

**MEMORANDUM OF UNDERSTANDING  
REGARDING LEASE AGREEMENT  
BETWEEN  
PORT OF PORT ANGELES AND  
COMPOSITE RECYCLING TECHNOLOGY CENTER**

This Memorandum of Understanding (“**MOU**”), by and between the Port of Port Angeles (“**Port**”) and Composite Recycling Technology Center (“**CRTC**”) will serve to document the agreement by such parties on the principal terms and conditions of a term lease agreement to be executed by the parties (the “**Lease Agreement**”). The parties agree to more fully memorialize these terms and conditions in the Lease Agreement no later than October 31, 2016, or such other date as may be mutually agreed to by the parties.

**Recitals**

The following Recitals are included to provide background and basis in support of the Lease Agreement for this MOU and shall likewise be included, in substantially the same form, in the Lease Agreement:

WHEREAS, the Port has identified the development of collection, processing and repurposing technology with respect to carbon fiber composite waste material as a unique and viable economic development opportunity for Clallam County; and

WHEREAS, the Port has found that the pursuit of this economic development opportunity by a non-profit corporation that can establish partnerships with various private and public entities, including Peninsula College and potential suppliers of carbon fiber composite scrap and waste material, will advance manufacturing, industrial and general economic development within Clallam County; and

WHEREAS, CRTC is a Washington nonprofit corporation with broad board representation from the public and private sectors, incorporated for the purpose of developing such collection, processing and repurposing technology; and

WHEREAS, CRTC will have and develop the requisite expertise, industry connections, market and technical knowledge, research and development capabilities, and advanced manufacturing infrastructure and equipment to facilitate the Port’s development of a composite recycling industry in Clallam County; and

WHEREAS, CRTC can assist the Port in achieving the Port’s economic and industrial development purposes by contracting with potential partners, gathering and reporting on market information, delivering a CRTC strategic plan to demonstrate the viability of the CRTC and its ability to support the Port’s vision for a composite recycling industry in Clallam County,

engaging in activities and partnerships consisting of research and product development, contracting for plant improvements and equipment acquisition, developing a workforce training program with Peninsula College and other partners, and promoting investment in businesses in Clallam County; and

WHEREAS, the Port and CRTC have identified certain Port-owned property and equipment which CRTC desires to lease from the Port for the purpose of allowing it to (i) carry on its various activities related to developing collection, processing and repurposing technology for carbon fiber composite scrap and waste material, and related uses; and (ii) collaborate and partner with the Port and other community stakeholders as outlined above; and

WHEREAS, the Port and CRTC desire to enter into a long term lease agreement whereby CRTC agrees to lease the identified Port-owned property and equipment, to include the terms and conditions outlined in this MOU.

NOW, THEREFORE, in consideration of the mutual benefits and conditions hereinafter contained, the Parties hereto agree as follows:

#### **Principal Terms of Lease Agreement**

1. **Landlord.** Port of Port Angeles.
2. **Tenant.** Composite Recycling Technology Center.
3. **Leased Premises.** Approximately 18,500 square feet of manufacturing/lab and office space together with a one-half interest in 1,400 square feet of Shared Space (an identified portion of the Premises shared equally with another tenant at this location), located at 2220 W. 18<sup>th</sup> Street in Port Angeles, Washington, all as depicted in the Map of Premises attached as **Exhibit A** (the “**Premises**”).
4. **Equipment.** In addition to the Premises described above, CRTC will lease certain Port-owned equipment, including, without limitation:
  - Two built-in/walk-in freezer units
  - Glycol pumps/piping
  - Back-up generator
  - Vacuum pumps/piping
  - Air compressor/piping

(the “**Equipment**”). It is the Port’s stated policy to encourage, support and facilitate the development of the composite recycling and manufacturing industry in Clallam County. In recognition of that policy and CRTC’s important and unique role in aiding the Port in fulfilling

that policy, and in acknowledgment of the essential role the Equipment serves in CRTC's successful operation, the Port will waive rental charges for the Equipment, provided that CRTC shall be responsible for payment of applicable leasehold excise tax. CRTC's use of the Equipment is subject to the understanding that it is using such Equipment "as is" and the Port makes no warranties, express or implied related to the Equipment, including its design, capacity, performance, workmanship or fitness for any particular purpose, or that it will or does meet the requirements of any laws, regulations or rules. CRTC will be solely responsible for maintenance, repair and replacement costs.

5. Initial Term. The initial term shall be ten (10) years beginning on August 1, 2016 and ending on July 31, 2026.

6. Renewal Options. Two (2) Ten Year Options, subject to the mutual establishment of a new Base Rent.

7. Rent. CRTC shall pay rent as follows:

a. Base Rent (for manufacturing/lab space, office space and Shared Space):

i. Years 1-3: \$8,985.60 per month.

ii. Years 4 and annually thereafter: Base Rent shall be adjusted by application of the Consumer Price Index for the United State Western Region, 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.

b. Rent Negotiation upon Renewal. Prior to the commencement of any renewal term of the Lease Agreement, the Port may, in its discretion, complete a rental rate market analysis for the Premises to determine whether the Base Rent rate for the Premises paid by CRTC during the final year of the then-present term represents a reasonable market rate for the Premises. If the market analysis reveals the Base Rent rate for the Premises is unreasonably below or above market rate (as determined by the Port in its sole discretion), the Port may commence negotiations with CRTC for the establishment of a new Base Rent amount for the renewal term.

c. Common Area Maintenance Expenses: CRTC will benefit from the Port's maintenance and repair to common areas (including, without limitation,

landscaping and the parking lot) shared with another tenant located at the Premises. The Port presently does not assess common area maintenance expenses for the buildings in the Composite Manufacturing Campus, but it intends to do so in the future. Consistent with the Port's stated policy to encourage, support and facilitate the development of the composite recycling and manufacturing industry in Clallam County, and in recognition of CRTC's important and unique role in aiding the Port in fulfilling that policy, the Port will waive such common area maintenance expenses as they apply to CRTC.

8. Leasehold Excise Tax. CRTC shall pay to the Port the applicable leasehold excise tax based on the fair market rental value for the Premises and Equipment, as required by applicable law. CRTC acknowledges that the applicable rental rate in the Lease Agreement may be less than the fair market rental value for the Premises. CRTC further acknowledges that the Port Commission may exercise its discretion to reduce the applicable rental rate for the Premises, but may not likewise reduce CRTC's leasehold excise tax obligations, which are based on the fair market rental value for the Premises. CRTC agrees to pay leasehold excise tax based on the fair market rental value, as established by the Port from time to time using accepted valuation methodologies.

9. Abated Rent. Base Rent for years 1 and 2 of the initial term of the Lease Agreement will be abated ("**Abated Rent**"). The total amount of Abated Rent will be amortized over the eight (8) years remaining under the initial term of the Lease, and will be repaid in monthly installments during this period, in addition to the applicable monthly rent amounts owing during such period. It is anticipated that the total Abated Rent will be **\$215,654.40**, with the resulting amortized monthly payment due for the remaining term of the lease, totaling **\$2,246.40**. During the period of Abated Rent, CRTC shall remain responsible for payment of applicable leasehold excise tax.

10. Use. The Premises shall be used and occupied by CRTC for the purpose of research and development of recycled carbon fiber composite materials and manufacture of products from the recycled materials.

11. Maintenance of Premises. The Port shall maintain the structural portions of the roof (including the roof membrane), HVAC system, solar panels, the cement floor slab, the foundation and load-bearing portions of walls (excluding wall coverings, painting, glass and doors) of the Premises; except for any damage caused by an act or omission of CRTC, which shall be repaired at CRTC's sole expense. Except as provided above, CRTC shall maintain and repair the Premises and all improvements in good condition including, without limitation, repairing all floors, walls and wall coverings, doors (including, without limitation, all office

doors, dock shelters, roll up doors and levelers), office entries, interior walls and finish work, windows, glass, plate glass, ceilings, skylights, sprinkler systems, dock bumpers, trailer lights and fans, shelters/seals and restraints, and fixtures, as well as damage caused by CRTC, its employees, agents, licensees, invitees or anyone on the Premises as a result of CRTC's activities.

12. Sales and Use Tax Deferral (RCW 82.60). The Port has been granted a sales and use tax deferral by the State of Washington Department of Revenue ("DOR") pursuant to RCW 82.60 for qualified buildings and machinery/equipment located on the Premises. Pursuant to RCW 82.60.025, the Port agrees to pass the economic benefit of the deferral to CRTC in an amount no less than the amount of the tax deferred by DOR for the qualified buildings and/or machinery/equipment located on the Premises (and in an amount allocable to CRTC's pro rata use of the qualified buildings and/or machinery/equipment), as determined by DOR upon completion of the construction of the improvements and installation of any qualifying machinery/equipment; provided that CRTC agrees in writing with DOR to complete the annual survey required under RCW 82.60.070. At the time of this Lease, DOR has not determined the final allowable tax deferral amount.

13. Financial Security. It is anticipated the Port Commission will exercise its authority and discretion pursuant to RCW 53.08.085 to waive any security requirement for the Lease.

14. Default; Termination. The Lease Agreement shall contain standard landlord remedies upon tenant default, including (without limitation) termination of the Lease.

15. No Representations or Warranties. The Premises shall be leased on an "AS IS", "WITH ALL FAULTS" basis, with no express or implied representations or warranties provided by the Port.

16. CRTC's Right to Assign or Sublease. CRTC may not assign any of its interest in the Lease Agreement or sublet all or any portion of the Premises without the Port's prior written consent, in the Port's sole discretion.

17. Indemnity. The Lease Agreement will contain typical indemnities from CRTC in favor of the Port (including environmental indemnification); provided that CRTC shall release, indemnify and hold the Port harmless from and against any and all claims of CRTC's employees arising from its use of the Premises except those claims caused by or resulting from the Port's sole negligence.

18. Insurance. The Lease Agreement will describe the insurance coverage as typically required by a commercial/industrial landlord, which CRTC shall provide at its sole cost and expense, with the Port named as an additional insured.

19. Other Standard Terms and Conditions. The parties acknowledge and agree that the Lease Agreement will contain other standard terms and conditions typically found in lease agreements such as that contemplated by this MOU.

20. Counterparts. This MOU may be executed in any number of original counterparts, with the same effect as if all the parties had signed the same document. All counterparts will be construed together and evidence only one MOU.

**THIS MEMORANDUM OF UNDERSTANDING SHALL BE SUPERSEDED BY THE LEASE AGREEMENT UPON ITS COMPLETE EXECUTION BY THE PARTIES THERETO. THIS MEMORANDUM OF UNDERSTANDING SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON. THIS MEMORANDUM OF UNDERSTANDING WAS PREPARED BY BOTH PARTIES HERETO AND NOT BY ONE PARTY TO THE EXCLUSION OF THE OTHER PARTY.**

**PORT OF PORT ANGELES**

By:

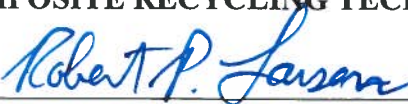
  
Karen F. Goschen

Its: Executive Director

Dated: 8-1-16

**COMPOSITE RECYCLING TECHNOLOGY CENTER**

By:



Its:

CEO

Dated:

August 1, 2016

**COMPOSITE RECYCLING TECHNOLOGY CENTER**

By:



Its:

Chairman of the Board

Dated:

August 01, 2016