

ORIGINAL

SECOND AMENDMENT TO
OPERATING AGREEMENT BETWEEN PORT OF ANACORTES
AND
FRONTIER INDUSTRIES, INC.

THIS SECOND AMENDMENT TO OPERATING AGREEMENT between PORT OF ANACORTES and FRONTIER INDUSTRIES, INC., made the 28TH day of AUGUST, 1990, by and between the Port of Anacortes, a Washington municipal corporation hereinafter referred to as "the Port", and Frontier Industries, Inc. a Washington corporation, hereinafter referred to as "F.I.," amends original Agreement dated March 16, 1989.

WHEREAS, the Port contracted with F. I. to perform certain work pursuant to the terms and conditions of the original Agreement dated March 16, 1989; and

NOW THEREFORE, for and in consideration of the mutual benefits of the parties, paragraph II.B. of APPENDIX "A" of the Operating Agreement dated March 16, 1989, which sets forth the compensation the Port shall pay to F.I. for all debarking services, is hereby cancelled and superseded by Exhibit "C" attached hereto and made part hereof and which shall be effective September 1, 1990. All other terms and conditions of the original Agreement, except as modified by the First Amendment to the Operating Agreement dated September 13, 1989 and herein modified by this Second Amendment shall remain the same.

IN WITNESS WHEREOF, the parties have executed this Agreement
on the day and year first written above.



FRONTIER INDUSTRIES, INC



PORT OF ANACORTES

EXHIBIT "C"
Appendix "A"
Effective: 9/1/90

II. B. COMPENSATION

1. The Port shall pay F.I. the rate of eleven dollars (\$11.00) per hour plus applicable sales tax for the operator of the debarker facility (which includes routine maintenance), and debarker clean-up. An overtime rate of "time and a half" shall be applied to the debarker operator's rates, including clean-up for hours of work in excess of forty (40) hours per week.

2. In addition to the above, the Port shall also pay F.I. the rate of \$ 1.45 per thousand board feet plus applicable sales tax (net scribner scale) for the shovel and stacker operators required to debark the logs.

3. a. The hourly rate set forth in IIB1 and the unit rate set forth in IIB2 are costs which the Port expects to receive payment from debarker users. In the event, the Port is not fully paid for these labor cost, F.I. understands that an adjustment in these rates will be necessary.

b. The unit rates in IIB2 are based on the following costs for machine operators:

(1) The previous Agreement rate was based upon non-overtime with concurrent or non-exclusive use of a shovel for stacking of debarked logs:

	<u>\$ Per MBF</u>
One (1) front-end loader operator	0.58
Shovel Operator (non- <u>exclusive use</u>)	<u>0.29</u>
TOTAL	0.87

(2) The new Agreement rate will be based upon exclusive use of a shovel for stacking of debarked logs:

Two (2) front-end loader operators	0.87
Shovel Operator	0.42
<u>Overtime Factor</u>	<u>0.16</u>
TOTAL	1.45

(3) F.I. shall provide the Port with a monthly report of hours and times worked for all equipment operators. This report will with verification by the Port be used to adjust the unit cost to reflect the most appropriate factor for hours worked outside of normal working hours.