

PORT OF BREMERTON

BOARD OF COMMISSIONERS REGULAR BUSINESS MEETING

A G E N D A

January 27, 2026
10:00 AM

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

The Port of Bremerton Board of Commissioners regular business meetings are open to the public and are conducted using a hybrid format. The public is invited to view and/or participate in the hybrid meeting by attending in person or through one of the following options:

- To stream online only (via BKAT feed, with no interaction possible): <https://bremerton.vod.castus.tv/vod/?live=ch1&nav=live>
- To join the online Zoom meeting: <https://uso2web.zoom.us/j/85467322251>
- For audio only; dial 1.253.215.8782; Meeting ID: 854 6732 2251

Call to Order

Pledge of Allegiance

Approval of Agenda

Consent Items

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

- A. Minutes of the regular business meeting of January 13, 2026.
- B. Payment of checks #903167 through #903172 and #903173 and #903174 through #903177 and #903178 through #903183 and #903184 through #903192 and #87320 through #87332 and #E03089 through #E03100 and #903193 from the General Fund for \$204,303.62.

Information Items

1. Love Kitsap Update – Josh Johnson, Board of Directors

Public Comment

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

Action Items

1. Kitsap Hangar Owners Association (KHOA) Lease Termination and New Airport Ground Lease
2. Consent to Assignment of Lease for Change of Ownership between Tres Sapos, LLC and Collins Investments, LLC
3. Interlocal Agreement with Kitsap Transit for Ferry-Related Cost Participation in the Port Orchard Marina Breakwater Replacement Project

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>
01/27/2026	10:00 am	*Commission Regular Business Meeting - Hybrid
01/30-02/07		Seattle Boat Show
02/06		Washington Public Ports Association Port Day – WA State Capitol
02/10	10:00 am	*Commission Regular Business Meeting – Hybrid

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

M I N U T E S

January 13, 2026

10:00 AM

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

Commissioners and Staff Present

Commissioners

Cary Bozeman
Axel Strakeljahn
Gary Anderson

Staff Members

Jim Rothlin
Arne Bakker
Aaron Schielke
James Goodman
Tim Petrick
Cole Barnes
Erica Filler
Ginger Waye
Stephanie Frame
Anne Montgomery, Atty

Call to Order

Commissioner Bozeman called the meeting to order at 10:00 a.m. and led the Pledge of Allegiance.

Oath of Office

Kitsap County Commissioner Oran Root administered the Oath of Office to Gary Anderson, re-elected Commissioner for District 2.

At 10:05 a.m., the meeting was recessed for a brief reception and reconvened at 10:15 a.m.

Election of Board Officers

It was moved by ANDERSON, seconded by BOZEMAN to:

Elect Commissioner Bozeman, President; Commissioner Strakeljahn, Vice-President; and Commissioner Anderson, Secretary, of the Port of Bremerton Board of Commissioners and, in accordance with Port Bylaws, appoint the President to the Kitsap Regional Coordinating Council (KRCC) Executive Board, the Vice-President to the Puget Sound Regional Council (PSRC) Executive Board, and the Secretary to the Kitsap Economic Development Alliance (KEDA) Executive Board, all for a two-year period.

MOTION CARRIES, 2-1 Yes - Anderson/Bozeman; No - Strakeljahn

There was discussion on the reasoning for the previous change to the bylaws.

Approval of Agenda

It was moved by STRAKELJAHN, seconded by ANDERSON to:

Approve the Agenda as presented.

MOTION CARRIES, 3-0

Consent Items

- A. Minutes of the regular business meeting and executive session of December 9, 2025.
- B. Payment of checks #903121 through #903122 and #903123 through #903126 and #903127 through #903134 and #87249 through #87261 and #E03021 through #E03035 and #903135 through #903148 and #87262 through #87285 and #E03036 through #E03057 and #903149 through #903152 and #903153 through #903156 and #903157 through #903158 and #87286 through #87298 and #E03058 through #E03077 and #903159 and #903160 through #903162 and #E03078 and #903163 through #903166 and #87299 through #87319 and #E03079 through #E03088 from the General Fund for \$1,043,867.48. Void Check #E03033.
- C. Resolution 2026-01 authorizing the CEO to sell and convey Port property of \$10,000 or less during calendar year 2025.
- D. Eighth Amendment to Chief Executive Officer Employment Agreement.

It was moved by ANDERSON, seconded by STRAKELJAHN to:

Approve the Consent Items as presented.

MOTION CARRIES, 3-0

Information Items

1. 2026 Legislative Priorities – Liz Fortunato, Desimone Group; and Brooke Davies, Christophersen, Inc.

CEO Rothlin introduced Ms. Fortunato, in person; Ms. Davies joined remotely.

Federal Update (Ms. Fortunato):

- Port Orchard Marina Breakwater MARAD funding noting that new Congress Member Emily Randall is familiar with the project. Explained that the NEPA process has taken two years but is complete and now moving to grant agreement and bidding. \$9.5M in funding is still there and legislators and staffers are being kept informed.
- Discussed potential for additional federally funded projects such as the airport feasibility study which could have a major FAA impact if it takes flight.

State Update (Ms. Davies):

- Focused on airport feasibility study; working closely with 26th District legislators.

- Highlighted other potential opportunities: Airport Way and marina restroom projects.
- Washington Public Ports Association (WPPA) Port Day in Olympia is scheduled for early February; working with CEO Rothlin on scheduling meetings with legislators.

Questions and comments from the Board were addressed throughout the presentation. There was added discussion on state ferries.

Work Study Session

1. 2026-2027 Commissioner Board and Committee Assignments

Other than the three executive boards included in the previous motion; all other board and committee assignments were reviewed and appointments determined. The organizations affected will be informed of the appointments, which will have a two-year term.

Public Comment - None

Action Items

1. Final Acceptance of the Sewer Rehabilitation Cure-In-Place-Pipe (CIPP) Project with Insituform Technologies LLC

Presented by Arne Bakker, Chief Operations Officer

Following presentation and after questions/comments were addressed:

It was moved by ANDERSON, seconded by STRAKELJAHN to:

Accept as final the contract with Insituform Technologies, LLC, for the Sewer Rehabilitation Project and authorize release of retainage upon completion of closeout requirements.

MOTION CARRIES, 3-0

2. Bid Authorization for the Bremerton Marina Breakwater Mooring Chains Replacement Project

Presented by Tim Petrick, Director of Marinas

Following presentation and after questions/comments were addressed:

It was moved by STRAKELJAHN, seconded by ANDERSON to:

Authorize staff to proceed with the bid call for the Bremerton Marina Breakwater Mooring Cable Replacement Project.

MOTION CARRIES, 3-0

Bremerton Economic Development Corporation (BEDC) Meeting

President Bozeman recessed the Public Meeting and called to order the Bremerton Economic Development Corporation Meeting at 10:55 a.m. Port CEO Jim Rothlin provided a briefing on the background and purpose of the BEDC.

1. Approval of Minutes

It was moved by STRAKELJAHN, seconded by ANDERSON to:

Approve the Minutes of the January 14, 2025, Bremerton Economic Development Corporation meeting.

MOTION CARRIES, 3-0

2. Election of Officers

It was moved by BOZEMAN, seconded by ANDERSON to:

Elect Cary Bozeman as Chairman, Axel Strakeljahn as Vice Chairman, and Gary Anderson as Secretary/Treasurer of the Bremerton Economic Development Corporation.

MOTION CARRIES, 3-0

With no further business to come before the Corporation, the BEDC meeting was adjourned, and the Public Meeting reconvened at 11:02 a.m.

Staff Reports

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

- Employee Milestones
 - Ginger Waye, Executive Assistant, reached 33 years with the Port.
- Individual meetings being scheduled with each employee to provide an opportunity to share their observations.
- Meeting with Chehalis airport manager to discuss integrating certain airports to develop programs to recruit manufacturers of advanced air mobility (electric aircraft). Also want to use Bremerton National Airport as a location for air mobility demonstrations during FIFA.
- Meeting with Mead & Hunt who will be at the second commission meeting in February to provide an update on the airport feasibility study.
- The development process and the benefits of the Port's booth at the Seattle Boat Show being held January 30 – February 7.
- A request received from PSRC to sign on to a letter supporting the Governor's proposal for the state ferries. All commissioners stated they individually supported and would sign the letter.
- WPPA's Port Day scheduled for February 6.

- Key 2026 objectives to be highlighted in the upcoming financial year-end report.

James Goodman, Director of Facilities & Property Development

- Provided an update on the fire suppression system project at 8390 Barney White Rd.
- Upon Commissioner Bozeman's invitation to speak regarding his leaving Port employment soon, Mr. Goodman reported that he accepted a position as Executive Director of a Christian youth camp and conference center so will be moving his family to Post Falls, Idaho. The Board wished him the best and thanked him for all he has provided to the Port.

Commission Reports / New Business

Commissioner Strakeljahn reported on recent meetings with:

- Josh Brown, PSRC Executive Director
- Ed Stern, new Poulsbo Mayor and incoming president of the Economic Development District Board.

Commissioner Anderson

- Expressed appreciation for being elected for another 6-year term.
- Will attend a KEDA-sponsored summit with a focus on 2026 FIFA.
- Attended a Port Orchard Chamber of Commerce meeting noting their meetings had been tabled for a while.
- Invited to ribbon-cutting for South Kitsap Helpline's new location on Mile Hill.

Commissioner Bozeman

- Attended Bremerton City Council's installation of new council members noting it will be good to have new member Rick Tift, previous Shipyard Executive Director, on the council.

Executive Session - None

Adjournment

There being no further business before the Board, the meeting was adjourned at 11:25 a.m.

Submitted,

Approved,

Jim Rothlin
Chief Executive Officer
January 22, 2026

Gary Anderson
Commission Secretary
January 27, 2026

PORT OF BREMERTON **AGENDA SUMMARY**

Agenda Item No: Action Item #1

Subject: KHOA Lease Termination and New Airport Ground Lease

Exhibits: Lease Termination Agreement; Proposed Ground Lease

Prepared By: Cole Barnes, Airport Manager

Meeting Date: January 27, 2026

Summary:

The Kitsap Hangar Owners Association (KHOA), a port tenant since 2000, operates and maintains six hangar buildings constructed in two phases. Currently, the property is managed under two separate leases, with the Port responsible for maintaining the paved ramp areas surrounding the hangars. The proposed new lease agreement consolidates the two leases into a single agreement and transfers responsibility for ramp maintenance to KHOA after the Port completes pavement replacement as outlined in the lease. The agreement includes an annual CPI adjustment and a five-year renegotiation provision. KHOA and the Port are looking to terminate the previous two leases and approve the new ground lease between the Port and KHOA.

Fiscal Impact:

Current Leases

Phase 1- monthly payment \$859.40

Phase 2- monthly payment \$694.40

*Current Combined **Monthly** payment \$1,553.72

New combined lease

***Monthly** Payment \$1,642.67

*2026 **Annual** Increase \$1,067.40

* Leasehold Excise Tax Not Included

Strategic Purpose:

This action conforms with the Port's strategic plan in Goal 4. Expand the Port's lines of business through routine assessment of new and expanded business opportunities.

Recommendation:

Staff recommend the Commission terminate the phase 1 & 2 ground leases with Kitsap Hangar Condominium Owners Association and approve the new ground lease with the Kitsap Hangar Owners Association.

Motion for Consideration:

Motion 1

Move to approve the termination agreement between the Port of Bremerton and Kitsap Hangar Condominium Owners' Association Phases 1&2 ground leases

Motion 2

Move to approve the airport ground lease between the Port of Bremerton and Kitsap Hangar Owners Association

LEASE TERMINATION AGREEMENT

This **LEASE TERMINATION AGREEMENT** (hereinafter the "Agreement") is made and entered into this _____ day of _____, 2026 (the "Effective Date"), by and between the **PORT OF BREMERTON**, a Washington Municipal Corporation (hereinafter referred to as "Lessor"), and **KITSAP HANGAR CONDOMINIUM OWNERS' ASSOCIATION**, as transferred from HU Inc., dba Hangars Unlimited, (hereinafter referred to as "Lessee"). Lessor and Lessee may collectively be referred to herein as the "Parties," and individually as a "Party."

I. RECITALS

WHEREAS, on October 24, 2000, Lessor and Lessee entered into a Lease Agreement for certain Premises, as described therein (the "2000 Lease"), and on January 24, 2006, Lessor and Lessee entered into a Lease Agreement for certain Premises, as described therein (the "2006 Lease");

WHEREAS, the 2000 Lease and 2006 Lease shall be collectively referred to herein as the "Leases";

WHEREAS, the "Terms" of the Leases are set to expire on October 31, 2030; and

WHEREAS, Lessor and Lessee now desire to terminate the Leases according to the terms and conditions in this Agreement.

II. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Parties hereto agree as follows:

1. **TERMINATION DATE.** The Leases are deemed terminated as of the Effective Date.
2. **RELEASE OF ALL CLAIMS.** Upon execution of this Agreement, Lessee, for and in part consideration of, and as an inducement for Lessor to enter into this Agreement, hereby releases and forever discharges Lessor from any and all liability, claims, demands, controversies, damages, actions, and causes of action arising prior to the date or after the date of this Agreement, whether known or unknown, arising from or in any way related to (i) the Leases; and (ii) Lessee's occupation and use of the Premises under the Leases.
3. **AUTHORITY TO SIGN.** The individuals signing this Agreement hereby represent that each are authorized to execute this Agreement on behalf of the identified Parties.
4. **COUNTERPARTS.** This Agreement may be executed in any number of counterparts with the same effect as if the Parties had signed the same Agreement. All counterparts will be construed together and evidence only one (1) agreement. Signatures on the Agreement, or any other documents delivered in connection to the Agreement or tenancy, may be sent by facsimile or e-mail transmission, and signatures on facsimile or e-mail copies have the same force and effect as original signatures. This Agreement, and any other documents delivered in connection to the Agreement or tenancy, may be electronically signed, and that any electronic signature appearing on this Agreement or such other document have the same force and effect as handwritten original signatures.

5. **ALL OTHER TERMS AND CONDITIONS.** Except as modified by this Agreement, all other terms and conditions of the Leases intended to survive the Termination Dates in the Leases shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

LESSOR:

PORT OF BREMERTON

Its: Commission President
Cary Bozeman

Its: Commission Vice-President
Axel Strakeljahn

Its: Commission Secretary
Gary Anderson

LESSEE:

**KITSAP HANGAR CONDOMINIUM
OWNERS' ASSOCIATION**

Its: President: Thomas Wellner

Its: Vice-President: William Sanford

Its: Secretary: George Steed

****Notaries on Subsequent Page****

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

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

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

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

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this day personally appeared before me _____, to me known to be the _____ of **KITSAP HANGAR CONDOMINIUM OWNERS' ASSOCIATION**, and acknowledged the said instrument to be the free and voluntary act and deed of said association, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the association.

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

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

ON-AIRPORT GROUND LEASE

This **AIRPORT GROUND LEASE** ("Lease") is made and entered into this _____ day of _____, 2026, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), and **KITSAP HANGAR OWNERS' ASSOCIATION**, a Washington Miscellaneous and Mutual Corporation (hereinafter referred to as "Lessee"). Lessor and Lessee shall be collectively referred to herein as the "Parties," and individually as a "Party."

ARTICLE I Summary of Lease Terms and Definitions

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

Lessee: Kitsap Hangar Owners Association (KHOA)
Lessee's Address: 3464 NE Bahia Vista Dr
Bremerton WA 98310-9705, United States

After Lease Commencement:
At the Premises, Attn: Board President

Premises: 2.56 Acres
Use of Premises: Hangar Storage of Aircraft

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

Commencement Date: January 1, 2026

Term: Commencing upon the Commencement Date, and expiring on the "Termination Date" twenty-five (25) years thereafter

Renewals: Two (2) options of twenty-five (25) years each

Base Rent:

Months of <u>Lease Term</u>	Monthly	Total
Months 1-12		\$1,642.67*

*Plus applicable Washington state leasehold excise tax

Initial Amount of Rental Bond or Blocked Account: \$ _____ \$11,121.60
Name and Address of Surety or Bank: _____

ARTICLE II **PREMISES, TERM, AND RENEWALS**

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 twenty-five (25) years beginning January 1, 2026 ("Commencement Date"), and terminating February 28, 2051.

2.3 RENEWALS. Subject to the terms and conditions herein, Lessee shall have the right to renew this Lease for two (2) consecutive twenty-five (25) 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 Lessee is not in default under the terms of this Lease, or any other lease or agreement with 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 Lessor's standard form Commercial Lease.

ARTICLE III **COMPENSATION AND RENTAL ADJUSTMENT**

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

3.1.1 Rent Paid in Advance – Late Charges. Rent shall be paid monthly in advance on or before the first (1st) day of each month beginning on the Commencement Date. A late charge of one percent (1%) per month will be assessed against past due Rent from the date such Rent became due. Additionally, if Rent is not received by the fifth (5th) day of any month, Lessee shall pay Lessor an additional fee of One Hundred Dollars (\$100.00) 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, Base Rent shall be adjusted annually based upon the change in the Consumer Price Index (the "CPI") for all Urban Consumers (the "Annual Adjustment") and periodically based upon agreement or appraisal (the "Periodic Adjustment").

3.2.1 Annual Adjustment. Except on Periodic Adjustment Dates and Renewal Adjustment Dates, defined below, Base Rent for the Premises shall be subject to annual adjustment on the first (1st) day of the month of January 2027, and each year thereafter (each an "Annual Adjustment Date") by using the percentage change over the previous twelve (12)-month period 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 and limited to a maximum CPI adjustment of no more than five percent (5%) for any single adjustment period.

The percentage change from the earlier index to the later index shall be multiplied by the Base Rent rate on each Annual Adjustment Date, with the result added to the prior year's Base Rent rate to arrive at the adjusted Base Rent rate, which will apply until the next Annual Adjustment Date, Periodic Adjustment Date, or Renewal Adjustment Date, except in no event shall the adjusted Base Rent rate be less than the immediately preceding year's Base Rate.

3.2.2 Periodic Adjustment. Base Rent shall be subject to a Periodic Adjustment effective on the following dates: January 1, -2031, and every five (5) years thereafter (herein such dates shall be collectively referred to as the "Periodic 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 Periodic Adjustment Date (hereinafter such ninety (90) day period shall be referred to as the "Renegotiation Deadline"). If the Parties cannot agree on an adjustment of Base Rent before the Renegotiation Deadline, then the Base Rent shall be determined according to Section 3.2.4 "Appraisal," below. Once determined, the adjusted Base Rent shall relate back to the Periodic 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 immediately preceding Lease year.

3.2.3 Renewal Term Adjustment. Base Rent shall be subject to a Renewal Term Adjustment on the first (1st) day of each renewal term (each a "Renewal Adjustment Date") by using the appraisal process set forth in Section 3.2.4 "Appraisal," below. Once determined through the appraisal process, the Base Rent shall relate back to the Renewal Adjustment Date.

3.2.4 Appraisal. When Base Rent is to be determined by appraisal, the process in this Section shall govern. Lessor shall select disinterested, MAI certified appraiser with at least ten (10) years' experience appraising property in Kitsap County to perform an appraisal of the annual fair market rental value of the Premises (the "FMV"). The appraisal shall be based on the semi-improved condition of the lease site and shall not take into account the value of any Tenant Improvements Lessee has made to the Premises. The FMV shall then be multiplied by seventy percent (70%), which amount shall be referred to as the "Port Value." The Port Value shall be increased by a ten percent (10%) annual rate of return, which sum shall be referred to herein as the "Annual Lease Rate." The Annual Lease Rate shall be divided by twelve (12) to reach the new monthly Base Rent. However, in no case shall the new Base Rent derived through this appraisal process be less than the Base Rent for the immediately preceding Lease year.

Example: FMV X 70% = Port Value
Port Value + 10% = Annual Lease Rate
Annual Lease Rate / 12 = Monthly Base Rent

3.3 AIRPORT TARIFF CHARGES. Lessee also agrees to pay any and all applicable tariffs in accordance with the Bremerton National Airport's (the "Airport") tariff schedule published by Lessor. Said tariff schedule is subject to changes from time to time as adopted by Commission resolution.

3.4 ABATED RENT. If this Lease provides for a postponement of any monthly rental payments, a period of free Rent, or other Rent concession, such postponed Rent or free Rent is called the "Abated Rent." Lessee shall be credited with having paid all the Abated Rent on the expiration of the Term of this Lease only if Lessee has fully, faithfully, and punctually performed
ON-AIRPORT GROUND LEASE – 3

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, the Abated Rent shall be calculated based on the full initial Rent payable under this Lease, plus interest thereon at the rate of twelve percent (12%) per annum from date each monthly Rental payment was postponed.

ARTICLE IV

USE OF PREMISES, CONDITION OF PROPERTY, IMPROVEMENTS, REMOVAL OF PROPERTY, MAINTENANCE, 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: storage of aircrafts in accordance with the Rules and Regulations of the Airport (the "Authorized Use").

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

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

4.2 LESSEE INSPECTION – CONDITION OF PROPERTY. Prior to executing this Lease, Lessee has fully and carefully inspected the Premises. Lessee accepts the Premises, including all existing improvements thereon, "as is" without further maintenance liability on the part of 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 Pavement. The Port shall, at its sole expense, maintain and repair the apron and ramp pavement on the Premises (the "Pavement") in good condition, which may include, but is not limited to, vegetation removal and crack sealing. The Port, at its sole and absolute discretion, will determine if and when the Pavement must be replaced. If the Port replaces the Pavement (the "Replacement Project"), then upon completion of the Replacement Project the Lessee shall be responsible for performing all future maintenance, replacements, or improvements to the Pavement on the Premises for the duration of the Lease Term at its sole cost and expense. Lessee's obligations under this Section 4.2.1 are in addition to, and not limitation of, its obligations under Section 4.5, below.

4.3 CONSTRUCTION OF TENANT IMPROVEMENTS. 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. Lessor shall not be required to make any improvements whatsoever. Lessee's contractor(s), if any, shall be subject to Lessor's approval, not unreasonably withheld. Lessor reserves the right to condition its approval upon Lessee providing payment and/or performance bonds satisfactory to Lessor. Lessee shall submit plans to, and obtain written approval from, Lessor before commencing any Tenant Improvements. Lessor shall have a reasonable period to review such plans prior to issuing a decision. Lessor may charge Lessee a reasonable fee for staff, consultant, or attorney time required to review the plans. All Tenant Improvements which are to be designated fixtures shall be so designated by Lessor upon Lessor's approval of the plans for such improvements. All Tenant 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 Intentionally Omitted.

4.3.3 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 Lessor ("Unauthorized Improvements") shall immediately become the property of Lessor, unless Lessor elects otherwise. Regardless of the ownership of Unauthorized Improvements, Lessor may, at its option, require Lessee to sever, remove, and dispose of them and return the Premises to its prior condition at Lessee's sole cost and expense, charge Lessee rent for the use of them, or both.

4.3.4 Construction Period. 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 Airport's operations.

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

- a. All equipment;
- b. All personal property; and
- c. All Tenant Improvements that are not designated fixtures.

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

- a. To remove any or all the items and to dispose of them without liability to Lessee. Lessor shall not be required to mitigate its damages, to dispose of the items in a

commercially reasonable manner, or to make any effort whatsoever to obtain payment for such items. Lessee agrees to pay Lessor's costs and damages associated with Lessee's failure to remove such items, including, but not limited to, the following: storage, demolition, removal, transportation, and lost Rent (collectively "Disposal Costs"); provided, however, that any net proceeds recovered by Lessor in excess of its Disposal Costs will be deducted from Lessee's financial obligation set forth herein. Lessee's financial obligations herein shall survive the termination of this Lease.

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

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

4.5 MAINTENANCE OF FACILITIES. Except as set forth in Paragraph 4.2.1, above, maintenance and repair of the Premises, and all improvements thereon, 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, all apron and ramp repairs and/or replacement, and repairing all walls, floors, ceiling, interior doors, and interior and exterior windows and fixtures, as well as damage caused to any portion of the Premises or Lessor's property by Lessee, and/or 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. Lessee will arrange and pay for all utility connections and services, and the distribution of such utilities and services, including, but not limited to, all costs associated with hook up, and other fees and charges related to use of such utilities and services. At the conclusion 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 FEDERAL AVIATION REQUIREMENTS. Lessee agrees that its use of the Premises will be accomplished in accordance with the following covenants.

4.7.1 Takeoff/Landing Interference. Lessee shall prevent any use of the Premises which would interfere with the landing or taking off of aircraft at the Airport, or otherwise constitute an Airport hazard.

4.7.2 Electromagnetic Interference. Lessee shall prevent any operation on the Premises which would produce electromagnetic radiations of a nature and cause interference with any air navigational or communications aid, now or in the future to be installed to serve the Airport, or which would create any interfering or confusing light or cause any restrictions to visibility at the Airport.

4.7.3 Airspace Reservation. Lessor retains the public right of flight for the passage of aircrafts in the airspace above the surface of the Premises hereinbefore described, together with the right to cause in said airspace such noise as may be inherent in the operation of aircrafts, now known or hereafter used for navigation of or flight in said airspace, and for use of said airspace for landing on, taking off from or operating on the Airport.

4.7.4 Minority Business Enterprises. Lessee understands that it is the policy of the U.S. Department of Transportation that minority business enterprises as defined in 49 CFR, Part 23, shall have the maximum opportunity to participate in the performance of this Lease as defined in 49 CFR, Section 23.5, and that this Lease is subject to 49 CFR, Part 23, as applicable. Lessee hereby assures that no person shall be excluded from participation in, denied the benefits of, or otherwise discriminated against in connection with 49 CFR, Part 23, on the grounds of race, color, national origin, or sex.

4.8 FIRE PROTECTION. Lessee understands that Lessor has no responsibility to provide fire protection for Lessee's buildings, property, or equipment located in or upon the leased Premises. It shall be the exclusive responsibility of 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, Lessee understands that it is Lessee's responsibility and duty to include the value of its buildings, property, and equipment to appropriate City of Bremerton authorities for personal property tax purposes. Failure of Lessee to accurately list its improvements or to promptly pay personal property tax when due shall be a breach of this Lease and shall be grounds for Lessor to terminate this Lease. Lessee shall promptly provide 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.

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

ARTICLE V **INSURANCE AND FINANCIAL SECURITY**

5.1 CASUALTY LOSS OF LESSEE. The Parties hereto agree that Lessor, and its commissioners, employees, insurance carrier, and casualty policy shall not be responsible to Lessee for any property loss or damage done to Lessee's property, whether real, personal, or mixed, occasioned by reason of any fire, storm, or other casualty whatsoever. It shall be 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 Lessor, Lessee, third party, or act of nature. Lessee hereby releases and discharges Lessor, and its commissioners, employees, insurance carrier, and casualty policy from any claims for loss or damage to Lessee's property.

5.2 INSURANCE. Lessee shall procure and maintain a Commercial 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 Lessee requests, and Lessor approves in writing, a lesser liability limit. If Lessee maintains higher insurance limits than the minimums required herein, Lessor shall be insured for the full available limits of Commercial General and/or Excess or Umbrella Liability maintained by Lessee, irrespective of whether such limits maintained by Lessee are greater than those required by this Lease or whether any certificate of insurance furnished to

Lessor evidences the lower limits of liability set forth above. Lessor may impose changes in the limits of liability (i) on any Periodic or Renewal 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 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 Lessor's property caused by 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. Upon demand, Lessee shall pay to Lessor the full amount paid by Lessor.

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

5.3 FINANCIAL SECURITY. In compliance with the requirements of Washington State law, Lessee agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the Term of this Lease, and any renewals thereof, a corporate surety bond, or by providing other financial security satisfactory to Lessor (herein referred to as the "Bond"), in an amount not less than Fifty percent (50%) of the sum of annual Rent, plus Washington State leasehold excise tax. The Bond shall be in a form and issued by a surety company acceptable to Lessor and shall comply with the requirements of Washington State law. Lessee shall establish the initial reserve or obtain such Bond and forward evidence thereof to Lessor within one hundred and eighty days (180) of execution of this Lease and, thereafter, within fourteen (14) days of each periodic or renewal term adjustment. Failure to comply with this requirement shall be grounds for termination of this Lease without notice by Lessor. Such Bond shall be kept always in effect during the Term of this Lease, and any renewals thereof; failure to comply with this requirement shall render Lessee in default. The Bond shall be increased annually to reflect any adjustments in annual Rent. Upon any default by Lessee in its obligations under this Lease, Lessor may collect on the Bond to offset the liability of Lessee to Lessor. Collection on the Bond shall not relieve Lessee of liability, shall not limit any of Lessor's

other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

ARTICLE VI **ENVIRONMENTAL LIABILITY**

6.1 ENVIRONMENTAL INDEMNIFICATION. Lessee shall defend (with legal counsel suitable to Lessor), indemnify, and hold Lessor harmless from any and all claims, demands, judgments, orders, or damages resulting from Hazardous Substances on the Premises or Lessor's property caused, in whole or in part, by the activity of Lessee, and/or 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 (ii) on Lessor's property as a result of, arising out of, or relating to Lessee's operations under this, or any previous lease or agreement. It is the intent of the Parties that Lessee shall be responsible for, 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 Lessor's property through this Lease, or any previous lease or agreement with Lessor. The term "Hazardous Substances" as used herein shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1251 et seq.; the Clean Air Act, 42 USC Sec. 7401 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated thereunder.

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

6.1.2 Environmental Investigations. Although Lessee shall not be liable for any Hazardous Substances on the Premises that were not caused, in whole or in part, by the activity of Lessee, and/or its agents, subtenants, or any other person or entity on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease, or any previous lease or agreement, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, and Lessee hereby releases Lessor from any contribution claim for those costs. By way of example only, if Lessee excavates soil on the Premises which contains Hazardous Substances, then 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, Lessee shall provide prior written notice to Lessor. Lessee shall provide 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.

6.4 STORMWATER MANAGEMENT. Lessee shall at all times, and at its sole cost and expense, comply with all applicable rules, codes, laws, and regulations regarding stormwater management, which, by way of example and not limitation, may require Lessee to obtain an Industrial Stormwater or Boatyard General Permit from the Washington State Department of Ecology in association with its Authorized Use. Any actions required for Lessee's compliance with its stormwater management obligations shall be at Lessee's sole and exclusive expense. It is the intent of this Section that Lessee shall be solely responsible for all actions needed and costs incurred to manage, collect, treat, and discharge stormwater from the Premises during the Term of this Lease, including, without limitation, any renewal and holdover periods. Discharging stormwater without any required permit is a default under this Lease.

6.4.1 Exceedances from Premises. Stormwater permits require (i) monitoring and sampling of discharges from the Premises with regard to benchmarks set forth in the operative permit; and (ii) compliance with a Stormwater Pollution Prevention Plan ("SWPPP"). Any exceedance of a benchmark value for the constituents analyzed is an "Exceedance." Lessee is responsible, at its sole cost and expense, for the condition of stormwater discharged and/or collected from the Premises, including, without limitation, preventing and responding to Exceedances as set forth in the operative stormwater permit.

6.4.2 Indemnification. Lessee shall indemnify, defend (with counsel acceptable to Lessor), release, and hold harmless Lessor from any alleged violations of (i) Section 6.4 of this Lease; (ii) any permits, approvals, or authorizations associated with or related to Lessee's stormwater discharge; (iii) applicable local code sections related to stormwater; (iv) the Washington Water Pollution Control Act, RCW 90.48 et seq. ("WPCA"); and/or (v) the Federal Water Pollution Control Act, 33 U.S.C. Sec. 1251 et seq., also known as the Clean Water Act ("CWA")

6.4.3 Duty to Comply. Lessee has an ongoing duty to comply with any applicable stormwater permits, the WPCA, and the CWA.

ARTICLE VII **MISCELLANEOUS PROVISIONS**

7.1 INTENTIONALLY OMITTED.

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 any 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. Lessee agrees that it will defend (with legal counsel acceptable to Lessor), indemnify, and hold harmless Lessor, and 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 Lessee, and/or its agents; or (ii) made by any person or entity holding under Lessee, or any person or entity on the Premises or on 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 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 Lessor 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, Lessor 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 Washington State and federal environmental laws and regulations. Lessee shall defend (with legal counsel acceptable to Lessor), indemnify, and hold harmless Lessor from any fine, penalty, or damage imposed by any lawful authority, which may arise as a result of Lessee's failure to comply with the obligations of this Section 7.6.

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 Lessor, Lessee shall pay Lessor a penalty of One Hundred Dollars (\$100.00) 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, 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 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 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, will be considered an assignment. Should Lessor consent to an assignment made by Lessee for the purposes of obtaining a loan or other consideration from a third party, then if Lessor has a standard consent form for these purposes, Lessor's consent shall be made in accordance with that form. If Lessor has a standard consent form, 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 as 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 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 Lessor at the same time that Lessee requests 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 Lessee's request for Lessor's consent to a proposed assignment or in the event Lessee seeks to modify the Lease during the Term of the Lease, or any renewals thereof. 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, Lessee shall not be obligated to reimburse 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 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, but no such assignment, subletting, occupancy, or collection shall be deemed a waiver of this covenant, the acceptance of the assignee, subtenant, or occupant as tenant, or a release of Lessee from the further performance by Lessee of covenants on the part of Lessee herein contained. No assignment or subletting shall affect the continuing primary liability of Lessee (which, following assignment, shall be joint and several with the assignee), and Lessee shall not be released from performing any of the terms, covenants, and conditions of this Lease.

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

7.12.8 Assignee/Sublessee Insurance. In the event 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 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 Lessee three notices requiring Lessee either to (i) comply with the terms of this Lease or to vacate the Premises; or (ii) pay Rent or vacate (collectively referred to herein as "Default

Notices"), then Lessee shall, upon a subsequent violation of any term of this Lease by 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 Section 7.13, Lessor may exercise any remedies or rights under the laws of the State of Washington, including, but not limited to, recovering damages for past due Rent, future Rent, costs to re-let the Premises, and costs to restore the Premises to its prior condition (reasonable wear and tear excepted). Under no circumstances shall Lessor be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Lessor shall not, by any re-entry or other act, be deemed to have accepted any surrender by Lessee of the Premises nor otherwise terminated this Lease, or to have relieved Lessee of any obligation hereunder. Lessor shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Lessee unless and until Lessee cures such default. A fee of Five Hundred Dollars (\$500.00) shall be assessed to Lessee for each Default Notice issued to Lessee to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the Default Notice.

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

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

7.16 NOTICES. Any notice, demand, request, consent, approval, or communication that either Party desires or is required to give to the other Party shall be in writing and addressed to the other Party at the addresses set forth in Article I, above, 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 set by e-mail if 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) upon 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 and postage prepaid.

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 Article I 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 now nor hereafter relying 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 to 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, and any renewals thereof, 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.** 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 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 at any time, and if the business or normal function of Lessor should at any time require that it enter upon the Premises to perform any work or make any improvements, it may do so, but not in such manner as to materially injure Lessee with its normal and usual operation.

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

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

construed against either 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, illegal, or unenforceable against one (1) Party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

7.23 HOLDING OVER. If Lessee remains in possession of said Premises after the date of expiration of this Lease, or any renewals thereof, 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, or any renewals thereof, 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 Lessee, as provided for in this 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 rights of the Parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the Parties agree that in any such action, jurisdiction and venue shall lie exclusively in Kitsap County, Washington, and not in any federal court.

7.26 ATTORNEY FEES-LEASE ENFORCEMENT. The prevailing Party in any action to enforce any term or condition of this Lease shall be entitled to an award of their reasonable costs and attorney fees.

7.27 ESTOPPEL CERTIFICATES. At Lessee's request, Lessor agrees to execute and deliver to Lessee or its lender(s), a customary estoppel certificate in a form acceptable to 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 Lessor for all staff time incurred and attorneys' fees paid by Lessor for the review and opinion of such attorney acting on the request for such estoppel certificate and in negotiating acceptable language in the estoppel certificate. A failure to reimburse Lessor within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease.

7.28 ATTORNMENT. In the event the Premises are sold, Lessee shall attorn to the purchaser upon the sale; provided however, 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 Lease 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 **FORCE MAJEURE.** The occurrence of an event which materially interferes with the ability of a Party to perform its obligations or duties hereunder which is not within the reasonable control of the Party or any of its affiliates, and which could not with the exercise of diligent efforts have been avoided, including, but not limited to, weather, governmental/agency action or inaction, war, rebellion, earthquake, fire, epidemic/pandemic, strike, riot, civil commotion, act of God, and/or similar such events (each a "Force Majeure Event"), shall not excuse such Party from the performance of its obligations or duties under this Agreement, but shall merely suspend such performance during the Force Majeure Event. The Party subject to a Force Majeure Event shall notify the other Party in writing no later than three (3) days after the occurrence of such Force Majeure Event and shall provide the other Party, from time-to-time, with its best estimate of the duration of such Force Majeure Event and with notice of the termination thereof. The Party so affected shall use diligent efforts to avoid or remove such causes of non-performance as soon as is reasonably practicable. Upon termination of the Force Majeure Event, the performance of any suspended obligation or duty shall recommence without delay. Notwithstanding the foregoing, Force Majeure Events shall not excuse Lessee's non-payment of any financial obligations under this Lease, including, but not limited to, the payment of Rent.

7.31 **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 and executed with all necessary legal formalities by the Commission of the Port of Bremerton.

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

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

LESSEE:

**KITSAP HANGAR OWNERS
ASSOCIATION**

Its: President: Thomas Wellner

Its: Vice-President: William Sanford

Its: Secretary: George Steed

LESSOR:

PORT OF BREMERTON

Its: Commission President
Cary Bozeman

Its: Commission Vice-President
Axel Strakeljahn

Its: Commission Secretary
Gary Anderson

****Notaries on Subsequent Page****

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

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

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

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

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

On this day personally appeared before me _____, to me known to be the **OFFICERS** of the **KITSAP HANGAR OWNERS' ASSOCIATION**, and acknowledged the said instrument to be the free and voluntary act and deed of said association, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument on behalf of the association.

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

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

EXHIBIT "A"

THE TENANT MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF THESE DOCUMENTS AS PERTAINS TO THE PREMISES LEASE HEREUNDER.

LEGAL DESCRIPTION AND LOCATION-PHASE ONE, AND A PORTION OF PHASE TWO LEASE SITES

(Hangars 11, 12, 13, 14, 15 and 16)

Three rectangular lease areas (11, 12, and 14) located at the Bremerton National Airport and all being portions of the Northwest Quarter of Section 14, Township 23 North, Range 1 West, Willamette Meridian in Kitsap County, Washington, described as follows:

Commencing at monument U.S.E.D. T-52-A2 per Section Subdivision and Control Traverse drawing created for the Port of Bremerton, by RM. McGinnis, dated 4 January, 1974 said monument being located at the Northeast end of Runway 19-1 centerline; Thence S34°12'27"W along said centerline, 6549.91 feet to a monument located approximately one foot inside the edge of paved surface of runway 19-1; Thence N34°12'27"E along said centerline, a distance of 186.58 feet to POINT 'A' and the POINT OF BEGINNING of the following described three areas:

AREA 11 (Phase 2 portion):

Beginning at Point 'A' and going thence Northwest and perpendicular to said centerline, a distance of 786.00 feet; Thence Southwest and parallel with said centerline, a distance of 224.65 feet to the easterly corner of the that portion of lease area 11 located within Phase 2 and the True Point Of Beginning;

Thence continuing and parallel with said centerline, a distance of 235.81 feet; Thence Northwest and perpendicular to said centerline, a distance of 85.05 feet; Thence Northeast and parallel with said centerline, a distance of 235.81 feet; Thence Southeast and perpendicular to said centerline, a distance of 85.05 feet to the True Point of Beginning.

AREA 12 (Phase 2 portion):

Beginning at Point 'A' and going thence Northwest and perpendicular to said centerline, a distance of 906.28 feet to the easterly corner of the lease area 12 and the True Point of Beginning;

Thence Southwest and parallel with said centerline, a distance of 224.71 feet to the easterly corner of the that portion of lease area 12 located within Phase 2 and the True Point Of Beginning;

Thence continuing and parallel with said centerline, a distance of 235.75 feet; Thence Northwest and perpendicular to said centerline, a distance of 88.85 feet; Thence Northeast and parallel with said centerline, a distance of 235.75 feet; Thence Southeast and perpendicular to said centerline, a distance of 88.85 feet to the True Point of Beginning.

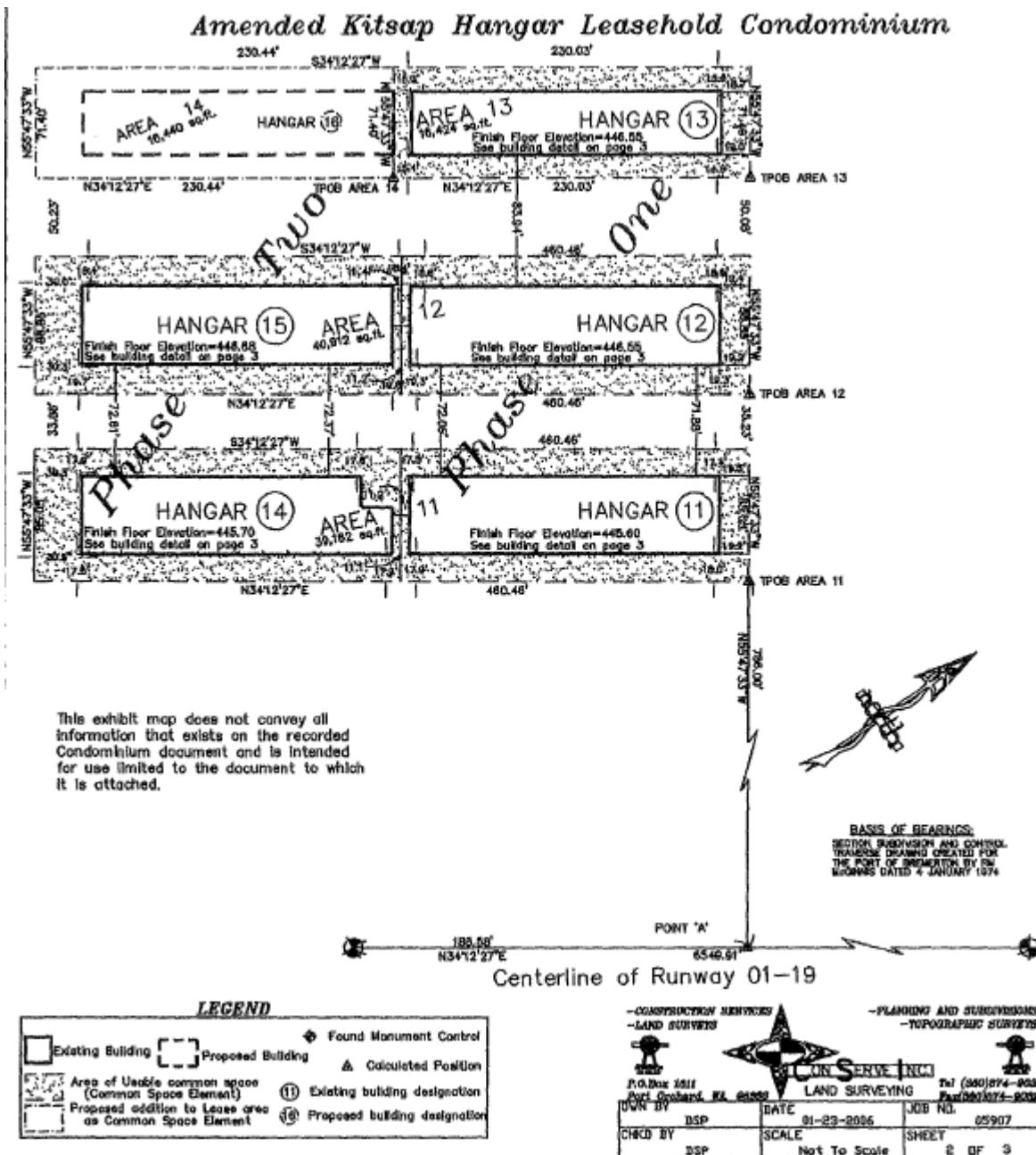
AREA 14 (Phase 2):

Beginning at Point 'A' and going thence Northwest and perpendicular to said centerline, a distance of 1045.21 feet;

Thence Southwest and parallel with said centerline, a distance of 230.02 feet to the easterly corner of the lease area 16 and the True Point of Beginning;
Thence Southwest and parallel with said centerline, a distance of 230.44 feet;
Thence Northwest and perpendicular to said centerline, a distance of 71.40 feet;
Thence Northeast and parallel with said centerline, a distance of 230.44 feet;
Thence Northwest and perpendicular to said centerline, a distance of 71.40 feet to the easterly corner of the lease area 16 and the True Point of Beginning

EXHIBIT B
MAP OF PREMISES

THE TENANT MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF THESE DOCUMENTS AS PERTAINS TO THE PREMISES LEASE HEREUNDER.



PORT OF BREMERTON

AGENDA SUMMARY

Agenda Item No: Action Item #2
Subject: North End Hangar Lease Assignment
Exhibits: Consent to Assignment for Change of Ownership
Prepared By: Cole Barnes, Airport Manager
Meeting Date: January 27, 2026

Summary:

Tres Sapos, LLC has entered into an agreement to sell its hangar located on the north end of the airport to Collins Investments, LLC and has requested that the Port approve the transfer of the associated ground lease to Collins Investments.

As part of this transaction, Tres Sapos LLC has requested a transfer of the land lease owned by the Port, from Tres Sapos, LLC to Collins Investments, LLC. Collins Investments is a long-standing tenant at the airport and currently owns multiple large hangars and maintains several land lease agreements with the Port.

Fiscal Impact:

The lease amount is a direct transfer and has zero net fiscal impact except for the Port will receive \$300.00 for the lease transfer fee.

Strategic Purpose:

This action conforms with the Port's strategic plan in Goal Strategy 4.c. Have a deliberate, cost-effective process for evaluating new and unique business opportunities.

Recommendation:

Staff recommend that the commission approve the ground lease transfer from Tres Sapos, LLC to Collins Investments, LLC.

Motion for Consideration:

Move to approve the ground lease transfer from Tres Sapos, LLC to Collins Investments, LLC and authorize the Port CEO to execute the transfer document.

CONSENT TO ASSIGNMENT OF LEASE FOR CHANGE OF OWNERSHIP

This **CONSENT TO ASSIGNMENT FOR CHANGE OF OWNERSHIP** ("Agreement") is made and entered into this _____ day of January, 2026, by and between the **PORT OF BREMERTON**, a Washington municipal corporation (hereinafter referred to as "Lessor"), **TRES SAPOS, LLC**, a Washington limited liability company (hereinafter referred to as "Lessee"), and **COLLINS INVESTMENTS, LLC**, a Washington limited liability company (hereinafter referred to as "Assignee"). Lessor, Lessee, and Assignee shall be collectively referred to herein as the "Parties," and individually as a "Party."

I. RECITALS

WHEREAS, Lessor and Lessee entered into that On-Airport Ground Lease dated March 12, 2024, which is recorded under Kitsap County Auditor File No. 202403140130 (the "Lease"), wherein Lessor leased property to Lessee defined as the "Premises" in the Lease;

WHEREAS, Lessee constructed a hangar building (the "Building") on the Premises;

WHEREAS, according to Lease Section 7.12, any assignment of the Lease requires Lessor's written consent; and

WHEREAS, by a Purchase and Sale Agreement dated December 23, 2025 (the "Sale Agreement"), a copy of which is attached hereto as Exhibit A, Lessee intends to sell the Building and assign the Lease to Assignee.

II. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **CONSENT.** Lessor consents to the Sale Agreement and the assignment of the Lease from Lessee to Assignee on the terms and conditions set forth herein.
2. **LEASE APPLIES.** Assignee agrees to, and shall be bound by, all terms and conditions of the Lease, including all subsequent renewals, modifications, and assignments thereto. If there is any inconsistency between the Sale Agreement and the Lease, the Lease shall control.
3. **NO MODIFICATION OR WAIVER.** This Agreement shall in no way affect any of the terms and conditions of the Lease. This Agreement shall not be deemed a consent of any other assignment or a waiver of Lessor's right to require consent to any further assignments.
4. **SECURITY.** Assignee shall provide a performance bond, or equal surety, to Lessor as required by the Lease concurrently with Lessee's execution of this Agreement.
5. **ASSIGNEE INSURANCE OBLIGATIONS.** Without limiting the generality of Assignee's obligations to Lessor under this Agreement, Assignee agrees to, and shall comply with, the insurance provisions contained in the Lease. Prior to occupying the Premises, Assignee shall

provide a Certificate of Insurance to Lessor evidencing compliance with the same.

6. WAIVER OF CLAIMS. In partial consideration for consenting to this Agreement, Lessee does hereby forever release, indemnify, and hold harmless Lessee, and its commissioners, employees, and agents, from any and all Claims arising from or connected with the Lease or the Premises through the date of this Agreement. For purposes of this Section 6, the term "Claims" means any and all claims, demands, lawsuits, judgments, demands, fines, or penalties, whether known or unknown, and whether liquidated or unliquidated, on the date of this Agreement.

7. TRANSFER AND ATTORNEYS' FEES.

7.1 Transfer Fee. Lessee shall pay an administrative handling and transfer fee ("Transfer Fee") of Three Hundred Dollars (\$300.00) to Lessor prior to Lessor reviewing the requested assignment.

7.2 Attorneys' Fees. In addition to the Transfer Fee, Lessee shall pay Lessor's reasonable and customary attorneys' fees incurred relating to Lessee's request for Lessor's consent to this Agreement. 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, Lessee shall not be obligated to reimburse 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.

8. TERM OF LESSOR'S CONSENT. In the event the Sale Agreement fails to close on or by February, 20, 2026, Lessor's consent to the Sale Agreement granted herein shall be automatically revoked and this Agreement shall be null and void, with the exception of Lessee's waiver of Claims set forth in Section 6, above.

9. CONDITION PRECEDENT. Lessor's consent to the Sale Agreement is conditioned upon Lessee's payment of all amounts due and owing under the Lease up to and through the Sale Agreement's closing date. In the event Lessee fails to remit payment for any amounts due and owing up to and through the Sale Agreement's closing date, Lessor's consent to the Sale Agreement granted herein shall be automatically revoked and this Agreement shall be null and void with the exception of Lessee's waiver of Claims set forth in Section 6, above.

10. GOVERNING LAW. This Agreement, and the rights 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. The substantially prevailing Party in any such dispute shall be entitled to an award of its attorneys' fees and costs.

11. 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.

12. 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 and shall be addressed to the other Party at the addresses as follows:

TO LESSOR: Port of Bremerton
8850 WA-3
Bremerton, WA 98312

TO LESSEE: Tres Sapos, LLC
8620 State Highway 3 SW
Bremerton, WA 98312

TO ASSIGNEE: Collins Investments, LLC
14800 NE North Woodinville Way
Woodinville, WA 98072

Or such address as may have been specified by notifying the other Party of the change of address. Notice shall be deemed served on the date of actual delivery or the first (1st) attempted delivery as shown on the return receipt if mailed with the United States Postal Service via certified mail, return receipt requested.

13. ENTIRE AGREEMENT. This Agreement contains all of the understandings between the Parties regarding the consent set forth herein. Each Party represents that no promises, representations, or commitments have been made by the other as a basis for this Agreement 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 Agreement and executed with all necessary legal formalities by Lessor.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written.

LESSOR:

PORT OF BREMERTON

LESSEE:

TES SAPOS, LLC

By: Jim Rothlin
Its: Executive Director

By: Brandon K. Bainbridge
Its: Member/Manager

ASSIGNEE:

COLLINS INVESTMENTS, LLC

By: Roger Collins
Its: Member/Manager

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

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

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

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

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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

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

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

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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

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

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

PORT OF BREMERTON **AGENDA SUMMARY**

Agenda Item No: Action Item #3

Subject: Interlocal Agreement Approval between Port of Bremerton and Kitsap Transit

Exhibits: ILA agreement

Prepared By: Tim Petrick, Director of Marinas

Meeting Date: January 27, 2025

Summary:

The Port of Bremerton and Kitsap Transit recognize that the existing 49-year-old breakwater at the Port Orchard Marina has reached the end of its functional life and must be replaced to ensure continued protection of the marina. The Port intends to construct a new breakwater that will serve as essential public maritime infrastructure, providing critical moorage as well as wake and wave protection. The current cost of the entire breakwater project is estimated at over \$16 million to date.

Because Kitsap Transit regularly moors passenger-only ferry vessels at the marina—and a wake impact study shows that ferry operations contribute to wake effects—both parties acknowledge the importance of incorporating design features that support ferry moorage and mitigate wake impacts.

To support this shared goal, Kitsap Transit agrees to reimburse the Port for the portion of design and construction costs associated with ferry-specific elements of the new breakwater. Given the Port's reliance on multiple funding sources, both parties wish to formalize their cooperation through an Interlocal Agreement under RCW 39.34, ensuring coordinated efforts and mutual benefit throughout the breakwater replacement project.

Fiscal Impact:

P.I Type Breakwater Wake Mitigation;	\$ 250,000
Increased Guide Pile Foundation Strength:	\$ 300,000
Electrical Charging Adaptors to KT vessels:	\$ 5,000
KT portion of Shore Power Upgrade:	<u>\$ 23,000</u>
Total Cost attributable to KT ILA:	\$ 588,383
Amount attributable for prepaid moorage:	<u>\$ 385,058</u>
Total current contribution from Kitsap Transit:	<u>\$ 973,441</u>

Strategic Purpose:

This action conforms with the Port's strategic plan in Strategy 3.a. Create, adopt and keep current lines of business 'Development Plans'

Recommendation:

Staff recommend that the Port of Bremerton Commission authorize the Chief Executive Officer to execute the Interlocal Agreement between the Port of Bremerton and Kitsap Transit. Approval of this agreement will formalize cost-sharing for ferry-related design and construction elements of the Port Orchard Marina breakwater replacement project, ensure coordinated project delivery, and support the long-term protection and functionality of this critical public maritime infrastructure.

Motion for Consideration:

Move to approve the Interlocal Agreement between the Port of Bremerton and Kitsap Transit for ferry-related cost participation in the Port Orchard Marina breakwater replacement project and authorize the Port CEO to execute the agreement.

**INTERLOCAL AGREEMENT BETWEEN KITSAP COUNTY
TRANSPORTATION BENEFIT AREA AUTHORITY AND
PORT OF BREMERTON FOR THE CONSTRUCTION OF
THE PORT ORCHARD MARINA BREAKWATER
REPLACEMENT.**

This agreement is between Kitsap County Transportation Benefit Area Authority, whose principal office are located at 60 Washington Ave. #200, Bremerton, WA 98337, (hereinafter referred to as Kitsap Transit) and the Port of Bremerton, whose principal offices are located at 8850 SW Highway 3, Bremerton, WA 98312 (hereinafter referred to as the Port).

RECITALS

WHEREAS, the Port of Bremerton owns and operates the Port Orchard Marina which has a 49-year-old breakwater which has reached its effective physical and operational lifespan and is in need of replacement; and

WHEREAS, the Port of Bremerton intends to construct a replacement breakwater to protect the Port Orchard Marina; and

WHEREAS, Kitsap Transit regularly has moored multiple passenger-only ferry vessels and desires to utilize the Port Orchard Marina breakwater for continued passenger-only ferry vessel moorage; and

WHEREAS, based on the wake impact study conducted by Port of Bremerton it is beneficial for Kitsap Transit to mitigate the wake impacts at the Port Orchard Marina; and

WHEREAS, the Parties have identified that the Port Orchard Marina Breakwater Replacement to be essential public maritime infrastructure, providing critical moorage and vessel wake and wave protection to the Port Orchard Marina when installed, and

WHEREAS, the Port has identified design elements of the Port Orchard Marina Breakwater Replacement that facilitate Passenger Only Ferry moorage and provide mitigation of Passenger Only ferry wake impacts; and

WHEREAS, Kitsap Transit seeks to participate in opportunities to reduce and mitigate passenger-only ferry vessel wake impacts to the Port Orchard Marina; and

WHEREAS, the Port plans to fund the Port Orchard Marina breakwater project from a variety of local, State, Federal, and nonlocal funding sources some of which the timing of receipt is now unpredictable, and

WHEREAS, the Port and Kitsap Transit agree that Kitsap Transit will reimburse the Port for the portion of design and construction costs related to the inclusion of breakwater design elements directly related to the Passenger Only Ferry moorage and Passenger Only Ferry wake and wave mitigation, and

WHEREAS, the Port and Kitsap Transit agree that Kitsap Transit will, in addition, pay the going rate to the Port for future Passenger Only ferry moorage on the East Breakwater, when completed no later than six years from the start date ("start date" defined as the date of breaking ground) of the project; and

WHEREAS, Port and Kitsap Transit are desirous of entering into an agreement to provide a means for one party to assist the other with regards to the breakwater construction, both parties being authorized to enter into Interlocal Agreements (ILA) pursuant to RCW 39.34;

NOW, THEREFORE, in consideration of the mutual benefits, covenants, conditions, performances, and promises hereinafter contained, the parties agree to as follows:

SECTION 1. PURPOSE AND OBJECTIVES. The Parties agree that the purpose of this Interlocal Agreement is to establish a mutual sharing of costs regarding portions of the replacement of the Port Orchard Breakwater. It is the objective of the Parties to cooperatively work together to facilitate the design, permitting, and construction of the replacement breakwater facility.

SECTION 2. COSTS AND FUNDING.

2.1 It is estimated that the upgrades to the identified design elements of the Port Orchard Marina Breakwater Replacement that facilitate Passenger Only Ferry moorage, provide ability for shore power recharge of electric vessels, and provide mitigation of passenger only ferry wake impacts will have a total cost of \$ 588,383.

P.I. Type Breakwater Wake Mitigation:	\$ 250,000
Increased Guide Pile Foundation Strength:	\$ 300,000
Electrical Charging Adaptors to Kitsap Transit Vessels	\$ 15,000
<u>Kitsap Transit portion of Shore power upgrade:</u>	<u>\$ 23,383</u>
Total Cost to mitigate for Transit Ferries:	\$ 588,383

2.2. Calculation of Contribution by Kitsap Transit: Moorage on the Port Orchard Breakwater for multiple Kitsap Transit vessels, shall be at reduced moorage rates, which for multiple vessels equals an estimated annual value of \$ 9,886 per year with the additional of a Seattle-Bellevue CPI increase each year of a minimum of 3.5%. For 25 years, the total moorage amount equals \$385,058.00. The new breakwater project has a projected lifespan of 50 years.

2.3 Kitsap Transit agrees to contribute nine hundred seventy three thousand four hundred forty one dollars (\$973,441.00) to be used exclusively for the Port Orchard Marina Breakwater replacement construction project ("Transit Funds"). The Transit Funds shall be utilized as follows: To pay for the actual costs of the upgrades identified in Paragraph 2.1 shall be the primary use. Secondary use is the prepayment of moorage per Section 2.2 and 2.4. Kitsap Transit shall have the right to audit the Port's books and records related to its use of the Transit Funds for the period from the commencement of this Agreement to six years from its termination.

2.4 Kitsap Transit shall transfer the Transit Funds to the Port in one lump sum by January 30, 2026,

with a right of refund (see Paragraph 2.5 below) if the breakwater improvements/upgrades do not occur. Once work commences, the Port will provide Transit, upon the request of Transit, with quarterly statements outlining the monies spent from the Transit funds. Upon completion of the upgrades, a final accounting would be provided to Transit on funds remaining for the secondary use. Future moorage statements would indicate the annual reduction of Kitsap Transit's remaining moorage credit. Kitsap Transit shall not be responsible for and the Transit Funds shall not be used for (1) any costs overruns for the project costs identified in Paragraph 2.1, (2) any change orders affecting the project costs identified in Paragraph 2.1, and (3) for any other costs or expenses associated with the breakwater project except as otherwise provided for in this Agreement.

2.5. In the event the Port does not complete construction of the Port Orchard Marina Breakwater project within ten (10) years from the date of this Agreement, the Port shall refund to Kitsap Transit the Transit Funds.

SECTION 3. TERM. This Agreement shall commence on the date of execution by all parties and shall terminate 25 years from the date of successful Port Orchard Marina Breakwater Replacement construction completion, or whenever the funds per Section 2.2 above are expended, whichever event occurs first.

SECTION 4. FINANCIAL AND LEGAL RESPONSIBILITY

It is understood and agreed that this Agreement is solely for the benefit of the parties hereto and gives no right to any other party. No joint venture or partnership is formed as a result of this agreement. Any action at lawsuit in equity or judicial proceeding pertaining to this agreement or any portion thereof, shall be instituted and maintained only in the court of competent jurisdiction at Port Orchard, in Kitsap County, Washington.

SECTION 5. LEAD AGENCY The Port will act as lead agency for this Port Orchard Marina Breakwater Replacement project, and will be solely responsible for designing, bidding, and administering the construction contract, including signature authority for all contractual matters. Kitsap Transit's role is limited to providing project funding and it shall have no obligation nor shall there be any requirement it review or approve any project plans, specifications, drawings or the work performed.

SECTION 6. NOTICES

Whenever notice is required pursuant to this agreement, it shall be given to the respective representatives of the parties at the following addresses:

Kitsap Transit
Executive Director
60 Washington Ave. #200
Bremerton, WA 98337

Port of Bremerton
CEO
8850 SW Highway 3
Bremerton, WA 98312

SECTION 7. MODIFICATIONS AND AMENDMENTS. This agreement may be changed, modified, or amended only by written agreement executed by the Parties.

SECTION 8. INSURANCE AND INDEMNITY:

8.1 Insurance. Kitsap Transit shall secure and maintain protection and indemnity insurance for property damage and bodily injury caused by Kitsap Transit vessels mooring at the Premises in an amount of not less than \$5,000,000 per occurrence. Proceeds from such insurance shall be

used to restore damage to the Premises caused by Kitsap Transit vessels. Kitsap Transit shall provide the Port with a certificate of insurance, naming the Port as an additional insured (CG 2010 [form B]) or its equivalent. Except as provided for in Section 8.2 below, Kitsap Transit agrees to hold the Port, its officers, employees, and agents harmless from any liability and/or suits for such injuries or property damage as any person might receive or believe he has received from the acts or omissions of the Kitsap Transit, its agents, or employees, or any other person(s) using the Premises under the terms of this agreement while operating at the Port of Bremerton, including the expense of litigation. No occupancy or use is permitted under the terms of this agreement shall commence until such evidence of insurance is presented to and approved by the Port. Kitsap Transit agrees to assume full responsibility for the conduct of all persons involved in the said use of the Premises.

8.2 Indemnification. Except as set forth above in Section 8.1, each party hereto agrees to be responsible and assumes liability for its own negligent acts or omissions, and those of its officers, agents, and employees to the fullest extent required by law, and agrees to save, indemnify, defend, and hold the other party harmless from any such liability. In the case of negligence of multiple parties, any damages allowed shall be levied in proportion to the percentage of negligence attributable to each party, and each party shall have the right to seek contribution from the other party in proportion to the percentage of negligence attributable to the other party. This indemnification clause shall also apply to any and all causes of action arising out of the performance of work activities under this Agreement. For the purposes of this indemnification, the parties specifically and expressly waive any immunity granted under the Washington Industrial Insurance Act, Title 51 RCW. This waiver has been mutually negotiated and agreed to by the parties. The provision of this section shall survive the expiration or termination of the Agreement. The Port shall specifically indemnify, defend and hold Kitsap Transit harmless from any and all claims arising out of the design, construction, maintenance, and operation of the Port Orchard Breakwater, including without limitation any hazardous waste released or discovered during the construction period or subsequent operation of the Port Orchard Breakwater facility.

8.3 No Third Party Beneficiaries. It is understood and agreed that this Agreement is solely for the benefit of the parties hereto and gives no right to any other party.

SECTION 9. NON-DISCRIMINATION. No Party shall discriminate against any person by reason of race, creed, color, national origin, sex, honorably discharged veteran or military status, sexual orientation, or the presence of any sensory, mental, physical disability, or the use of a trained dog guide or service animal by a person with a disability in connection with the performance of its obligation under this agreement.

SECTION 10. DISPUTE RESOLUTION. If a dispute arises out of or relating to this agreement or the breach of this agreement and if the dispute cannot be settled through direct discussions between the Parties, the Parties agree to first endeavor to settle the dispute in an amicable manner through discussions between the CEO of the Port of Bremerton, the Executive Director of Kitsap Transit. If a resolution is still not agreed upon, the parties may submit to litigation in Kitsap County Superior Court, and the prevailing party shall recover its costs and attorney's fees incurred, including for appeals, which shall be determined and fixed by the court as part of the judgment.

SECTION 11. SEVERABILITY. If any provision of this agreement shall be held invalid, such invalidity shall not affect the other provisions of this agreement which can be given effect without the invalid provision, and to this end the provisions of this agreement are declared to be

severable.

SECTION 12. ENTIRE AGREEMENT. This agreement sets forth in full the entire agreement of the parties, and any other verbal or written agreements, representations or understandings are hereby deemed to be null and void and of no force and effect whatsoever.

SECTION 13. TIMELINESS OF PERFORMANCE. The parties shall satisfy their responsibilities, obligations, and liabilities under this consent agreement within time limits required by this agreement, and parties acknowledge that time is of the essence.

SECTION 14. SUCCESSORS. This agreement and all the terms and provisions of it shall be binding on and shall inure to the benefit of the Parties and their legal representatives, and successors, except as otherwise expressly provided for in this agreement.

SECTION 15. FILING. This Interlocal Agreement shall be filed with the county auditor following execution by all parties.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written below.

Date: _____

Date: January 20, 2026

By:
PORT OF BREMERTON

By: KITSAP TRANSIT

JIM ROTHLIN
CEO, PORT OF BREMERTON



JOHN W. CLAUSON
EXECUTIVE DIRECTOR
KITSAP TRANSIT

Approved as to Form:

Anne Montgomery, WSBA 23579
Attorney for the Port of Bremerton

Approved as to Form:

David Weibel, WSBA #24031
Attorney for Kitsap Transit