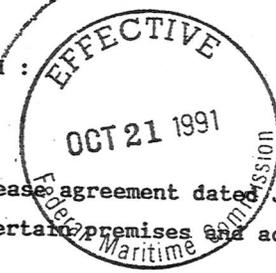


224-200280-001
FIRST AMENDMENT TO LEASE
BETWEEN

PORT OF SEATTLE AND CLIPPER NAVIGATION, INC. RECEIVED
PIER 69

THIS FIRST AMENDMENT TO LEASE MADE AS OF September 24, 1991,
by and between the PORT OF SEATTLE, a Washington municipal corporation, as
Lessor, hereinafter called "Port," and CLIPPER NAVIGATION, INC., a Washington
corporation, hereinafter called "Lessee,"

WITNESSETH:



WHEREAS, the parties entered into the lease agreement dated July 25,
1989, hereafter called "Basic Lease," covering certain premises and activities
by Lessee at Pier 69, Seattle, Washington; and

WHEREAS, the parties now wish to revise the Basic Lease by increasing
the lease premises with a corresponding adjustment to the rental; and add
provisions relating to Lessee's expansion into submerged Vine Street end area;

NOW, THEREFORE, in consideration of their mutual promises, the parties
hereby agree as follows:

1. Basic Lease paragraph 1. (LEASED PREMISES) is hereby deleted and
replaced with the following:

"That portion of Pier 69 consisting of approximately 27,056 square
feet of enclosed and apron area, the location, uses and
configuration of which are more fully depicted on Exhibit A-1,
attached hereto; and approximately 10,643 square feet of water
area, the location and configuration of which are shown in blue on
Exhibit B attached hereto,

hereinafter called 'the Premises;'

"TOGETHER with that portion of harbor area situated in platted Vine
Street lying west of Alaskan Way, consisting of approximately
40,000 square feet of water area, the location and configuration of
which are shown cross-hatched in blue on Exhibit B attached hereto,
hereinafter called 'the Vine Street Premises.'"

2. Basic Lease paragraph 3. (RENT) is hereby amended with the addition of the following:

"Effective upon completion of construction of relocated Pier 69 premises or October 1, 1991, whichever later occurs, Lessee shall pay additional rent for the following areas on the following basis:

4,817 s.f. additional storage area @	\$6.00/s.f./yr.	=	\$2,408.50/mo.
3,043 s.f. additional apron area @	\$4.00/s.f./yr.	=	1,014.33/mo.
552 s.f. additional submerged area @	\$0.60/s.f./yr.	=	27.60/mo.
Total additional rent*		=	<u>\$3,450.43/mo.</u>

*Plus applicable State leasehold tax.

"Effective June 1, 1991, Lessee shall pay additional rent applicable to the Vine Street Premises on the following basis:

40,000 s.f. Vine Street submerged area @ \$0.60/s.f./yr. = \$2,000/mo., plus applicable State leasehold tax, but reduced by the amount of any permit fees payable by Lessee to the City of Seattle, with such reduction not to exceed a full offset of this rental calculation.

"The rental rate for the 4,817 square feet of inside space being added to the lease by this amendment shall be not less than the rate for storage use of the space. Storage use includes engine repair activities. If this use changes to office or working area use, higher rates shall apply: \$9.00/sq.ft./year for working area use and \$15.00/sq.ft./year for office use space. Working area use is defined as activities relating to Customs, passenger waiting areas, ticketing, corridors serving passenger (public) areas and any other activities engaged in by Lessee or third parties other than those defined for storage or office use.

Office use is defined as activities relating to administration and reservations as well as circulation and staff rest room space.

"Lessee shall pay rental for all areas described originally in the Basic Lease at the rental rates described therein. It is provided that office use shall be limited to that area as outlined in blue on Exhibit A-1. If at some future date any other Premises space is converted to office use, the office rental rate, herein, shall apply.

All provisions of Basic Lease paragraph 3 in addition to the above added provisions shall remain unchanged and in full force and effect.

3. Basic Lease paragraph 9. (ALTERATIONS AND IMPROVEMENTS) is hereby amended to add a tenant improvement allowance applicable to Lessee improvements to 4,817 square feet, only, of covered space added by this amendment and payable, upon completion to the Port's satisfaction of work by Lessee, and not to exceed a total of \$28,902 based upon \$6.00 per square foot.

In addition, the Port agrees to reimburse Lessee for items referenced in the Port's April 23, 1991 letter, attached hereto as Exhibit "D."

The Port agrees, pursuant to a February 12, 1991 letter signed by both parties and attached hereto as Exhibit "E," that a tenant improvement allowance not exceeding a total of \$250,458, in addition to the amount applied to the 4,817 square feet of space added by this amendment, will be made available to Lessee for replacement of existing improvements resulting from the move to the new Pier 69 configuration, as provided for in the basic lease. The total tenant improvement allowance applicable to both existing and additional spaces, totalling 17,460 square feet, shall in no case exceed \$279,360, including architectural and design fees. Progress payments for tenant improvements will be made, subject to prior Port approval of plans and specifications and Port acceptance of completed work on such improvements.

All other provisions of Basic Lease paragraph 9. shall remain unchanged and in full force and effect.

4. In addition to all other conditions, terms and provisions of the Lease, the parties further agree as follows with respect to the Vine Street Premises.

a. The Port and Lessee jointly have obtained Street Use Permit No. S6161 from the City of Seattle ("City") for the use of the Vine Street Premises. Lessee agrees to observe and abide by all requirements of the Street Use Permit and has executed a separate Indemnity Agreement satisfactory to the Port in connection with Lessee's use of the Vine Street Premises. A copy of the Indemnity Agreement and Street Use Permit are attached hereto as Exhibits C and C-1 and the provisions of each are incorporated into this Amendment as if fully set forth herein.

b. Pursuant to RCW 79.90.475, the State of Washington Department of Natural Resources ("DNR") has authorized the Port to manage the Vine Street Premises. The Port has authorized Lessee to construct a passenger boat moorage and loading facility consisting of piers, pilings, floats and ramps in the Vine Street Premises ("the Passenger Facilities"). Lessee agrees to pay when due all annual Street Use Permit fees and any other rents, fees, charges, taxes or costs of any kind as may now or hereafter be imposed or assessed by DNR or by the City or by the Port for, or with respect to, Lessee's use of the Vine Street Premises or of the Passenger Facilities.

c. Lessee shall provide and maintain any bond, replacement bond or other security in form and amount satisfactory to the City throughout the term of Street Use Permit No. S6161 and until such time as the Passenger Facilities are fully removed from the Vine Street Premises. At any time Lessee is unable or unwilling to secure an acceptable bond or other security, Lessee shall immediately cease use of the Vine Street Premises and fully remove the Passenger Facilities and all related material and equipment therefrom.

d. Lessee understands and agrees that its continued use of the Vine Street Premises is subject to all terms, conditions and possible interruptions contained in Street Use Permit No. S6161, or in any City ordinance now existing or adopted in the future which further or additionally conditions the Port's or Lessee's use of the Vine Street Premises.

e. Lessee understands and agrees that it shall provide access through the Vine Street Premises to the adjacent southerly property and harbor area (currently occupied by the Edgewater Hotel) for emergency services or, upon reasonable notice, to accommodate routine repair or maintenance of dock structures.

f. Lessee agrees to fully remove the Passenger Facilities and any related materials or equipment, at its sole expense, at the termination or expiration of the Lease or sooner should the Port or the City require or request removal pursuant to any provision of Street Use Permit No. S6161 or of any City ordinance. Lessee shall not reconstruct or relocate the Passenger Facilities except with the Port's prior written permission.

5. As security for this lease, Lessee shall promptly furnish to the Port a cash deposit in the increased amount of SEVENTY FOUR THOUSAND ONE HUNDRED TWENTY TWO AND NO/100'S DOLLARS (\$74,122). In lieu of this cash deposit, Lessee may provide a bank letter of credit in form satisfactory to the Port, naming the Port as beneficiary, in the amount of SEVENTY FOUR THOUSAND ONE HUNDRED TWENTY TWO AND NO/100'S DOLLARS (\$74,122).

6. Basic Lease paragraph 14.(c) is hereby deleted and replaced with the following:

"The Port, and the City of Seattle with respect to the Vine Street Premises, shall be named as additional insured, and shall be furnished with appropriate evidence to establish (1) that Lessee's insurance obligations as herein provided have been met, and (2) that the insurance policy or policies as herein required are not subject to cancellation without at least ninety (90) days' advance written notice to the Port. Lessee shall furnish to the Port from time to time evidence of renewal of insurance as required."

7. Except as expressly amended herein, all provisions of the Basic Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

ATTEST:

By Gary Grant
Secretary
(CORPORATE SEAL)
GARY GRANT

PORT OF SEATTLE
A municipal corporation

By Jack S. Block
President
LESSOR
JACK S. BLOCK

ATTEST:

By Kimberly A. Searing
Secretary
(CORPORATE SEAL)
KIMBERLY A. SEARING

CLIPPER NAVIGATION, INC.

By Meridith Tall
President
LESSEE
MERIDITH TALL

TELEFAX to FAX #728-3252

To: Keith Christian ✓
Port of Seattle

cc:
Jim Rice
Karen Waltz

From: Leonard Tall
Clipper Navigation, Inc.
2701 Alaskan Way (Pier 69)
Seattle, WA, USA 98121

Tel 206-443-2560
Fax 206-443-2583

Date: February 1, 1991

Subject: NEGOTIATIONS FOR MOVING EXISTING FACILITIES AND FOR ADDITIONAL SPACE ON PIER 69 FOR STORAGE AND VESSEL MAINTENANCE.

We confirm your request to reschedule today's 13:30 meeting to 09:00 Tuesday, 5 Feb. In connection with that meeting, we submit the following information:

1. Clipper operates in a highly competitive market. Stena is currently negotiating with three prospective purchasers. At least two of these parties have stated that they consider Stena's Pier 48 lease to be unusually favorable and one of the primary assets offered for sale. Clipper must be in a position to compete with any of these prospective purchasers. Stena's lease with the Port of Seattle allows them to occupy space at a cost far lower than is currently paid by Clipper. Based upon their use of pier and upland space, but without even counting water space, Stena is paying:
 - For the first 3 years - - \$100,000 = \$0.38/sf per year.
 - For second 3 years - - \$200,000 = \$0.75/sf per year.
 - For next 24 years - - \$280,000 = \$1.05/sf per year.

In addition to competition from Stena's successors, the Washington Public Ports Association is now utilizing public funds in making plans to compete with Clipper by offering taxpayer subsidized transportation to serve the Seattle, Port Townsend, Friday Harbor and Victoria, B.C. markets in competition with private enterprise to destinations already served by privately owned vessels and by the taxpayer subsidized Washington State Ferries.
2. Clipper is currently paying over 10 times Stena's present rental, 5.33 times the rental for the 1992-1995 period, and 3.81 times the rental they will be paying after 1996. Stena's 1989 and 1990 traffic statistics prove that there is substantially zero probability of their successor ever paying any Passenger/Vehicle charges for traffic in excess of 600,000 per year, while Clipper will commence paying per passenger charges in addition to base rental in 1991. The Port's latest proposal asks for Clipper to further unbalance their competitive posture by increasing their average rent by an additional 50%. It is ludicrous to imagine that Clipper can remain in business when the Port tilts the playing field so drastically to favor both another Port tenant and the taxpayer subsidized service now proposed by the Washington Public Ports Association.
3. Clipper is the only proposed tenant for Pier 69 that will operate a water dependent business on the premises. While SSI has a ship that would be in Port for a short time each year, the proposed use of their demised premises on Pier 69 space is not water dependent.

4. The Port's most recent proposal has asked Clipper to pay \$10.90/sf/yr, triple net, for an additional 4,817 sf of industrial space. Clipper has stated that the additional space should be at the same rate as existing space, but in a spirit of compromise we have offered to pay as much as \$6.00/sf/yr for the incremental space. This is 1,579% of the rate paid by Stena and its successors. The net rate of \$0.50/sf/mo. is 67% higher than the high end rate of \$0.30/sf/mo. for industrial space rented in small parcels in the Seattle area. This is not office space, nor can the Port legally obtain a permit to use this space for general office use.

5. Clipper makes the following rent proposal:
Existing 12,643 sf @ \$4.00/sf/yr
Additional 4,817 sf @ \$6.00/sf/yr.
(These rates are in addition to Clipper's per passenger charges.)

5.1 To mitigate the damage to Clipper by moving their entrance almost a city block from Alaskan Way, the Port has agreed to pay for the cost of an awning from the sidewalk to the customs inspection entrance; and will permit Clipper to construct a ticket and information kiosk adjacent to the sidewalk.

5.2 The Port will provide, or pay for, all exterior and demising walls and thermal insulation to meet energy codes.

5.3 The Port will pay for bringing all utilities to the perimeter of the demised premises.

5.4 The Port will pay Clipper a reasonable allowance to cover normal costs for Architectural and Engineering fees for remodel of new demised premises.

5.5 Clipper has previously proposed a TI allowance of \$16/sf:
 $17,460 \times \$16 = \$279,360$

The port has proposed:

Existing 12,643 sf @ \$17.60 = \$222,516.80

New area 4,817 sf @ \$8.70 = \$41,907.90

\$264,424.70

Clipper now suggests that we split the difference, or \$271,892.35

6. The Port has requested that Clipper prepare remodelling plans for submission to DCLU by May 1st. Our architect, and Karen Waltz, have indicated that this could be done in a minimum time of three months, so we will have to anticipate some delay in this schedule as agreements on the above issues are postponed beyond 1 February. The Port has also stated that we should plan on commencing remodelling in October, in order to make our existing space available to the Port as quickly as possible. Assuming that the Port can assist us in expediting action at DCLU, we will make our best efforts to award a construction contract as soon as plans have been approved by DCLU and the Port.



EXHIBIT C

INDEMNITY AGREEMENT

This Agreement is made and entered into the 19th day of February, 1991, by THE PORT OF SEATTLE, a municipal corporation of the State of Washington and the owner of the real property hereinafter described ("Port") and CLIPPER NAVIGATION, INC., a Washington corporation and the lessee of said real property ("Clipper"), pursuant to that certain Public Place Indemnity Agreement dated February __, 1991, by and between the Port as indemnitor and the City of Seattle as indemnitee, required by the City of Seattle as a condition of the issuance of street use permit S6161.

WITNESSETH

That for and in consideration of the Port's execution of the Public Place Indemnity Agreement and permission for Clipper to occupy Vine Street west of Alaskan Way (in Elliott Bay), on the south side of Pier 69, by erecting and maintaining therein, in accordance with City of Seattle street use permit S6161, piers, pilings, floats, and ramps for passenger loading and vessel moorage, in front of, adjacent to, and to be used in connection with the following described real estate situate in King County, Washington:

Lots 5-12
Block 169
Suppl. Plat of Seattle Tide Lands

Clipper, for and on behalf of themselves, their heirs, executors, administrators, and assigns, does hereby covenant and agree to forever hold and save the Port free and harmless from any and all claims, actions or damages of every kind and description which may accrue to, or be suffered by, any person by reason of the use or occupation of the above described public place pursuant to street use permit S6161, or of the construction, existence, maintenance or use of the above described structures.

This Agreement is and shall be deemed to be a covenant attaching to and running with the above described real estate. Clipper understands and agrees that the permission granted by the City of Seattle pursuant to street use permit S6161 to occupy Vine Street is wholly of a temporary nature, vests no permanent rights whatsoever, and that, upon thirty (30) days notice posted on the premises, or by publication in the official newspaper of the City of Seattle, or without such notice in case such use or occupation shall become dangerous or such structure shall become insecure or unsafe or shall not be constructed, maintained or used in accordance with the provisions of Ordinance No. 90047,

COPY OF
ORIGINAL FILED

MAR 18 1991

Director of Records
& Elections

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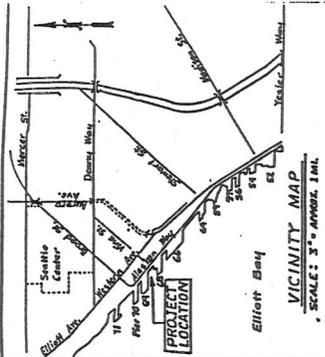
STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 15 day of February, 1991, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Leonard Tall, to me known to be the President of Clipper Navigation, Inc., a Washington corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

WITNESS MY HAND AND OFFICIAL SEAL hereto affixed the day and year first above written.


NOTARY PUBLIC in and for the
State of Washington, residing
at King Co.
My commission expires 5-25-91.

207116

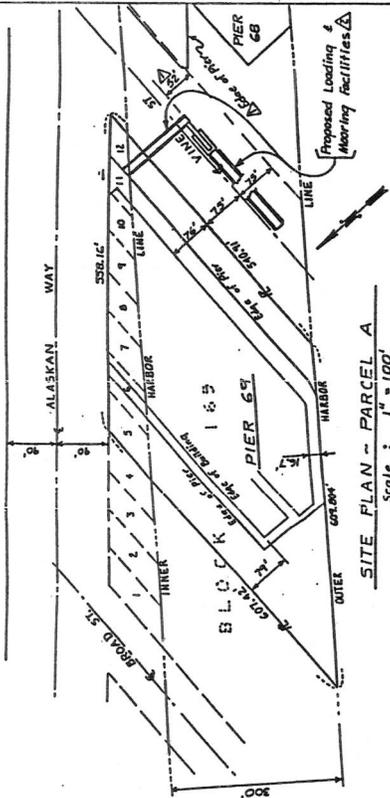


LEGAL DESCRIPTION

PACEL A
 LOTS 5, 6, 7, 8, 9, 10, 11 and 12 IN BLOCK 189 OF THE SUPPLEMENTAL PLAT OF SEATTLE TIDE LANDS TOGETHER WITH ALL OF THE HARBOR AREA LYING IN FRONT OF LOTS 5, 6, 7, 8, 9, 10, 11 and 12 IN BLOCK 189 OF SEATTLE TIDE LANDS, AND BOUNDED BY THE INNER AND THE OUTER HARBOR LINES AT THE NORTH LINE OF SAID LOT 5 AND THE SOUTH LINE OF SAID LOT 12. OFFICIAL MAP SCALE: TIDE LANDS AS SHOWN ON THE OFFICIAL MAP SCALE: TIDE LANDS FILED IN THE OFFICE OF THE COMMISSIONER OF PUBLIC LANDS AT OLYMPIA, WASHINGTON.

ZONE: MANUFACTURING
TIDE ZONE: 2
 2701 ALASKAN WAY

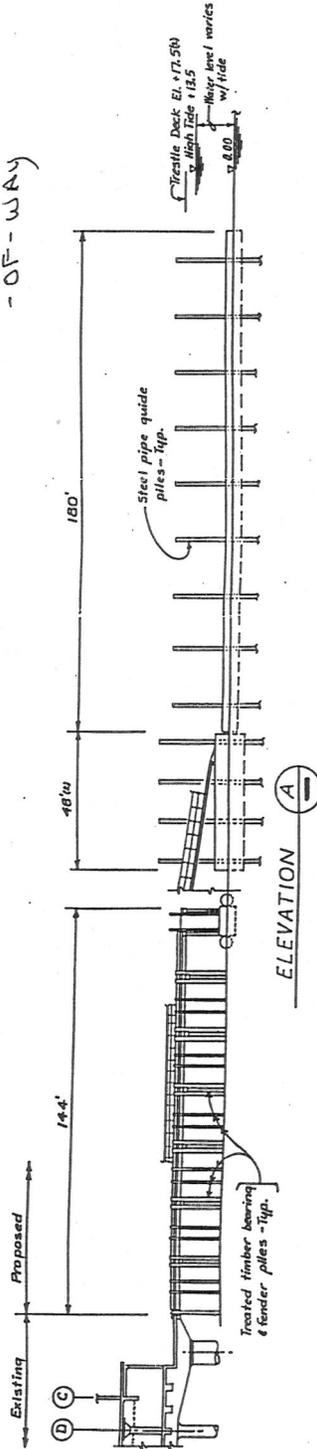
LOT AREA
 LOTS 5 THROUGH 12 = 25,075 FT²
 LEASED TIDE LANDS = 182,390 FT²
TOTAL = 212,015 FT²



LEGEND:

= SUBMERGED AREA
 = VINE STREET
 SUBMERGED RIGHT-OF-WAY

PLAN
 Scale: 1" = 20'



ELEVATION A

APPLICANT
 Cliggen Navigation, Inc.
 2701 Alaskan Way
 Seattle, Wash. 98121
 Tel. 1-425-2560

APPROVED (Checked) Loading / mooring Plan	COM
APPROVED (Checked) Right-of-Way Plan	ORA
DATE	BY
Plan of Seattle / Cliggen Navigation, Inc.	
SEATTLE, WASH.	
PROPOSED LOADING & MOORING FACILITIES	
PIER 69 & VINE ST.	
SEATTLE, WASH.	
SUBSTANTIAL DEVELOPMENT PERMIT	
SHORELINES MANAGEMENT ACT	
VICINITY MAP SITE PLAN & PLOT PLAN	
ARNOLD, ARNOLD & ASSOCIATES	
CONSULTING CIVIL AND STRUCTURAL ENGINEERS	
Date: 6-22-90	SH. 1 of 1
SEATTLE	WASHINGTON

EXHIBIT B

At 10 Vine St. adjacent to Pier 69 at 2611 Alaskan Way

Port of Seattle and Clipper Navigation - Sally Clark
OWNER
623-1745
PHONE

THE CITY OF SEATTLE
ENGINEERING DEPARTMENT
DIRECTOR OF ENGINEERING
501 MUNICIPAL BUILDING

COMPLETED

APPLICATION AND PERMIT

SU # **S 6161**

Feb. 22 19 91 for **ANNUAL**

days permission is granted to

Construct and maintain a passenger boat loading facility in Vine St. west of Alaskan Way.

Includes: 11' x 98' fixed pier; 30' x 231' float; 6' x 20' gangway;

32' x 110' boat moorage; 38' x 100' boat moorage.

Totals: 8128 sq.ft. - Structures

7320 sq.ft. - Boat Moorage

All per plan on file as approved by the Board of Public Works 12-14-90.

Use and construction are subject to the conditions and issuance of D.C.L.U. Shoreline Permit.

Bill to: Clipper Navigation

CALL CITY ENGR. DEPT. FOR FORMS AND FINAL INSPECTION BEFORE AND AFTER POURING CONCRETE. PHONE 684-5253

2701 Alaskan Way, Pier 69, Seattle 98121

in accordance with application and ordinances governing.

Treasury Voucher \$ _____ Released _____

Indem. Agree.: Rec'd. 2/21/91 City File # _____ County File # _____

Cert. of Ins. Rec'd. 30,000.00 Filed w/ 2/21/91

~~Safe~~ Bond No. _____ Rec'd. _____

File No. 5690238 Released _____

W.O. No. (7A) Structures Plan No. (12A) Moorage

Use _____ St. Use Fee \$ 598.56/mo.

SU # **S 6161** Ins. Fee \$ 1795.06/yr

Total \$ _____

Lot _____ Bk. _____ Addition _____
THE CITY SHALL BE HELD HARMLESS FROM ANY ACTION ARISING THROUGH ISSUANCE OF THIS PERMIT-IT SHALL BE TEMPORARY AND SUBJECT TO REVOCATION BY THE DIRECTOR OF ENGINEERING

Sally Clark
2/27/91 ADDRESS _____ PHONE 623-1745
OWNER OR AGENT

CITY ENGINEER *John Zanic Jr.*
Per _____

FOR LOCATION OF UNDERGROUND UTILITIES - CALL 1-800-424-5555

EXHIBIT C - 1



Port of Seattle

April 23, 1991

EXHIBIT D

Mr. Leonard Tall
Clipper Navigation, Inc.
2701 Alaskan Way
Seattle, WA 98121

Dear Leonard:

Your recent letter is interesting in that it illustrates the difference in approach we have to a design project. However, my real interest is in getting on with the project. Therefore, I would propose the following which is in part a reiteration of previous memos but is intended to be all-inclusive.

The Port has agreed to a tenant improvement allowance as specified in a letter to you dated 2-12-91. That Letter of Agreement includes items 5.1, 5.2 and 5.3 from your letter of February 1, 1991.

Furthermore, as part of the construction coordination required to relocate Victoria Clipper to their new space, the Port agrees to pay for the following items (from memo of 4-24-91):

Items related to base building construction yet installed by V/C contractor:

- *All costs for demising walls including thermal insulation and as shown on plan distributed 4-23-91. (Item 5.2 Lease Agreement)
- *Temporary weather protection on 2nd floor. Scope to be approved by POS..
- *Temporary Customs fencing if required.
- *\$2,000 toward the demolition of easterly pedestrian ramp on the south apron.
- *Exterior storefront walls to enclose V/C space.
- *Insulation in floor of V/C space.
- *Temporary north exterior enclosure wall between grids L & N and located approximately 5 feet clear from south face of columns at grid I.
- *Temporary plywood ramp at upper south apron and at exit doors to north apron.
- *Plumbing and condensate lines required by POS & shown on drawings provided by POS.
- *Electrical conduit serving west end of building and electrical conduit and J-boxes at south exterior wall.
- *Connection of temporary power, water and waste lines to new space. (Per Lease Agreement 5.3) Permanent connection of these utility lines paid for by V/C after Port contractor has delivered service to demising wall.

*Any other items that may be shown on Hewitt Isley drawings to be incorporated with V/C permit.

Items related to V/C tenancy and installed by POS contractor:

*Structural reconnection of crane on south apron used to hoist luggage.

*Panic hardware on exits required by code on South apron.

*One layer of vinyl coated fencing between upper and lower apron and between grid lines R and BB (if a second layer is required by Customs, V.C. agrees to reimburse POS)..

*Canopy along upper south apron between grid lines L and BB (designed per drawings dated 4-24-91 and built by POS) (Item 5.1 per Lease Agreement). *with openings provided for luggage hoist & roll-up door.*

*Canopy along lower south apron between grid lines R and BB (designed per drawings dated 4-24-91 and built by POS)

There are three additional items required prior to V/C's occupancy of their new space that will be handled as follows:

(1) The Port has contracted with Hurlin Construction for the auto ramp infill.

(2) The Port will also remove the ramp formerly used by the Princess Maggie.

(3) The infill on the 2nd floor above V/C's new space will be in-filled at Port expense either by Port contract or V/C contract and then reimbursed by the Port.

Furthermore, the Port agrees to reimburse Victoria Clipper for energy usage during the winter of 1991-92 identified as above and beyond normal usage.

This represents a comprehensive list of all items identified over the last several weeks of coordination meetings. The Port offers this list of reimbursable items based on Victoria Clippers agreement to meet the schedule established for permitting and construction completion driven in large part by City Shorelines and Building permit requirements. That schedule is: Permit intake on May 2nd; construction completion October 1st.

The Port of Seattle and Victoria Clipper agree to the items listed above:



Karen Waltz, Port of Seattle



Leonard Tall, Victoria Clipper



EXHIBIT E

February 12, 1991

EXHIBIT E

Mr. Leonard H. Tall
Executive Vice President
Clipper Navigation, Inc.
2701 Alaskan Way — Pier 69
Seattle, Washington 98121

Dear Leonard:

This will summarize for the record, until such time as an amendment to your lease is approved and executed by the Port Commission, the agreement of the parties reached at our February 8, 1991 meeting regarding terms for approximately 4,817 square feet of additional Pier 69 space to be added to your lease with the Port of Seattle. Since this addition of space is subject to Port Commission approval, any prior work performed on that space by yourselves is at Clipper's risk. The applicable rates for each use of the additional space are summarized in the following table:

<u>Type of space</u>	<u>Sq. Ft.</u>	<u>Rent/s.f./yr.</u>	<u>Tenant Impr.Allow./s.f.</u>
Office	To be determined*	\$15.00	\$20.00
Working Area	To be determined*	9.00	15.25
Storage	To be determined*	6.00	6.00

*Based on new layout plan to be developed by Clipper Navigation.

The lease amendment will distinguish between the types of space. Office use includes administration and reservations as well as circulation and rest room space only for Clipper staff. Storage use includes storage of supplies and materials as well as engine repair shop space. All other uses such as Customs, passenger waiting, ticketing, corridors serving passengers, etc., are considered work areas.

It is understood that Clipper's proposed use of the additional space is likely to be entirely for storage uses, although it is possible some work area may also be included. This will be assessed when you submit your new layout plan drawing to the Port, which you indicated would be in approximately two weeks. It is further understood that in the event the use of this additional square feet changes, as a result of future modifications to use, the appropriate higher rental rates will be applied accordingly (subject to the following paragraph). The location of the additional space will be delineated on the lease drawing.

Mr. Leonard H. Tall
February 12, 1991
Page 2

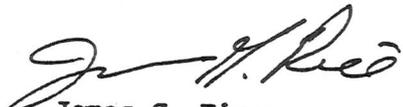
In addition, a proviso will be added to the lease which will allow for expansion of office use not exceeding 10% above the present square footage (of approximately 3,675 square feet) for that use within the 12,643 square feet presently leased but placed (and delineated) in the new location. If any further increase in office use above that 10% margin were to be made part of your new layout, that excess square footage would be considered part of the 4,817 square foot additional area and be subject to the office rental rate in the table above. After the new layout is constructed, there will be an additional 10% allowance for later adding to office space through minor alterations within the 12,643 square foot space without any adjustment to office area rental levels. Any other use changes applicable to the additional 4,817 square foot area will be reflected in rental adjustments.

A tenant improvement allowance totalling \$250,458, in addition to that applied to the 4,817 square foot space, will be made available for replacement of existing improvements resulting from the move to the new Pier 69 configuration, as provided for in the current lease. However, the total tenant improvement allowance applicable to both existing and additional spaces, which total approximately 17,460 square feet, shall in no case exceed \$279,360, including architectural and design fees. Progress payments for tenant improvements will be made, subject to prior Port approval of plans and specifications and Port acceptance of completed work on such improvements.

The provisions of basic lease paragraph 9 (Alterations and Improvements) shall extend to, but not be limited to such items as signage, color schemes, fence materials and placement.

Please countersign and return to the Port the enclosed duplicate original of this letter.

Sincerely,


James G. Rice
Senior Property Manager

4660R
Enclosure

AGREED:
CLIPPER NAVIGATION, INC.

By 
Title Exec Vice Pres
Date 2-13-91

cc: K. Christian, F. Doehring, K. Waltz — Port of Seattle

It is our understanding that our agreement also included items 5.1, 5.2 & 5.3 of attached Feb. 1 fax as previously approved by Karen Waltz at our Feb. 5 meeting.

