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COMMISSIONER OF PUBLIC LANDS
No.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
Bert L. Cole
Commissioner of Public Lands
Olympia, Washington 98504

HARBOR AREA LEASE NO. HA2396

BY THIS LEASE, by and between the STATE OF WASHINGTON, acting by and through the Department of Natural Resources, hereinafter called the Lessor and SEA GATE, INC., hereinafter called the Lessee, the Lessor leases to the Lessee on the terms and conditions as hereinafter set forth, the following described harbor area situate in Kitsap County, Washington, to wit:

That portion of the harbor area lying in front of Lot 7, Section 11, Township 24 North, Range 1 East, W.M., described by metes and bounds as follows:

Commencing at the intersection of the west line of Lot 15, Bay View Garden Tracts, (Lot 11 of Supplemental Plat of Bay View Garden Tracts) with the inner harbor line and running thence N 16° E 215 feet, more or less, to the outer harbor line, thence N 74° W along said outer harbor line 450 feet to the true point of beginning, thence S 16° W 195 feet, more or less, to the inner harbor line, thence westerly along said inner harbor line to the west line of said Lot 7, thence northerly along the west line of said Lot 7, produced, to the outer harbor line, thence S 74° E along said outer harbor line, 203 feet, more or less, to the true point of beginning, as shown on the official maps of Bremerton Tide Lands on file in the office of the Commissioner of Public Lands at Olympia, Washington.

SECTION 1 OCCUPANCY

1.1 Term. This lease shall commence on the 1st day of November, 19 76 and continue to the 1st day of November, 2004.

SECTION 2 USE OF PREMISES

2.1 Permitted Use. The Lessee shall have use of the leased premises for the purposes of building and maintaining wharves, docks and other structures for the convenience of navigation and commerce as shown on the exhibits approved by the Lessor and on file in the office of the Lessor.

SECTION 3 PAYMENT

3.1 Rental. Annual rental in the amount of $ 474.00, which represents 6 percent of the full and true value of the harbor area herein described as determined by the Lessor, in accordance with the provisions of Chapter 97, Laws of 1969, First Extraordinary Session, or as amended by subsequent legislation.

3.2 Payment. The payment of the rental fixed to the Lessor each year in advance, is the essence of this lease, and the same shall be, and is a condition precedent to the execution and continuance of this lease or any rights thereunder. Payment is to be made to the Department of Natural Resources, Olympia, Washington 98504.

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3.3 Adjustment. The Lessor shall at the end of the first five (5) year period of the lease term and at the end of each subsequent five (5) year period of the lease term, determine the full and true value in money of the herein described harbor area exclusive of improvements, unless the improvements are State-owned, in which case they shall be included, which value shall be the value at which the property would be taken in payment of a just debt from a solvent debtor and such valuation shall be utilized in computation of rental for the five (5) year period following.

3.4 Leasehold Tax. The Lessee shall pay to the Lessor at Olympia, Washington 98504, the leasehold tax, if applicable, as set forth in chapter 61, Laws of 1976, 2nd Ex. Sess., or as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable. Failure to pay said tax when due and payable shall be considered a breach of the provisions of this lease and the Lessor shall be entitled to all remedies they are entitled to by law, and the remedies provided herein for a breach of a provision of this lease. Any delinquent taxes shall be a debt to the Lessor and in the event the Lessor is subject to any penalties or interest because of the failure of the Lessee to pay such taxes, such penalties and interest shall be payable by the Lessee to the Lessor and shall be considered a debt to the Lessor. In the event the Lessor suffers any costs of whatsoever nature, including attorney fees, or other costs of litigation in collecting said tax, such costs shall be payable by the Lessee and shall be considered a debt due and owing to the Lessor by the Lessee.

SECTION 4 RESERVATIONS AND CONDITIONS OF USE

4.1 Discrimination. The Lessee covenants and agrees that in the performance of this lease agreement, the Lessee shall conduct its activities in a manner that will assure fair, equal and non-discriminatory treatment of all persons regardless of race, creed, sex, marital status or ethnic origin. Notwithstanding any exemption contained in State or federal law, the Lessee shall comply with all federal and State laws, rules or regulations concerning hiring and employment and assuring the service of all patrons, customers, members or invitees without discrimination as to any person's race, creed, sex, marital status or ethnic origin.

Non-compliance with this clause by the Lessee shall constitute a breach of this lease and the Lessor may initiate appropriate formal or informal action to assure compliance or may, at its discretion, terminate this lease upon 30 days notice to Lessee setting forth the claimed violation or violations and giving the Lessee a right to appeal to the Commissioner of Public Lands for a contested case hearing in accordance with the State Administrative Procedures Act (RCW 34.04).

4.2 Regulations. The Lessor shall have the right to regulate, under rules established by it, maintenance and design requirements of all improvements, rates of wharfage, dockage and other tolls to be imposed by the Lessee upon commerce for any of the purposes for which leased harbor areas may be used, and to change such regulations and rates from time to time.

4.3 Termination. The Lessor shall have the right to terminate this lease upon breach of any of the terms or conditions contained herein, including the obligation to pay the specified rental contained herein, or for the failure or refusal to erect within a reasonable time hereafter and continuously to operate and maintain in and upon the harbor area herein described the wharfs, docks, buildings or other structures represented in the exhibits of improvements proposed to be erected therein, which have heretofore been filed with the Lessor, or as altered with the consent and approval of the Lessor and entered upon its records. In addition, the Lessor shall have the right to terminate this lease for violation of any State or federal law, rule, regulation, order or permit required thereunder governing the uses authorized pursuant to the terms of this lease.

4.4 Improvements. No improvement shall be placed upon the harbor area without the prior written authorization of the Lessor. Authorized improvements constructed or placed on the leased premises during the term of this lease by the Lessee, unless otherwise specified, are the property of the Lessee. Upon the termination or expiration of this lease, the Lessee agrees to sever, remove and dispose of those improvements designated by the Lessor on the premises, within six months from date of termination or expiration. In those cases where the Lessor requires removal of improvements and such action is not taken by the Lessee, the Lessee agrees that the Lessor may remove such improvements and charge the Lessee for cost of removal and disposal. All improvements allowed to remain on the area herein described, upon termination or expiration of this lease, shall be the property of the Lessor.

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4.5 Acquisition. The Lessor reserves unto itself, port district, county, city or other public agency in the territory where the portion of the harbor area described in this lease is located, the right to assume and thereafter hold this lease upon acquirement of the tidelands contiguous thereto and fronting thereon, without any value for said lease except for improvements thereon where such improvements are owned by the Lessee.

4.6 Entry. The Lessor shall have access to the premises at all reasonable times for the purpose of securing compliance with the terms and conditions of this lease.

4.7 Access. The Lessor reserves the right of access to and across the leasehold premises for all purposes and further 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 the 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 lease holder have been paid to the Lessee, or waiver signed by the Lessee.

4.8 Restrictions on Use. In connection with use of the premises, the Lessee shall:

(1) Conform to applicable laws and regulations of any public authority affecting the premises and the use thereof, and correct at the Lessee's own expense, any failure of compliance created through the Lessee's fault, or by reason of the Lessee's use.

(2) Remove no valuable material without prior written consent of the Lessor.

(3) Not make or suffer to be made, any filling in of the leased area or any deposit of rock, earth, ballast, refuse, garbage or other matter within such area except as approved in writing by the Lessor.

SECTION 5 REQUIREMENTS

5.1 Assignment and Sublease. This lease, or any portion thereof, may not be assigned, mortgaged, sublet or otherwise transferred without the prior written consent of the Lessor. In granting such consent, the Lessor reserves the right to change the terms and conditions of this lease as it may affect the assignee. Further, if the Lessee is a corporation or partnership and if at any time during the term of this lease, any part or all of the corporate shares or partnership interests of the Lessee shall be transferred by sale, assignment, bequest, inheritance, operation of law, or other dispositions so as to result in a change in the present control of the corporation or partnership by the person or persons now owning a majority of the shares, or change in the holding of the corporate or partnership interest, the same shall constitute an assignment of this lease and as such shall require prior written consent of the Lessor. Failure to obtain written approval of any assignment defined in this lease shall be grounds for cancellation.

5.2 Maintenance.

(1) The Lessee, at his sole cost and expense, shall at all times keep, or cause all improvements (regardless of ownership) to be kept, in as good condition and repair as originally constructed or as hereafter put, except for reasonable use.

(2) The Lessee shall not allow debris or refuse to accumulate on the leased premises, caused either by himself or any person authorized on the premises by the Lessee. Failure to comply with this provision shall be cause to permit the Lessor to remove the debris and refuse and collect the cost of such removal from the Lessee and/or cancel this lease.

5.3 Condition of Premises and Liability.

(1) The premises have been inspected by the Lessee and are accepted in their present condition. Lessee agrees to defend and hold Lessor harmless from any and all claims suffered, or alleged to be suffered on the premises, or arising out of operations on the premises.

(2) The Lessee shall carry with a responsible company or companies satisfactory to the State, a sufficient amount of fire and casualty insurance to recover the value of any or all improvements located on the leased premises. A copy of such insurance policy or policies is to be endorsed and delivered to the State with provision of ten (10) days' notice of change, expiration and/or cancellation to the State. In the event of fire or casualty damage to any improvement owned by the State, or required to be left on the leased premises at the expiration of this lease, the paid insurance benefits shall be used to immediately replace said

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improvements in a manner acceptable to the State or, if directed by the State, rehabilitate the area in a manner suitable to the State. Any portion of the insurance proceeds not so utilized shall be returned to the State or if so permitted, to be used to satisfy any outstanding obligations incurred by reason of this lease being utilized for loan security. In the event of fire or casualty damage to any improvement owned by the Lessee, the paid insurance benefits shall be used to either replace the improvement, or in lieu thereof, rehabilitate the area in a manner suitable to the State. The Lessee shall guarantee that all sublessees shall have provisions to either replace their own damaged improvements or to rehabilitate the area as defined above.

5.4 Assessments. The Lessee shall pay all the annual payments on all assessments that may be legally charged, whether or not such assessments have been levied against the leasehold or the Lessor by the assessing agency.

5.5 Insolvency of Lessee. If the Lessee becomes insolvent, bankrupt, a receiver appointed, or his interest is transferred by operation of law, the Lessor may cancel this lease at its option. Insolvency as used herein, will mean the inability of the Lessee to meet obligations as they come due.

5.6 See attachment by which this reference is made a part hereof.

SECTION 6 MISCELLANEOUS

6.1 No Partnership. The Lessor is not a partner nor a joint venturer with the Lessee in connection with the business carried on under this lease and shall have no obligation with respect to the Lessee's debts or other liabilities.

6.2 Non-Waiver. Waiver by either party of strict performance or any provisions of this lease shall not be a waiver of, nor prejudice the party's right to require strict performance of the same provision in the future, or of any other provision.

6.3 Attorney Fees. If suit or action is instituted in connection with any controversy arising out of this lease, the prevailing party shall be entitled to recover, in addition to costs, such sum as the court may adjudge reasonable as attorney fees.

6.4 Succession. Subject to the limitations as stated in paragraph 5.1 on transfer of the Lessee's interest, this lease shall be binding upon, and inure to the benefit of the parties, their respective successors and assigns.

6.5 Notices. Any notice required or permitted under this lease shall be given when actually delivered or when deposited in the United States mail addressed as follows: To the Lessor: Department of Natural Resources, Public Lands Building, Olympia, Washington 98504. To the Lessee: At the address given by the Lessee in the signature block, or as shown on later official documents of record with this lease.

6.6 Liens.

(1) No person shall have the right to file or place any lien of any kind or character upon the land or improvements within the leasehold premises without the prior written consent of the Lessor.

(2) In the event liens or other charges are placed on the leasehold premises, including land or improvements, arising out of the Lessee's actions directly or indirectly, the Lessee shall immediately cause such liens or charges to be discharged. The Lessor may forthwith cancel this lease if Lessee fails to discharge such liens or charges after ten days' notice to do so by the Lessor. The Lessee shall pay and indemnify the Lessor for all costs, damages or charges of whatsoever nature, including attorneys' fees necessary to discharge such liens or charges, whether such costs, damages or charges are incurred prior or subsequent to any cancellation of this lease.

6.7 Litigation. In the event this lease, its terms, its use, its occupation or it in any way becomes a matter of litigation, the Lessor shall be notified of such litigation within fifteen days after such litigation is begun. Failure to notify the Lessor of such action shall be cause for cancellation or termination of this lease.

6.8 Lessor's Right to Cure Defaults.

(1) If the Lessee fails to perform any requirements or obligations under this lease, the Lessor shall have the option to correct the obligation of the lease after thirty days' written notice to the Lessee. All of the Lessor's expenditures to correct the default shall be reimbursed by the Lessee on demand, with interest at the rate of one percent per month accrued from the date of expenditure by the Lessor.

(2) In the event any violation or breach of the provisions of this lease is causing damage to the leasehold premises or the Lessee is utilizing the leasehold premises in a manner not permitted by the provisions of this lease, or in any case damages are occurring to the leasehold premises, the Lessor may immediately enter upon the leasehold premises and take such action as necessary to cease such damages or use. In the event the damages or use is occurring by reason of a violation or breach of the provisions of this lease, the Lessee shall be liable for all costs incurred by the Lessor by reasons of such violations. The Lessor, at its option may send notice to the Lessee of such violations and the Lessee shall immediately cease such use or violation and correct and remedy such violations.

6.9 Bond. Lessee shall furnish a bond in the amount of $ 1,000.00 as a guarantee of the performance of all the conditions set up and prescribed in this lease in all and every part thereof.

6.10 Legislative Changes. The Lessee further agrees that the provisions contained in paragraphs 3.1, 3.3 and 4.4 shall be subject to any changes in legislation affecting rental rates and improvements.

The Lessee expressly agrees to all covenants herein, and binds himself for the payment hereinbefore specified.

Executed this 13th day of January, 1977.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

By [signature]
BERT L. COLE
Commissioner of Public Lands

Signed this 4th day of January, 1977.

SEA GATE, INC.

Jack Cyr, Jr. Secretary
Title

400 Washington Avenue
Bremerton, WA 98310
Address

App. No. HA2396
hp PROOF READ [signature]

*If Lessee is a corporation, complete Certificate of Acknowledgment on reverse side.

FORM RES 75-1809 (06-76)
PROOF READ [signature]

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CERTIFICATE OF

CORPORATE ACKNOWLEDGEMENT

STATE OF WASHINGTON)
) ss
COUNTY OF KITSAP)

On this 4th day of JANUARY, 19 77, before me personally appeared JACK CYR JR.,

to me known to be the SECRETARY

of the corporation that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that (he was) ~~(they were)~~ authorized to execute said instrument.

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

Susan L. Mottern
Notary Public in and for the State of
Washington residing at
Bremerton

FORM RES 75-1809 (11-75)

DNR-00000813

HARBOR AREA LEASE BOND NO. _____

STATE OF WASHINGTON)
) ss
County of Kitsap)

We, Sea Gate, Inc.

of Washington, as principal___, and we, Jack Cyr, Jr. and

(b) (6) and (b) (6)

as sureties, all of the State of Washington, County of Kitsap and King, respectively, do confess ourselves indebted to the State of Washington in the penal sum of _____

One Thousand Dollars and no/100ths********** Dollars, and to the payment of which we are held and firmly bound, and do by these presents bind ourselves, our and each of our heirs, executors, administrators or assigns, jointly and severally, firmly by these presents.

Sealed with our seals this 4th day of January, A.D., 1977

The condition of the above obligation is such that, Whereas, the principal___, in the foregoing bond did enter into a certain lease and contract No. HA 2396 with the State of Washington (which is hereto attached and made a part of this instrument), whereby the above bounden principal___ has leased from the State of Washington the part, lot or parcel of property described in said hereto attached lease and contract, upon all the conditions set up in said lease and contract: Now, therefore, if the said above named lessee___, the principal___ herein, shall well and truly perform all the conditions set up and prescribed in the said lease and contract hereto attached, in all and every part thereof, then this bond shall be considered satisfied and discharged; otherwise it shall have full force and effect.

Approved for general use:

Date April 26, 1976

Assistant Attorney General

Sea Gate, Inc. by Jack Cyr, Jr.
Signature: Principal
Title Secretary

400 Washington, Bremerton, Wn. 98310
Mailing Address

Jack Cyr, Jr. Jack Cyr, Jr.

(b) (6)

Surety (b) (6) (b) (6)

Insurance Commissioner's Approval:

Mailing Address

Signature: Attorney in fact

Signature: Resident Agent

(Surety's Seal)

Agency

Mailing Address

FORM RES 75-1809 (11-75)

TO BE EXECUTED BY SURETIES ONLY

STATE OF WASHINGTON)
) ss
County of Kitsap)

Jack Cyr, Jr.; (b) (6) [redacted]
being first duly sworn, each for himself, and not one for the other, deposes and says: That he is a citizen of the State of Washington and is not barred by any statute of said State from executing bonds or becoming a surety; that he is one of the persons named in and who executed the foregoing obligation as surety, and that the same is his free and voluntary act and deed for the uses and purposes therein mentioned; that he is worth the sum of $ 50,000.00, over and above all his just debts and liabilities, in separate property situated in said State, and not exempt from sale on execution. (b) (6)

Jack Cyr, Jr.
(b) (6) [redacted]

Subscribed and sworn to before me this _____ day of _____, A.D., 19____.

_____
Notary Public in and for the State of Washington, residing at _____

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ATTACHMENT

5.6 Special Provisions: The Lessee shall:

(1) Provide dockside containers for disposal of refuse from boats.

(2) Provide convenient shoreside restroom facilities and post signs stating "discharging raw sewage from boats in illegal."

App. No. HA2396