones within the PSIC Subarea. The boundaries of the designated Manufacturing Industrial Center (MIC), which includes the General Industrial, Port Industrial Mix, and Aviation Business zones is also shown.



Development in the ACO should not conflict with airport operations.

Figure C-1: PSIC-B Zoning Map



ROW	Zoning	Airport Compatibility Overlay	N Miles 0 0.25 0.5 0.75 1
PSIC-B Boundary	Aviation Business (AB)	Airport Compatibility Zone Number - Assigned per WSDOT Aviation Compatibility Guidebook	
MIC Boundary	General Industrial (GI)		
Parcel	Port Industrial Mix (PIM)		
	Mixed Employment (ME)		

3.030 Permitted Uses

- a. The purpose of this section is to ensure that land uses within PSIC are compatible with manufacturing, industrial, aviation and employment uses. The following use regulations shall apply to all zones within the PSIC Subarea. All applicable requirements shall govern a use whether or not they are cross-referenced in a section.
- b. Permitted Uses. Provided that they are consistent with the intent of the Zone as specified in Section C.3.010, all uses are permitted outright, except for those uses set forth as conditional per Section C.3.040, those uses prohibited per Section C.3.050, and provided that the Development Standards specified in Chapter C.4 and C.5 of the Subarea Plan are satisfied. The applicant shall bear the burden of proving that a proposed use achieves the stated intent of the particular zone.
- c. Use Definitions. Definitions of the specific land uses are found in BMC Chapter 20.42.
- d. Decision Authority. A use determination made by the Director may be appealed to the Hearing Examiner following a Type II decision process as set forth in BMC Chapters 20.02 and 20.40.

3.040 Conditional Uses

- a. Conditional Uses. A conditional use permit, which is approved pursuant to BMC 20.58.020, may permit the following uses, provided that the Development Standards specified in Chapter C.4 and C.5 of the Subarea Plan are satisfied:
 1. Group Residential Facility—Class II
 2. Adult Entertainment Business
 3. Essential public facilities, as defined in RCW 36.70A.200

3.050 Prohibited Uses

- a. Prohibited Uses. Prohibited uses in the PSIC Subarea include:
 1. Junk Yard
 2. Residential as a primary use
- b. In addition to the prohibited uses listed above, any use with significant adverse impacts on less intense uses in neighboring residential zones shall be prohibited. Determination of significant adverse impact is made by the City and is based upon the following criteria:
 1. Noise encroachment. Generation of sound not meeting the provisions of the noise levels ordinance, BMC Chapter 6.32;

2. Light/glare encroachment. Unshielded glare visible during periods of darkness in an adjacent residential zone;
3. Odor, dust or smoke encroachment. Emission of an odor, dust or smoke byproduct clearly detectable in any residential zone.

3.060: Site Development Standards

- a. The purpose of this section is to ensure that site development is accomplished in a manner that is compatible with neighboring uses, while providing flexibility. Minimum site development standards apply as shown in Table C-1.
- b. Except those specified in Table C-1 below, there are no traditional setback requirements in PSIC. Instead, emphasis will be put on site conditions and corresponding site design to ensure safe, compatible, and effective building placement. Refer to the General Development Standards of Chapter C.4 for more specific development standards.

Table C-1: Site Development Standards

	General Industrial	Port Industrial Mix	Aviation Business	Mixed Employment
Standards				
Maximum Height ¹	Market Driven	Market Driven	Market Driven	Market Driven
Minimum External Setbacks when abutting an R-10 Zone or a residential use outside of PSIC boundaries. ^{2, 3}	50 feet	50 feet	50 feet	25 feet

Notes

1. Where building heights might affect airport operations at Bremerton National Airport applicants must demonstrate compliance with the criteria specified in Federal Aviation Regulations Part 77 and other applicable requirements.
2. This setback applies where a property line abuts another property. Refer to Section C.2.020 for additional information on where these setbacks apply.
3. An additional setback of 10 feet is required for outdoor storage use only.

AIRPORT INDUSTRIAL PARK LEASE

This **AIRPORT INDUSTRIAL PARK LEASE** ("Lease") is made and entered into this _____ day of _____ 2022, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **STEELHEAD GROUP HOLDINGS, LLC.**, a Limited Liability Company in the State of Washington (hereinafter referred to as "Lessee").

ARTICLE I
Summary of Lease Terms and Definitions

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

Lessee: Steelhead Group Holdings, LLC.
Lessee's Address: Prior to Lease Commencement:
5626 SW Imperial Way
Bremerton, WA 98212

After Lease Commencement:
At the Premises, Attn: William Hansen

Premises: 8651 Mount Jupiter Way SW
Bremerton, WA 98312

Agreed Rentable Area: 4.41 acres

Use of Premises: Construction of boat manufacturing facility

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

Commencement Date: As set forth in Paragraph 2.2

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

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

Base Rent:

<u>Months of</u> <u>Lease Term</u>	<u>Rent Per</u> <u>Acre (Mo)</u>	<u>Monthly</u> <u>Total</u>
Months 1-120	\$714.99	\$3,153.11 per month*

* Plus Washington State Leasehold Excise Tax

ARTICLE II
Premises, Term, Renewals, Common Areas

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

2.2 **TERM:** The term of this Lease shall be for fifty (50) years beginning on the earlier of: (i) the date Lessor completes the Lessor's Work set forth in Exhibit C hereto (with the exception of the asphalt driveway, which will be installed after the Commencement Date and after Lessee's completion of its Initial Tenant Improvements, defined in Paragraph 4.3.2 below); or (ii) commencement of any Tenant Improvements on the Premises by the Lessee (the "Commencement Date"). If Lessee takes possession of the Premises before the Commencement Date set forth above, Lessee shall pay the prorated Rent for the period prior to commencement of the Lease term.

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

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

ARTICLE III
Compensation, Rental Adjustment

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

3.1.1 **Rent Paid in Advance – Late Charges.** Rent shall be paid monthly in advance on or before the first (1st) day of each month beginning on the Commencement Date. A late charge of one percent (1%) per month will be assessed against past due Rent from the date such Rent became due. Additionally, if Rent is not received by the fifth (5th) day of any month, Lessee shall pay Lessor an additional fee of One Hundred Dollars (\$100) or five percent (5%) of the delinquent payment, whichever is greater, to defray costs of collecting and handling such late payment. All accrued interest and late charges shall be paid no later than the first (1st) day of the month following that month in which such interest or late charges accrued.

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

3.2.1. **Year 10 CPI Adjustment.** On the tenth (10th) anniversary of the Commencement Date, the Base Rent for the Premises shall be adjusted as follows: The monthly Base Rent rates shall be adjusted using the cumulative change in the CPI for all Urban Consumers published by the United States Department of Labor Bureau of Labor Statistics for the Seattle-Tacoma-Bellevue Metropolitan area over the previous five (5) year period. The indexes used shall be those published for the nearest period preceding the month in which the initial Lease year begins and the same period preceding the anniversary date. The percentage change from the earlier index to the later index shall be multiplied by the Base Rent rate and the result added to that beginning Base Rent rate to arrive at the adjusted Base Rent rate which will apply to each of the twelve (12) months of the succeeding year, except in no event shall the Base Rent rate be less than the original monthly Base Rate. By way of example, if the CPI had increased by exactly three percent (3%) during each of the previous five (5) years, then the Base Rent would be increased by fifteen percent (15%) (3X5=15).

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

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

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

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

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

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

- a. Cannabis or cannabis related businesses.

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

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

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

4.2.1 **Existing Improvements.** On or before the Commencement Date, the Premises will include all improvements set forth on Exhibit C (the "Existing Improvements") owned by Lessor, with the exception of the asphalt driveway which will be installed by the Lessor upon completion of the Lessee's Initial Tenant Improvements.

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

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

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

4.3.2 Notwithstanding the foregoing, Tenant's initial improvements, including, without limitation, the construction of the building on the Premises and all accessory structures and work (the "Initial Tenant Improvements"), have been approved by Lessor in writing and have been submitted for permitting.

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

- a. To commence construction within one hundred twenty (120) days of the date that Lessor completes the Lessor's Work, with the exception of the asphalt driveway which will be installed by the Lessor upon completion of the Lessee's Initial Tenant Improvements; and
- b. To complete construction within eighteen (18) months after commencing said construction.
- c.

4.3.4 **Unauthorized Improvements.** Any Tenant Improvements made on the Premises without Lessor's prior written consent, or which are not in conformance with the plans

submitted to and approved by the Lessor ("Unauthorized Improvements"), except valid change orders during construction of Tenant's initial improvements, shall immediately become the property of Lessor unless Lessor elects otherwise. Regardless of the ownership of Unauthorized Improvements, Lessor may, at its option, require Lessee to (i) sever, remove, and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense; (ii) charge Lessee rent for the use of them; or (iii) both.

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

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

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

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

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

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

termination of this Lease.

- b. To have the title to any or all such items revert to Lessor.
- c. To commence suit against Lessee for damages or for specific performance.

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

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

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

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

4.7 **FIRE PROTECTION:** The Lessee understands that the Lessor has no responsibility to provide fire protection for the Lessee's buildings, property, or equipment located in or upon the leased Premises. It shall be the exclusive responsibility of the Lessee to provide for its own fire protection, including, but not limited to, promptly paying all fire district service charges when due. In this regard, the Lessee understands that it is the Lessee's responsibility and duty to include the value of its buildings, property, and equipment to appropriate County authorities for personal property tax purposes through which fire district service charges are paid. Failure of the Lessee to accurately list its improvements or to promptly pay its fire district service charges when due shall be a breach of this Lease, and shall be grounds for the Lessor to terminate this Lease agreement. The Lessee shall promptly provide the Lessor with a copy of its personal property declaration within seven (7) days from the time such declaration is made to the Kitsap County Assessor.

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

ARTICLE V **Insurance and Financial Security**

5.1 **CASUALTY LOSS OF LESSEE:** The parties hereto agree that the Lessor, its

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

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

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

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

5.2.3 **Prudent Business Insurance**. The Lessee believes and states that the insurance obligation herein does not exceed that which the Lessee would otherwise normally

place upon itself and obtain in order to operate its business in a prudent manner.

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

ARTICLE VI **Environmental Liability**

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

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

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

6.1.2.1 **Environmental Investigations after Initial Development.** Although Lessee shall not be liable for any Hazardous Substances on the Premises that was not caused—in whole or in part—by the activity of the Lessee, its agents, subtenants, or any other person or entity on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement *before* the Lessee's construction of the Initial Tenant Improvements, the Lessee shall be responsible for the costs of any environmental

investigations or remediation arising from the development or use of the Premises *after* the Lessee's construction of the Initial Tenant Improvements, and Lessee hereby releases the Lessor from any contribution claim for those costs. By way of example only, if the Lessee excavates soil on the Premises after it completes construction of the Initial Tenant Improvements 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 liens, or other liens, to be placed upon the leased Premises. If such a lien is placed or recorded, Lessee shall cause it to be discharged of record, at its own expense, within ten (10) days of Lessor's demand. Failure to comply with Lessor's demand within ten (10) days shall be a default under the terms of this Lease.

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

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

damages, compensation, or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefit acts. The foregoing provision was specifically negotiated and agreed upon by the parties hereto.

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

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

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

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

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

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

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

7.12 **ASSIGNMENT OF LEASE:** Lessee shall not assign, rent, or sublease any portions of this Lease or any extension thereof, without the prior written consent of Lessor, which consent shall not be unreasonably withheld, and no rights hereunder in or to said Premises shall pass by operation of law or other judicial process, or through insolvency proceedings. Otherwise, the rights and obligations hereof shall extend to and be binding upon their respective successors, representatives, and assigns, as the case may be. Lessee shall furnish Lessor with copies of

all such sub-assignment, sublease, or rental documents. For the purposes of this Lease, any change of ownership including sale, liquidation, or other disposition of some or all of the corporate stock or limited liability company units which singularly or collectively represents a majority of the beneficial and voting interest of Tenant will be considered an assignment. Should the Lessor consent to an assignment made by the Lessee for the purposes of obtaining a loan or other consideration from a third party, then the Lessor's consent shall be made in accordance with the consent to assignment document used by Lessor for these specific assignments. A copy of this consent form shall be provided by Lessor upon request of Lessee.

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

7.12.2 **No Waiver of Future Consents.** No consent by Lessor to any assignment or sublease shall be a waiver of the requirement to obtain such consent with respect to any other or later assignment or sublease. Acceptance of Rent or other performance by Lessor following an assignment or sublease, whether or not Lessor has knowledge of such assignment or sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

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

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

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

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

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

7.12.8 **Assignee/Sublessee Insurance.** In the event the Lessor approves an assignment or sublease hereunder, such assignee or sublessee shall provide Lessor with insurance certificates and/or endorsements evidencing such assignee or sublessee's compliance with the insurance provisions set forth herein, including, but not limited to, the endorsement of Lessor as an additional insured under such policy or policies.

7.13 **DEFAULT, CROSS DEFAULT, AND REMEDIES:**

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

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

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

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

7.13.5 **Cross-Default.** A default under this Lease shall constitute a default under any other lease or agreement which Lessee has with Lessor (hereinafter such other agreements shall be referred to as "Collateral Agreements"). Likewise, any material breach or default under a Collateral Agreement shall be deemed a material breach or default under the terms of this

Lease. If a Collateral Agreement is terminated for a material breach or default of Lessee, then Lessor shall, without limiting any other remedies it may have, be entitled to terminate this Lease upon five (5) days' written notice to Lessee.

7.13.6 **Other Remedies.** In addition to the foregoing remedies specified in this article, Lessor may exercise any remedies or rights under the laws of the State of Washington, including, but not limited to, recovering damages for past due rent, future rent, costs to re-let the Premises, and costs to restore the Premises to its prior condition (reasonable wear and tear excepted). Under no circumstances shall Lessor be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Lessor shall not, by any re-entry or other act, (i) be deemed to have accepted any surrender by Lessee of the Premises; (ii) be deemed to have otherwise terminated this Lease; or (iii) to have relieved Lessee of any obligation hereunder. Lessor shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Lessee unless, and until, Lessee cures such default. A fee of Five Hundred Dollars (\$500.00) shall be assessed to Lessee for each Default Notice issued to Lessee to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the Default Notice.

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

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

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

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

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

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

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

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

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

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

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

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

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

7.22 **INTERPRETATION:** This Lease has been submitted to the scrutiny of the parties hereto and their counsel, if desired. In any dispute between the parties, the language of this Lease shall, in all cases, be construed as a whole according to its fair meaning and not for or against either the Lessor or the Lessee. If any provision is found to be ambiguous, the language shall not be construed against either the Lessor or Lessee solely on the basis of which party

drafted the provision. If any word, clause, sentence, or combination thereof, for any reason, is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

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

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

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

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

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

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

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

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

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

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

LESSEE:

STEELHEAD GROUP HOLDINGS. LLC



William Hansen



Carol Hansen

LESSOR:

PORT OF BREMERTON

Axel Strakeljahn
Its: Commission President

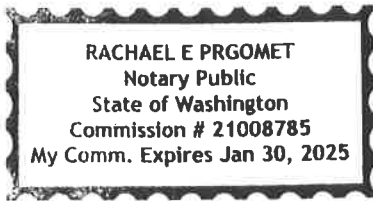
Gary Anderson
Its: Commission Vice-President

Cary Bozeman
Its: Commission Secretary

STATE OF WASHINGTON)
)
COUNTY OF Kitsap) ss.

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, before me, to me known to be the individuals of William Hansen and Carol Hansen, 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 27th day of January, 2022.



Print Name: Rachael Prgommet
NOTARY PUBLIC in and for the
State of Washington, residing at Tacoma, WA
My commission expires: Jan 30, 2025

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

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

GIVEN under my hand and official seal this _____ day of _____, 2021.

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

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, Cary Bozeman, to me known to be the Secretary of the Port of Bremerton, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he 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 KITSAP)

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

GIVEN under my hand and official seal this ____ day of _____, 2021.

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

STEELHEAD GROUP HOLDINGS LEASE AREA

LEASE AREA "A-1"

THAT PORTION OF SECTION 11, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., KITSAP COUNTY, WASHINGTON MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF SECTION 11, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., KITSAP COUNTY, WASHINGTON; THENCE NORTH 00° 07' 22" WEST ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF THE OF LAST SAID SECTION 2612.42 FEET TO THE WEST QUARTER CORNER OF SAID SECTION; THENCE SOUTH 87° 56' 12" EAST ALONG THE EAST-WEST CENTERLINE OF SAID SECTION 2792.23 FEET TO THE CENTER OF SAID SECTION 11; THENCE CONTINUING SOUTH 87° 56' 12" EAST 522.70 FEET; THENCE SOUTH 46° 02' 08" WEST 250.13 FEET; THENCE SOUTH 20° 59' 37" WEST 1197.89 FEET; THENCE SOUTH 69° 00' 23" EAST 54.91 FEET; THENCE SOUTH 20° 59' 37" WEST 266.30 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 63° 57' 32" EAST 174.48 FEET; THENCE SOUTH 43° 58' 22" EAST 135.00 FEET; THENCE SOUTH 28° 34' 48" WEST 366.88 FEET TO A POINT ON THE WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3 AS PER THAT CERTAIN PLAN, S.R. 3 – LOST LAKE TO GORST, DATED JULY 9, 1957, BEING A POINT 140 FEET OPPOSITE HIGHWAY ENGINEER'S STATION 229+50 WHEN MEASURED AT RIGHT ANGLES TO THE HIGHWAY CENTERLINE; THENCE ALONG SAID WESTERLY MARGIN OF RIGHT-OF-WAY OF STATE ROUTE 3, SOUTH 46° 01' 38" WEST 192.11 FEET TO A POINT 140 FEET OPPOSITE HIGHWAY ENGINEER'S STATION 231+42.11 WHEN MEASURED AT RIGHT ANGLES TO THE HIGHWAY CENTERLINE; THENCE NORTH 54° 50' 38" WEST 294.99 FEET; THENCE NORTH 22° 43' 00" EAST 232.38 FEET; THENCE NORTH 41° 13' 04" EAST 325.84 FEET TO THE TRUE POINT OF BEGINNING.

EXHIBIT "C"
Lessor's Work

- (1) Pad ready site consisting of:
 - a. Utilities stubbed to the edge of the site including:
 - i. Domestic Water
 - ii. Sewer
 - iii. Electrical
 - iv. Natural Gas
 - b. Grading and balancing of site
 - c. 1000 linear feet of asphalt driveway
 - d. Stormwater detention/retention availability

EXHIBIT "D"
Design & Construction Criteria

- (1) Building shall be constructed conforming to the following setbacks, unless stricter setbacks are required by local governmental building rules and regulations:
 - a. Front yard to street 50 ft
 - b. Side yard to street 25 ft
 - c. Side yard to a property line 15 ft
 - d. Rear yard to a property line 15 ft
- (2) All structures shall be architecturally compatible with emphasis being placed on design and color schemes of walls visible from street. All designs, exterior appearance, and color schemes shall be subject to the prior approval of the Lessor.
- (3) All exterior walls for buildings shall be finished masonry, concrete, face brick, or stone, painted steel or equivalent. Wood exterior construction may be used for structures upon written approval of the Lessor. Building will consist of steel framing.
- (4) All electrical telephone and cable lines shall be placed underground.
- (5) Landscaping of each individual lot shall be installed and maintained in accordance with the landscape ordinance in effect in the County. Areas disturbed during construction shall be landscaped.
- (6) Loading docks shall not be permitted to front or face any streets within the Park without prior written approval of the Lessor.
- (7) Parking areas and driveways must be paved with an asphalt or concrete surface unless otherwise approved by the Lessor.
- (8) Inside storage of material is encouraged. Outside storage will be permitted to the rear of side of buildings provided that the storage area is screened from view by fencing no less than six (6) feet high. Such fencing shall be of quality consistent with all other fencing and structures in the Olympic View Industrial Park, and shall be of sound construction compatible with the building design and be subject to the prior written approval of the Lessor.

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

SECTION C: ZONING AND DEVELOPMENT STANDARDS



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SECTION C: PSIC ZONING AND DEVELOPMENT STANDARDS

Chapter 1: Introduction

1.010 Purpose

- a. The PSIC Zoning and Development Standards establish zoning provisions, minimum development standards, performance standards and design criteria that will guide all development in the Puget Sound Industrial Center (PSIC) Subarea, including both areas within and outside of the designated Manufacturing/Industrial Center (MIC). The purpose of these development standards is to:
 1. Implement the vision and policy direction contained in Section A;
 2. Promote environmental stewardship and reward businesses for being responsible neighbors and contributing to the sustainable character of the community;
 3. Promote compact industrial and commercial development on environmentally suitable sites near existing and planned infrastructure;
 4. Promote regional job creation and long term economic vitality through standards and guidelines that encourage and reward attractive, more sustainable development;
 5. Provide a streamlined review process for development that is consistent with Land Use Goal 3 of Section A and related SEPA Planned Action;
 6. Ensure the continued viability of industrial and aviation uses by providing restrictions and physical separation of uses that are deemed incompatible by the City;
 7. Provide a regulatory balance between predictability and flexibility to recognize the evolving nature of land uses, unique site conditions and development technologies.
- b. The standards address the following elements:
 1. Chapter 1: Introduction, including a description of the purpose, content, applicability and administration of the Zoning and Development Standards;
 2. Chapter 2: Definitions;
 3. Chapter 3: Land Use Zones, including purpose statements for each zone, zoning map, and standards for uses, height, setbacks, and other key standards;



Example of intensive, compact industrial development.



Sustainable industrial development.

4. Chapter 4: Development Standards, including standards for site clearing and development; building design; transportation, parking, circulation, and pedestrian access; landscaping; signs; exterior lighting; noise and emissions; and low impact development;
5. Chapter 5: Right-of-Way Standards

1.020 Applicability

- a. The Zoning and Development Standards provide minimum requirements applicable to development in the PSIC Subarea. The purposes outlined in this subsection are intended to be achieved through compliance with all mandatory standards and consideration of the design guidelines.
- b. Conflict of Provisions and Severability
 1. The standards contained in Section C are specific to PSIC and are intended to supplement or modify standards contained in the Bremerton Municipal Code (BMC Title 20).
 2. In the event of a conflict between the standards contained in Section C and those contained in the Bremerton Municipal Code, the standards in Section C shall prevail.
 3. In the event that a provision of this Chapter is held invalid, the remaining provisions shall remain in full force.

Chapter 2: Definitions

2.010 Introduction

All definitions contained with the Bremerton Municipal Code (BMC) apply in PSIC, unless specifically modified by the definitions below. Specific land uses are defined in BMC Chapter 20.42. If a specific term is not defined or referenced herein or in BMC Chapter 20.42, it shall take its normal and customary meaning within the context of how it is used.

2.020 List of Defined Terms

Critical Root Zone (CRZ) The minimum area beneath a tree that must be left undisturbed in order to preserve sufficient root mass to give a tree a reasonable chance of survival. The CRZ is typically represented by a concentric circle centering on the tree trunk with a radius equal to the distance from the outside of the trunk to any point twelve times the trunk diameter, which is measured at four and a half feet from the ground.

Dispersion Release of surface and storm water runoff from a drainage facility system such that the flow spreads over a wide area and is located so as not to allow flow to concentrate anywhere upstream of a drainage channel with erodible underlying granular soils or the potential to flood downstream properties.

Dual Supply Plumbing A plumbing system that provides separate piping and connections for the use of either potable water or reclaimed, non-potable water at the same fixture.

Effective Landscaping An area that provides sufficient quantity and quality of plant materials to screen parking, building, or hardscaped areas of a project and provides color and viewing interest.

Feasible Actions that can be accomplished with technologies and methods that have been used in the past in similar circumstances, or studies or tests have demonstrated in similar circumstances that such approaches are currently available and likely to achieve the intended results. Additionally, the action



Example of separate piping systems for potable (blue) and reclaimed non-potable (purple) water. Image courtesy of the Water Environment Federation.

shall not physically preclude achieving the project's primary intended legal use. In cases where these standards require certain actions unless they are infeasible, the burden of proving infeasibility is on the applicant. In determining an action's infeasibility, the City may weigh the action's relative costs and public benefits, considered in short- and long-term time frames.

Habitat Corridor

A continuous area of retained, multi-layered native vegetation that provides habitat for native wildlife species and connects environmentally critical areas, such as wetlands, or other permanently preserved natural areas allowing passage of wildlife through developed areas with minimal human disturbance.

Hard Surfaces

Any impervious surface, as well as any pervious or partially pervious surface that is not predominantly covered with vegetation or landscape mulch.

Infiltration

The movement of water into the soil layer. The rate of this movement is called the infiltration rate. If rainfall intensity is greater than the infiltration rate, water will accumulate on the surface and runoff will begin.

Infiltration facility

A drainage facility designed to use the hydrologic process of water soaking into the ground (commonly referred to as percolation) to dispose of surface and storm water runoff.

Low Impact Development (LID)

A stormwater management, site design and engineering approach with a basic principle that is modeled after nature: manage rainfall at the source using uniformly distributed decentralized small-scale controls. LID's goal is to mimic a site's predevelopment hydrology by using design techniques that infiltrate, filter, store, evaporate, and detain runoff close to its source. Specific LID tools and standards are identified in the Low

Impact Development: Technical Guidance Manual for Puget Sound.

Multi-layered Landscaping

Landscaping that incorporates plants of varying sizes (trees, shrubs, groundcover) to mimic the natural understory-canopy forest relationship. Such landscaping should generally be planted at densities similar to intact forest communities in the general vicinity.



Retained multilayered vegetation and habitat area.

Neighborhood Electric Vehicles

Battery electric vehicles that are legally limited to roads with certain posted speed limits, usually are built to have a top speed of 30 miles per hour (48 km/h), and have a maximum loaded weight of 3,000 lbs. NEVs fall under the United States Department of Transportation classification for low-speed vehicles.



Neighborhood electric vehicles (NEVs) provide quick access between buildings and work sites and can be shared by all employees. NEVs are allowed on all roads and trails in PSIC other than State Route 3.

Off-Site Trail Connection

A non-motorized pathway, constructed for use primarily by pedestrians, bicyclists, and neighborhood electric vehicles, that provides a connection from one development site to another or that connects to an established public regional trail system.

On-Site Trail

A non-motorized pathway, constructed for use primarily by pedestrians, bicyclists, and neighborhood electric vehicles, that provides access between buildings, parking, common areas, and open space within a development site.

Pedestrian-Scaled

The relationship between the dimensions of a building, street, outdoor space, or streetscape element and the average dimensions of the human body, as well as the space and built environment as perceived by the senses of a human being.

Pollution Generating Impervious Surface

An impervious surface that is a significant source of stormwater run-off pollutants. Pollution Generating Impervious Surface (PGIS) includes surface that receive direct rainfall and are regularly used for vehicular travel, storage of waste, storage of chemicals, or storage of erodible or

leachable materials (stockpiled soils, fertilizers, manure, ashes, petroleum products, etc). PGIS also includes metal roofs unless they are coated with an inert, non-leachable material.

Setback, External

The minimum required horizontal distance between the finished exterior wall of a structure and the nearest lot line that borders a property not located within the PSIC subarea.

Site Clearing

The clearing or removal of vegetative cover and other obstructions on a project site prior to undertaking construction work.

Support Retail and Services

Locally serving uses such as banks, child care, cafés, cleaners, medical/dental offices, and similar uses that support employees of industrial office or business uses.

Trees, large

A tree with a canopy that will reach at least 30 feet in diameter at maturity.

Trees, small

A tree with a canopy that will not exceed 30 feet in diameter at maturity.

Vehicle Storage Area

An outdoor area where vehicles and equipment are accumulated and stored for an indefinite period of time.

Chapter 3: Zoning Districts and Uses

3.010 Zone Establishment and Purpose

The following zones are hereby established within PSIC to protect the public health, safety and general welfare by implementing the goals and policies adopted in Section A. These goals include promoting the economic viability of manufacturing and industrial uses, encouraging employment growth, protecting Bremerton National Airport from incompatible land uses and preventing the encroachment of unplanned residential and other large non-industrial development within industrial zones. Specific purpose statements listed for each zone shall serve as a guide in determining the appropriate location of uses, conditions for development and in interpreting the standards.

a. General Industrial (GI)

The purpose of this zone is to promote a wide range of light and heavy industrial uses and compatible support retail and service uses.

b. Port Industrial Mix (PIM)

The purpose of this zone is to promote a wide range of light industrial, support retail and service uses, government uses and compatible service uses within a business park built form, as well as recreational facilities that are designed and operated in a manner that is compatible with industrial uses. Heavy industrial uses are also allowed in this zone, provided additional measures are taken to reduce the potential negative impacts of these uses on adjacent property through site design, screening, buffers and landscaping.

c. Aviation Business (AB)

The purpose of this zone is to provide areas for aviation related business, manufacturing and service-related uses, while ensuring compatibility with aircraft operations. A broad range of non-aviation industrial uses that do not include significant outdoor operations are also allowed in this zone, provided measures are taken to reduce the potential negative impacts of these uses on adjacent property through site design, screening, buffers and landscaping.

d. Mixed Employment (ME)

The purpose of this zone is to promote a range of commercial, office and light industrial uses outside of the MIC boundaries that are compatible with land uses in the MIC, with improved non-motorized connections and amenities. Light industrial activities in this zone should occur within enclosed buildings and heavy industrial uses are discouraged.

Shared Vision, Shared Direction

The purpose of the PSIC Zoning and development standards is to implement key policy direction identified in the Section A, such as Strategy LU 3.1, which calls for a streamlined and expedited permitting process for development that meets sustainability criteria.



Examples of development in the PIM Zone.



Example of development appropriate for the Mixed Employment Zone

**Shared Vision,
Shared Direction**

The Airport Compatibility Overlay (ACO) implements Policy LU 2.3 of Section A regarding controls on land uses and development that are incompatible with Bremerton National Airport.



ADMINISTRATIVE MANUAL

**Airports and Compatible
Land Use Guidebook**

M 3074.00
January 2011



Aviation Division

ACO Zones are defined based on guidance in the WSDOT Airports and Compatible Land Use Guidebook, available online at <http://www.wsdot.wa.gov/aviation/Planning/ACLUguide.htm>

- e. Airport Compatibility Overlay (ACO)
 - 1. The purpose of this overlay zone is to protect the viability of Bremerton National Airport by discouraging incompatible land uses and requiring the evaluation and consideration of potential safety impacts when siting certain land uses in proximity to the airport while retaining City zoning authority.
 - 2. Determination of ACO. The Airport Compatibility Overlay for Bremerton National Airport is derived from the most current edition of the Washington State Department of Transportation's Airports and Compatible Land Use Guidebook. The location and mapped extent of the ACO Zones 1 through 6 are based on the WSDOT Guidebook recommended zone overlay for runways exceeding 5,000 feet as applied to Bremerton National Airport. The City retains all rights to prohibit, establish, and/or modify land uses within proximity to Bremerton National Airport. Airport compatibility zones represent areas surrounding an airport that have the potential to be affected by airport operations, including exposure to lights, noise, vibration, or increased aircraft crash hazard. To minimize safety risks, the WSDOT Guidebook contains an advisory list of sensitive land uses that generally should not be located within certain compatibility zones. In general, the most sensitive land uses should not be allowed within Zones 1-4, which are directly affected by take-off and landing procedures. Each compatibility zone corresponds to a phase of the airport traffic sequence and has an associated level of crash risk:
 - i. Zone 1 is the area immediately adjacent to either end of the runway, directly in the take-off or landing path. This zone lies on airport property and is generally kept free of structures to avoid interference with aircraft. This zone carries the highest crash risk for arriving aircraft.
 - ii. Zone 2 is an extension of Zone 1 and consists of the approach path for landing aircraft or ascent path for departing aircraft. This zone represents the most likely crash area for departing aircraft.
 - iii. Zone 3 is the inner aircraft turning zone. While crash risk is relatively low, land use compatibility is a concern due to the relatively low altitude of arriving and departing aircraft.
 - iv. Zone 4 is the outer approach/departure zone, located on a direct line from the ends of the runway. Crash risk is relatively low, but structure height should be regulated to prevent interference with aircraft landing/departure.

- v. Zone 5 represents the runway itself and land immediately adjacent to the sides of the runway.
 - vi. Zone 6 is the general traffic area for aircraft in the traffic pattern awaiting permission to land.
3. Compliance with FAA Regulations. In addition to local requirements established in the Section C, the applicant will be responsible for compliance with Federal Aviation Administration (FAA) Regulations, including, but not limited to, FAR Part 77 federal airspace regulations pertaining to the height of structures within defined areas.
 4. Consultation with the Port of Bremerton. All applicants proposing work in ACO zones 1 through 6 shall consult the Port of Bremerton after submitting a land use, site development, or building permit application. Consultation with the Port of Bremerton encourages applicants to seek input on actions that may affect Bremerton National Airport and promotes land use compatibility.

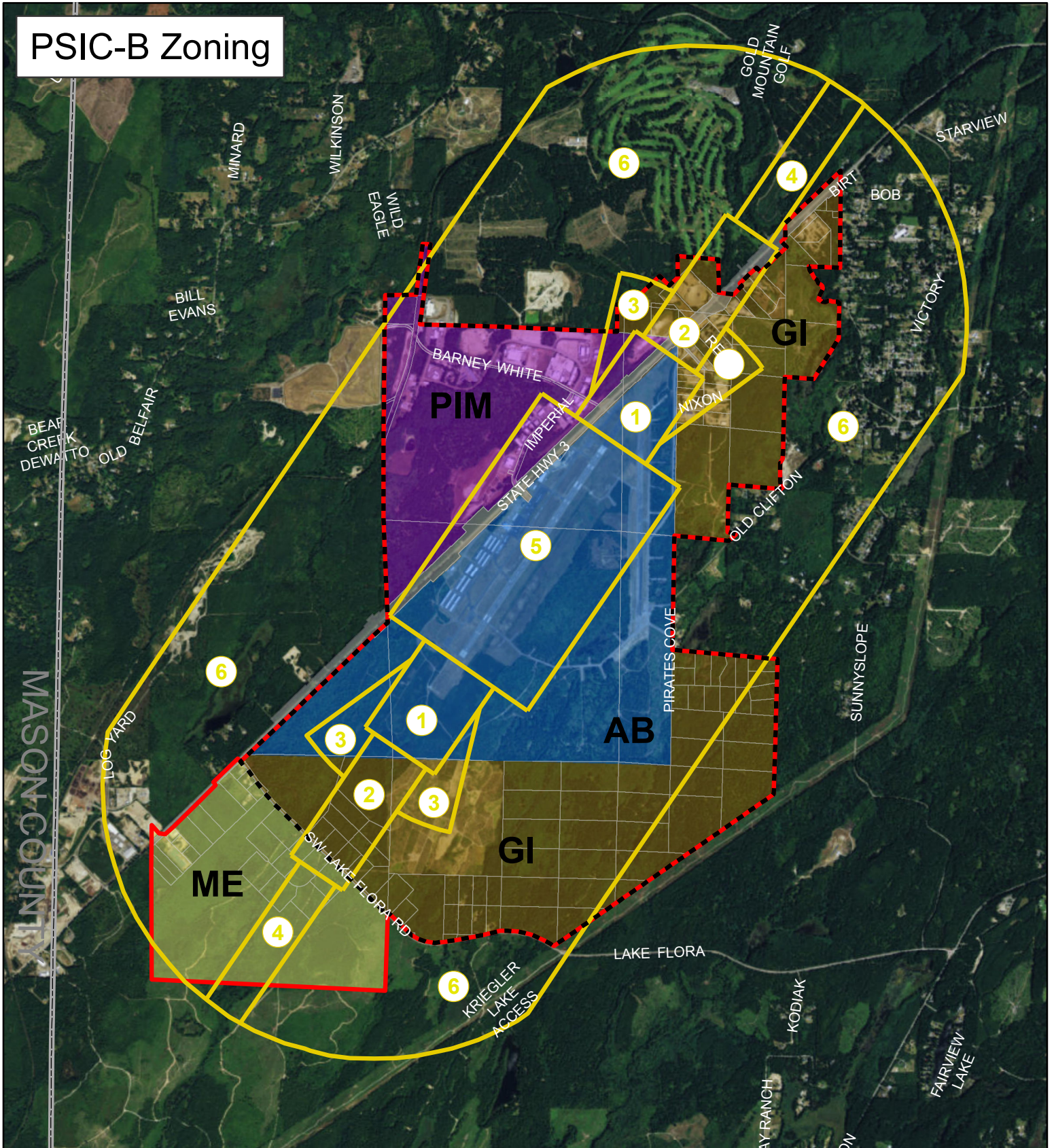
3.020 ZONING MAP

Figure C-1 depicts the location and extent of land use zones within the PSIC Subarea. The boundaries of the designated Manufacturing Industrial Center (MIC), which includes the General Industrial, Port Industrial Mix, and Aviation Business zones is also shown.



Development in the ACO should not conflict with airport operations.

Figure C-1: PSIC-B Zoning Map



ROW	Zoning	Airport Compatibility Overlay	
PSIC-B Boundary	Aviation Business (AB)	Airport Compatibility Zone Number - Assigned per WSDOT Aviation Compatibility Guidebook	
MIC Boundary	General Industrial (GI)		
Parcel	Port Industrial Mix (PIM)		
	Mixed Employment (ME)		

3.030 Permitted Uses

- a. The purpose of this section is to ensure that land uses within PSIC are compatible with manufacturing, industrial, aviation and employment uses. The following use regulations shall apply to all zones within the PSIC Subarea. All applicable requirements shall govern a use whether or not they are cross-referenced in a section.
- b. Permitted Uses. Provided that they are consistent with the intent of the Zone as specified in Section C.3.010, all uses are permitted outright, except for those uses set forth as conditional per Section C.3.040, those uses prohibited per Section C.3.050, and provided that the Development Standards specified in Chapter C.4 and C.5 of the Subarea Plan are satisfied. The applicant shall bear the burden of proving that a proposed use achieves the stated intent of the particular zone.
- c. Use Definitions. Definitions of the specific land uses are found in BMC Chapter 20.42.
- d. Decision Authority. A use determination made by the Director may be appealed to the Hearing Examiner following a Type II decision process as set forth in BMC Chapters 20.02 and 20.40.

3.040 Conditional Uses

- a. Conditional Uses. A conditional use permit, which is approved pursuant to BMC 20.58.020, may permit the following uses, provided that the Development Standards specified in Chapter C.4 and C.5 of the Subarea Plan are satisfied:
 1. Group Residential Facility—Class II
 2. Adult Entertainment Business
 3. Essential public facilities, as defined in RCW 36.70A.200

3.050 Prohibited Uses

- a. Prohibited Uses. Prohibited uses in the PSIC Subarea include:
 1. Junk Yard
 2. Residential as a primary use
- b. In addition to the prohibited uses listed above, any use with significant adverse impacts on less intense uses in neighboring residential zones shall be prohibited. Determination of significant adverse impact is made by the City and is based upon the following criteria:
 1. Noise encroachment. Generation of sound not meeting the provisions of the noise levels ordinance, BMC Chapter 6.32;

2. Light/glare encroachment. Unshielded glare visible during periods of darkness in an adjacent residential zone;
3. Odor, dust or smoke encroachment. Emission of an odor, dust or smoke byproduct clearly detectable in any residential zone.

3.060: Site Development Standards

- a. The purpose of this section is to ensure that site development is accomplished in a manner that is compatible with neighboring uses, while providing flexibility. Minimum site development standards apply as shown in Table C-1.
- b. Except those specified in Table C-1 below, there are no traditional setback requirements in PSIC. Instead, emphasis will be put on site conditions and corresponding site design to ensure safe, compatible, and effective building placement. Refer to the General Development Standards of Chapter C.4 for more specific development standards.

Table C-1: Site Development Standards

	General Industrial	Port Industrial Mix	Aviation Business	Mixed Employment
Standards				
Maximum Height ¹	Market Driven	Market Driven	Market Driven	Market Driven
Minimum External Setbacks when abutting an R-10 Zone or a residential use outside of PSIC boundaries. ^{2, 3}	50 feet	50 feet	50 feet	25 feet

Notes

1. Where building heights might affect airport operations at Bremerton National Airport applicants must demonstrate compliance with the criteria specified in Federal Aviation Regulations Part 77 and other applicable requirements.
2. This setback applies where a property line abuts another property. Refer to Section C.2.020 for additional information on where these setbacks apply.
3. An additional setback of 10 feet is required for outdoor storage use only.