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LEASE AGREEMENT

FOR

THE SOUTHERN TERMINUS

OF THE

ALASKA MARINE HIGHWAY SYSTEM

BETWEEN

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

AND

THE PORT OF BELLINGHAM, BELLINGHAM, WASHINGTON

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AMHS SOUTHERN TERMINUS LEASE

This lease is entered into this 26 day of OCTOBER, 1988, between the State of Alaska, Department of Transportation and Public Facilities, Alaska Marine Highway System whose address is P.O. Box Z, Juneau, Alaska 99811, hereinafter referred to as the "state," or "AMHS" and The Port of Bellingham, whose address is 625 Cornwall Avenue, Bellingham, Washington, hereinafter referred to as the "lessor."

RECITALS

(1) The lessor submitted a proposal, including a construction schedule, in response to a request for proposals for the Southern Terminus of the Alaska Marine Highway System issued by the Alaska Department of Transportation and Public Facilities. As the result of the RFP process, the lessor's proposal was selected for award of this lease agreement.

(2) The lessor has a legal interest in the premises described in Article 1 below that is sufficient to create in the lessor the full and complete legal authority that is necessary to lease the premises in accord with the terms and conditions of this agreement and the lessor enters into this agreement with the state to lease the premises to the state upon the terms and conditions set out below.

(3) The state and the lessor recognize that the greater portion of the premises, facilities, and equipment should be used to provide a mooring berth and traffic transfer bridge for Alaska Marine Highway mainline vessels, a passenger terminal, staging areas for vehicular traffic, a port administration office and warehousing.

(4) The state and lessor desire to enter into this lease to facilitate operation of the premises in accord with paragraph 2 above subject, however, to all of the terms, covenants, and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the terms, conditions, covenants, and other provisions hereinafter set forth, the state and lessor agree as follows:

#### ARTICLE 1: PREMISES

Section 1.1. - General Description: The premises are located on the site known and commonly referred to as Fairhaven Terminal. The premises consist of approximately six acres, all as more particularly described and depicted on Exhibit 1, which is attached and made a part of this lease.

Section 1.2 - Leased Premises: The lessor hereby leases to the state and the state hereby leases from the lessor the

premises described and depicted on Exhibit 1, hereinafter referred to as the "leased premises." The leased premises shall also include the buildings, structures, facilities and equipment listed and described in Exhibit 2, which is attached and made a part of this lease.

Section 1.3 - Exclusive Use of Portion of Leased Premises:

The state shall have exclusive use of the terminal ticketing/office area including managers office, staff toilet, and storage area, and the warehouse and port administration areas shown and identified in Exhibits 1 and 2.

Section 1.4 - Priority Use of Portion of Leased Premises:

The state shall have priority use, not exclusive use, of the staging area, transfer bridge and mooring structures shown and identified in Exhibits 1 and 2. By "priority use" is meant that the lessor will be responsible to ensure that use of these areas by those other than the Alaska Marine Highway System will not interfere with the Alaska Marine Highway System's use and that use by others of these areas will be temporarily reduced, curtailed or suspended by the lessor upon notice to the lessor by the state.

Section 1.5 - Inspection and Acceptance of Leased Premises:

(a) The lessor shall notify the state in writing when the leased premises are available for use and occupancy by the state. This notice shall be delivered to the state not less than forty-five

(45) days before the date that the leased premises are to be available for the use and occupancy of the state. No later than ten days after receiving the notice of the date specified in the lessor's written notice of availability for use and occupancy, the state shall conduct a physical inspection of the leased premises and shall notify the lessor of any objections the state has regarding the condition of the leased premises. The leased premises shall not be considered occupied by the state until the state notifies the lessor in writing that it accepts the leased premises.

(b) The same notice requirement of availability for use and occupancy and inspection requirement set out in a) above shall also be applicable for any interim facility provided to the state under section 2.3 of this lease. An interim facility provided to the state under section 2.3 of this lease shall not be considered occupied by the state until the state notifies the lessor in writing that it accepts the interim facility.

(c) The state accepts the leased premises subject to all applicable zoning, municipal, borough and state laws, ordinances and regulations governing and regulating the use of the leased premises.

Section 1.6 - Lessor's Warranty Obligation: (a) The lessor warrants that upon payment of rent and performance of all other obligations due hereunder, the state shall peaceably and quietly

have, hold and enjoy the leased premises for the term of this lease.

ARTICLE 2: TERM OF LEASE

Section 2.1 - Period of Lease: The term of this lease shall begin on the date that the state begins occupancy of the leased premises and shall continue for a period of twenty years thereafter. Subject to section 3.1, the obligation to pay rent shall commence on this date.

Section 2.2 - Buy-Out: a) The state shall have the option to terminate this lease at the end of each five-year period of the lease upon making one of the following payments to the lessor:

- i) For the right to terminate this lease at the end of the first five years of occupancy of the leased premises, the state agrees to pay to the lessor, and the lessor agrees to accept, the amount of zero dollars.
  
- ii) For the right to terminate this lease at the end of the first ten years of occupancy of the leased premises, the state agrees to pay to the lessor, and the lessor agrees to accept, the amount of zero dollars.

- iii) For the right to terminate this lease at the end of the first fifteen years of occupancy of the leased premises, the state agrees to pay to the lessor, and the lessor agrees to accept, the amount of zero dollars.
- b) In the event the state exercises this buy out option, it shall notify the lessor of its intention to do so at least ninety days before the end of the current five-year period.
- c) Upon the exercise of this buy out option by the state, all obligations under this lease, including the duty to pay rent, are extinguished. However, all obligations incurred prior to the date of the buy out termination will continue in effect.

Section 2.3 - Occupancy: a) The leased premises must be ready for occupancy by the state at a time no later than September 30, 1989. If the leased premises are not ready for occupancy by this date, the lessor must at no expense to the state, provide a suitable alternate interim facility to the state for use by the state beginning on October 1, 1989 for the purposes for which the lease is made until the leased premises are ready for occupancy. Whether or not the alternate interim facility provided by the lessor under this paragraph is suitable for the purposes of the state is a matter within the sole discretion of the state. If

the leased premises are not ready for occupancy by April 1, 1990, whether or not a suitable alternate interim facility is provided, or if a suitable alternate interim facility is not provided by the lessor to the state under the terms of this section, the parties agree that the lessor will be considered to be in default of this lease agreement. In such an event, the conditional bond or escrow funds referred to in section 2.4 will be payable to the state.

b) In the event the leased premises are not made available to the state for use and occupancy by April 1, 1990, whether or not a suitable alternate interim facility is provided, the state, at its option and notwithstanding any language in Article 8 of this lease, may terminate this lease upon ten days written notice to the lessor after which time this lease agreement shall be considered by the parties to be terminated.

Section 2.4 - Conditional Bond or Escrow Agreement: a) In order to compensate the state for the losses it will incur if the leased premises are not available for occupancy by the dates set in section 2.3 of this agreement or if a suitable interim facility is not provided to the state, the lessor will secure a conditional bond for the benefit of the state, and in a form acceptable to the state, in the amount of \$1,000,000 (one million dollars). The bond must set out the following conditions that will cause the bond, or part thereof, to be forfeited and paid over to the state:

- 1) that the lump sum of \$100,000 (one hundred-thousand dollars) will be paid to the state if the leased premises are not ready for occupancy by October 1, 1989 and an alternate interim facility suitable to the state is not made available to the state for occupancy by this date; and
- 2) that the amount of \$50,000 (fifty-thousand dollars) will be paid to the state for each month, or part of a month, after September 30, 1989, that the leased premises and an alternate interim facility suitable to the state remain unavailable to the state for occupancy; and
- 3) that in the event the leased premises are not available for occupancy by the state by April 1, 1990, whether or not a suitable alternate interim facility is provided to the state under section 2.3 above, a lump sum of \$600,000 (six hundred-thousand dollars) will be paid to the state if the lease is terminated under section 2.3(b).

b) In lieu of a conditional bond, the lessor may, with the permission of the state, enter into an escrow agreement with the state, in a form acceptable to the state, whereby it is agreed that:

- 1) the lessor will deposit in an escrow account with a financial institution acceptable to the state the amount of \$1,000,000 (one million dollars) for the benefit of the state; and
- 2) that the lump sum of \$100,000 (one hundred thousand dollars) will be paid to the state from this account if the leased premises are not ready for occupancy by October 1, 1989 and an alternate interim facility suitable to the state is not made available to the state for occupancy by this date; and
- 3) that the amount of \$50,000 (fifty thousand dollars) will be paid to the state from this account for each month, or part of a month, after September 30, 1989, that the leased premises and an interim alternate facility suitable to the state remain unavailable to the state for occupancy; and
- 4) that in the event the leased premises are not available for occupancy by the state by April 1, 1990, whether or not an suitable interim facility is provided to the state under section 2.3 above, a lump sum of \$600,000 (six hundred thousand dollars) will be paid to the state from this account if the lease is terminated under section 2.3(b).

Section 2.5 - Interim Facility: Any temporary facility offered by the lessor to the state under section 2.3 must be capable of mooring the vessel and transferring traffic via a roll-on-roll-off transfer bridge. A suitable ticketing office and waiting room must be provided together with adequate traffic flow, parking and staging. Adequate temporary storage of AMHS property currently stored in Seattle must also be providing until the leased premises are ready for occupancy. All maintenance, utilities, and services required at the permanent facility will be provided by the <sup>\*Lessor</sup>~~offeror~~ at the interim facility as part of the rent amount charged for the use of the interim facility under section 3.3 of this lease.

Section 2.6 - Moving Expenses: a) The lessor agrees to pay all moving expenses, not to exceed \$50,000 (fifty thousand dollars), that are incurred in relocating AMHS employees and AMHS property currently located in Seattle to the leased premises.

b) In the event an interim facility is provided the state under section 2.3 of this lease, the lessor agrees to pay all moving expenses, not to exceed \$50,000 (fifty thousand dollars), that are incurred in relocating AMHS employees and AMHS property located in Seattle to the interim facility.

c) In the event an interim facility is provided the state under section 2.3 of this lease, the lessor agrees to pay all moving expenses, not to exceed \$50,000 (fifty thousand dollars),

that are incurred in relocating AMHS employees and AMHS property located at or near the interim facility to the leased premises, when the leased premises are made available for occupancy by the state.

ARTICLE 3: RENT

Section 3.1 - Rent: a) Rent due and payable by the state under this lease shall consist of an amount that includes a payment for use of the leased premises plus an operating charge. The operating charge portion of the rent due under this lease shall include the cost of providing utilities and services to the state as set out in section 4.3 and section 4.9 and the cost of paying taxes as set out in section 10.15 below and shall be subject to renegotiation between the parties. The portion of the rent for the use of the leased premises and the portion of the rent for operating expenses shall not in anyway be based on the amount of use of the leased premises by the state or by the users of the Alaska Marine Highway System and shall not be measured in any way by the number of passengers or vehicles arriving or departing from the leased premises on vessels operated by the Alaska Marine Highway System.

b) The annual rent due under this lease is one-hundred thousand dollars (\$100,000) for the use of the leased premises by the state plus fifty-seven thousand dollars (\$57,000) for annual operating charges.

- c) That portion of the operating charge that consists of the costs of providing utilities and services to the state as set out in Section 4.3 and Section 4.9 and the cost of paying taxes as set out in Section 10.15 shall be subject to renegotiation and adjustment between the parties in accordance with Section 3.2 below.
- d) The annual rent payment shall be due in monthly payments on the first day of each month following the first month of occupancy of the leased premises. If occupancy by the state begins on the first day of the month, that month's rent payment will be due and owing on that day. If occupancy by the state begins after the first day of the month, there shall be no rent charged for that first month of occupancy and the annual rent due for the first year under this lease shall be considered reduced accordingly. In such a case, the obligation to pay rent shall commence with the first month following the first month of occupancy.

Section 3.2 - Adjustment of Specific Operating Costs: The costs specified in Section 3.1(c) above shall be subject to adjustment for the two year period following the first two years after the commencement of occupancy of the leased premises by the AMHS and every two years thereafter. If either party to this lease wants an adjustment of these costs, it must give written notice to the other party at least sixty days before the end of the first two year period under this lease or at least sixty days

before the end of any subsequent two year period under this lease. In the absence of such notice, these costs shall remain the same for the following two years. Promptly following the receipt of such a notice of adjustment, the parties shall negotiate these costs in good faith for the next two year period. In the event that the parties cannot agree on these costs within sixty days from when negotiations are started, these costs shall be determined by three arbitrators, each of whom shall be a member of either the Society of Industrial Realtors or of the Washington-British Columbia Chapter of the American Institute of Real Estate Appraisers and shall be experienced in the evaluation of the type of premises subject to this lease. Each party shall select and fully compensate one of these arbitrators, and the third arbitrator shall be selected by other two and compensated in equal shares by the parties. If this adjustment process continues into the new two year period, the new adjustment amount of these costs, whether determined by negotiation or by arbitration, shall be made retroactive to the beginning of the new two year period.

Section 3.3 - Rent for Temporary Facility: Rent charged by the lessor to the state for the use of a temporary facility offered under section 2.3 above shall be \$10,000 (ten-thousand dollars) per month.

ARTICLE 4: MAINTENANCE, UTILITIES AND LIENS

Section 4.1 - Maintenance and Repairs: (a) The lessor will assume sole responsibility for keeping the leased premises in

good repair and tenantable condition. The term "repair" includes repairs of any type including but not limited to exterior and interior, structural and nonstructural, routine or periodic, except as in case of damage arising from the negligence of the state's agents or employees. The lessor agrees that after reasonable notice in writing by the state to the effect that the repair, maintenance, or services obligations as specified herein for the leased premises have not been satisfactorily fulfilled, the state can then obtain competent workers to correct the deficiencies, all of which will be paid for by the lessor. Bills for such work will be sent directly to the lessor for payment. Should there be any delay in payment by the lessor, the state will pay the bills and deduct the costs from the next month(s) rent payment(s), as determined appropriate by the state.

(b) The lessor shall keep and maintain the leased premises, and all alterations, additions and improvements of any kind which may be erected, installed, or made thereon by the lessor, in good and substantial repair and condition, including the exterior condition thereof and shall make all necessary repairs thereto. The lessor shall set aside a reasonable amount in its annual budget for maintenance of the leased premises. The lessor shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris, and litter at all times.

Section 4.2 - State Correction of Defects: If the state demonstrates that the lessor has failed to perform maintenance or repair work required under this lease, and if the lessor, after prior notice to the lessor of such deficiencies, fails to correct the deficiencies, or initiate good faith efforts to remedy the situation, the state may, without terminating this lease and upon reasonable prior notice to the lessor, enter any portion of the leased premises and perform, or arrange for any contractor or other qualified person to perform, all such maintenance or repair, including engaging an engineer or other qualified person to prepare any plans or specifications or perform any inspection or other services, at the cost and expense and as an agent of the lessor.

Section 4.3 - Utilities and Services: a) The lessor must furnish all utilities except electricity and telephone, but including heat, air conditioning, sewage, potable water, waste water and waste fuel and oils services, trash removal from the premises, snow removal from on-site roadways, staging areas, walkways and reserved parking areas, and janitorial and security services. The state will pay its own electricity and telephone costs but the lessor must make available to the leased premises, at the lessor's expense, transmission facilities capable of supplying the electrical needs of the state.

(b) Lessor shall furnish to the premises reasonable quantities of gas, water, heat and air-conditioning, waste water and

waste fuel and oils 'services as required for the Alaska Marine Highway System's use. The temperature of all interior lease space used for offices and public purposes shall be maintained within a 68 f to 78 f degree f range.

(c) If the state's utility or service requirements increase or change over its requirements as of the first year of occupancy of the leased premises, the state will pay the increased cost of utilities or services. If the lessor is required to construct new or additional utility installations including, without limitation, wiring, plumbing, conduits, and mains as a result of the state's changed or increased utility requirements, the state shall pay to the lessor the total cost of these new or additional utility installations.

(d) Lessor shall not be liable for failure to furnish utilities or services on the leased premises when the failure results from causes beyond the lessor's reasonable control, but in case of the failure, the lessor will take all reasonable steps to restore the interrupted utilities and services.

(e) In the event that, in the reasonable judgment of the state the lawful enjoyment of the leased premises is threatened by the interruption or severance of utilities and services provided hereunder by the lessor, and when such interruption or severance is due to deliberate, or negligent, or tacitly negligent act of the lessor, the lessee shall have the right to bid such

utilities and services as are threatened, in the name of the lessee. The lessee shall be free to deduct from the lease payments the cost of such utilities and services, together with all necessary deposits and the lessee's actual administrative costs necessary to procure the utilities and services.

Section 4.4 - Operations Manuals: The lessor shall provide to the state full, true, and complete copies of all operations manuals for all facilities and equipment listed on Exhibit 2 hereto on or before the date the state accepts physical possession of the leased premises and the state, at such time, shall provide the lessor with a written acknowledgement of the receipt thereof. The lessor shall provide to the state any subsequent amendments or supplements to such manuals which may be provided to the lessor as owner of the leased premises. The state shall operate the leased premises and other components of the leased premises in compliance with the procedures, specifications and other requirements contained in such operations manuals, as the same may be revised by the publisher thereof from time to time.

Section 4.5 - Fire Prevention: The lessor will maintain the premises in keeping with good fire prevention practices. The state reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the building and space occupied. If any fire hazard is detected through inspection of the leased premises, it will be promptly corrected by lessor.

Section 4.6 - Accident Hazards: The lessor will maintain the leased premises free of structural or mechanical hazards. If any accident hazards relative to the structure or building operating equipment are detected through inspections of the leased premises, they will be promptly corrected by the lessor.

Section 4.7 - Liens: The state shall pay or cause to be paid, when due, all sums of money which may become due for any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment furnished to, in, upon, or about the leased premises at the request or upon the order of the state or with the state's consent or at the request of one of the state's contractors or sublessees or at the request of any other person using the leased premises under an agreement with the state and which are or may be secured by such lien against the leased premises or the state's interest therein. The state shall fully discharge and obtain the release of any lien against the leased premises or the state's interest therein that arises out of action taken pursuant to an agreement with the state, and shall also fully discharge and obtain the release of any lien against the leased premises or the state's interest therein that is created with the consent of the state.

Section 4.8 - Untenantability: The lessor agrees that the leased premises provided in this lease are tenantable and that they comply with all laws pertaining to tenantability and performance of this provision is insured by the lessor agreeing to pay

the cost of any building alterations or other alterations which may be needed during the period of the lessee's occupancy for purposes of correcting any violation of the law cited by a regulatory agency of government not directly a result of the state's occupancy. In the event the lessor fails to correct violations in the time interval prescribed by law, the state will be free to terminate the lease, or will have the option of effecting those building alterations or other alterations required to correct all violations by hiring competent workmen, with the lessor bearing the cost of all labor and materials. The lessor further agrees that alterations performed by the state to correct OSHA violations will not be construed by the lessor to constitute a breach of the terms of this lease. If during the term of this lease, the premises or any part thereof be rendered untenable by public authority, or by fire or the elements, or other casualty, a proportionate part of the rent according to the extent of such untenability will be abated and suspended until the premises are again made tenantable and restored to their former condition by the lessor; and if the premises or a substantial part thereof are thereby rendered untenable and so remain for a period of thirty (30) days, the state may, at it's option, terminate the lease by written notice to the lessor. The state's decision will be controlling as to whether or not the premises are fit or unfit for occupancy and therefore untenable. This thirty (30) day period will not be so restrictively construed that the lessee is bound to remain in the leased facility if the state's business cannot be safely executed. If justified because of unsafe

conditions, the state is free to move elsewhere. If the premises are made tenantable again within this thirty (30) day period, lessee will return to the facility for occupancy. Lessee may also choose to recover any excess costs, over the abated lease payments, occasioned by relocation due to unsafe conditions.

Section 4.9 - Janitorial Services: a) The lessor agrees to perform the following services in the offices and public areas of the leased premises:

Daily Services:

Empty and wipe clean all waste baskets.

Empty and wipe clean all ashtray cans.

Secure trash from waste baskets in plastic garbage bags and dispose of garbage bags away from the premises in a lessor furnished dumpster. After disposal, close and secure the container lid(s)/door(s).

Clean all drinking fountains and bathroom fixtures with a liquid disinfectant.

Maintain all bathroom fixtures and drinking fountains in a clean, sanitary condition.

Fill all paper, sanitary napkin, toiletseat cover and soap and other dispensers with products of proper size and type.

Maintain all paper, sanitary napkin, toiletseat cover, soap and other dispensers in a clean and useable condition.

**Weekly Services:**

Clean all mirrors and interior glass or plexiglass, including exhibit cases. Leave all interior glass in a clean and streak-free condition.

Clean all entry glass doors.

Vacuum all carpeted floors.

Clean spots from all carpeted floors with carpet products and techniques recommended by carpet manufacturer.

Mop all public restroom tiled floors with liquid detergent and water, rinse tiled floors with clean water then mop tiled floors dry.

Buff public restroom tile floors.

Clean dirt and smudge marks from public areas walls, furniture, and fixtures.

Maintain all entry mats in a clean, dirt-free, and functional condition.

Pick up and dispose of outdoor litter on the site.

Dispose of trash from outdoor trash containers on the site.

As Required Services:

Replace plastic waste basket liners.

Replace light fixture lamps.

Furnish men and women's restrooms with mirrors and dispensers for soap, toilet tissue and paper towels.

Other Requirements:

Maintain janitor's closet in a neat and orderly condition at all times.

A janitorial supervisor will maintain daily contact with the AMHS Terminal Manager. Supervisor will have fluent basic communication skills in reading and writing the English language.

Outside doors are to be kept locked at all times except when the building is normally open to the public.

Maintain the premises in keeping with good fire prevention practices and required improvements. (This will be accomplished by the lessor in accordance with the appropriate public authority.)

Snow Removal Services:

Included as the lessor's responsibility is the prompt removal of snow and ice from the sidewalks and all parking areas and outside storage areas of the entire site to an extent which will render these areas safe to pedestrian and vehicle traffic and automobile operation.

ARTICLE 5: OBLIGATIONS OF THE STATE

Section 5.1 - State's Responsibilities: The state's responsibilities under this lease are:

- (1) to pay said rent on or before the 1st day of every month of the lease term at an address designated by the  
\* Lessor  
~~successful bidder.~~
- (2) to use and occupy the premises in a careful and proper manner.
- (3) not to use or occupy the premises for any unlawful purposes.

- (4) to neither assign lease issued as a result of this RFP nor underlet the premises or any part thereof, without the written consent of the successful offeror provided, however, that such consent will not be unreasonably withheld.
- (5) not to use or occupy the premises or permit the same to be occupied for any purpose or business deemed extra-hazardous on account of fire or otherwise.
- (6) to make no alterations or additions in or to the premises without the written consent of the lessor, which consent will not unreasonably be withheld.
- (7) to leave the premises at the expiration or prior termination of this lease or any renewal or extension thereof, in as good condition as received, excepting reasonable wear and tear and/or, loss or damage caused by fire, explosions, earthquakes, acts of God, other casualty or as provided for under section 6.1 below.
- (8) to permit the lessor to enter upon the premises at all reasonable times to examine the conditions of same.

Section 5.2 - Fixtures: All fixtures and/or equipment of whatsoever nature that will have been installed in the premises by the state, whether permanently affixed thereto or otherwise,

will continue to be the property of the state and may be removed by the state at any time, provided however, the state will, at it's own expense, repair any injury to the premises resulting from such removal.

Section 5.3 - Improvements:

- (a) The state shall have the right to make alterations, additions and improvements to the leased premises as defined in section 1.2, subject to the written consent of the lessor, which consent will not be unreasonably withheld.
- (b) Responsibility for maintenance and repair of any alteration, addition and improvement made by the state to the leased premises shall be determined by written agreement between the state and the lessor.
- (c) The lessor will not make any alterations, additions or improvements to the leased premises as defined in section 1.2 above without the written consent of the state, which consent will not be unreasonably withheld.

ARTICLE 6: INDEMNITY AND INSURANCE

Section 6.1 - Indemnity: (a) The lessor shall defend the state, its officers, agents and employees from any and all suits or claims for damages and/or injuries of whatever character

whenever such suit or claim alleges a defect in the design and/or construction of the leased premises.

- (b) The lessor shall indemnify and save harmless the state, its officers, and employees from any and all kinds of liabilities, costs and expenses that result from any damage and/or injury claim or suit of whatever character that alleges a defect in the design and/or construction of the leased premises caused the damage and/or injury.
- (c) The lessor shall defend the state, its officers, agents and employees from any and all suits or claims for damages and/or injuries of whatever character whenever such suit or claim 1) alleges an act or omission by the lessor caused the damage and/or injury and 2) is based on events or activities involving the use or operation of the leased premises.
- (d) The lessor shall indemnify and save harmless the state, its officers, agents and employees from any and all kinds of liabilities, costs and expenses that result from any damage or injury claim or suit of whatever character that 1) alleges an act or omission by the lessor caused the damage and/or injury and that 2) is based on events or activities involving the use or operation of the leased premises.
- (e) The lessor shall 1) assume all insurable risks related to the leased premises or related to the use or operation of

the leased premises, except the risk of damage or injury caused by the sole negligence of the lessee, and 2) bear any loss or injury to property or persons resulting from the use or operation of the leased premises during the term of this lease, except any such loss or injury that results from the sole negligence of the lessee.

Section 6.2 - Insurance: Without limiting lessor's indemnification, it is agreed that lessor shall purchase at its own expense and maintain in force at all times during the term of this agreement policies of insurance. Certificates of insurance must be furnished to the state prior to beginning operations under this agreement and must provide for 30 days prior notice of cancellation, nonrenewal or material change. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the lease. Required insurance is subject to annual review and adjustment by the state, who may require reasonable increases in limits based on increased risks. The following policies of insurance must be provided:

Worker's Compensation Insurance: The lessor shall provide and maintain, for all employees of the lessor engaged in work under this lease agreement, Worker's Compensation Insurance as required by the laws of the State of Washington. The lessor will be responsible for Worker's Compensation Insurance for any Subcontractor who directly or indirectly provides services under

this lease agreement. This coverage must include statutory coverage for states in which employees are engaging in work and must include employer's liability protection not less than \$1,000,000 (one million dollars) per occurrence. Where applicable, coverage for all federal acts (i.e. U.S.L.&H. and Jones Acts) must also be included.

The Workers' Compensation Insurance, U.S.L.&H. and Jones Act policies must also contain, or be endorsed to contain, the following provision:

The insurer shall agree to waive all rights of subrogation against the State of Alaska, its officers, agents, and employees for losses arising from the leased premises.

Comprehensive (Commercial) General Liability Insurance:  
The lessor shall provide and maintain general liability insurance with coverage limits not less than \$1,000,000 (one million dollars) combined single limit per occurrence and \$5,000,000 (five million dollars) annual aggregates where generally applicable and shall include premises-operations, independent contractors, products/completed operations, broad form property damage, blanket contractual and personal injury endorsements.

The Comprehensive (Commercial) General Liability Insurance policy must contain, or be endorsed to contain, the following provisions:

a. The State of Alaska, its officers, its agents and its employees are to be covered as insureds as respects liability arising out of use of the leased premises or operations of the lessor.

b. The lessor's insurance coverage shall be primary insurance as respects the State of Alaska, its officers, agents and employees. Any insurance or self-insurance maintained by the state shall be excess of the lessor's insurance and shall not contribute with it.

c. Coverage shall state that lessor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with the respect to the limits of insurer's liability.

Comprehensive Automobile Liability Insurance: The lessor shall provide and maintain automobile liability insurance covering all owned, hired and non-owned vehicles with coverage limits not less than \$1,000,000 combined single limit per occurrence and \$5,000,000 annual aggregate.

The Comprehensive Automobile Liability Insurance policy must contain, or be endorsed to contain, the following provisions:

a. The State of Alaska, its officers, its agents and its employees are to be covered as insureds as respects liability arising out of use of the premises or operations of the lessor.

b. The lessor's insurance coverage shall be primary insurance as respects the State of Alaska, its officers, agents and employees. Any insurance or self-insurance maintained by the state shall be excess of the lessor's insurance and shall not contribute with it.

c. Coverage shall state that lessor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with the respect to the limits of insurer's liability.

#### ARTICLE 7: DEFAULT

Section 7.1 - Events of Default: (a) Default and Other Covenants: The parties agree that a default occurs upon the failure of the lessor or the state to comply with any term or condition or fulfill any obligation of this lease within thirty

(30) days after written notice is given by one of the parties specifying with reasonable particularity the nature of the default. If the default is of such a nature that it cannot be completely remedied within thirty (30) days after receiving written notice, no default occurs if the party notified begins correction of the default within such thirty (30) days and thereafter proceeds with reasonable diligence and in good faith to effect a remedy.

#### ARTICLE 8: TERMINATION

Section 8.1 - Termination by the State: (a) Default by lessor: Provided the default is not cured or good faith efforts to cure have not commenced in accordance with section 7.1 above, a termination for default shall occur thirty (30) days after the lessor has received written notice of termination from the state.

(b) Notwithstanding any other provision herein, except section 2.3(b) and section 10.11, if the lessor disputes the grounds specified for termination and requests a review under section \* 10.9 ~~10.10~~, termination is not effective until thirty (30) days after a decision is rendered by the procurement officer or, if an appeal is taken under AS 36.30.625, by a decision of the Commissioner of Transportation and Public Facilities or a hearing officer upholding the grounds for termination.

Section 8.2 - Termination by the Lessor: (a) Default by state: In the event the default is not cured or good faith

efforts to cure have not commenced in accordance with section 8.1 above, a termination for default shall occur thirty (30) days after the state has received written notice of termination from the lessor.

(b) Notwithstanding any other provision herein, if the state notifies the lessor within thirty (30) days after receiving the written notice of termination that it disputes the reasons given by the lessor for the termination, the termination shall be stayed pending a request by the lessor for a resolution of the dispute under section <sup>\* 10.9</sup> ~~10.10~~ of this lease and AS 36.30.620. In such a case, the termination shall not be effective until thirty (30) days after a decision is rendered by the procurement officer or, if an appeal is taken under AS 36.30.625, by a decision of the Commissioner of Transportation and Public Facilities or a hearing officer upholding the grounds for termination.

ARTICLE 9: DISPOSITION OF EQUIPMENT AND IMPROVEMENTS UPON  
TERMINATION OR EXPIRATION OF LEASE

Section 9.1 - Disposition of Equipment and Improvements:

(a) Upon the expiration of this lease or upon the termination of this lease for any reason whatsoever, all portable equipment, materials, accessories and supplies purchased by the state shall remain the property of the state. Any alteration, improvement, or addition made by the state to any portion of the leased premises shall remain the property of the state. If, however, the state, upon the expiration or termination of the lease, fails to remove any such property, including any such alterations,

improvements or additions from the leased premises within thirty (30) days from said expiration or termination, the property remaining on the leased premises shall be deemed to have been abandoned by the state.

(b) The state shall, within thirty (30) days after the removal of any alteration, improvement or addition by the state and to the extent the lessor may reasonably require, restore the portion of the leased premises damaged by the removal of the alteration, improvement or addition to a condition as good as that which existed prior to the construction of the alteration, improvement or addition. Upon failure to do so, the state shall be liable for the reasonable costs of such restoration as is required in writing by the lessor not later than thirty (30) days thereafter.

#### ARTICLE 10: GENERAL PROVISIONS

Section 10.1 - Assignment of Interest or Rights: (a) Neither the lessor nor the state nor any assignee, sublessee, user or other successor of the state or the lessor shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign or transfer its interest or encumber any of its or the others rights in and to this lease or any interest therein, nor license or permit the use of its rights in whole, or in part, without the prior written consent of the other.

(b) All covenants, provisions and conditions herein contained will insure to the benefit of and be binding upon the successors and assigns of the lessor.

Section 10.2 - Quiet Enjoyment: The lessor shall not unreasonably interfere with the lawful use of the leased premises by the state and guarantees and warrants that the state and shall peacefully and quietly have and hold the leased premises subject to the terms and conditions of this lease.

Section 10.3 - No Waiver of Rights: The failure of either party to insist, in any one or more instances, upon strict performance by the other party of any of the provisions, terms, covenants, reservations, conditions or stipulations contained in this lease shall not be considered as a waiver or relinquishment thereof for the future, but the lease shall continue and remain in full force and effect. No waiver of any provision, term, covenant, reservation, condition or stipulation of this lease may be deemed to have been made in any instance unless expressed in writing.

Section 10.4 - Reversion Free of Liens: The state, its successors and assigns, hereby agrees to return the leased premises to the lessor at the expiration, or earlier termination of this lease, or of any renewal thereof, free and clear of liens, except for such encumbrances as the lessor may have approved or accepted in writing.

Section 10.5 - Approval Required: This lease shall not be valid unless executed by the Commissioner of the Department of Transportation and Public Facilities, State of Alaska and The President of the Port of Bellingham Board of Commissioners.

Section 10.6 - Integration and Merger: Subject to section 10.16, lease sets forth all of the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements, whether written or oral, regarding the leased premises. No modification or amendment of this lease shall be effective unless in writing and signed by both parties.

Section 10.7 - Holding Over: If the state remains in possession of the leased premises after expiration or termination of the lease, such possession by the state shall be deemed to be a month-to-month tenancy terminable on thirty (30) days written notice given at any time by either party. All conditions and covenants of this lease shall remain in full force and effect during any such hold over.

Section 10.8 - National Emergency: In the event of any national emergency declared by the Federal Government, neither party may be held liable for any inability to perform all or any of the terms of this lease due to or caused by such national emergency.

Section 10.9 - Disputes Resolution: The state and the lessor, consistent with the provisions of AS 36.30, agree to the following the statutory procedure set out in AS 36.30.620 et seq. to adjudicate all claims and disputes between them arising under or in connection with this lease.

Section 10.10 - Law: (a) The laws of the State of Alaska shall govern the construction, validity, performance and enforcement of this lease.

(b) The state shall conduct all operations on the leased premises in compliance with all Federal, state and local laws, ordinances, and rules and regulations now or hereafter in force, which may be applicable to such operations.

(c) If any term, provision, condition, or part of this lease is declared by court of competent jurisdiction to be invalid or unconstitutional, the remaining terms, provisions, conditions, and parts shall continue in full force and effect, unless the term, provision, condition or part declared by a court to be invalid is material to this lease.

Section 10.11 - Payment of Funds Subject to Appropriations: Any obligation in this lease requiring use of funds by the state is subject to the appropriation of the funds necessary therefore; notwithstanding the provisions of Article 8, this lease may be terminated due to the lack of such appropriation upon thirty (30) days written notice to the lessor.

Section 10.12 - Foreclosure Sale: If the leased property is sold during the term of the lease or any extension thereafter by virtue of a foreclosure (voluntary or involuntary sale), this sale will be made subject to the lease. This will also apply to a sale as a result of an encumbrance on the property that existed before the lease agreement was executed.

Section 10.13 - Changes: Changes in area comprised by the leased premises proposed either by the lessor or by the state after this lease agreement has been entered into, will be mutually agreed upon by both parties in writing before such changes are actually accomplished. Costs and/or credits for improvements, over and above those described in Exhibit 2 to this lease, will be subject to mutual agreement by the parties.

Section 10.14 - Delays (Force Majeure): The lessor will not be liable for the consequences of any failure to perform, or default in performing, any of its obligations under this agreement, if that failure is caused by any unforeseeable Force Majeure, beyond the control of and without the fault of negligence of the lessor. For the purposes of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage, military or usurped power; lightning; explosion; fire; storm; drought; flood; earthquake; epidemic; quarantine; strikes; acts or restraints of governmental authorities directly or indirectly prohibiting or restricting the furnishing or use of materials or labor required;

and the inability to secure materials, machinery, equipment or labor because of priority allocation decreed by governmental authorities. Notification of such delays must be made to the state in writing within ten (10) days of the commencement of the effect of the unforeseeable cause. The state's contracting officer will ascertain the facts and the extent of delay and extent of the time for completing the performance. The state's contracting officer may approve an extension, when, in his judgment, the findings of fact justify an extension. The findings of fact thereon will be final and conclusive unless the lessor files a claim with the contracting officer under AS 36.30.620.

The decision of the contracting officer will be final and conclusive unless an appeal is filed under AS 36.30.625. If no such appeal to the Commissioner of the Department of Transportation and Public Facilities is taken, the decision of the contracting officer will be final and conclusive. In connection with any appeal proceeding under this clause, the lessor will be accorded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision on an extension of time hereunder, the lessor will proceed diligently with the performance of its duties under the lease.

Inability to comply with state, city or local construction or zoning laws or ordinances or restrictive covenants will not be regarded as unforeseeable cause.

Section 10.15 - Taxes: Except to the extent exempt due to its governmental status, the lessor shall be liable for, and shall pay throughout the term of the lease, all license fees and all excise taxes payable for, or on account of, the activities conducted on the premises and all taxes on the property of lessor on the premises and any taxes on the premises and/or on the leasehold interest created by this lease and/or any taxes levied in lieu of a tax on said leasehold interest and/or any taxes levied on, or measured by, the rentals payable hereunder, whether imposed on lessor or on the state. Lessor shall reimburse the state for all such taxes paid or payable by the state.

Section 10.16 - Incorporation of Terms and Conditions of RFP for the Southern Terminus: Except where a provision of this lease modifies a term and condition set out in RFP for the Southern Terminus, the terms and conditions of RFP for the Southern Terminus are hereby made a part of this lease and are binding upon lessee and the state, their agents, or assigns.

Section 10.17 - Time of the Essence: Time is of the essence of this lease.

Section 10.18 - Approval by Federal Maritime Commission: The lessor will be responsible for determining whether this lease agreement may be subject to the approval of the Federal Maritime Commission under section 15 of the Shipping Act of 1916. If such approval is required, the lessor will be responsible for

submitting this lease to the Federal Maritime Commission for its approval well in advance of the occupancy date set under this lease.

Section 10.19 - Approval of Marketing Plans: It is agreed that the implementation by the lessor of any promotional program or marketing concept plan to promote travel on the AMHS that was proposed by the lessor as part of the RFP process will be subject to the written approval of the AMHS.

Section 10.20 - Notice: Any notice, demand, request, approval or other communication that either party desires or is required to give to the other party or any other person must be in writing and either served personally or sent by certified mail to the other party at the address set forth below with a copy delivered to the Manager in charge of the leased premises. Either party may change its address and must notify the other party of its change of address in writing. Notice shall be deemed to have been duly given when delivered or served personally, or upon receipt if mailed as provided in this section.

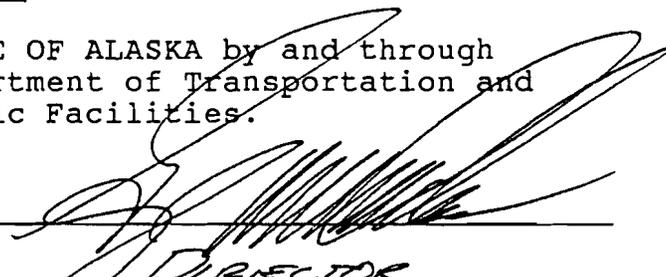
LESSOR: The Port of Bellingham  
625 Cornwall Avenue  
Bellingham, Washington 98225

LESSEE: The State of Alaska  
Department of Transportation  
and Public Facilities  
P.O. Box Z  
Juneau, Alaska 99811  
Attention: Commissioner

LESSEE:

STATE OF ALASKA by and through  
Department of Transportation and  
Public Facilities.

By: \_\_\_\_\_

  
\_\_\_\_\_  
DIRECTOR  
Title

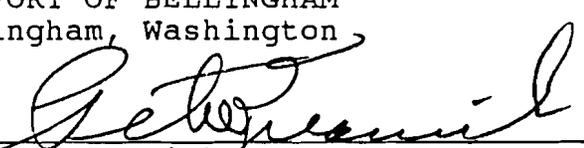
DATE: \_\_\_\_\_

10/26/88

LESSOR:

The PORT OF BELLINGHAM  
Bellingham, Washington

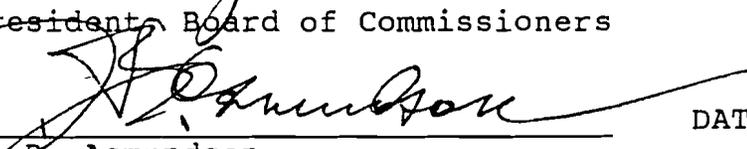
By: \_\_\_\_\_

  
\_\_\_\_\_  
Peter Zuanich  
President, Board of Commissioners

DATE: \_\_\_\_\_

October 4, 1988

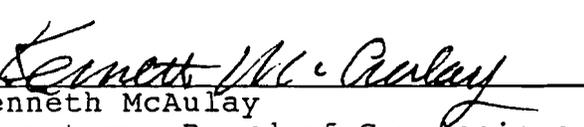
By: \_\_\_\_\_

  
\_\_\_\_\_  
T. B. Asmundson  
Vice President, Board of Commissioners

DATE: \_\_\_\_\_

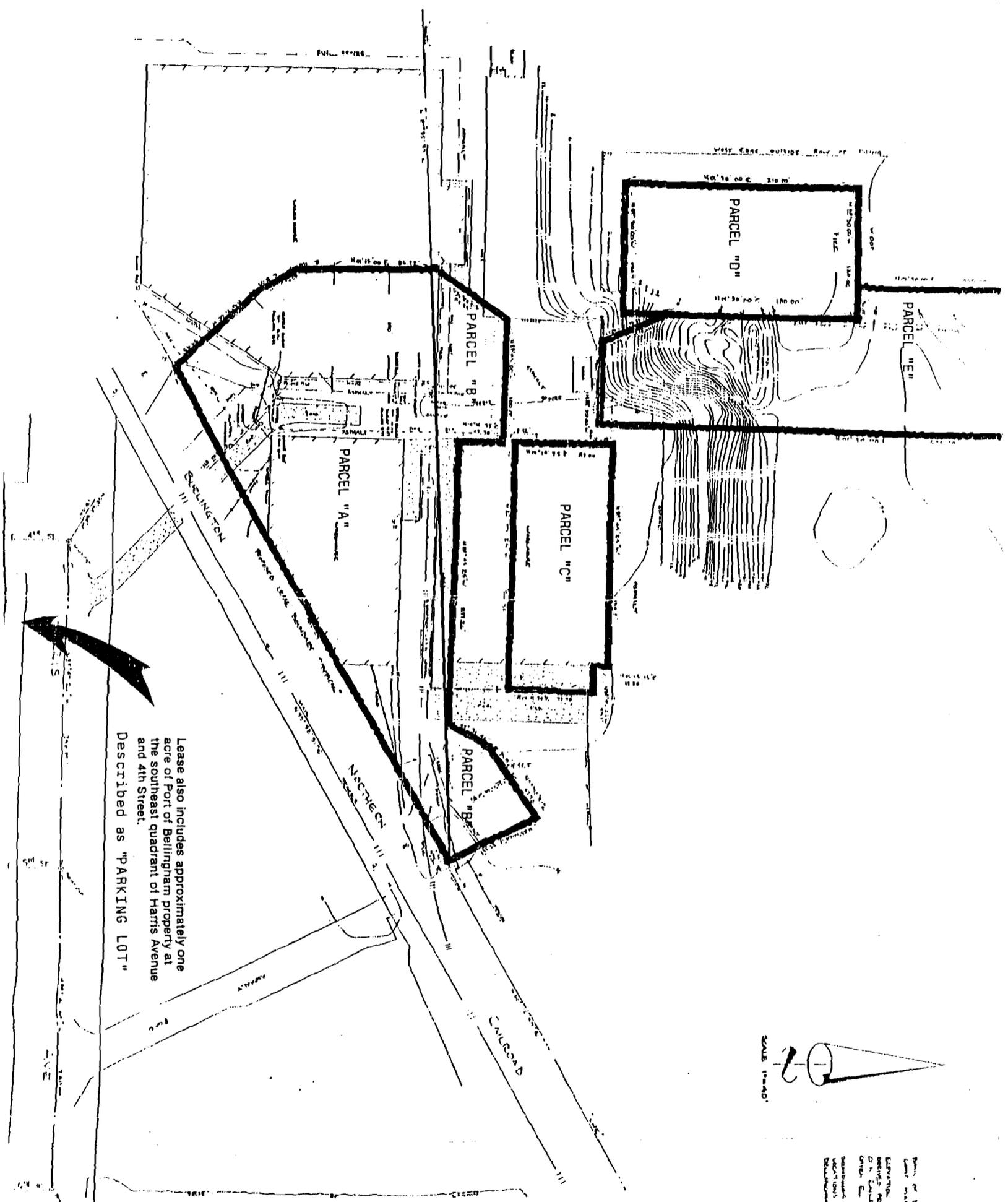
October 4, 1988

By: \_\_\_\_\_

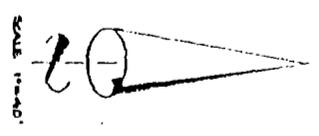
  
\_\_\_\_\_  
Kenneth McAulay  
Secretary, Board of Commissioners

DATE: \_\_\_\_\_

October 4, 1988



Lease also includes approximately one  
 acre of Port of Bellingham property at  
 the southeast quadrant of Harris Avenue  
 and 4th Street.  
 Described as "PARKING LOT"



This map was prepared by the  
 Surveyors of Bellingham, B.C. on the  
 basis of the following data:  
 ELEVATION: Datum 1 mean lower low water  
 derived from NOAA tide gauge data at  
 the Bellingham station, recorded for 195  
 unless otherwise noted.  
 Horizontal and vertical control  
 points are provided by the BC  
 Government.



EXHIBIT 1 - PARKING LOT

(PORT OWNED)

Re: Description of tract between McKenzie and Harris and East of 4th Street.

LEGAL DESCRIPTION

That portion of Block 44, "Amended Plat of Fairhaven" as filed in Volume 2 of Plats at page 11, Records of the Auditor of Whatcom County, Washington, and vacated streets abutting, described as follows:

Beginning at the northwest corner of said Block 44; thence South  $88^{\circ} 47' 26''$  East along the north line thereof a distance of 154.55 feet to the east line of the west 4.50 feet of Lot 1 of said block; thence South  $01^{\circ} 10' 05''$  West along said east line and the east line of the west 4.50 feet of Lot 8 of said block and projection thereof a distance of 249.90 feet to the centerline of vacated McKenzie Avenue; thence North  $88^{\circ} 47' 15''$  West along said centerline a distance of 174.41 feet to the west line of the vacated east twenty feet of 4th Street; thence North  $01^{\circ} 08' 09''$  East along said west line a distance of 249.89 feet to the projected south line of Harris Avenue; thence South  $88^{\circ} 47' 26''$  East along said south line a distance of 20.00 feet to the POINT OF BEGINNING.

EXHIBIT 1 - PARCEL "A"

(PORT OWNED)

Re: Description of portion of staging area toward Harris Avenue from the inner harbor line.

LEGAL DESCRIPTION

That portion of the "Fairhaven Tidelands", as shown upon the map thereof filed in Volume 4 of Plats at pages 32, 33 and 34, Records of the Auditor of Whatcom County, Washington, and of the "Amended Plat of Fairhaven" as filed in Volume 2 of Plats at page 11 Records of the Auditor of said county and state, described as follows:

Commencing at the intersection of the centerline of 5th Street and the centerline of Harris Avenue; thence North  $88^{\circ} 47' 26''$  West 290.09 feet to the intersection of the centerline of Bennett Avenue (4th Street) and said centerline of Harris Avenue; thence North  $12^{\circ} 13' 15''$  West 488.84 feet; thence South  $88^{\circ} 30' 00''$  East 13.51 feet; thence South  $01^{\circ} 14' 35''$  West 82.42 feet; thence North  $88^{\circ} 45' 00''$  West 100.00 feet; thence South  $36^{\circ} 06' 41''$  West 84.37 feet to the inner harbor line of the Bellingham harbor area as reestablished by the State of Washington Commissioner of Public Lands in 1971 and the POINT OF BEGINNING; thence North  $87^{\circ} 55' 37''$  East along said inner harbor line a distance of 524.21 feet; thence departing therefrom South  $59^{\circ} 58' 31''$  West along the northwesterly line of the Burlington Northern Railroad a distance of 505.29 feet; thence departing from said railroad North  $41^{\circ} 15' 00''$  West 94.43 feet to a curve to the right having a radius of 110.00 feet; the center of which bears North  $48^{\circ} 45' 00''$  East; thence along said curve through a central angle of  $42^{\circ} 30' 00''$  an arc distance of 81.59 feet; thence North  $01^{\circ} 15' 00''$  East 86.22 feet; thence North  $36^{\circ} 06' 41''$  East 2.16 feet to the POINT OF BEGINNING.

EXHIBIT 1 - PARCEL "B"

(STATE OWNED)

Re: Description of portion of staging area toward Bellingham Bay from the inner harbor line.

LEGAL DESCRIPTION

That portion of the "Fairhaven Tidelands", reserved area, as shown upon the map thereof filed in Volume 4 of Plats at pages 32, 33 and 34, Records of the Auditor of Whatcom County, Washington and of the Bellingham harbor area as reestablished by the State of Washington Commissioner of Public Lands in 1971, described as follows:

Commencing at the intersection of the centerline of 5th Street and the centerline of Harris Avenue; thence North  $88^{\circ} 47' 26''$  West 290.09 feet to the intersection of the centerline of Bennett Avenue (4th Street) and said centerline of Harris Avenue; thence North  $12^{\circ} 13' 15''$  West 488.84 feet; thence South  $88^{\circ} 30' 00''$  East 13.51 feet; thence South  $01^{\circ} 14' 35''$  West 82.42 feet to the POINT OF BEGINNING; thence North  $88^{\circ} 45' 00''$  West 100.00 feet; thence South  $36^{\circ} 06' 41''$  West 84.37 feet to the inner harbor line of said Bellingham harbor area; thence North  $87^{\circ} 55' 37''$  East along said inner harbor line a distance of 524.21 feet; thence departing therefrom North  $25^{\circ} 00' 00''$  West 85.33 feet; thence South  $59^{\circ} 58' 31''$  West 47.78 feet to a curve to the left having a radius of 85.00 feet; the center of which bears South  $30^{\circ} 01' 29''$  East; thence along said curve through a central angle of  $47^{\circ} 31' 46''$  an arc distance of 70.51 feet; thence North  $88^{\circ} 45' 25''$  West 257.26 feet; thence North  $01^{\circ} 14' 35''$  East 43.30 feet to the POINT OF BEGINNING.

EXHIBIT 1 - PARCEL "C"

(STATE OWNED)

Re: Description of portion of cold storage warehouse

LEGAL DESCRIPTION

That portion of the "Fairhaven Tidelands", reserved area, as shown upon the map thereof filed in Volume 4 of Plats at pages 32, 33 and 34, Records of the Auditor of Whatcom County, Washington and of the Bellingham harbor area as reestablished by the State of Washington Commissioner of Public Lands in 1971, described as follows:

Commencing at the intersection of the centerline of 5th Street and the centerline of Harris Avenue; thence North  $88^{\circ} 47' 26''$  West 290.09 feet to the intersection of the centerline of Bennett Avenue (4th Street) and said centerline of Harris Avenue; thence North  $12^{\circ} 13' 15''$  West 488.84 feet; thence South  $88^{\circ} 30' 00''$  East 13.51 feet to the POINT OF BEGINNING; thence North  $01^{\circ} 14' 35''$  East 15.00 feet; thence South  $88^{\circ} 45' 25''$  East 198.80 feet; thence South  $01^{\circ} 14' 35''$  West 11.30 feet; thence South  $88^{\circ} 45' 25''$  East 23.10 feet; thence South  $01^{\circ} 14' 35''$  West 77.70 feet; thence North  $88^{\circ} 45' 25''$  West 221.90 feet; thence North  $01^{\circ} 14' 35''$  East 74.00 feet to the POINT OF BEGINNING.

EXHIBIT 1 - PARCEL "E"

(STATE OWNED)

Re: Description of berthing area

LEGAL DESCRIPTION

That portion of the "Fairhaven Tidelands", reserved area, as shown upon the map thereof filed in Volume 4 of Plats at pages 32,33 and 34, Records of the Auditor of Whatcom County, Washington and of the Bellingham Harbor area as reestablished by the State of Washington Commissioner of Public Lands in 1971, described as follows:

Commencing at the intersection of the centerline of 5th Street and the centerline of Harris Avenue; thence North  $88^{\circ} 47' 26''$  West 290.09 feet to the intersection of the centerline of Bennett Avenue (4th Street) and said centerline of Harris Avenue; thence North  $12^{\circ} 13' 15''$  West 488.84 feet to the POINT OF BEGINNING; thence North  $88^{\circ} 30' 00''$  West 71.49 feet; thence North  $24^{\circ} 36' 54''$  West 55.68 feet; thence North  $01^{\circ} 30' 00''$  East 180.00 feet; thence North  $88^{\circ} 30' 00''$  West 31.00 feet; thence North  $01^{\circ} 30' 00''$  East 466.00 feet; thence South  $88^{\circ} 30' 00''$  East 127.00 feet; thence South  $01^{\circ} 30' 00''$  West 696.00 feet to the POINT OF BEGINNING.

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EXHIBIT 2

I. Terminal Building

- A. Lobby/Waiting Rooms
  - 1. Public telephones
  - 2. Baggage storage lockers
  - 3. Drinking fountains
  - 4. Vending machines
  - 5. Seating
  - 6. Display area
  - 7. Hotel/Taxi telephones
- B. Office area/Ticketing
  - 1. Agent counter space with closing gates
  - 2. Locking cash drawers
  - 3. Locking base cabinets
  - 4. Adjustable shelving
  - 5. Cloak storage with shelves
- C. Manager's office
- D. Staff toilet
- E. Public Men's room
- F. Public Women's room
- G. Mechanical Area(s)
- H. Outside storage
- I. Janitorial
- J. Storage - office supplies, records, etc.
- K. Traffic circulation
- L. Baggage handling area

II. Warehouse

- A. Freezer space
- B. Cooler space
- C. Receiving space
- D. Dry storage
- E. Parts storage
- F. Office
- G. Traffic circulation
- H. Support amenities

III. Port Administration

- A. Office
- B. Manager's office
- C. Support amenities

IV. Illuminated signs

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EXHIBIT 2  
CONTINUED

- V. Marine structures
    - A. Transfer bridge (vehicle)
    - B. Transfer span (passenger)
    - C. Mooring structure
  - VI. Vessel services facilities
  - VII. Short term parking area
  - VIII. Staging area
  - IX. Ticket booth(s)
  - X. Utilities
-

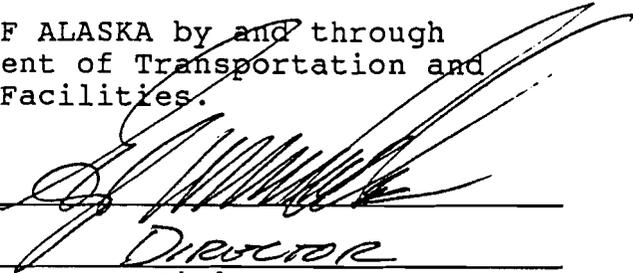
Addendum #1 to AMHS Southern Terminus Lease

- 1) The parties to this agreement agree and understand that the lessor, in order to meet the requirements set forth in the RFP for the Southern Terminus as well as to make available for occupancy to the state the leased premises described in section 1.2 of this lease, is required to design and construct improvements to the site described in section 1.1 of this lease.
  
- 2) The parties further agree that during the design and construction phase referred to in paragraph 1) above of this addendum, the Alaska Marine Highway System and the lessor will conduct construction project coordination meetings at those times and locations mutually agreed on. The purpose of these coordination meetings will be to resolve any problems concerning the progress of construction or the conformance of construction with the facility requirements set out in the RFP for the Southern Terminus. The parties agree that those representatives of the lessor and those representatives of the Alaska Marine Highway System who are necessary to the resolution of any such problems will attend these meetings.
  
- 3) The Alaska Marine Highway System reserves the right for its representatives to observe the construction of the facility for conformance to the facility requirements set forth in the RFP for the Southern Terminus. Deviations from these

requirements that are observed by the Alaska Marine Highway System will be promptly conveyed to the lessor for correction. Failure of the lessor to correct or modify such deviations to the satisfaction of the Alaska Marine Highway System shall be grounds for termination under the terms of this lease agreement.

LESSEE:

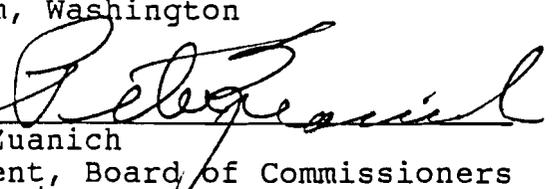
STATE OF ALASKA by and through  
Department of Transportation and  
Public Facilities.

By:   
Director  
Title

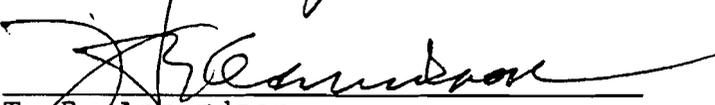
DATE: 10/26/88

LESSOR:

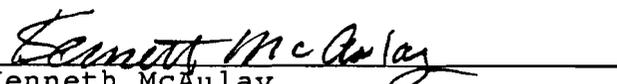
The PORT OF BELLINGHAM  
Bellingham, Washington

By:   
Peter Zuanich  
President, Board of Commissioners

DATE: October 4, 1988

By:   
T. B. Asmundson  
Vice President, Board of Commissioners

DATE: October 4, 1988

By:   
Kenneth McAulay  
Secretary, Board of Commissioners

DATE: October 4, 1988