PORT of Port Angeles
Serving Clallam County Since 1923

REGULAR COMMISSION MEETING
Tuesday, August 25, 2026, at 9:00 am
338 W. First St, Port Angeles, WA 98362
AGENDA

The Regular Commission Meeting will be available to the public in person and remotely. For instructions on how to connect to the meeting remotely, please visit https://portofpa.com/about-us/agenda-center/

I. CALL TO ORDER / PLEDGE OF ALLEGIANCE

**Time Specific Executive Session at 11:00 am*

II. EARLY PUBLIC COMMENT SESSION (TOTAL SESSION UP TO 20 MINUTES)

III. APPROVAL OF AGENDA

IV. WORK SESSION

V. APPROVAL OF CONSENT AGENDA

VI. COMPLETION OF RECORDS

No items

VII. PLANNING AND CAPITAL PROJECTS

VIII. LOG YARD

No items

IX. MARINE TRADES AND MARINE TERMINALS

No items

X. PROPERTY

XI. MARINAS

No items

XII. AIRPORTS

No items

XIII. OTHER BUSINESS

A. U.S. Marine Highway Program Letter of Endorsement – Osprey Logistics…………40-41

B. Re-Appointment of Bill Hermann as Port Representative for the Opportunity Fund

XIV. ITEMS NOT ON THE AGENDA

XV. COMMISSIONER REPORTS

XVI. PUBLIC COMMENT SESSION (TOTAL SESSION UP TO 20 MINUTES)

XVII. FUTURE AGENDA……………….……………………………………………………………..42

XVIII. NEXT MEETINGS

A. September 8, 2026 – Regular Commission Meeting

B. September 22, 2026 – Regular Commission Meeting

C. October 13, 2026 – Regular Commission Meeting

D. October 26, 2026 – Special Joint Meeting with Board of County Commissioners & The Clallam County Public Utility District (Hosted at the BOCC)

E. October 27, 2026 – Regular Commission Meeting

XIX. UPCOMING EVENTS

A. August 27, 2026 – Port Angeles Richard Anderson Building Tour Facilitated by GSA (Port Angeles, WA)

B. September 28-30, 2026 – American Association of Port Authorities (AAPA) Annual Conf. (New Orleans, LA)

C. October 12-13, 2026 – MH5 & MH84 Joint Annual Roundtable (Vancouver, WA)

D. October 13-15, 2026 – Pacific Northwest Waterways Assoc. (PNWA) Annual Meeting (Vancouver, WA)

E. October 18-21, 2026 – NAFTZ Annual Conference & Exposition (San Diego, CA)

PORT of Port Angeles
Serving Clallam County Since 1923

XX. EXECUTIVE SESSION – TIME SPECIFIC AT 11:00 AM

The Board may recess into Executive Session for those purposes authorized under Chapter 42.30 RCW, The Open Public Meetings Act.

XXI. ADJOURN

RULES FOR ATTENDING COMMISSION MEETING

- Signs, placards, and noise making devices including musical instruments are prohibited.
- Disruptive behavior by audience members is inappropriate and may result in removal.
- Loud comments, clapping, and booing may be considered disruptive and result in removal at the discretion of the Chair.

RULES FOR SPEAKING AT A COMMISSION MEETING

- Members of the public wishing to address the Board on general items may do so during the designated times on the agenda or when recognized by the Chair.
- Time allotted to each speaker is determined by the Chair and, in general, is limited to 3 minutes.
- Total time planned for each public comment period is 20 minutes, subject to change by the Chair.
- All comments should be made from the speaker's rostrum, and any individual making comments shall first state their name and address for the official record.
- Speakers should not comment more than once per meeting unless their comments pertain to a new topic they have not previously spoken about.
- In the event of a contentious topic with multiple speakers, the Chair will attempt to provide equal time for both sides.

Port of Port Angeles
P&L Summary by Department
7/31/2026

	Monthly						
	July Actual	**July Budget**	**Actual vs Budget Variance**	**Actual vs Budget Variance %**	**July Forecast**	**Actual vs Re-Forecast Variance**	**Actual vs Re-Forecast Variance %**
Marine Terminal							
Operating Revenue	157,573	330,339	(172,766)	▼52.30%	148,308	9,265	▲6.25%
Operating Expense	(105,496)	(126,471)	20,975	▼16.58%	(111,445)	5,949	▼5.34%
Total	**52,078**	**203,869**	**(151,791)**		**36,863**	**15,215**	
Marine Trades Area							
Operating Revenue	54,978	68,869	(13,891)	▼20.17%	57,869	(2,891)	▼5.00%
Operating Expense	(54,763)	(32,487)	(22,276)	▲68.57%	(39,720)	(15,044)	▲37.88%
Total	**215**	**36,382**	**(36,167)**		**18,150**	**(17,935)**	
Intermodal Handling & Transfer Facility							
Operating Revenue	41,542	81,898	(40,356)	▼49.28%	52,717	(11,175)	▼21.20%
Operating Expense	(62,049)	(96,388)	34,339	▼35.63%	(81,664)	19,615	▼24.02%
Total	**(20,507)**	**(14,490)**	**(6,016)**		**(28,947)**	**8,441**	
Fairchild International Airport							
Operating Revenue	42,832	41,111	1,721	▲4.19%	40,306	2,526	▲6.27%
Operating Expense	(53,683)	(63,707)	10,024	▼15.73%	(57,613)	3,930	▼6.82%
Total	**(10,851)**	**(22,596)**	**11,745**		**(17,307)**	**6,456**	
Sekiu							
Operating Revenue	1,764	1,566	198	▲12.63%	1,766	(2)	▼0.13%
Operating Expense	(2,259)	(3,804)	1,545	▼40.62%	(3,962)	1,703	▼42.98%
Total	**(495)**	**(2,238)**	**1,743**		**(2,196)**	**1,701**	
Airport Rental Properties							
Operating Revenue	126,882	140,309	(13,427)	▼9.57%	131,622	(4,740)	▼3.60%
Operating Expense	(57,806)	(50,388)	(7,418)	▲14.72%	(57,251)	(555)	▲0.97%
Total	**69,077**	**89,921**	**(20,844)**		**74,371**	**(5,294)**	
Port Angeles Boat Haven							
Operating Revenue	340,966	205,804	135,162	▲65.68%	335,854	5,112	▲1.52%
Operating Expense	(210,132)	(80,841)	(129,291)	▲159.93%	(222,887)	12,755	▼5.72%
Total	**130,834**	**124,963**	**5,871**		**112,967**	**17,867**	
John Wayne Marina							
Operating Revenue	227,438	217,850	9,588	▲4.40%	207,850	19,588	▲9.42%
Operating Expense	(151,184)	(117,499)	(33,685)	▲28.67%	(128,294)	(22,890)	▲17.84%
Total	**76,254**	**100,351**	**(24,097)**		**79,556**	**(3,302)**	
Rental Properties							
Operating Revenue	16,222	13,265	2,957	▲22.29%	16,723	(501)	▼3.00%
Operating Expense	(15,156)	(9,200)	(5,956)	▲64.74%	(10,704)	(4,452)	▲41.59%
Total	**1,066**	**4,065**	**(2,998)**		**6,019**	**(4,953)**	
Administrative							
Operating Expense	**(211,764)**	**(235,506)**	**23,741**	▼10.08%	**(224,468)**	**12,704**	▼5.66%
Economic Development							
Operating Expense	**(36,378)**	**(33,153)**	**(3,225)**	▲9.73%	**(47,289)**	**10,911**	▼23.07%
Information Technology							
Operating Expense	**(11,732)**	**(8,025)**	**(3,707)**	▲46.19%	**(8,025)**	**(3,707)**	▲46.19%
Mechanical Maintenance							
Operating Expense	**(10,250)**	**(18,637)**	**8,387**	▼45.00%	**(19,733)**	**9,483**	▼48.06%
Facilities Maintenance							
Operating Expense	**(25,110)**	**(48,231)**	**23,121**	▼47.94%	**(50,005)**	**24,895**	▼49.78%
TOTAL OPERATING REVENUES	**1,010,198**	**1,101,011**	**(90,813)**	▼8.25%	**993,015**	**17,183**	▲1.73%
TOTAL DIRECT EXPENSES	**(1,007,762)**	**(924,337)**	**(83,424)**	▲9.03%	**(1,063,060)**	**55,298**	▼5.20%
ALLOCATED EXPENSES - ADMIN & MAINT	-		-	-	-	-	-
NET SURPLUS (DEFICIT) - Before Depreciation	***2,437***	***176,674***	***(174,237)***		***(70,044)***	***72,481***	
ALLOCATED DEPRECIATION	-		-	-	-	-	-
DEPRECIATION EXPENSE	313,192	360,705	(47,513)	▼13.17%	341,288	(28,096)	▼8.23%
NET SURPLUS (DEFICIT) - After Depreciation	**(310,755)**	**(184,031)**	**(126,724)**		**(411,332)**	**100,577**	
NON-OP (GENERAL)							
NON-OP REV (General)	80,576	83,000	(2,424)	▼2.92%	83,000	(2,424)	▼2.92%
NON-OP EXP (General)	(4,130)	(4,695)	564	▼12.02%	(4,695)	565	▼12.03%
NON-OP (General) SURPLUS (DEFICIT)	***76,446***	***78,305***	***(1,859)***		***78,305***	***(1,859)***	
NON-OP (CAPITAL)							
NON-OP REV (Capital)	153,528	9,644,121	(9,490,594)	▼98.41%	153,528	(0)	▼0.00%
NON-OP EXP (Capital)	(3,829)	(3,877)	48	▼1.24%	(3,877)	48	▼1.25%
NON-OP (Capital) SURPLUS (DEFICIT)	***149,699***	***9,640,245***	***(9,490,546)***		***149,651***	***48***	
NET NON-OP SURPLUS (DEFICIT)	***226,145***	***9,718,550***	***(9,492,405)***		***227,956***	***(1,811)***	
TOTAL NET SURPLUS (DEFICIT)	***(84,611)***	***9,534,519***	***(9,619,129)***		***(183,376)***	***98,766***	

2027 BUDGET CALENDAR

Date	Meeting Topic
Tuesday, August 25, 2026	Review Budget Calendar
Tuesday, September 8, 2026	2026 Operating Projection Assumptions Review current 5-year & 20-year CIP
Tuesday, September 22, 2026	2026 Capital Projects Projected Year End Draft 2026 Capital Budget Presentation 2027 Operating Budget Highlights Finalize Operating Assumptions & Org Chart
Tuesday, October 13, 2026	Capital Project Prioritization - if needed Introduce Operating Budget
Tuesday, October 27, 2026	Draft Final Capital Budget Present Preliminary 2027 Operating Budget & Tax Levy
Tuesday, November 10, 2026	Open Public Hearing on 2027 Budget and Tax Levy
Tuesday, November 17, 2026	Special Meeting - Close Public Hearing. Adopt Tax Levy and 2027 Budget

REGULAR COMMISSION MEETING
Tuesday, August 11, 2026, at 9:00 am
338 W. First St, Port Angeles, WA 98362
MINUTES

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Connie Beauvais, Commissioner	Jennifer Baker, Chief Finance & Administrative Officer
Colleen McAleer, Commissioner	Caleb McMahon, Chief Commercial Officer
Kelly Kidwell, Commissioner	Katharine Frazier, Grants & Gov't Affairs Manager
Paul Jarkiewicz, Chief Executive Officer	Zach Holsted, Capital Program Manager
Chris Hartman, Chief Operating Officer	Michaela Fujita-Conrads, Marketing & Coms. Manager
	Jenna Riley, Procurement Manager / Clerk to the Board

I. CALL TO ORDER / PLEDGE OF ALLEGIANCE (0:00-1:10)

Comm. Beauvais called the meeting to order at 9:01 am.

II. EARLY PUBLIC COMMENT SESSION (TOTAL SESSION UP TO 20 MINUTES) (1:11-1:34)

None

III. APPROVAL OF AGENDA (1:35-1:51)

- Discussion
- Motion to approve the agenda as presented: Comm. McAleer
- 2nd: Comm. Kidwell
- Vote: 3-0 (Unanimous)

IV. WORK SESSION (1:52-6:38)

A. Monthly Cash & Investment Report

- Presentation By: Jennifer Baker
- Discussion
- Action: Comm. McAleer requested a before and after financial comparison on the Boat Haven transition. Comm. McAleer requested an update on the Tumwater Clean Up progress/timeline.

V. APPROVAL OF CONSENT AGENDA (6:39-13:57)

A. Regular Commission Meeting Minutes – July 28, 2026

B. Vouchers in the amount of $2,067,807.52

- Discussion
- Motion to approve the consent agenda as presented: Comm. Beauvais
- 2nd: Comm. McAleer
- Vote: 3-0 (Unanimous)

VI. COMPLETION OF RECORDS (13:58-22:56)

A. Monthly Delegation of Authority

- Presentation By: Paul Jarkiewicz
- Discussion
- No Action

VII. PLANNING AND CAPITAL PROJECTS

No items

VIII. LOG YARD (22:57-32:56)

A. Log Yard Site and Stormwater Improvements Monthly Project Update

- Presentation By: Zach Holsted
- Discussion
- No Action

PORT of Port Angeles
Serving Clallam County Since 1923

IX. MARINE TRADES AND MARINE TERMINALS

No items

X. PROPERTY

No items

XI. MARINAS

No items

XII. AIRPORTS

No items

XIII. OTHER BUSINESS (32:58-1:07:00)

A. Letter of Endorsement for Port Townsend Paper Corp (USMHP)

- Presentation By: Katharine Frazier
- Discussion
- Motion to approve the letter of endorsement for Port of Port Townsend Paper Corporation as modified: Comm. Beauvais
- 2nd: Comm. Kidwell
- Vote: 3-0 (Unanimous)

B. July Marketing Recap

- Presentation By: Michaela Fujita-Conrads
- Discussion
- No Action

XIV. ITEMS NOT ON THE AGENDA (1:07:01-1:28:49)

A. Resolution 26-1348 – Recognition of Ms. Jennifer Baker's Service

- Motion to Introduce Resolution 26-1348, a Resolution in Recognition of Ms. Jennifer Baker's Service to the Port of Port Angeles: Comm. Beauvais
- 2nd: Comm. McAleer
- Vote: 3-0 (Unanimous)
- Public Comment Period: The following individuals provided comment on Res 26-1348 and working with Jennifer Baker:
  - Chris Hartman / Caleb McMahon / Melody Kenworthy / Katharine Frazier / Lexi Lemon / Comm. McAleer / Comm. Kidwell / Comm. Beauvais / Paul Jarkiewicz
- Motion to waive second consideration: Comm. Beauvais
- 2nd: Comm. McAleer
- Vote: 3-0 (Unanimous)
- Motion to Adopt Resolution No. 26-1348: Comm. Beauvais
- 2nd: Comm. McAleer
- Vote: 3-0 (Unanimous)

XV. COMMISSIONER REPORTS (1:28:50-1:37:54)

Comm. Kidwell spoke on attending a tour of the Port with Paul Jarkiewicz.

Comm. Beauvais noted Joe Murray's celebration of life will be held on September 12th at 1:00pm at the Elk's Club.

Comm. Beauvais spoke about the relationship between the Port and the Lower Elwha Klallam Tribe and noted that the recent meeting with the tribe has demonstrated the growth of the relationship and the accomplishments being achieved now and in the future.

Comm. McAleer spoke on attending the Washington Economic Development Association (WEDA) conference in Tri-Cities.

XVI. FUTURE AGENDA (1:37:55-1:40:45)

XVII. NEXT MEETINGS

A. August 25, 2026 – Regular Commission Meeting

B. September 8, 2026 – Regular Commission Meeting

C. September 22, 2026 – Regular Commission Meeting

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E. October 26, 2026 – Special Joint Meeting with Board of County Commissioners & The Clallam County Public Utility District (Hosted at the BOCC)

XVIII. UPCOMING EVENTS

A. August 27, 2026 – Port Angeles Richard Anderson Building Tour Facilitated by GSA (Port Angeles, WA)

B. September 28-30, 2026 – American Association of Port Authorities (AAPA) Annual Conf. (New Orleans, LA)

C. October 13-15, 2026 – Pacific Northwest Waterways Assoc. (PNWA) Annual Meeting (Vancouver, WA)

D. October 18-21, 2026 – NAFTZ Annual Conference & Exposition (San Diego, CA)

E. October 22-23, 2026 – WPPA Small Ports (Chelan, WA)

XIX. PUBLIC COMMENT SESSION (TOTAL SESSION UP TO 20 MINUTES) (1:40:46-1:41:27)

None

XX. EXECUTIVE SESSION (1:41:28-1:43:08)

The Board may recess into Executive Session for those purposes authorized under Chapter 42.30 RCW, the Open Public Meetings Act

- Comm. Beauvais recessed the meeting to convene an executive session with an anticipated length of 90 minutes. Following the executive session, the Commission is not expected to take action.
- Discussion:
  - Five (4) items concerning legal or financial risk. Discussing such matters in executive session is appropriate pursuant to RCW 42.30.110(1)(i)
  - One (1) item concerning selection of a site or the acquisition of real estate. Discussing such matters in executive session is appropriate pursuant to RCW 42.30.110(1)(b)
- Recessed Regular Meeting at 10:42 am
- Start Time: 10:45 am
- Estimated End Time: 12:15 pm
- Extended: 35 minutes
- End Time: 12:48 pm

Public Session of Commission Meeting Reconvened: 12:48 pm

Comm. Beauvais noted that no action will be taken on any agenda items as a result of the executive session.

XXI. ADJOURN (1:43:09-1:43:15)

Comm. Beauvais adjourned the meeting at 12:48 pm.

PORT OF PORT ANGELES
BOARD OF COMMISSIONERS

____
Connie Beauvais, President

____
Kelly Kidwell, Secretary

PORT OF PORT ANGELES
GENERAL FUND – LETTER OF TRANSMITTAL
VOUCHER APPROVAL

We, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered, or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due, and unpaid obligation against the Port of Port Angeles, and that we are authorized to authenticate and certify to said claim.

This process is in compliance with the applicable RCWs and the State Auditor's Budget Accounting and Reporting System (BARS) requirements. Further, the Port maintains effective internal controls to ensure that all disbursements are valid obligations authorized in accordance with the Delegation of Authority Policy.

SUMMARY TRANSMITTAL August 6, 2026 – August 19, 2026

CERTIFICATION

Accounts Payable				
	Begin	**End**		
For General Expenses and Construction	**Check #**	**Check #**		
Accts Payable Checks (computer)	420743	420788	$	855,965.95
Voided/Zero Payable				
Accts Payable ACH	008220	008332	$	263,581.67
VOIDED/ZERO PAYABLE ACH				
Wire Transfer - Expenses			$	36,719.74
Wire Transfer - Excise Tax				
Wire Transfer - Leasehold Tax				
Total General Expenses and Construction			**$**	**1,156,267.36**
Payroll				
Employee Payroll Checks PPD (Direct Deposit)	008243	008316	$	196,559.21
Voided Payroll Check	008263, 008275, 008293, 008304		$	-
Wire Transfer - (Payroll Taxes, Retirement, Deferred Comp, L&I, PFML)			$	65,659.64
Total Payroll			**$**	**262,218.85**
Total General Exp & Payroll			**$**	**1,418,486.21**

I, the Port Auditor or Deputy Auditor, do hereby clarify that the claims listed above are true and valid obligations and that appropriate and effective internal controls are in place to ensure that the outstanding obligations have been processed in accordance with the Port of Port Angeles procurement/payment policies and delegation of authority.

____
Auditor / Deputy Auditor

____
Commissioner, Connie Beauvais

____
Commissioner, Colleen McAleer

____
Commissioner, Kelly Kidwell

* Detail is available upon request to Jennifer Baker, Chief Finance & Administrative Officer: jenniferb@portofpa.com

ITEM FOR CONSIDERATION
BY THE
BOARD OF PORT COMMISSIONERS

August 25, 2026

SUBJECT: CARLETTI ARCHITECTS CONTRACT AMENDMENT 01 – COMPOSITES MANUFACTURING BUILDING DESIGN

PORT LEAD: Zach Holsted, Capital Program Manager

RCW & POLICY REQUIREMENTS:

The Port selected Carletti Architects through a "Qualification-Based Selection" process, as required by RCW 39.80, for "professional services." Per Commission Resolution 26-1336, Delegation to the Chief Executive Officer, Section VI.B.1, aggregate changes and all other charges that exceed the specific approved budgetary line item of $75,000, or 10% of the original Commission-approved contract amount, require Commission approval.

BACKGROUND:

Port Angeles Composites (PAC), an existing tenant, has requested the Port to enhance existing facilities and build an additional structure within the Composites Manufacturing Campus (CMC). This new building will be used for aerospace composite manufacturing. The Commission approved the original agreement with Carletti Architects at the Commission Meeting on April 28, 2026, for $192,150. The original scope of work covers Phase 1, which involved the following tasks:

- Initial Analysis to as-built as needed
- Pre-application assistance
- Schematic Plan design with Civil, Structural, and MEPF trades
- Plan set development to include floor layouts and elevations
- Preparation of ROM Estimate at the initial 30% development

ANALYSIS:

As the team nears completion of these tasks, the design must advance to Phase 1-A to compile a final set of construction documents. This will include design progression to 60, 90, and 100 percent, as well as consulting through the bidding and permitting process. The final construction documents will include a full set of specifications and drawings (architectural, civil, structural, electrical, and mechanical). The Carletti team will also incorporate the necessary updates from the Port and the City's final reviews.

ENVIRONMENTAL IMPACT:

Environmental impacts will be identified and addressed during the final design and permitting processes, if any.

FISCAL IMPACT:

The outlined amendment fee from Carletti Architects is $598,600 and is based on the breakdown below:

No.	Task	Fee	
1	60% Design Documents	$	177,520
2	90% Design Documents	$	233,893
3	100% Final Review Documents	$	66,373
4	Bidding and Permitting	$	20,058
5	Crane Bid Documents	$	13,408
	SUBTOTAL	**$**	**511,250**
6	Owner Support (Industrial Engineer)	$	34,650
7	POPA Architectural Adds	$	15,750
8	Tenant Architectural Adds	$	19,950
9	Mechanical Additions	$	8,500
10	Electrical Additions	$	8,500
	SUBTOTAL	**$**	**87,350**
	TOTAL	**$**	**598,600**

This amended contract work will be completed on a time-and-materials basis, with a not-to-exceed amount of $598,600, without prior written approval from the Port. While this project wasn't forecast in the 2026 budget, there are overall 2026 Capital Budget cost savings. Notably, the Port has been awarded $1,207,000 from the Department of Ecology for stormwater treatment at the Log Yard. These savings can offset these additional costs.

RECOMMENDED ACTION:

Authorize the Chief Executive Officer to execute Amendment 2 of the Professional Services Agreement with Carletti Architects for the Composites Manufacturing Building Design – Phase 1A for an amount not to exceed Five Hundred Ninety-Eight Thousand Six Hundred Dollars and Zero Cents ($598,600.00) and to make minor modifications that might be necessary. The execution of this amendment will set the total contract amount at Seven Hundred Ninety Thousand Seven Hundred Fifty Dollars and Zero Cents ($790,750.00).

ITEM FOR CONSIDERATION
BY THE
BOARD OF PORT COMMISSIONERS

Date: August 25, 2026

SUBJECT: New Lease – Kendrick (Nick) Ross

Presented by: Caleb McMahon, Chief Commercial Officer

RCW & POLICY REQUIREMENTS

Per RCW 53.08.080 Lease of Property, a district may lease all lands, wharves, docks and real and personal property upon such terms as the port commission deems proper. No lease shall be for a period longer than fifty years with option up to an additional thirty years.

Per RCW 53.08.085, security for rent is required for every lease of more than one year. Rent may be secured by rental insurance, bond, or other security satisfactory to the port commission, in an amount equal to one-sixth the total rent, but in no case shall such security be less than one year's rent or more three years' rent. If the security is not maintained the lease shall be considered in default. The port commission may in its discretion waive the rent security requirement or lower the amount of such requirement on the lease of real and/or personal port property.

Per Section I of the Port's Delegation of Administrative Authority to the Executive Director, all term lease agreements or use agreements of real or personal property shall be leased only under an appropriate written lease instrument executed by the Commission. Per Section 1.B.1 Commission Approval is required for any lease with a term in excess of one year and per section 1.B.4 Commission approval is required for any lease that contains any material non-standard terms or conditions.

Background: The garage, located in the North Airport Industrial Park, was recently vacated by a long-term tenant with a construction company. The structure is older and in fair condition. There is electricity and water to the building. The fenced rear-yard is currently leased to the adjacent office building tenants. Mr. Ross desires to lease the Garage at 2032 S. O Street, for personal vehicle repair work inside the building.

Port Area: North Airport Industrial Park.

Address: 2032 S. O Street, Port Angeles, WA 98363.

Leased Space: Garage: 2,350 SF. Adjacent land for access 5,200 SF.

Use: Vehicle maintenance and storage.

Proposed Rate:

Leased Area	SF	Rate/SF	Monthly Rate
Garage	2,350	$0.35	$822.50
Adjacent Land for Access	5,200	$0.00	$0.00
		Base Rent	**$822.50**
Leasehold Excise Tax		12.84%	$105.61
Electric - fixed fee			$75.00
		Monthly Payment	**$1,003.11**

Escalation: Annual consumer price index adjustments to base rent.

Commencement Date: September 1, 2026.

Term: One year term.

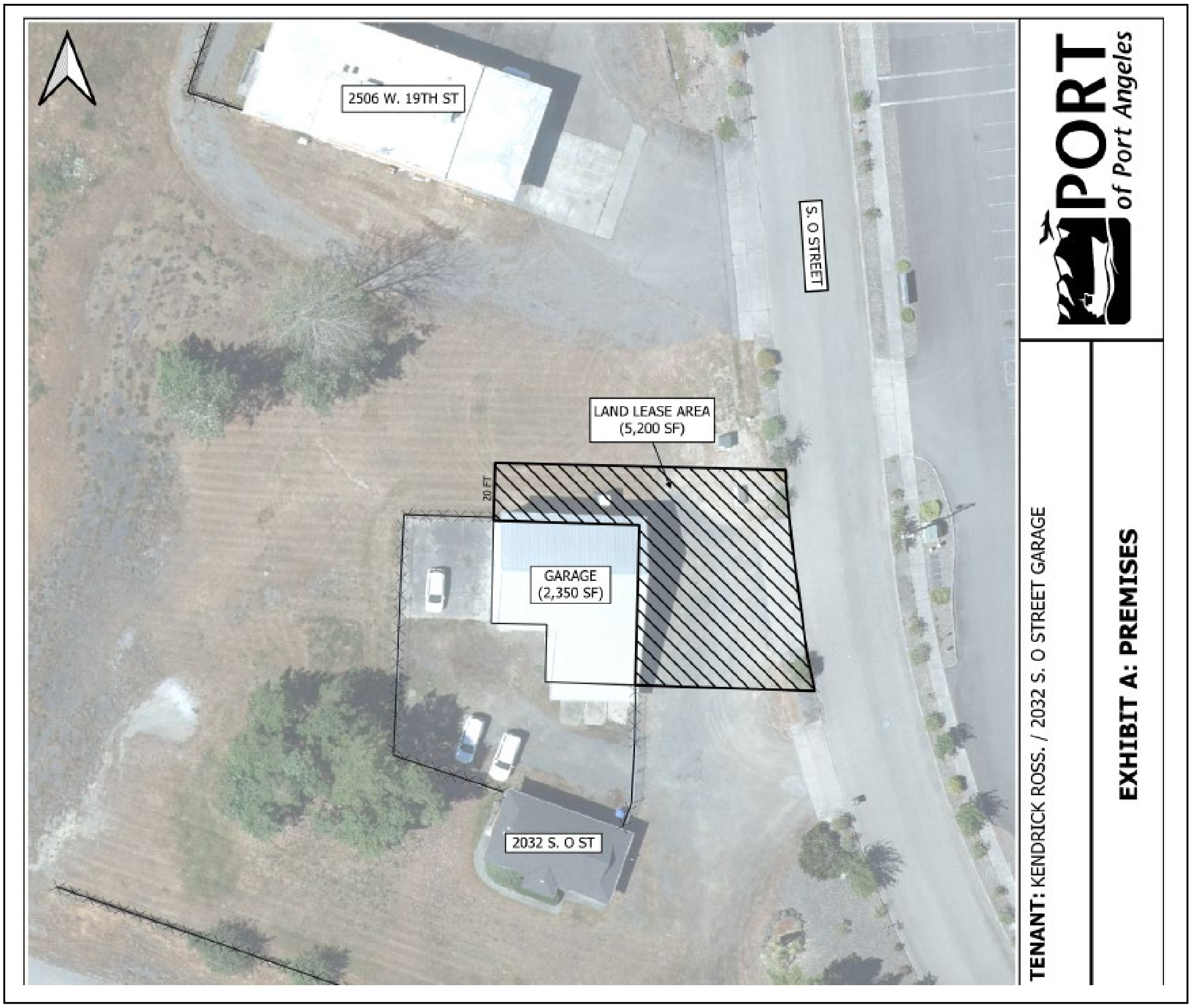
Options to Renew: Two (2) – one year options to renew with the Port's consent.

Financial Security: Standard three months of rent as financial security. The proposed financial security for the tenant is $822.50 x 3 = $2,467.50 in deposit or bond.

Non-standard terms requiring Commission approval: Standard lease terms. Potential three-year total term requires Commission approval.

Fiscal Impact of The Lease:

Leased Area	SF	Rate/SF	Monthly Rate
Garage	2,350	$0.35	$822.50
		Annual Rent	**$9,870.00**



RECOMMENDED ACTION:
On a motion and second, Staff recommends the Commission authorize the Chief Executive Officer to sign a lease with Kendrick Ross, per the terms and conditions presented.

COMMERCIAL LEASE

THIS COMMERCIAL LEASE ("**Lease**") is made and entered into as of the date last written below, by and between the **PORT OF PORT ANGELES**, a Washington municipal corporation (the "**Port**"), and **KENDRICK JORDAN ROSS,** an individual ("**Lessee**") (individually "**Party**" and collectively "**Parties**").

ARTICLE I
Summary of Lease Terms and Definitions

The Port: Port of Port Angeles
338 W First Street #301
Port Angeles, WA 98362

Lessee: Kendrick Jordan Ross
1202 East 3rd Street
Port Angeles, WA 98362

Premises: 2,350 square feet of garage, with adjacent 5,200 square feet of land located at 2032 S. O Street, in Port Angeles, Washington as depicted in the Map of Premises attached to this Lease as **Exhibit A.**

Lessee-owned Improvements:
As of the Commencement Date as defined herein, the following fixtures and improvements are owned by Lessee and are not part of this Lease:

None

Initials: _______ Port _______ Lessee

Use of Premises: Vehicle maintenance and storage.

Benefit to the Public: None.

Commencement Date: September 1, 2026

Term: One year from September 1, 2026 through August 31, 2027.

Extensions: Two (2) one-year extensions.
[X] Requires Port consent, at Port's sole discretion

Base Rent:

Leased Area	SF	Rate/SF	Monthly Rate
Garage	2,350	$0.35	$822.50
Adjacent Land for Access	5,200	$0.00	$0.00
		Base Rent	**$822.50**
Leasehold Excise Tax		12.84%	$105.61
Electric - fixed fee			$75.00
		Monthly Payment	**$1,003.11**

Escalation (see Section 3.1.2 for more information): Annual consumer price index adjustments to base rent.

Financial Security (see Section 5.4 for more information): $822.50 x 3 months = $2,467.50.

Additional Unique Terms and Conditions: None.

ARTICLE II
Premises, Term, Renewals

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

2.2 **TERM**: The term of this Lease shall be for one (1) year beginning September 1, 2026 through August 31, 2027. If Lessee takes possession of the Premises before the Commencement Date, Lessee shall pay the pro rata rent for the period prior to commencement of the Lease term.

2.3 **RENEWAL**: Subject to the terms and conditions herein, Lessee may renew this Lease for two (2) consecutive one-year periods by giving written notice of such intention to the Port at least ninety days (90) days prior to the expiration of the term of this Lease or any renewal thereof. It is a condition precedent to Lease Renewal that the Lessee be in good standing at the time of renewal and that Lessee is not in default under the terms of this Lease or any other lease or agreement with the Port. The terms and conditions of any renewal shall be generally the same as set forth in this Lease, provided however rent shall be recalculated as provided herein and the terms of this Lease shall be updated to be consistent with the terms and conditions of the existing Port's Commercial Lease Agreement. All lease extensions and renewals shall be at the sole discretion of the Port unless previously authorized by the Commission. At the time of renewal, extension, exercising option, etc. the Lease will be reevaluated and brought up to fair market value.

Lessee's renewal is likewise subject to and contingent upon the Port's acceptance of Lessee's renewal notice, which the Port may withhold in its sole discretion. Failure of Lessee to give required notification may, at the discretion of the Port, result in the option(s) being null and void. Should the Port decline to accept Lessee's renewal notice, this Lease will terminate upon the expiration of the then-existing term.

ARTICLE III
Rent, Rental Adjustment

3.1 **RENT**: The term "**Rent**" as used herein includes Base Rent, Common Area Maintenance ("CAM") Expenses (if any) as that term is defined herein below, applicable Washington State leasehold excise tax, consistent with RCW Chapter 82.29A relating to leasehold excise tax, and any subsequent revision or amendment thereto, and other fees and charges assessed herein. Base Rent and Washington State leasehold excise tax shall be paid without the requirement that the Port provide prior notice or demand, and shall not be subject to any counterclaim, setoff, deduction, defense or abatement. For any other fees and charges which may be assessed by the Port herein, the Port shall first provide written notice thereof, and Lessee shall pay such fees and/or charges within thirty (30) days of receipt of such written notice without any counterclaim, setoff, deduction, defense or abatement.

3.1.1 If Lessee fails to pay the required Rent as by this Lease, the Port shall charge late fees as outlined below. An administrative fee of $25 will be charged for each month a late or finance fee is charged:

3.1.1.1. 30 days nonpayment = late fee is charged. At the first of month after 30 days late: Late fee is 2% or $100, whichever is greater, of total outstanding Rent, leasehold tax ("**LHT"),** utilities and charges billed.

3.1.1.2 60 days nonpayment = late fee is charged. At the first of month after 60 days late: Late fee is 5% or $300, whichever is greater, of outstanding Rent, LHT, utilities, and charges billed. Eviction process will be initiated.

3.1.1.3 90 days nonpayment = late fee of 8% or $700 whichever is greater, of outstanding Rent, LHT, utilities, and charges billed and eviction will be enforced.

3.1.2 **Base Rent Adjustment**: The Port may, in its discretion, adjust the Base Rent hereunder upon the provision of written notice prior to the anniversary of the Commencement Date. Upon the provision of such notice, the rental rate shall be automatically adjusted effective upon the month of the anniversary of the Commencement Date, based on the previous month's Consumer Price Index, to reflect the percentage change in the Consumer Price Index for All Items in West - Size Class B/C, All Urban Consumers, as issued by the U.S. Department of Labor, Bureau of Labor Statistics, or the closest comparable index if the above index is no longer published, over the last full 12-month period immediately preceding the anniversary of the Commencement Date for which such data are available. If the resulting rent rate adjustment is negative, then the rental rate shall not be decreased but shall remain the same as the preceding period.

3.2 **COMMON AREAS**: (NOT APPLICABLE)

3.2.1 **Common Areas; Definition**: The term "**Common Areas**" shall mean those areas in and around the Premises owned by the Port that are provided and designated by the Port from time-to-time for the general non-exclusive use of the Port, Lessee, other tenants of the Port, and/or the respective employees, suppliers, shippers, customers, clients, invitees and licensees of such Parties. Common Areas may include, but are not limited to, lobbies, hallways, common restrooms, electrical and mechanical areas, supply and janitorial rooms, exterior wall surfaces of the Premises walkways, driveways, parking areas, service areas, landscaped areas, and other Port owned areas provided for the non-exclusive use of its tenants. The Port or its agents shall operate, manage, equip, light, repair, replace and maintain the Common Areas for their intended purpose at such times and in such manner as the Port shall reasonably determine.

3.2.2 **Lessee's Common Area Lease Rights**: The Port hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, customers, clients and invitees during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time-to-time, subject to any rights, powers and privileges reserved by the Port under the terms hereof or under the terms of any rules, regulations or restrictions governing the use of the Common Areas. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by prior written consent of the Port or the Port's designated agent, which consent may be revoked at any time. In the event that such unauthorized storage shall occur, then the Port shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be payable on demand by the Port.

3.2.3 **Changes to Common Areas**: The Port shall have the right from time-to-time to make changes to the Common Areas, including, without limitation: (i) changes in the location, size, shape and number thereof; (ii) to temporarily close any of the Common Areas for maintenance and public purposes so long as reasonable access to the Premises remains available; (iii) to add additional improvements to the Common Areas; and (iv) to use Common Areas while engaged in making additional improvements, repairs or alterations to the Premises or any portion thereof, as the Port may, in the exercise of sound business judgment, deem appropriate. The Port shall nevertheless diligently perform construction, repair or maintenance work to minimize interruptions in the use of Common Areas.

3.2.4 **Common Area Maintenance Expenses; Definition**: The term "**Common Area Maintenance Expenses**" or "**CAM Expenses"** as used herein shall mean the sum of the costs and expenses incurred by the Port with respect to maintenance, upkeep and repair of and to the Common Areas.

3.2.5 **Payment of CAM Expenses**: Lessee shall pay to the Port Lessee's agreed pro rata share of the CAM Expenses ("**Pro Rata Share**"). Lessee's Pro Rata Share is based on the percentage obtained by dividing the agreed rentable area of the Premises by the agreed building area. The Parties agree that Lessee's Pro Rata Share under this Lease is zero percent (0 %), thereby resulting in a monthly payment of Zero Dollars ($0.00) for the first twelve months of this Lease.

3.2.6 **Adjustment of CAM Expenses**: Each year of this Lease or renewal term (as the case may be), the Port will establish an estimate of a year's total CAM Expenses, and Lessee shall pay Lessee's Pro Rata Share on a monthly basis in accordance with the monthly rental payment obligations set forth in Section 3.1 of this Lease. Within sixty (60) days after the expiration of each Lease year, the Port shall deliver to Lessee a reasonably detailed statement showing Lessee's Pro Rata Share of the actual total of CAM Expenses incurred during the preceding year. If Lessee's payments under this Paragraph during the preceding year were less than Lessee's Pro Rata Share as indicated on said statement, Lessee shall pay to the Port the amount of the deficiency within thirty (30) days after delivery by the Port to Lessee of said statement; any overpayment made by Lessee shall be credited toward Lessee's liability for Rent for succeeding months.

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

3.4 **LEASEHOLD AND OTHER TAXES**: Throughout the term of this Lease, Lessee shall be liable for, and shall pay or, as applicable, reimburse the Port for, all license fees and excise and occupation taxes covering the business conducted on the Premises, all taxes on property of Lessee on the Premises, ad valorem taxes or taxes levied in lieu of an ad valorem tax, and any taxes on the leasehold interest created by this Lease and/or measured by the rent payments hereunder, whether imposed on Lessee or on the Port. With respect to the leasehold excise tax payable hereunder, Lessee shall pay to the Port with each rent payment an amount equal to the tax. All other tax amounts for which the Port is or will be entitled to reimbursement from Lessee shall be paid by Lessee to the Port at least fifteen (15) days prior to the due dates of the tax amounts involved, provided that Lessee shall be given at least ten (10) days' prior written notice of the amounts payable by Lessee.

ARTICLE IV
Use of Premises, Condition of Property, Improvements, Removal of Property, Maintenance, and Utilities

4.1 **LESSEE'S USE OF THE PREMISES**: Lessee shall conduct only the following activity on the Premises: vehicle maintenance and storage (the "**Authorized Use**") and such additional uses incidental or otherwise related to such Authorized Use.

4.1.1 Lessee shall be in default under this Lease if it: (i) ceases conducting the Authorized Use for any period of time exceeding one hundred twenty (120) consecutive days; or (ii) conducts any other business or activity on the Premises without first obtaining the Port's consent, in the Port's sole discretion, which shall be evidenced by a validly executed written Lease modification.

In conducting the Authorized Use, Lessee shall properly and fairly serve the public, providing reasonable hours of operation, and reasonably suitable service.

4.1.2 Notwithstanding the foregoing described use, the Premises shall not be used to store, distribute or otherwise handle flammable, dangerous or hazardous materials, excepting only those necessary to conduct the Authorized Use. At the request of the Port, Lessee shall provide a list of all flammable, dangerous or hazardous materials stored or used on the Premises.

4.2 **ACCEPTANCE OF PREMISES**: Lessee accepts the Premises, including all existing improvements thereon, "as is" without further maintenance liability on the part of the Port, except as otherwise specifically noted herein. Lessee is not relying on any representations of the Port as to condition, suitability, zoning restrictions or usability, except the Port's right to grant a lease of the Premises.

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

4.3.1 Subject to obtaining the Port's 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's contractor, if any, shall be subject to the Port's approval, not unreasonably withheld. The Port reserves the right to condition its approval upon Lessee providing payment and/or performance bonds satisfactory to the Port. Lessee shall submit plans to and obtain written approval from the Port before commencing any Tenant Improvements. The Port shall have a reasonable period of time to review such plans prior to issuing a decision. Upon the provision of written notice to Lessee that the Port's review of plans will require extraordinary staff review time, the Port may charge Lessee a reasonable pre-established 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 the Port upon the Port's approval of the plans for such improvements. Unless otherwise agreed, all improvements by Lessee shall conform to the requirements of the Americans with Disabilities Act of 1990, 42 U.S.C. §12101 et seq. (the "**ADA**").

4.3.2. Return on Investment. All Tenant Improvements completed by the Port at its expense will require a return on investment of not less than the Port's expense paid by the Lessee receiving the benefit from said Tenant Improvement.

4.3.3. A payback schedule for the Tenant Improvement costs will be determined by the Port on a case-by-case basis.

4.3.4. All Tenant Improvements will have a scheduled return on investment until the Port's expense and overhead associated with the Tenant Improvement is reimbursed by Lessee.

4.3.5 **Unauthorized Improvements**: Any Tenant Improvements made on the Premises without the Port's prior written consent or which are not in conformance with the plans submitted to and approved by the Port ("**Unauthorized Improvements**") shall be subject to removal by Lessee at Lessee's expense upon sixty (60) days' written notice from the Port.

4.4 **TITLE TO LESSEE IMPROVEMENTS, FIXTURES AND PERSONAL PROPERTY AT LEASE TERMINATION**: Except as otherwise provided in the description of the Premises in Article I above, as of the Commencement Date, all existing structures, buildings, installations, and improvements of any kind located on the Premises are owned by and title thereto is vested in the Port. Prior to Lease Termination, Lessee shall remove the following from the Premises:

a. All tenant-owned equipment;

b. All personal property;

c. All Lessee Improvements not designated as Fixtures in Article I above or pursuant to Section 4.3.1 above.

Initials: _______ _______
Port Lessee

4.4.1 If Lessee removes any part of a structure, including the items listed above ("**Removal Items**"), from the Premises, it shall be obligated to remove all thereof, except such portions as the Port may desire to leave remaining, including the foundation. The Lessee will correct any environmental issues. The Port may require Lessee to remove all or any portion of the Removal Items from the Premises, upon the Port's written notification to Lessee within 30 days of the expiration of this Lease. In the event any Removal Items are removed by Lessee, Lessee shall restore the Premises to the condition they were in prior to their construction.

4.4.1 If any of the Removal Items are not removed from the Premises by Lease Termination or when the Port has the right of re-entry, then the Port may, at its sole option, elect any or all of the following remedies:

a. Upon the expiration of thirty (30) days' written notice to Lessee that Removal Items remaining on the Premises are required to be removed therefrom by Lessee, if Lessee has not completed the removal, the Port may remove any or all of the Removal Items and dispose of them without liability to Lessee, and at Lessee's cost. The Port shall not be required to mitigate its damages, to dispose of the Removal Items in a commercially reasonable manner, or to make any effort whatsoever to obtain payment for such items. Lessee agrees to pay the Port's costs and damages associated with Lessee's failure to remove such Removal 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 the Port 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; and or

b. Claim and take title in the Port to any or all Removal Items, however, the Port retains the option to decline ownership at Lease termination; and/ or

c. Commence suit against Lessee for damages or for specific performance.

4.4.2 During any period of time employed by Lessee under this Section to remove Removal Items including structures, buildings, installations, improvements, machines, appliances, equipment and trade fixtures, Lessee shall continue to pay a rent due and all other fees or expenses due and owing to the Port in accordance with this Lease on a prorated daily basis.

4.4.3 The foregoing remedies are cumulative, and the Port shall not be required to elect its remedies.

The Port and Lessee hereby acknowledge the rights, obligations and remedies set forth in this Section 4.4.

Initials: _______ Port _______ Lessee

4.5 **MAINTENANCE OF PREMISES**: The maintenance and repair of the Premises are the sole responsibility of Lessee, except as set forth in the Maintenance Inclusion List attached hereto as **Exhibit B** and incorporated herein by this reference; PROVIDED, however, that the Port shall be responsible for repairing at its own cost any interior damage resulting from a roof leak. Lessee shall notify the Port immediately upon discovering any indication of a roof leak. Lessee shall maintain the Premises in good condition, and shall repair all damage caused by Lessee, its employees, agents, licensees, invitees or anyone on the Premises as a result of Lessee's activities. In lieu of common area maintenance charges, Lessee's exterior Premises maintenance and repair responsibilities include, without limitation and by way of example only, mowing, general landscape maintenance, snow removal, parking lot sweeping, parking lot striping, and parking lot, curb and sidewalk repairs. The Port and Lessee specifically acknowledge and agree that the Port has no responsibility to maintain, repair or replace the Lessee-owned Improvements described in Article I above.

Initials: _______ Port _______ Lessee

4.6 **UTILITIES AND SERVICES**: Lessee shall be liable for and shall pay throughout the term of this Lease all charges for all utility services furnished to the Premises, including but not limited to, light, heat, gas, janitorial services, garbage, disposal, security, electricity, water, stormwater and sewerage, including any connection fees and any fire protection, police protection, or emergency health services as furnished by local authorities and as may be the subject of a contract between the Port and such local authorities or as imposed by ordinance or statute. The Lessee will ensure all utility services are transferred to their name upon commencement of this agreement. If the Premises are part of a building or part of any larger Premises to which any utility services are furnished on a consolidated or joint basis, Lessee agrees to pay to the Port Lessee's pro-rata share of the cost of any such utility services. Lessee's pro-rata share of any such services may be computed by the Port on any reasonable basis, and separate metering or other exact segregation of cost shall not be required. 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.

Meter Number(s) associated with this leased premises: Electric is a fixed-fee as the garage does not have its own meter.

4.7 **<u>COMPLIANCE WITH PORT REGULATIONS AND WITH ALL LAWS</u>**:

4.7.1 Lessee agrees to take reasonable action to comply with all applicable rules and regulations of the Port pertaining to the Premises now in existence or hereafter promulgated for the general safety and convenience of the Port, its various lessees, invitees, licensees and the general public upon receipt of notice of the adoption of such regulations.

4.7.2 Lessee agrees to comply with all applicable federal, state and municipal laws, ordinances, and regulations, including without limitation those relating to environmental matters. Any fees for any inspection of the Premises during the Lease term by any federal, state or municipal officer related to Lessee use and occupancy of the Premises and the fees for any so-called "Certificate of Occupancy" shall be paid by Lessee.

ARTICLE V
<u>Insurance and Financial Security</u>

5.1 **<u>CASUALTY LOSS OF LESSEE</u>**: The Parties hereto agree that the Port 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 responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Port, Lessee, third party, or act of nature. To this end, the Port and Lessee hereby waive any rights each may have against the other as a result of any injury, loss or damage which is then insured against by either. This waiver is effective only to the extent that the insurance company(ies) actually pay(s) for such injury, loss or damage. In addition, the Port and Lessee agree to (1) cause their respective insurance companies to waive any right of subrogation, and (2) provide proof to the other Party within thirty (30) days after the execution of this Lease that such waivers have been successfully obtained from the respective insurance companies (if such proof is not provided within this thirty (30) day period, the other Party shall have the right to declare this paragraph to be ineffective). This paragraph shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of the Port or Lessee.

5.2 **<u>INSURANCE</u>**:

5.2.1 **<u>Liability</u>**: Lessee shall procure and maintain during the term of this Lease and any extensions or renewals of this Lease a comprehensive general liability policy covering on an occurrence basis all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises) arising on the Premises or arising out of Lessee's operations. This policy shall also include contractual liability coverage for all indemnities provided under this Lease. Limit per occurrence shall not be less than $1,000,000, or the equivalent. General aggregate limit shall not be less than $2,000,000, when applicable (and will be endorsed to apply separately to each site or location.) Limit per claim and in the aggregate shall not be less than $1,000,000, or the equivalent. Annual aggregate limit shall not be less than

$2,000,000. 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 the Port.

5.2.2 **Property**: Lessee shall procure and maintain during the term of this Lease and any extensions or renewals of this Lease fire and extended coverage property insurance for physical loss and damage, written on an "all risks" basis *excluding* earthquake and flood insurance, to the Leased Premises and to all Lessee-owned improvements, with the Port named as a loss payee. Such policy or policies shall be written in the form of replacement cost insurance in an amount not less than 100% of the full replacement value, which amount shall be adjusted not less frequently than annually. The proceeds of such insurance in case of loss or damage shall be first applied on account of the obligation of the Port to repair and/or rebuild the Leased Premises to the extent that such proceeds are required for such purpose. Lessee shall also procure and maintain during the term of this Lease and any extensions or renewals of this Lease business interruption insurance by which Rent will be paid to the Port for a period of up to one (1) year if the Premises are destroyed or rendered inaccessible by a risk insured against by a policy of fire and extended coverage property insurance, with vandalism and malicious mischief endorsements.

5.2.3 **Workers' Compensation; Employer's Liability/Stop Gap**: If Lessee has employees, Lessee shall obtain, at Lessee's expense, and keep in effect during the term of this Lease and any renewals or extensions of this Lease, Workers' Compensation as required by the State of Washington, with statutory limits, and Employer's Liability/Stop Gap Insurance with limits of not less than One Million Dollars ($1,000,000) per accident for bodily injury or disease.

5.2.6 **Verification of Coverage**: For each insurance policy required herein, Lessee shall provide to the Port, prior to Lessee's occupancy of the Premises, original certificates of insurance, all required amendatory endorsements establishing coverage required under this Lease, a copy of each policy declarations and endorsements page, and complete copies of each policy. Provided, the Port's failure to obtain the required documents prior to Lessee's occupancy shall not be deemed a waiver of Lessee's obligation to provide them. Receipt of such certificate or policy by the Port does not constitute approval by the Port of the terms of such policy.

5.2.7 **Additional Insured; Primary Coverage; Non-Contributory**: Each insurance policy required herein shall name the Port, and only the Port, as an additional insured. For any claims related to this Lease, Lessee's insurance coverage shall be primary insurance coverage as to the Port. Any insurance or self-insurance maintained by the Port shall be excess of Lessee's insurance and shall not contribute with it.

5.2.8 **Changes in Coverage Requirements**: The Port reserves the right to modify any insurance requirements set forth herein, including limits, at the same time as revaluation of the annual Rent, as a condition of approval of assignment or sublease of this Lease, upon any breach of the environmental liability provision herein, upon a material change in the condition of any improvements, upon a change in the Authorized Use, or under other special circumstances as determined by the Port. Lessee shall obtain new or modified insurance coverage within thirty (30) days after changes are required by the Port.

5.2.9 **Substitute Coverage**: If Lessee fails to procure and maintain any insurance required herein, the Port shall have the right, but not the obligation, to procure and maintain substitute insurance and to pay the premiums, chargeable to Lessee. Lessee shall pay to the Port upon demand the full amount paid by the Port.

5.2.10 **Negligence of Lessee**: Each insurance policy required herein shall expressly provide that the insurance proceeds of any loss will be payable notwithstanding any act or negligence of Lessee which might otherwise result in a forfeiture of said insurance.

5.2.11 **Self-Insured Retentions**: If Lessee is self-insured, self-insured retentions must be declared to and approved by the Port. At the Port's option, either (i) Lessee shall obtain coverage to reduce or eliminate such self-insured retentions as respects the Port; or (ii) Lessee shall provide a financial guarantee satisfactory to the Port guaranteeing payment of losses and related investigation, claim administration and defense expenses. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or the Port.

5.2.12 **Acceptability of Insurers**: All insurance required herein shall be placed with insurers authorized to conduct business in the state of Washington with a current A.M. Best's rating of no less than A-VII, unless otherwise specifically authorized by the Port.

5.2.13 **Notice of Cancellation**: Each insurance policy required herein shall expressly provide that coverage shall not be canceled or changed except with prior written notice to the Port of no less than thirty (30) days. Lessee shall provide the Port with any revised endorsements, policy declarations and endorsements pages, and policies as soon as practicable after any changes are made to any policy.

5.2.__ **Automobile Liability:** Lessee shall procure and maintain an Automobile Liability policy covering all owned, not-owned and hired automobiles. The limits of liability shall be not less than $1,000,000.00. The foregoing insurance policy shall name the Port as an additional insured.

5.3 **WAIVER OF SUBROGATION**: The Port and Lessee hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective insurance contracts including any extended coverage endorsements thereto provided that this paragraph shall be inapplicable to the extent it would have the effect of invalidating any insurance coverage of the Port or Lessee. Each Party agrees to cause their respective insurance carriers to include in its policies a waiver of subrogation clause or endorsement.

5.4 **FINANCIAL SECURITY**:

5.4.1 In compliance with the requirements of RCW 53.08.085 (as presently codified or hereafter amended) and other laws of the State of Washington, Lessee agrees it will secure its performance of all obligations under this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond (the "**Bond**"), or by providing other financial security ("**Security**") satisfactory to the Port, in an amount totaling:

- ✓ Three months of Rent. $822.50 x 3 months = $2,467.50.

5.4.2 The Security, if a Bond, shall be in a form and issued by a surety company acceptable to the Port and shall comply with the requirements of Washington law. Lessee shall obtain such Bond and forward evidence thereof to the Port or shall provide to the Port such other financial security as may be required hereunder, within thirty (30) days of execution of this Lease, but in no event later than the Commencement Date of this Lease. Such Security shall be kept in effect during the term of this Lease.

5.4.3 If the Security amount required hereunder is to be not less than 100% of the sum of annual Rent, that Security amount is subject to increases to reflect any Base Rent adjustments as provided in Article 3 above. In that event, at no time may the Security amount be less than 80% of the then-current annual Rent, and the Port may at any time require Lessee to provide sufficient additional Security to restore the Security amount to no less than 100% of the then-current total annual Rent due hereunder. No future amendment or extension to this Lease shall be effective until the adjusted financial Security amount has been provided as required.

5.4.4 Upon any default by Lessee in its obligations under this Lease and Lessee's failure to cure such default in accordance with its rights to do so under this Lease, the Port may collect on the Bond or Security to offset the liability of Lessee to the Port. Collection on the Bond or Security shall not relieve Lessee of liability for any amounts not offset by the amount collected, shall not limit any of the Port's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

5.4.5 Any Bond or Security may provide for termination on the anniversary date thereof upon not less than one (1) year's written notice to the Port if the Lease is not in default at the time of said notice. In the event of any such termination, Lessee shall obtain a new Bond or Security , also subject to the Port approval, to replace the Security being so terminated to be effective on or before the date of termination.

5.4.6 If the Port Commission exercises its discretion pursuant to RCW 53.08.085 to reduce or waive Lessee's Security requirement under this Lease, the Port may at any time make a determination that changes in the material circumstances related to Lessee no longer support such reduction or waiver, and thereafter increase Lessee's Security requirement up to that required by RCW 53.08.085, or such amount as determined by the Port Commission.

ARTICLE VI
Environmental Liability

6.1 **ENVIRONMENTAL INDEMNIFICATION**: Lessee shall defend (with legal counsel suitable to the Port), indemnify and hold the Port harmless from any and all claims, demands, judgments, orders or damages resulting from Hazardous Substances on the Premises caused in whole or in part by the activity of Lessee, its agents or subtenants during any period of time that Lessee has occupied all or a portion of the Premises during the term of this Lease or any previous lease or agreement. 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. 1257 et seq.; the Clean Air Act, 42 USC Sec. 2001 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste

Cleanup-Model Toxic Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated there under.

6.1.1 Lessee's defense and indemnity obligations under this article are unconditional, shall not be discharged or satisfied by the Port'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 Although Lessee shall not be liable for any Hazardous Substances that existed on the Premises prior to commencement of its leasehold relationship with the Port (whether by this Lease or any prior lease agreements), Lessee shall be responsible for the costs of any environmental investigations or remediation arising from any development or use of the Premises by Lessee, and Lessee hereby releases the Port 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 disturbed soils.

6.2 **CURRENT CONDITIONS AND DUTY OF LESSEE**: The Port 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 to conducting any environmental investigation of the subsurface of the Premises, Lessee shall provide prior written notice to the Port. Lessee shall provide the Port with the results of all such investigations.

6.3 **NOTIFICATION AND REPORTING**: Lessee shall immediately notify the Port 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 Lessee shall, at the Port's request, provide the Port with copies of any and all reports, studies or audits which pertain to environmental issues or concerns and to 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.

6.3.2 Upon expiration or sooner termination of this Lease, Lessee shall remove from the Premises any soils or other media impacted by Hazardous Substances where such materials were deposited on the Premises by Lessee or its employees, representatives or agents. Any failure to complete such removal by the expiration or sooner termination of this Lease, and upon the expiration of thirty (30) days' notice that such materials remain on the Premises, Lessee shall be deemed a holding over by Lessee subject to the provision of Section 7.21 (HOLDING OVER). Lessee shall represent and warrant that, upon termination of the Lease, all Hazardous Substances that Lessee is required to remove from the Premises pursuant to this subsection have been removed from the Premises.

ARTICLE VII
Miscellaneous Provisions

7.1 **LESSEE WILL OBTAIN PERMITS**: Lessee agrees to obtain and comply with all necessary permits for any Authorized Use or leasehold improvement. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all resulting costs incurred by the Port, 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.

7.2 **LIENS**: Lessee agrees to keep the Premises free and clear of all liens and charges whatsoever. Lessee shall not allow any mechanics' and materialmen's or other liens to be placed upon the Premises. If such a lien is placed or recorded, Lessee shall cause it to be discharged of record, at its own expense, within thirty (30) days of the Port's demand. Failure to comply with the Port's demand within thirty (30) days shall be a default under the terms of this Lease. Notwithstanding the foregoing, the Port acknowledges that Lessee may use its Tenant Improvements as security for a loan, and the Port agrees to reasonably cooperate with Lessee and its creditor(s) to allow such creditor(s) to obtain such security.

7.3 **INDEMNIFICATION AND HOLD HARMLESS**: The Port, its employees and/or agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained by Lessee or by others as a result of any condition (including existing or future defects in the Premises) or occurrence whatsoever related in any way to the Premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of the Premises and of the areas adjacent thereto. Lessee agrees to defend and to hold and save the Port (including its commissioners, employees and/or agents) harmless from all liability or expense (including attorneys' fees, costs and all other expenses of litigation) in connection with any such items of actual or alleged injury or damage. Lessee specifically agrees that any bond or other security provided pursuant to any provisions of this Lease shall extend to the indemnity agreed to herein. Lessee 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. Each Party's obligations under this section shall survive the expiration or other termination of this Lease.

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

7.4.1 Lessee's obligations herein shall include, but in no way be limited to, the obligation to comply with all State and Federal environmental laws and regulations.

7.5 **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 and to be responsible for all damages caused to the Premises by Lessee, its agents, or any third party on the Premises.

7.6 **DAMAGE AND DESTRUCTION**:

7.6.1 **Port Owned Buildings/Improvements**: Except as otherwise stated herein, should the Premises be partially damaged by fire or other casualty, or rendered partially unfit for use by reason of fire or other casualty, the Premises shall be repaired with due diligence by the Port, and in the meantime the Rent (as defined in Section 3.1 above) shall be abated in the same proportion that the untenantable portion of the Premises bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs. Lessee shall cooperate fully in obtaining and making available proceeds of insurance provided by Lessee in furtherance of such repairs.

7.6.2 **Lessee Owned Buildings/Improvements**: If any building or improvement erected by Lessee on the Premises or any part thereof shall be damaged or destroyed by fire or other casualty during the term of this Lease, Lessee may, at its option and at its sole cost and expense, repair or restore the same according to the original plans thereof or according to such modified plans as shall be previously approved in writing by the Port. Lessee shall provide the Port notice of its intention to repair or restore the Premises within sixty (60) days after the damage or loss occurs. Such work of repair or restoration shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed with due diligence but not longer than one (1) year, if possible, or as soon thereafter as is reasonably possible after such work is commenced, and such work shall be otherwise done in accordance with the requirements of the provisions hereof pertaining to the construction of improvements upon the Premises. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration, or if Lessee elects not to repair or restore, to the cost of removing, demolishing, or clearing off the building or improvements. If (i) there are not insurance proceeds, or (ii) the same shall be insufficient for said purpose, Lessee shall make up the deficiency out of its own funds. Should Lessee fail or refuse to make the repair, restoration or removal as hereinabove provided, then in such event said failure or refusal shall constitute a default under the covenants and conditions hereof, and all insurance proceeds so collected shall be forthwith paid over to and be retained by the Port on its own account, and the Port may, but shall not be required to, sue and apply the same for and to the repair, restoration or removal of said improvements, and the Port may, at its option, terminate this Lease as elsewhere provided herein.

7.6.3 Except as otherwise stated herein, should the Premises be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the Premises are rendered wholly unfit for their accustomed uses, the Port shall have the option to terminate this Lease on thirty (30) days' notice, effective as of any date not more than thirty (30) days after the occurrence. In the event that this Section shall become applicable, the Port shall advise Lessee within thirty (30) days after the happening of any such damage whether the Port has elected to continue the Lease in effect or to terminate it. If the Port shall elect to continue this Lease, it shall commence and prosecute with due diligence any work necessary to restore or repair the Premises. If the Port shall fail to notify Lessee of its election within said thirty (30) day period, the Port shall be deemed to have elected to terminate this Lease, and the Lease shall automatically terminate thirty (30) days after the occurrence of the damage. For the period from the occurrence of the damage to the Premises as described in this Section to the date of completion of the repairs to the Premises (or to the date of termination of the Lease if the Port shall elect not to restore the Premises), Rent due hereunder shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole thereof.

7.7 **SIGNS**: Lessee may place in or upon the Premises only such signs as are related to the Authorized Use of the Premises, PROVIDED that Lessee shall first obtain Port's written consent as to size, location, materials, method of attachment, and appearance. Lessee shall install any approved signs at Lessee's sole expense and in compliance with all applicable laws, ordinances, rules and regulations. Lessee shall not damage or deface the Premises in installing or removing signs and shall repair any damage to the Premises caused by such installation or removal.

7.8 **ATTORNEYS' FEES AND COURT COSTS**: In any litigation, arbitration, or other proceeding by which one Party either seeks to enforce its rights under this Lease (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Lease, the prevailing Party shall be awarded its reasonable attorney fees, and costs and expenses incurred.

7.9 **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 the Port, in its sole discretion and upon such conditions as the Port may require, including those set forth herein, 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 the Port with copies of all such proposed 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 the Port consent to an assignment made by Lessee for the purposes of obtaining a loan or other consideration from a third party, then the Port's consent shall be made in accordance with the consent to assignment document used by the Port for these specific assignments. A copy of this consent form shall be provided by the Port upon request of Lessee.

7.9.1 If the Port refuses to consent to an assignment, Lessee's sole remedy shall be the right to bring a declaratory action to determine whether the Port was entitled to refuse such assignment under the terms of this Lease.

7.9.2 No consent by the Port 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 the Port following an assignment or sublease, whether or not the Port has knowledge of such assignment or sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

7.9.3 A minimum handling and transfer fee ("Transfer Fee Deposit") of Three Hundred Dollars ($300.00) shall be payable by Lessee to the Port if Lessee requests the Port's consent to a proposed assignment (including an assignment to a creditor for security purposes), sublease or modification of this Lease. The Port reserves the right to increase the Transfer Fee Deposit up to Five Hundred Dollars ($500.00) if, in the Port's sole judgment, the transaction will necessitate the expenditure of substantial time and expense on the part of the Port. Such Transfer Fee Deposit shall be submitted to the Port at the same time that Lessee requests the Port's consent to the proposed sublease, assignment or modification. If the Port's reasonable and customary attorneys' fees exceed the Transfer Fee Deposit, then Lessee agrees to reimburse the Port for such additional reasonable and customary attorneys' fees. Lessee's failure to remit this additional 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 the Port in any case where an assignment, sublease or modification is not accomplished due to total refusal on the part of the Port to grant its consent to the request.

7.9.4 If, pursuant to any assignment or sublease, Lessee receives rent, either initially or over the term of the assignment or sublease, in excess of the Rent called for hereunder, or in the case of a sublease, 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 the Port, as additional rent expenses hereunder, fifty percent (50%) of the excess of each such payment of Rent received by Lessee after its receipt.

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

7.9.6 Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by the Port to any assignee or sublessee or failure of the Port to take action against any assignee or sublease, Lessee hereby agrees that the Port may, at its option, and upon not less than three (3) days' notice to Lessee, 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.

7.9.7 Any Lessee request to amend, sub-lease, or assign this Lease shall be conditioned by an amendment providing that the Base Rental Rate shall be adjusted to the prevailing Fair Market Rent. The Port may negotiate a reasonable schedule of periodic adjustments of the Fair Market Rent over a reasonable period of time, if the amount required to reach the Fair Market Rent in the sole discretion of the Port is substantial.

7.9.8 The Lessee must be in Good Standing as that term is defined herein below as a condition precedent to the Port's agreement to amend, sub-lease, or assign the Lease.

7.9.9 "**Good Standing**" Defined- The Lessee is in "good standing" if it is in full compliance with all obligations in their current Lease or past lease agreements, which includes inter alia timely payment of rent, adherence to specific terms of the Lease (property usage, etc.), adherence to property boundaries, promotion of the Port, adherence to local/state/federal rules and regulations, adherence to Port regulations (notification of tenant improvements, permission, notice, etc.), and exercises good faith in its dealings with the Port.

7.10 **REIMBURSEMENT FOR EXPENSES**: Should Lessee seek to assign this Lease to any creditor as security for a loan or forbearance from such creditor, or attempt to otherwise assign, sublease, or modify this Lease between the Parties during the term of this Lease or any renewal thereof, then Lessee agrees to reimburse the Port for all customary and reasonable attorney fees paid by the Port for the review and opinion of such attorney acting on the request. A failure to reimburse the Port within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease. Notwithstanding anything to the contrary herein, Lessee shall not be obligated to reimburse the Port in any case where an assignment, sublease, or modification is not accomplished due to total refusal on the part of the Port to grant its consent to the request.

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

7.11.1 If the Port, at its sole discretion, shall require the use of the Premises for a public use in connection with the business of the Port not involving the lease thereof to another private lessee or in the event that the Port, at its sole discretion, shall require the use of the Premises for a major capital improvement for public or private use in connection with the operation of the business of the Port, then this Lease may be terminated by the Port by written notice delivered or mailed by the Port to Lessee not less than ninety (90) days before the termination date specified in the notice, unless the need for such use constitutes an emergency, in which case this Lease shall terminate as soon as is practicable.

7.11.2 If the United States Government, the State of Washington, or any agency or instrumentality of said government shall take title, possession, the rights of the Premises or any part thereof, the Port shall have the option to terminate this Lease, and if the taking has substantially impaired the utility of the Premises to Lessee, Lessee shall have the option to terminate this Lease. Both options shall be exercisable as of the date of said taking. If Lessee is not in default under any of the provisions of this Lease on the date of such taking, any rental prepaid by Lessee shall be promptly refunded to Lessee to the extent allocable to any period subsequent to said date, and all further obligations of the Parties shall terminate except liabilities, which shall be accrued prior to such date. To the extent Lessee owns certain improvements upon the Premises and is not otherwise directly compensated therefore by the taking entity, Lessee shall receive a fair allocation of any award received by the Port due to termination for government use. Nothing herein contained shall preclude Lessee from independently pursuing a direct claim for compensation from the taking entity for the value of its improvements to the Premises or its leasehold interest therein.

7.11.3 If any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that occurred prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.

7.12 **DEFAULT, CROSS DEFAULT, AND REMEDIES**: Failure to pay Rent or any other monetary obligations by the first 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 the Port's sole option, upon three (3) days' written notice, this Lease may be terminated and the Port may enter upon and take possession of the Premises. Without limiting the generality of the foregoing, Lessee expressly authorizes the Port 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.

7.12.1 If Lessee shall fail to perform any term or condition of this Lease, other than the payment of Rent or other monetary obligations, then upon providing Lessee thirty (30) days' written notice of such default, and if Lessee fails to cure such default within the thirty (30) day notice thereof, the Port 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.

7.12.2 If within any one (1) year period, the Port 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 the Port 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.

7.12.3 The following shall also constitute a default under the terms of this Lease: (i) A default by Lessee under any other agreement or lease with the Port; (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; and (vii) attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure a discharge of the attachment or release of the levy of execution within ten (10) days.

7.12.4 A default under this Lease shall constitute a default under any other lease or agreement which Lessee has with the Port (hereinafter such other agreements shall be referred to as “Collateral Agreements”). Likewise, any material breach or default under any Collateral Agreements shall be deemed a material breach or default under the terms of this Lease. If any Collateral Agreements are terminated for a material breach or default of Lessee, then the Port shall, without limiting any other remedies it may have, be entitled to terminate this Lease upon five (5) days’ written notice to Lessee.

7.12.5 In addition to the foregoing remedies specified in this article, the Port may exercise any remedies or rights under the laws of the State of Washington. Under no circumstances shall the Port be held liable in damages or otherwise by reason of any lawful re-entry or eviction. The Port shall not, by any re-entry or other act, be deemed to have accepted any surrender by Lessee of the Premises or be deemed to have otherwise terminated this Lease or to have relieved Lessee of any obligation hereunder.

7.12.6 The Port 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.

7.12.7 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 notice.

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

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

TO THE PORT Port of Port Angeles
P.O. Box 1350
Port Angeles, WA 98362

TO LESSEE: Kendrick Jordan Ross
1202 East 3rd Street___________
Port Angeles, WA 98362
Nickrossinc@gmail.com

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 attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

7.15 **<u>AGENT FOR SERVICE</u>**: Lessee agrees that if Lessee is in unlawful detainer, pursuant to Chapter 59.12 RCW, and the Port is unable to serve Lessee with the unlawful detainer pleadings after one service attempt, then the Port shall be deemed to have complied with the service requirements of Chapter 59.12 RCW if it mails such pleadings via certified mail to the address set forth in the notice section of this Lease and posts such pleadings in a conspicuous location on the Premises. Service shall be deemed complete on the next third day following the day of mailing.

7.16 **<u>SECURITY</u>**: Lessee specifically acknowledges that the Port has no duty to provide security for any portion of the Premises or surrounding areas. 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. Lessee agrees that to the extent the Port elects to provide any security, the Port is not warranting the effectiveness of any such security personnel, services, procedures or equipment and that Lessee is not relying and shall not hereafter rely on such security personnel, services, procedures or equipment. The Port shall not be responsible or liable in any manner for failure of any such security personnel, services, procedures or equipment to prevent or control, or apprehend anyone suspected of personal injury or property damage in, on or around the Premises.

7.17 **<u>QUIET ENJOYMENT</u>**: The Port acknowledges that it has ownership of the Premises and that it has the legal authority to lease the Premises to Lessee. The Port covenants that Lessee shall have quiet enjoyment of the Premises during the term of this Lease so long as the terms are complied with by Lessee and subject to the Port's right of entry onto the Premises as set forth herein.

7.17.1 The Port reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses applied for will not unduly interfere with the use to which Lessee is putting the Premises or interfere unduly with the approved plan of development for the Premises. No easement or other land uses shall be granted to third parties, until damages to the Lessee have been dealt with appropriately, or waiver signed by Lessee.

7.17.2 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 the Port 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 the Port, Lessee agrees that such interruptions shall not be deemed a violation of this Lease or the Covenant of Quiet Enjoyment.

7.18 **PORT MAY ENTER PREMISES; INSPECTION**: The Port reserves the right to inspect the Premises after written notice (except where the Port reasonably believes there exists or is about to exist an emergency, in which case no notice is required) at any and all reasonable times throughout the term of this Lease, provided that it shall not unduly interfere with Lessee's operations. The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the Premises and shall impose no liability upon the Port for failure to make such inspections. The Port shall have the right to place and maintain "For Rent" signs in conspicuous places on the Premises for a reasonable period of time prior to the expiration or sooner termination of the Lease.

7.19 **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.

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

7.21 **HOLDING OVER**: If Lessee remains in possession of said Premises after the date of expiration of this Lease without the Port'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 rent owed during the immediately preceding month under this Lease and otherwise upon the terms and conditions in this Lease and shall continue to be responsible for payment of applicable CAM Expenses and leasehold excise tax obligations. If Lessee holds over with the Port'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 the Port on a month-to-month basis as provided for in this Lease. Such 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 holdover tenancy shall be subject to all terms and conditions contained herein.

7.22 **PROMOTION OF PORT COMMERCE**: Lessee agrees that throughout the term of this Lease it will, insofar as practicable, promote the activities of the Port.

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

7.24 **GOVERNING LAW**: This Lease, and the right of the Parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the Parties agree that in any such action jurisdiction and venue shall lie exclusively in Clallam County, Washington.

7.25 **ESTOPPEL CERTIFICATES**: At Lessee's request, the Port agrees to execute and deliver to Lessee or its lender(s), a customary estoppel certificate in a form acceptable to the Port 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) the Port's knowledge of any breaches or anticipated breaches of the Lease. The Port shall have no obligation to execute an estoppel certificate which requests any information other than as set forth above. Lessee agrees to reimburse the Port for all attorneys' fees paid by the Port 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 the Port within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease.

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

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

7.28 **COMMISSIONS AND FEES**: In the absence of any agreement between the Parties to the contrary, each Party represents and warrants to the other that it has not been represented by, or introduced to the other by, any broker or agent. In the absence of any agreement between the Parties to the contrary, each Party hereby agrees to indemnify and hold the other harmless from and against any and all fees, commissions, costs, expenses (including attorneys' fees) obligations and causes of actions arising against or incurred by the other Party by reason of any claim for a real estate commission or a fee or finder's fee by reason of any contract, agreement or arrangement with, or services rendered at the request of, the indemnifying Party.

7.29 **VALIDATION**: IN WITNESS WHEREOF, the Port has caused this instrument to be signed by its Executive Director, or other designee, by authority of the Commission of the Port of Port Angeles, and this instrument has been signed and executed by Lessee, on the day and written below.

LESSOR:

PORT OF PORT ANGELES

____
Paul S. Jarkiewicz
Its: Chief Executive Officer

Date: ____________________

LESSEE:

KENDRICK JORDAN ROSS

____

Date: ____________________

STATE OF WASHINGTON)
) ss.
County of Clallam)

On this _______ day of _____________________, 2026, before me the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared KENDRICK JORDAN ROSS, known to be the individual named in and who executed the within and foregoing Commercial Lease, and acknowledged to me that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year first above written.

____
NOTARY PUBLIC in and for the
State of Washington, residing
at ___________________________
My Commission Expires: ________

STATE OF WASHINGTON)
) ss.
County of Clallam)

On this _____ day of _________________, 2026, before me the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **Paul Jarkiewicz**, to me known to be the **Chief Executive Officer of the Port of Port Angeles**, the entity that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said entity for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

____
NOTARY PUBLIC in and for the
State of Washington, residing
at _________________________
My Commission Expires: ________

EXHIBIT A – Leased Premises

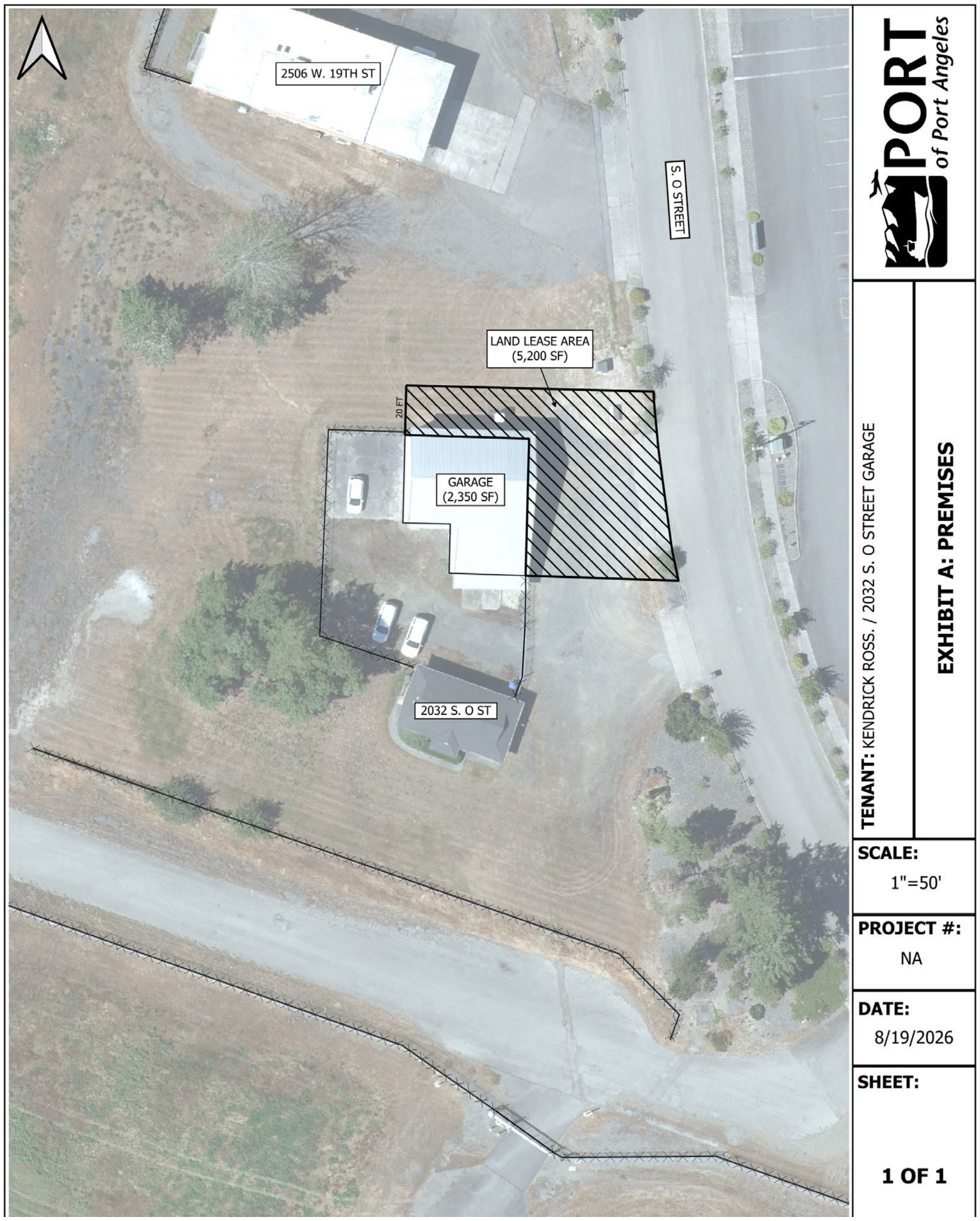


EXHIBIT B -Repair and Maintenance Inclusion List

Premises improvements to be repaired and maintained by the Port of Port Angeles as follows:

ACCESS ROADS & PARKING
CATCH BASINS, GRATES, FRAME
DRINKING FOUNTAINS
DOORS, EXTERIOR
DOOR HARDWARE, EXTERIOR
DRAINAGE PIPE
ENTRANCES & STOREFRONTS
ELECTRICAL SERVICE & DISTRIBUTION
FIRE EXTINGUISHERS & CABINETS
FOUNDATION DRAINAGE
GLAZING
GUTTERS & DOWNSPOUTS
HYDRANTS
HANDRAILS AND RAILINGS
HVAC
INSULATION
MANHOLES & CLEANOUTS
PAINTING, EXTERIOR
PAVING & SURFACING
PAVEMENT MARKING & PARKING LINES
PLUMBING (OUTSIDE OF TENANT LEASED SPACE)
RESTROOM CLEANING, COMMON AREAS
ROOFING SYSTEMS (DECKING)
SANITARY SEWAGE SYSTEMS (EXTERIOR MAINS)
SEALANTS & CAULKING/EXTERIOR
SIDING
SIDEWALKS/CURBS
SNOW REMOVAL
STORM SYSTEMS
SWEEPING AND LEAF BLOWING
THERMAL & MOISTURE PROTECTION
WATER DISTRIBUTION (EXTERIOR MAINS)
WEATHERSTRIPPING & SEALS
WINDOWS, EXTERIOR

Lessee shall be responsible for repair and maintenance of all Premises improvements not identified on this Exhibit B.

Initials: ____________	Initials: ____________
Port of Port Angeles	Lessee

PORT of Port Angeles
Celebrating 100 years serving Clallam County

P.O. Box 1350
338 West First Street
Port Angeles, WA 98362
360.457.8527

Administrator Captain Stephen M. Carmel
Maritime Administration, U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Osprey Logistics, LLC FY2026 United States Marine Highway Program Grant Application

Dear Captain Carmel:

On behalf of the Port of Port Angeles, we are pleased to offer this letter of endorsement for Osprey Logistics, LLC, and its FY 2026 application to the United States Marine Highway (USMH) Grant Program under the Maritime Administration (MARAD). Osprey Logistics, the private owner of a terminal site in Everett, Washington, is proposing a project that aligns strongly with the goals of the USMH Program and the objectives of the M-5 Marine Highway Route.

As a designated sponsor of the M-5 Route since 2024, the Port of Port Angeles recognizes the necessity of marine highway services to address regional transportation challenges. The M-5 corridor, which spans the West Coast from Washington to California, presents significant opportunities for expansion. This is particularly true in the Puget Sound region, where landside congestion is increasing and road infrastructure is under strain.

Osprey Logistics' proposed project will expand and enhance marine highway transportation along the M-5 by acquiring two essential components:

1. A conveyor belt system comprised of three (3) movable belt sections and a Swing Axle with Mobile Pivot Base, capable of conveying materials into stockpiles across a 180-degree radius; and
2. A CAT 950GC Wheel Loader, which will transfer materials delivered by truck to piles, to the conveyor system, and to outbound barges, as well as assist in managing inbound stockpiles.

These improvements will allow Osprey Logistics to efficiently handle a broader range of cargo types at its Everett facility. Currently, the company must rent conveyor systems for special shipments, making regular service for aggregate and particulate materials, including gravel, soil, and bark, economically unviable.

This project will enable Osprey Logistics to meet the growing demand from shippers to transport these cargo types on the M-5 via barge, as it offers an alternative to the heavily congested highway corridors through Everett, Seattle, Tacoma, and the Olympic Peninsula. It also provides a more reliable option than the Washington State Ferry System, which is both costly and frequently impacted by cancelled sailings. By enabling consistent service, this project will reduce road congestion, lower transportation costs, and improve regional freight mobility.

Moreover, the project will advance key goals of the USMH Program, including increased marine cargo capacity, reduced highway wear, and economic development through job creation and private investment.

The Port of Port Angeles regularly collaborates with Osprey Logistics and appreciates the value they provide to the regional supply chain, such as log transport across Puget Sound (hardwoods from Everett to Port Angeles and softwoods in the opposite direction). Osprey Logistics is uniquely positioned as the only private operator in the region with 22 acres of owned tidelands adjacent to 50 acres of developed uplands. This is a significant advantage to marine highway transportation because most tidelands in the Puget Sound region are owned by the Department of Natural Resources and leased out, which places limitations on how logistics facilities can operate. Osprey Logistics' ownership of its tidelands and adjacent uplands enables it to provide marine services not currently available through public ports or other private facilities, allowing Osprey Logistics to maximize its facility's use for marine highway transportation purposes.

With the proposed equipment, Osprey Logistics can serve existing customers on the M-5 corridor whose needs are currently unmet. This application presents a strategic opportunity to enhance the utilization of the M-5 Marine Highway by addressing existing logistical gaps and supporting the long-term viability of an efficient land-based alternative for freight transportation in the region.

We urge consideration of Osprey Logistics' FY2026 application to the USMH Program. Should you require additional information in support of this application, please don't hesitate to contact the Port's Chief Executive Officer, Mr. Paul Jarkiewicz, at paulj@portofpa.com.

Thank you for your consideration.

Respectfully,

Connie Beauvais Commissioner Port of Port Angeles	Colleen McAleer Commissioner Port of Port Angeles	Kelly Kidwell Commissioner Port of Port Angeles

Future Agenda Items – Commission Meeting

08/25/2026

September 8, 2026 (Regular Commission Meeting)
- Monthly Delegation of Authority Report
- Monthly Cash and Investment Report
- Log Yard Site & Stormwater Project – August Update

September 22, 2026 (Regular Commission Meeting)
- August Financial Report
- Q3 Grant Update

October 13, 2026 (Regular Commission Meeting)
- Monthly Delegation of Authority Report
- Monthly Cash and Investment Report
- Log Yard Site & Stormwater Project – September Update
- Introduce 2027 Operating Budget

October 26, 2026 (Special Joint Meeting w/ BOCC & The Clallam County PUD)
- Hosted at the BOCC from 11:00 am – 2:30 pm

October 27, 2026 (Regular Commission Meeting)
- September Financial Report
- 3rd Quarter Operations Report
- 2027 Draft Final Capital Budget
- Present Preliminary 2027 Operating Budget & Tax Levy

Upcoming Events

September 24-25: WPPA Environmental Seminar (Seattle, WA – Renaissance Seattle Hotel)

September 28-30: American Association of Port Authorities (AAPA) Annual Conf. (New Orleans, LA)

October 12-13: MH5 & MH84 Joint Annual Roundtable (Vancouver, WA)

October 13-15: Pacific Northwest Waterways Assoc. (PNWA) Annual Meeting (Vancouver, WA)

October 18-21: NAFTZ Annual Conference & Exposition (San Diego, CA – Loews Coronado Bay)

October 22-23: WPPA Small Ports (Chelan – Campbell's Resort Lake Chelan)

November 19-21: Pacific Marine Expo (Seattle, WA – Seattle Convention Center Arch Building)

December 2-4: International Workboat Show (New Orleans, LA)

December 9-11: WPPA Annual Meeting (Vancouver, WA – Hilton Vancouver)

Future

Boatyard and Marina Rules & Regulations / Port Emergency Response Plans and Activities / Employee Handbook Update and Resolutions