

AGENT AGREEMENT

THIS AGENT AGREEMENT entered into this 22nd day of December, 2006, by and between the PORT OF PORT ANGELES, a municipal corporation of the State of Washington, hereinafter referred to as Port and PORT ANGELES MARINE, INC., hereinafter referred to as Agent.

WITNESSETH:

1. PREMISES

Port hereby enters into an Agent Agreement with the Agent and Agent hereby enters into an Agent Agreement with the Port to operate the Port Angeles Boat Haven and Port Angeles Boat Yard, situated in the City of Port Angeles, Clallam County, State of Washington.

2. TERM

The term of this Agreement shall be for a period of ten (10) years commencing on the 1st day of January, 2007, and ending on the expiration of the 31st day of December 2016.

3. SUPERVISION OF BOAT HAVEN AND BOAT YARD

The Agent agrees as Agent of the Port to supervise the operation and provide manning for the Port Angeles Boat Haven and Boat Yard, to enforce such rules and regulations as the Port may prescribe for its operation, and perform the following:

3.1 BOAT HAVEN

3.1.1 Administration

- Administer and monitor security systems and operations as directed by Port.
- Assignment of regular and guest moorage.
- Collection and accounting of moorage, hoist, boat yard and associated fees prior to vessel departure.
- Monthly billing to moorage tenants and maintenance of records.
- Maintain waiting lists for new slips, live-aboard permits and slip change.
- Issuance of launch ramp permits, collection of fees and maintenance of records.
- Issuance of live-aboard permits and collection of fees for same.
- Assign and monitor transient moorage, collect fees.
- Participate in advisory committees.
- Assist with development of rules, regulations, policies, and procedures.
- Provide monthly remittance of all fees collected and monthly

accounting to Port of Port Angeles, 338 West First Street,
Port Angeles, or such other place as the Port may designate.

3.1.2 Operations

- Enforce Port rules and regulations.
- Regular inspections of all slips and docks, i.e., walk and inspect all moorage floats (minimum twice daily Monday thru Friday, daily on weekends) and maintain written records.
- Clear moorage areas and parking areas of litter.
- Report, respond to and investigate oil spills and other emergencies in marina.
- Prepare for, respond to and mitigate damage from storm/snow events.
- Provide standby and emergency pumping service.
- Maintain and operate harbor boat to tow vessels and keep waterways in order.
- Periodic inspection of boat ties and moorage lines for damage to Port facilities..
- Inspect floats and report needed repairs.
- Submit work orders to POPA maintenance for necessary repair and maintenance.
- Submit work orders to POPA for tenant electrical service requirements.
- Scheduling and operation of work float and crane. (Note: 24-7 means 24 hours/day, 7days/week including holidays)
- Operation of crane for unloading seafood products. (24-7)
- Operation of crane for lifting boat engines, masts, etc. (24-7)
- Operation of crane for loading and unloading ship-bound freight. (24-7)
- Collection and remittance of crane fees and wharfage charges.
- Maintain all restroom and shower facilities; to be cleaned daily including weekends. Port will provide cleaning supplies.
- Collect coins from showers and vending machines; report amount to Port.
- Provide suitable professional identification while on duty.

3.1.3 Boater Assistance

- Provide information to tenants, transients and guests regarding local accommodations, services, etc.
- Provide local knowledge to fishermen and pleasure boaters.
- Assist tenants and transients with general boating related questions.

3.2 BOAT YARD

3.2.1 Operations

- Scheduling of Travel lift, open work areas, covered work area and dry storage yard.
- Operate Marine Travel lift for hauling/launching vessels.
- Block vessels in boat yard for repairs and storage.
- Operate forklifts to move equipment and materials in boat yard.
- Oversee operation of hydro wash facility and clean wash-down area after each vessel.
- Enforce boat yard Best Management Practices and maintain written records of any significant non-compliance.

- Keep boat yard and covered work area clean - sweep after each vessel.
- Collect fees and provide records for boat yard services.
- Provide tarps and vacuum sanders for boat yard patrons to comply with Best Management Practices.
- Available on-call at all times for emergency haulouts.
- Provide information to boat yard patrons about services and products available for boat maintenance and repairs.

3.3 The Agent shall be responsible for notifying the Port of any damage, failure of equipment, or need for maintenance noted while Agent is in control of facilities. The Port may require that any such notice be confirmed by Agent in writing, pursuant to Paragraph 15, NOTICES. The Port shall be responsible for maintenance of all Port equipment at the boat haven or boat yard, including, but not limited to, the public hoist, travel lift, floats, forklifts, sweepers, and ramps and shall indemnify and hold Harmless Agent from any claims, loss, liability or expense arising from failure of Port to properly maintain its maintenance obligation.

3.4 To supervise and provide manning for the Boat Haven and Boat Yard facilities provided by the Port so that services of such facilities shall be available to boat owners without unnecessary delay.

3.5 To report all lights which are out of order, including entrance lights on the dolphins.

3.6 To periodically inspect, at regular intervals, all boat ties, moorage lines, and insofar as it is reasonably possible to do so, notify boat owners if it is observed that a vessel needs attention to protect the assets of the Port from possible damage.

Provided, nothing herein contained is intended to create a relationship of bailor/bailee By and between moorage tenants and the Port or Agent. Further provided that this obligation to inspect is intended solely for the benefit of the Port and no vessel owner or lessee of space in the boat haven is intended to be a third-party beneficiary of this duty or undertaking.

3.7 To maintain and provide to the Port, in advance, a schedule including the name, address, phone number, cell number, and email address of Agent's on-call persons to be contacted in the event of emergencies or during normal off-duty hours.

3.8 To provide to the Port a list of the Agent's employees providing services under this Agreement.

3.9 To ensure that each of Agent's employees providing services under this Agreement successfully completes: (a) Basic First Aid training (including CPR instruction) through the Port Angeles Fire Department, or a reasonably equivalent program; and (b) Basic marine spill and hazardous material response training, through Marine Spill Response Corporation or reasonably equivalent program. The Port shall not be responsible for the cost of training required under this paragraph. Training of Agent's current employees shall be completed within ninety (90) days of mutual acceptance of this Agreement. Training of Agent's subsequently hired employees shall be completed within ninety (90) days of the date of hire.

4. PAYMENT AND ACCOUNTING

The Agent does hereby covenant and agree with the Port to install, operate and maintain an accounting system satisfactory to the Port, and to permit the Port, or a representative of the Port, to audit and inspect all books and records of the Agent at any time, and when requested by the Port, to permit an inspection of the income tax, sales tax and business tax returns, or to furnish the Port copies thereof, or the Port may at its option make an audit of all books and records of the Agent.

In return for such services as Agent, the Port agrees to pay, to the Agent, each and every calendar month of the Agreement term [REDACTED] (base rate) plus fifty percent (50%) of annual revenues for travel lift, hydro wash, yard fees and dry storage above One Hundred Ninety Nine Thousand One Hundred Fifteen Dollars (\$199,115.00) received through operations at the Port Angeles Boat Yard. The base rate shall be adjusted on an annual basis by the Bureau of Labor Statistics Consumer Price Index West Coast B/C Index as determined by the rate of change between the month ending December 31, 2006, and for the month ending December 31, 2007, and for the corresponding end of the calendar year in each subsequent year of this Agreement. In no event shall the annual base rate adjustment result in a reduction of payment to the agent. The amount of surcharge, if any, paid by the Port Angeles Boat Haven tenants for support of the Boat Yard operation shall be excluded from the annual amount specified. Further,

the Agent shall provide a copy of all scale tickets if obtained or other evidence for each landing operation at the work dock and hoist, along with appropriate billing information

The Agent is entitled to collect and retain its fees for on-call services provided to Boat Haven and/or Boat Yard customers during emergency or normal off-duty hours. The Port and Agent mutually agree to review Agent's on-call fee schedule prior to January 1, 2008. On-call fees, and work dock and hoist landing operation fees, shall be adjusted only by mutual agreement of the Port and Agent, but in no event shall the fees be less than those in effect as of January 1, 2007.

It is further agreed that, except as specifically provided in other Agreements between the Port of Port Angeles and Port Angeles Marine, Inc., such as the Lease Agreement for the fuel dock, Boat Haven office and Boat Yard store, and the Lease Agreement for the Marine Ways, the Agent shall receive the entire revenue from its private boat maintenance, repair, leased marine ways, boat or equipment sales, and rentals, crane and boom truck operation, and fish unloading, operated by Agent within the Boat Haven and Boat Yard. Any revenues received for lease of facilities by the Port at the Boat Yard shall be excluded from this agreement. Further, both parties understand and agree that boat maintenance may be performed in the Boat Yard by persons other than the Agent and that compensation shall not be paid to the Agent for these services.

5. BOND OR OTHER SECURITY

(A) Agent shall, upon execution of this Agreement, file with the Port a good and sufficient faithful performance bond or other security acceptable to the Port (the "Bond"), to secure the full performance by Agent of all terms and conditions of this Agreement including specifically the Agent's obligation to strictly account for and turn over to the Port, all monies of the Port District coming into its possession. The form and provisions of the Bond, and the identity of the Surety or insurer thereon, shall be subject to the approval of the Port. The initial amount of the Bond shall be Sixty-five Thousand Dollars (\$65,000.00), which both parties acknowledge is equal to the maximum amount held by Agent for the Port Angeles Boat Haven and Boat Yard at any given time. The amount of the Bond shall be subject, thereafter, to annual adjustment, so as to remain equal to the highest amount held by Agent in the preceding year. The Bond may provide for termination on the anniversary date thereof upon not less than one (1) year's written notice to the Port. In the event of any such termination or adjustment in the amount of bond required, Agent shall obtain a new Bond,

also subject to Port approval, to replace the Bond being so terminated to be effective on or before the date of termination of the prior bond. In lieu of the surety bond referenced herein, Agent may post such real or personal property bond or security for Agent's performance as mutually acceptable to the parties.

(B) Until such time as Agent furnishes the Bond in accordance with the provisions of subparagraph (A) above and in the event Agent at any time or times during the stated term of this agreement shall cease to be in compliance with the provisions of this paragraph 5, the Port at its sole option may elect to exercise any or all of its rights under Paragraph 12 DEFAULT following thirty (30) days written notice to Agent.

6. HOURS OF OPERATION

The Agent agrees to give service to all boat owners in the Port Angeles Boat Haven and to keep the place of business open, from April 1 to September 30 from 8am to 5pm daily including Saturday and Sunday; and from October 1 to March 31, Monday thru Friday 8am to 5pm, Saturday 8am to noon and Sunday 10am to noon, and to maintain call service at all other hours and holidays for the supplying of gasoline or other petroleum products.

The Agent further agrees to keep open and to operate the Travel Lift and Boat Yard at the Port Angeles Boat Yard during normal business hours, Monday through Friday as directed by the Port, and on Saturday as directed by the Port throughout the year, and shall maintain call service at all other hours as provided in Section 3.7. Such hours of operation shall be posted in advance. Failure to faithfully perform either of these covenants shall constitute a breach of this Agreement.

7. TAXES

Agent shall collect, as the same become due and payable, all Leasehold taxes and assessments and other charges which are levied upon or assessed against or become a lien upon customers of the Port Angeles Boat Haven and Boat Yard and remit the Port or such other governmental body as the taxing authority may hereafter designate. Agent agrees to cooperate fully with the Port; however, Agent shall not be obligated to pursue legal action at its expense in the collection of these charges.

8. DAMAGES AND INSURANCE

Agent will indemnify Port and save Port harmless from and against any and all

claims, actions, damages, liabilities, and expenses including litigation in connection with loss of life, personal injury and/or damage to property arising from or, or occasioned wholly or in part by any act of the Agent, its agents, contractors, employees, servants, lessees or concessionaires, except that Agent shall not indemnify or hold harmless the Port from its own negligence or that of Port's agents, contractors, employees, servants, lessees or concessionaires. If either party shall, without fault on its part, be made a party to any litigation with respect to the property or duties which are the subject of this Agreement, for which the other party is at fault, then the at fault party shall hold the other party harmless and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by party not at fault in connection with such litigation. Agent specifically agrees that any bond or other security provided pursuant to any provision of this Agreement, shall extend to the indemnity agreed to herein. Agent acknowledges that it expressly and specifically waives immunity under the Industrial Insurance Statute of the State of Washington, Title 51 RCW, for purposes of this indemnification provision and further acknowledges that this waiver was mutually negotiated by the parties. In any action brought to enforce any provision of this Agreement, the prevailing party shall, in addition to all other payments required therein, be entitled to award of its actual costs in connection with the action, including reasonable attorney fees in the trial and appellate courts.

Agent agrees to provide, pay for and maintain a policy or policies of full comprehensive general liability insurance in standard form issued by a company or companies acceptable to Port insuring Port and Agent with minimum limits of liability of One Million Dollars (\$1,000,000.00) per person; One Million Dollars (\$1,000,000.00) per occurrence for bodily injury and death, and in the minimum limits of One Million Dollars (\$1,000,000.00) per accident for property damage, and hereafter in such increased amounts as the parties may from time to time mutually agree upon in writing. The Port shall be named as an additional insured, and shall be furnished with a copy of such policy or policies of insurance.

9. AGENT NOT AN EMPLOYEE

The Agent understands and agrees that he is independently contracting with the Port to perform duties as agent of the Port, but that he is not an employee of the Port not entitled to any benefit's which would accompany an employment relationship.

10. ASSIGNMENT

Agent agrees and covenants not to assign this Agreement, or any interest herein, without the express prior written consent of the Port. If Agent is a corporation, Agent further agrees that if at any time during the term of this lease more than one-half (1/2) of the outstanding shares of any class of stock in Agent's corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of any class at the time of the execution of this lease or to members of their immediate families, such change in the ownership of stock of Agent shall be deemed an assignment of this lease within the meaning of this paragraph.

11. WAIVER OR BREACH NOT WAIVER OF SUBSEQUENT BREACHES

Failure of the Port to insist upon strict performance of any of the covenants and agreements of this Agreement, or to exercise any option herein conferred in any one or more instances, shall not be construed to be a waiver of relinquishment or any such covenant or agreement, or any other covenants or agreements, but the same shall be and remain in full force and effect.

12. DEFAULT

Time is of the essence of this Agreement, and in the event of the failure of the Agent to remit the collections or other amounts at the time and in the manner herein specified, or the failure of the Agent to keep any of the covenants or agreements herein set forth, the Port may elect to terminate this Agreement. Provided, however, the Agent shall be given thirty (30) days notice in writing of the termination and shall be given the opportunity during that period in which to cure the default.

It is understood and agreed that at anytime during this Agreement, Charles W. Faires is no longer serving as President or majority stockholder of Port Angeles Marine, Inc., then this agreement may be terminated at the sole discretion of the Port.

13. COMPLIANCE WITH PORT REGULATIONS

The Agent agrees to comply with all applicable rules and regulations of the Port of Port Angeles and regulations promulgated by the management of the Port Angeles Boat Haven and Boat Yard. Agent further agrees to comply with all applicable federal, state, and municipal laws, ordinances and regulations.

14. PROMOTION OF PORT COMMERCE

Agent agrees throughout the term of this Agreement it will, as far as practicable,

promote and aid the movement of passengers and freight through facilities within the territorial limits of the Port of Port Angeles. Agent further agrees that all incoming shipments of commodities that it may be able to control or direct shall be made through facilities within the territorial limits of the Port if there will be no resulting cost or time disadvantage to Agent.

15. NOTICES

Any notice required to be served in accordance with the terms of this Agreement shall be delivered or sent by mail. If mailed, notices shall be sent by certified or registered mail to the following respective addresses:

To Port:

Port of Port Angeles
PO Box 1350
Port Angeles, WA 98362

To Agent:

Charles W. Faires
Port Angeles Marine, Inc.
832 Boat Haven Drive
Port Angeles, WA 98363

or to such other respective addresses as either party hereto may hereafter designate in writing from time to time.

16. BINDING ON SUCCESSORS

The covenants, agreements and conditions contained herein shall extend to and be obligatory upon and inure to the benefit of the Port and the Agent and their successors and assigns.

17. INSPECTION

The Port reserves the right to inspect the Boat Haven at any and all reasonable times throughout the term of this Agreement, provided, that said inspection shall not interfere unduly with the Agent's duties. The right of the inspection reserved to the Port hereunder shall impose no obligation upon the Port to make inspections to ascertain the condition of the Boat Haven, and shall impose no liability upon the Port for failure to make such inspections.

18. SEVERABILITY CLAUSE

If any term or provision of this Agent Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of the Agent Agreement or the application of such term or provisions to persons or circumstances other than those to which is held invalid or unenforceable, shall not be affected thereby and shall continue in full force and effect.

19. NONDISCRIMINATION-SERVICES

(A) Agent agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, sex, sexual orientation, age, creed, disability, color or national origin in furnishing or by refusing to furnish to such person or persons use of Port facilities by refusing to furnish any and all services, privileges, accommodations and activities provided by Agent under this Agreement.

(B) It is agreed that Agent's non-compliance with the provisions of this clause shall constitute a material breach of this Agreement.


20. NONDISCRIMINATION - EMPLOYMENT

Agent agrees that in all matters pertaining to its performance under this Agreement, Agent shall at all times conduct its business in a manner which assures fair, equal and non-discriminatory treatment of all persons without respect to race, sex, sexual orientation, age, disability, color, creed or national origin and, in particular, Agent will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other legally protected classifications, and Agent will comply strictly with all requirements of applicable laws and regulations regarding non-discriminatory requirements in hiring and employment practices.

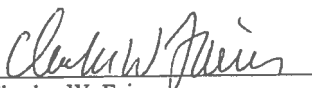
21. ENTIRE AGREEMENT - AMENDMENTS

This Agreement constitutes the whole agreement between the Port and Agent. There are no terms, obligations, covenants or conditions other than those contained herein. No modification or amendment of this Agreement shall be valid or effective unless evidenced by an agreement in writing, signed by both parties.

PORT OF PORT ANGELES

By 
Robert McChesney
Executive Director

PORT ANGELES MARINE, INC.

By 
Charles W. Faires
President