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December 8, 1995

FEDERAL MARITIME  
COMMISSION  
OFFICE OF THE SECRETARY

Offshore Rig Museum, Inc.  
c/o Sonat Offshore  
4 Greenway Plaza, Suite 854  
Houston, TX 77046

Attn: Carol Cage, Executive Director

RE: Lease Agreement Insurance Requirements

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Dear Ms. Cage:

This letter confirms that the parties to that certain Lease Agreement by and between the Board of Trustees of the Galveston Wharves ("Wharves") and Offshore Rig Museum, Inc. ("Museum") agree that Museum must only provide insurance coverage with minimum limits of liability of \$2,000,000.00 each for Liability Insurance, Construction Liability Insurance and Pollution Liability Insurance as required under Sections 13.01, 13.03 and 13.07, respectively, of the Lease Agreement until the Offshore Rig Museum made the subject of the Lease Agreement opens for business. Museum must have all coverages required under the terms of the Lease Agreement at the levels specified therein and must be in full compliance with all insurance requirements in the Lease Agreement prior to the first date the Offshore Rig Museum opens for business.

Except as modified herein, the Lease Agreement between the Wharves and the Museum remains in full force and effect and all terms thereof are hereby confirmed.

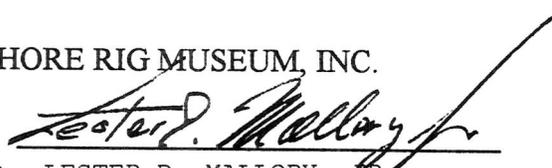
THE BOARD OF TRUSTEES OF  
THE GALVESTON WHARVES



Ernest Connor  
General Manager-Port Director

APPROVED:

OFFSHORE RIG MUSEUM, INC.

By:   
Name: LESTER D. MALLORY, JR.  
Title: VICE CHAIRMAN



THE STATE OF TEXAS

§

COUNTY OF GALVESTON

§

## LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into and effective this 1<sup>st</sup> day of November, 1995, ("Effective Date"), by and between **THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES**, a separate utility and agency of the City of Galveston, Texas as Lessor, and **OFFSHORE RIG MUSEUM, INC.**, a Texas non-profit corporation, as Lessee. Lessor and Lessee hereby agree as follows:

### ARTICLE 1 - DEMISE OF LEASED PREMISES

Lessor, for and in consideration of the fees, charges and other sums payable by Lessee hereunder and the covenants and premises contained in this Agreement and to be kept, performed and observed by Lessee, and subject to the reservations and restrictions contained in this Agreement, does hereby lease or grant other rights as herein provided to Lessee, and Lessee does hereby lease and accept other rights from Lessor, the property described, outlined or marked on Exhibit A, attached to this Agreement and incorporated by reference. The parcel entitled Tract 1 on Exhibit A shall constitute a leasehold estate. The parcel entitled Tract 2 on Exhibit A shall constitute an area upon which Lessee has a non exclusive easement to use the property for placement of a ticket booth and gift shop, and to provide access to the Leased Premises. Lessor at its expense may relocate the walkway to a location other than Tract 1 at which time the new area shall be substituted as Tract 1. In addition, Lessor at its expense, may relocate the ticket booth, gift shop and/or access to a location other than Tract 2 at which time the new area shall be substituted as Tract 2. Either such alternate location must be reasonably acceptable to Lessee. Lessor agrees to use its best efforts to relocate at a time that will minimize any negative impact upon Lessee's operations and Lessor will give Lessee thirty (30) days' advance notice of its intention to relocate. Lessor does hereby grant and Lessee does hereby accept from Lessor a license to berth at the property entitled Tract 3 on Exhibit A. (Collectively, the ("Leased Premises")).

**TO HAVE AND TO HOLD** the Leased Premises, together with all rights, privileges, easements, appurtenances and other interests belonging to or in any way pertaining to the Leased Premises, subject to the terms of this Agreement.

### ARTICLE 2 - TERM OF AGREEMENT

Section 2.01 - Commencement and Termination Date. This Agreement is for a term of twenty years ("Term"), commencing on the Effective Date.

Section 2.02 - Holding Over. If Lessee holds over after the termination of this Agreement, such tenancy is from month to month under all terms, covenants and conditions contained in this Agreement, except that rent will be equal to 125% of the rental amount in force immediately prior to termination.

Section 2.03 - Effective Date and Approval. The Effective Date of this Agreement is set forth in the introductory paragraph. However, if this Agreement or any amendments or modifications thereto are required to be submitted to the Federal Maritime Commission (the "Commission"), pursuant to 46 U.S.C. §814, then the Effective Date of this Agreement is such date as designated by the Commission, or if the Commission declines to do so, the Effective Date is as set forth in the introductory paragraph of this Agreement. Any extension of this Agreement, and the terms and conditions thereof, will promptly be filed with the Commission for its review and approval, if required.

### **ARTICLE 3 - RENT**

Section 3.01 - Commencement of Rent. Rent under this Agreement commences on the Effective Date.

Section 3.02 - Minimum Rent. Lessee will pay Lessor minimum rent in a sum equal to ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00) per month ("Minimum Rent").

Section 3.03 - Payment of Minimum Rent. Minimum rent is payable monthly, in advance, on the first day of each month during the Term of this Agreement.

Section 3.04 - Percentage Rent. In addition to the fixed minimum rent provided in Section 3.02, Lessee will pay Lessor, as additional rent for using and occupying the Leased Premises, a sum equal to 10% of Lessee's Net Revenues for each month. This percentage rent must be paid monthly on or before the tenth day of each month following the month for which the rent is calculated.

Section 3.05 - Net Revenues. "Net Revenues" means Lessee's Gross Revenues, as defined below, less Lessee's operating expenses, including rent, utilities, taxes and impositions, salaries, payroll expenses, legal and accounting fees, normal maintenance expenses, insurance expenses and supplies. No depreciation will be deducted to determine "Net Revenues".

Section 3.06 - Gross Revenues Defined. "Gross Revenues" means receipts from gross ticket or admission revenues of Lessee.

Section 3.07 - Statement of Gross Revenues. On or before the date set for paying the percentage rent in Section 3.04, Lessee must furnish Lessor with a true and accurate statement, signed by Lessee or its authorized representative, showing the Gross Revenues and Net Revenues for the preceding month.

Section 3.08 - Lessee's Books and Records. For the purpose of ascertaining the amount payable as rent, Lessee will prepare and maintain on the Leased Premises, for at least 5 years following the end of each month during which percentage rent is calculated adequate records evidencing Gross Revenues and Net Revenues. Lessee will also maintain on the Leased Premises, for at least 5 years following the end of each lease year, all sales, use, value-added, gross-receipts, and occupation-tax returns with respect to the lease year, and all pertinent original sales records. Lessor and its authorized representatives may examine Lessee's records described in this Section during Lessee's regular business hours. If examining Lessee's books or records reveals an error in favor of Lessor that results in additional percentage rent due Lessor in excess of \$500.00, then

Lessee must pay Lessor's reasonable costs to conduct the examination. Otherwise, Lessor bears the examination costs.

Section 3.09 - Delinquency. All amounts payable under this Agreement that are not paid when due bear interest from the due date thereof until paid at the rate of interest equal to the lesser of: (i) the rate quoted from time to time in the Wall Street Journal as the Prime Rate (representing the base rate on corporate loans posted by at least 75% of the 30 largest banks of the United States), plus 2%, adjusted daily; or (ii) the maximum nonusurious rate allowed by law.

Section 3.10 - Rent Escalation. Minimum Rent will be adjusted annually to reflect increases in the Consumer Price Index for "All Urban Consumers, U. S. City Average, All Items," issued by the Bureau of Labor Statistics for the United States Department of Labor (the "Index"). Minimum Rent will be recalculated beginning 1 year after the Effective Date and continuing annually on each anniversary of such date (the "Adjustment Date"). Rent provided for hereunder will never be less than the Minimum Rent set forth in Section 3.02. Lessor will provide Lessee with notice of each adjustment to rent and the calculation of the adjustment no later than 60 days after each Adjustment Date.

#### **ARTICLE 4 - TARIFFS**

This Agreement covers only the Leased Premises and does not give Lessee any right or privileges to the aprons, slips, channel or the property adjacent to the Leased Premises except as expressly herein provided. Lessor's tariffs, and from time to time amended, shall apply to Lessee's operations on or about the Leased Premises except as herein expressly provided.

#### **ARTICLE 5 - IMPOSITIONS**

Section 5.01 - Impositions. As additional rent during the Term, Lessee will pay all Impositions as and when they become due. The term "Impositions" means all taxes, assessments, use and occupancy taxes, excises, levies, license and sales and permit fees and taxes, and other charges by any public authority, general or special, ordinary or extraordinary, foreseen or unforeseen, of any kind or nature whatsoever, which shall or may during the Term be assessed, levied, charged, confirmed, or imposed by any public authority upon, or which accrue or become due or payable out of or on account of, or to become a lien on the Leased Premises or any part thereof, the appurtenances thereto, or the sidewalks, streets, or other public ways adjacent thereto, for any use or occupation of the Leased Premises, and such franchises, licenses and permits as may be appurtenant to the use of the Leased Premises, or any documents to which Lessee is a party, creating or transferring an interest or estate in the Leased Premises. Notwithstanding anything to the contrary contained herein, it is expressly acknowledged and understood that the facility to be installed and operated by Lessee on the Leased Premises is a temporary facility and is not in any way affixed to any realty.

Section 5.02 - Contest of Impositions. Lessee may, in good faith at its sole cost and expense, contest Impositions and Lessee is obligated to pay the contested amount only when finally determined to be due, unless otherwise required by law.

Section 5.03 - Payment by Lessor. Subject to the right of the Lessee to contest Impositions, as provided for in this Article, Lessor may at any time that the payment of any Imposition which

Lessee is obligated to pay remains unpaid, give written notice to Lessee of its default, specifying the same, and if Lessee continues to fail to pay such Imposition or to contest it in good faith, then at any time after ten days from such written notice, Lessor may pay the items specified in the notice and Lessee agrees to reimburse Lessor, upon Lessor's demand, any amount paid on the items specified in the notice.

### **ARTICLE 6 - UTILITIES**

Lessee will cause all services for water, heat, gas, electricity, sewers, and any and all other utilities used on the Leased Premises by Lessee throughout the Term of this Agreement, including any connection fees (the "Utilities") to be separately metered and billed to Lessee, and Lessee must pay all charges for such Utilities.

### **ARTICLE 7 - USE OF PREMISES**

**Section 7.01 - Permitted Activities.** The Leased Premises may be used by Lessee only for the construction, maintenance and operation of an offshore oil rig museum and educational training facility (the "Museum"). The portion of the Leased Premises described as Tract 1 on Exhibit A shall only be utilized by Lessee for the construction a walkway providing access to and from the Offshore Oil Rig portion of the Museum. The portion of the Leased Premises described as Tract 2 on Exhibit A may only be used to provide access to the Museum and to operate a ticket booth and/or gift shop related to the Museum. Lessee acknowledges that its rights to Tract 2 are subordinate to the rights of the current Lessee, GPM, Inc., under that certain Lease and Development Agreement dated May 31, 1990, by and between Lessor and The Woodlands Corporation, as amended and assigned. Lessor may only use the portion of the Leased Premises described as Tract 3 on Exhibit A, for the berthing of the Offshore Oil Rig portion of the Museum, and Improvements related thereto. Lessee acknowledges that Lessor does not own Tract 3, and Lessor is only agreeing to allow Lessee to use Tract 3 as a berthing area, and Lessee's rights to use that berthing area are subject to approval by the Texas General Land Office and other federal and state agencies, at Lessee's cost. Any other activity on the Leased Premises requires the prior written approval of Lessor. In addition, without limitation of the foregoing, Lessee's rights under this Agreement area expressly made subject and subordinate to:

- (i) The provisions of Article XII, Section 4, of the City Charter of the City of Galveston; and
- (ii) Rights of Lessor's tenants in the Pier 19 Area.

**Section 7.02 - Prohibited Activities.** The Leased Premises must not be used for:

- (a) The docking or berthing of any floating vessel containing a "gambling place", a "gambling device", or "gambling paraphernalia", as those terms are defined in Section 47.01 of the Texas Penal Code or any similar or successor statute; or
- (b) Any illegal, obnoxious or offensive activity.

No radioactive materials are allowed on the Leased Premises without Lessor's prior written approval. No hazardous or toxic substances shall be permitted on the Leased Premises except limited quantities for immediate use.

Section 7.03 - No Interference. Lessee must not interfere with the operations of Lessor or its tenants. Lessee must not interfere with, restrict or prevent any person or entity from using navigable waters.

Section 7.04 - Waiver of Liability. Lessee must obtain an executed Statement of Awareness and Waiver of Liability in the form attached hereto as Exhibit B from every person boarding the Offshore Oil Rig portion of the Museum prior to allowing him or her to board.

## **ARTICLE 8 - CONSTRUCTION BY LESSEE**

Section 8.01 - General Conditions. Upon the prior written consent of Lessor, and provided Lessee is in compliance with all terms of this Agreement, and subject to the terms of this Agreement, Lessee may, at its sole cost, erect, maintain and construct improvements on the Leased Premises necessary for its permitted activities at its sole cost. Any new construction or any alteration to existing improvements must satisfy the provisions of the Americans with Disabilities Act of 1990, as amended (the "ADA"), including any accessibility standards. Lessee must submit to Lessor information regarding its planned improvements, modifications, major repairs, additions and fixtures upon Lessor's request. However, Lessor's review and approval of the plans will not relieve Lessee of its obligation to comply with the ADA. Any demolition or removal of improvements or excavation or removal of any soil, sand or other fill from the Leased Premises also requires the prior written approval of Lessor.

Section 8.02 - Construction of Improvements and Museum. Lessee shall be responsible at its sole cost and expense for placing an offshore oil rig on the Leased Premises. Lessee shall be responsible for the construction and maintenance of all improvements necessary to make the Museum fully operational including, but not limited to, walk-ways, fences, gates, security fencing, area lighting, signage, parking areas, a ticket booth and/or gift shop, and other support facilities (collectively the "Improvements"). Lessee shall submit its plans and specifications for such Improvements to Lessor for Lessor's written approval prior to commencing placement of the offshore oil rig or construction of any Improvements. Lessee shall furnish Lessor certification from a Marine Surveyor that the Museum and Improvements meet the City of Galveston Wind Load requirement of 140 miles per hour.

Lessee must not sink any leg of the Museum or Improvements into the Pier 19 area as described by metes and bounds in Article XII, Section 4 of the Charter of the City of Galveston. Lessee must comply with all provisions of the City of Galveston Charter, Code and ordinances, and all other laws, regulations, statutes, rules and constitutional provisions of any governmental entity with jurisdiction over the Leased Premises in the construction of all Improvements and the placement of the Museum.

Section 8.03 - Parking. Lessor is not responsible for providing any parking facilities under this Agreement. Subject to the terms of this Article, Lessee must provide and maintain all parking facilities necessary for its operations under this Agreement.

Section 8.04 - Governmental and Other Approvals. Prior to beginning any construction on the Leased Premises, Lessee must, at its expense, obtain and must thereafter maintain all licenses, permits, certifications, easements and approvals required for its activities under this Article, including, but not limited to: (i) a General Land Office easement or lease and a U.S. Army Corps of Engineers permit to use Tract 3 of the Leased Premises described on Exhibit A, and (ii) permission of the lessee under that certain Lease and Development Agreement dated May 31, 1990 by and between Lessor and The Woodlands Corporation, as amended and assigned.

Section 8.05 - Ownership of Improvements. Except as hereinafter provided, title to and ownership of all Improvements installed or constructed on the Leased Premises by Lessee, is in Lessee.

Section 8.06 - Surrender of Leased Premises. Upon termination of this Agreement, Lessee must surrender the Leased Premises, including Improvements thereon, in the same condition and state of repair as they existed on the Effective Date, reasonable wear and tear excepted. Lessor may require Lessee to remove the Museum and any Improvements constructed by Lessee and restore the Leased Premises to the condition it was in on the Effective Date. If Lessor requests Lessee to remove its Improvements and restore the Leased Premises and Lessee fails to do so, Lessor may remove the Improvements and restore the Leased Premises to its condition on the Effective Date, and Lessee must reimburse Lessor for all removal and restoration costs incurred by Lessor.

## **ARTICLE 9 - MAINTENANCE AND REPAIRS**

Section 9.01 - Lessee's Duty to Repair and Maintain. Lessee, at its own cost and expense at all times during the Term agrees to (i) keep and maintain the Museum and all Improvements on the Leased Premises in a good state of appearance and repair, reasonable wear and tear excepted, and (ii) modify any Improvements on the Leased Premises if necessary to cause the Leased Premises to conform with all laws applicable thereto, including, without limitation, the ADA.

Section 9.02 - Lessee's Failure to Maintain or Repair. If Lessee fails to repair or maintain as required by this Article, Lessor may, but is not required to, enter the Leased Premises and make the repairs or perform the maintenance, or have the repairs made or maintenance performed, and Lessee must immediately reimburse Lessor for all costs incurred by Lessor under this section, together with interest at the highest legal rate from the date Lessor demands reimbursement until the date paid by Lessee.

Section 9.03 - Condition of Leased Premises. Lessee accepts the Leased Premises in its condition as of the Effective Date, AS IS, and WITH ALL FAULTS and acknowledges that no warranties, either expressed or implied, have been made or will be made by Lessor with respect to the condition of the Leased Premises or its suitability for Lessee's intended use.

## **ARTICLE 10 - DAMAGE OR DESTRUCTION**

Section 10.01 - Notice to Lessor. If the Leased Premises or any Improvements thereto are damaged or destroyed by fire, windstorm, hurricane, earthquake, flood or other casualty, Lessee must immediately give Lessor notice of the damage or destruction, including a description of the damage and its cause.

Section 10.02 - Partial Destruction. If the Leased Premises are partially damaged or destroyed by fire, windstorm, hurricane, earthquake, flood or any other casualty, Lessee must, at its sole cost and expense, immediately repair, reconstruct or replace the damaged or destroyed property. Lessee must repair, reconstruct and replace with reasonable diligence so that the Leased Premises is restored to substantially the same condition as existed immediately prior to the casualty.

Section 10.03 - Total Destruction. If Lessor determines, in its sole discretion, that the Leased Premises is totally destroyed by fire, windstorm, hurricane, earthquake, flood or any other casualty, Lessor may terminate this Agreement, in which event Lessor will be entitled to all insurance proceeds payable by reason of the casualty. Lessee must raze the Improvements and level, clean and otherwise put the Leased Premises in good order. If Lessor does not terminate this Agreement, Lessee must, at its sole cost and expense, immediately repair, replace and reconstruct the Leased Premises. Lessee must repair, reconstruct and replace with reasonable diligence so that the Leased Premises is restored to substantially the same condition as existed immediately prior to the casualty.

## **ARTICLE 11 - MECHANICS' LIENS**

Lessee must not suffer or permit any mechanics' liens or other liens to be filed against the fee of the Leased Premises nor any involuntary liens against Lessee's leasehold interest in the land nor any improvements on the Leased Premises by reason of any work, labor, services, or materials supplied or claimed to have been supplied to Lessee or to anyone holding the Leased Premises or any part thereof through or under Lessee. If any such lien is recorded against the Leased Premises, Lessee must promptly notify Lessor in writing of its existence, and must either cause it to be removed or purchase a bond acceptable to Lessor against which the lien will attach in lieu of the Leased Premises. If Lessee in good faith desires to contest the lien, Lessee may do so, but Lessee must indemnify and save Lessor harmless from all liability for damages occasioned thereby and must, in the event of a judgment of foreclosure on the lien, cause it to be discharged and removed prior to the execution of the judgment.

## **ARTICLE 12 - CONDEMNATION**

Section 12.01 - Interests of Parties. If the Leased Premises or any part thereof is taken for public or quasi-public purposes by condemnation as a result of any action or proceeding in eminent domain, or is transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, all condemnation proceeds will be payable to Lessor and the interests of Lessor and Lessee under this Agreement are as provided by this Article.

Section 12.02 - Total Taking - Termination. If the entire Leased Premises is taken or transferred, or if the taking or transfer of a substantial part of the Leased Premises leaves the remainder of the Leased Premises in such condition or in such form, shape, or reduced size as to be not effectively and practicably usable in the opinion of Lessor for the intended purpose, this Agreement terminates on the date title to such portion of the Leased Premises so taken or transferred vests in the condemning authority.

Section 12.03 - Partial Taking - Continuation With Rent Abatement. If the taking or transfer of only an insubstantial part of the Leased Premises leaves the remainder of the Leased Premises in such condition and in such form, shape, or size as to be used effectively and practicably in the opinion of Lessor for the intended purpose, this Agreement terminates only as to the portion of the

Leased Premises so taken or transferred as of the date title to such portion vests in the condemning authority, but continues as to the portion of the Leased Premises not so taken or transferred. After such date, the rent required to be paid by Lessee to Lessor will be reduced during the unexpired portion of this Agreement to that proportion of the annual rent which the value of the part of the Leased Premises not so taken bears to the value of the total of the Leased Premises, such values to be determined as of the date of the actual commencement of the physical taking of the Leased Premises when Lessee is disturbed in its possession as a result thereof but immediately before any actual taking.

Section 12.04 - Voluntary Conveyance. A voluntary conveyance by Lessor to a public utility, governmental agency, or authority under threat of a taking under the power of eminent domain in lieu of formal proceedings, is a taking under this Article.

### **ARTICLE 13 - INSURANCE AND INDEMNIFICATION**

Section 13.01 - Property Insurance. Lessee must insure all buildings and other Improvements located or being constructed on the Leased Premises against loss or damage by fire, windstorm, earthquake, flood and all other risks with extended-coverage endorsement or its equivalent. The insurance must be paid for by Lessee and must be in amounts not less than the full actual replacement value of all Improvements on the Leased Premises, and must have a replacement cost endorsement or similar provision, to the extent commercially available. The actual replacement value must be confirmed from time to time by the insurer, at Lessor's request. Such policy must name Lessor (and any successor or assign designated by Lessor) as an additional insured as interest may appear.

Section 13.02 - Liability Insurance. Lessee must maintain liability insurance covering Lessor and Lessee for liability for property damage, bodily injury, personal injury and death. The insurance provided under this section must be in the amount of not less than \$5,000,000.00 per occurrence for property damage and not less than \$5,000,000.00 per occurrence for personal injury or death. This insurance must protect against liability to any employees or servants of Lessee and to any other person or persons whose property damage, personal injury or death arises out of or in connection with the occupation, use, or condition of the Leased Premises, and must include (i) coverage for premises and operations, (ii) coverage for products liability, and (iii) contractual liability coverage insuring the obligations of Lessee under the terms of this Agreement. Such policy must name Lessor (and any successor or assign designated by Lessor) as an additional insured.

Section 13.03 - Construction Liability Insurance. Lessee must maintain construction-liability insurance at all times when demolition, excavation, or construction work is in progress on the Leased Premises. The insurance will have limits of not less than \$5,000,000.00 per occurrence for property damage and \$5,000,000.00 per occurrence for personal injury, bodily injury or death and must protect against all liability for injury or damage to any person or property in any way arising out of demolition, excavation, or construction work on the Leased Premises. Such policy must name Lessor (and any successor or assign designated by Lessor) as an additional insured.

Section 13.04 - Workers Compensation. Lessee must maintain workers compensation insurance to protect against claims under Texas Workers Compensation laws as well as all Federal acts applicable to Lessee's operations at the Leased Premises, including but not limited to U. S.

Longshoremen and Harborworkers Act, Jones Act to the extent commercially available. The limit of liability for such coverage must at least meet applicable statutory requirements.

Section 13.05 - Employer's Liability. Lessee must maintain employer's liability insurance in the minimum amount of \$5,000,000.00 per occurrence for personal injury, bodily injury or death to any employee of Lessee who may bring a claim outside the scope of the Texas Worker's Compensation laws or federal acts applicable to Lessee's operations at the Leased Premises. This insurance must contain all endorsements necessary to cover maritime operations, including admiralty benefits and damages under the Jones Act, in the minimum amount of \$5,000,000.00 per occurrence.

Section 13.06 - Automobile Insurance. Lessee must maintain automobile liability insurance coverage on all its owned or rented vehicles in the minimum amount of \$500,000.00 combined single limit coverage per occurrence.

Section 13.07 - Pollution Liability Insurance. Lessee must provide liability insurance against claims arising out of sudden and accidental pollution on the Leased Premises, provided same is reasonably available, both in terms of cost therefore and coverage provided. Subject to the immediately preceding sentence, such insurance must be for a minimum limit of liability of \$5,000,000.00, and must name Lessor (and any successor or assign designated by Lessor) as an additional insured.

Section 13.08 - Waiver of Subrogation. Lessor and Lessee agree to waive any and all rights of recovery, claims, actions or causes of action against the other, its agents, officers and employees for any injury, death, loss or damage that may occur to persons or to the Leased Premises, or any personal property of such party on the Leased Premises, by reason of fire, windstorm, earthquake, flood or any other risk, or any other cause which is insured under the insurance policy or policies that either party is required to provide or maintain under this Agreement, to the extent and only to the extent of any proceeds actually received by Lessor or Lessee, respectively, with respect thereto, regardless of cause or origin, including negligence of either party hereto, its agents, officers or employees, and each party covenants that no insurer will hold any right of subrogation against the other. If such waiver is not obtained, the party failing to do so indemnifies the other party for any claim by an insurance carrier arising out of subrogation.

Section 13.09 - Increase in Insurance Coverage. Lessee will provide Lessor a copy of any appraisal related to insurance covering the Leased Premises to determine the full replacement value of the Leased Premises. Lessee agrees to increase the policy limits, if necessary, to an amount equal to the full replacement value as determined by the appraiser. Lessee is solely responsible for the payment of any appraiser fees and policy premium increases. In addition, Lessee agrees to annually review its liability insurance coverage and to periodically increase the amount of such coverage to at least the amount customary for similar operations.

Section 13.10 - Insurance Requirements. The phrase "Required Policy" means each policy of insurance required to be maintained by Lessee under the terms of this Lease. Each Required Policy must be written by insurance organization(s) acceptable to Lessor. Such policy may contain a deductible of not more than \$50,000.00. All Required Policies must be endorsed so as to require 30 days prior written notice to Lessor in the event of cancellation, material change or intent not to renew. Required Policies must contain cross-liability clauses, when applicable and available. Lessee

must deliver to Lessor a certificate of insurance for any Required Policy with list of current securities within 10 days of execution of this Agreement or otherwise addressed herein. The required evidence of coverage must always be deposited with Lessor. If Lessee fails to do so, such failure may be treated by Lessor as a default by Lessee and Lessor, in addition to any other remedy under this Agreement, may purchase and maintain such Required Policy and Lessee must immediately reimburse Lessor for any premiums paid or costs incurred by Lessor in providing such insurance. Failure of Lessee to reimburse Lessor is a default by Lessee in the payment of rent.

Section 13.11 - Indemnity for Noncompliance with Insurance Requirements. Lessee INDEMNIFIES and HOLDS HARMLESS Lessor from any loss it may suffer due to Lessee's failure to comply with all the above insurance requirements, including the requirement for obtaining waivers of subrogation, and due to any insurance coverage being invalidated because of Lessee's failure to comply with the terms, conditions and warranties of any Required Policy.

Section 13.12 - Indemnification of City and Lessor. Lessee INDEMNIFIES and HOLDS HARMLESS Lessor, its trustees, officers, agents and employees, and the City of Galveston, its officers, agents and employees (collectively, the "Indemnified Persons"), against all costs and expenses, including, without limitation, attorneys' fees and costs of investigation and defense, as well as legal liability, whether from suit, judgment, settlement or otherwise arising out of any or all claims for injury to persons or property, including but not limited to injuries resulting in death, arising from, or caused by, or incident to any wrongful or negligent act or omission of Lessee, its agents, invitees, servants and employees upon the Leased Premises, or arising or resulting from any defective or unsafe condition for which Lessee is responsible, or of any apparatus, equipment or other property of Lessee, or in any other manner arising out of any action or inaction of Lessee. Any language to the contrary notwithstanding, the covenants and agreements contained in this paragraph survive the termination or expiration of this Agreement for whatever cause. In addition, the covenants and agreements contained in this paragraph are valid and enforceable regardless of whether any Indemnified Person is negligent or whether any Indemnified Person was in any manner responsible for the negligent or wrongful act or omission or the defective or unsafe condition which may have caused the injury or claim.

#### **ARTICLE 14 - ASSIGNMENT & SUBLEASE**

Section 14.01 - Subleases. Lessee may sublease portions of the Leased Premises to third party tenants only with Lessor's prior written approval. Any such permitted sublease must require all sublessees to be bound by the terms of this Agreement.

Section 14.02 - Assignment. Lessee must not assign its rights hereunder, and may not assign its interest under this Agreement unless approved in writing in advance by Lessor. Any transfer of ownership of Lessee is considered an assignment under this Article requiring Lessor's prior written approval.

#### **ARTICLE 15 - DEFAULT AND REMEDIES**

Section 15.01 - Termination on Default. If Lessee fails to pay any rent or other charges when due, or if Lessee defaults in performing any covenant or term of this Agreement and does not correct the default within 10 days for a default in payment of rent and 30 days for other default, after receipt of written notice from Lessor to Lessee, Lessor may declare this Agreement, and all rights and

interest created by it, terminated. If Lessor elects to terminate, this Agreement will cease as if the day of Lessor's election were the day originally fixed in the Agreement for its expiration.

Section 15.02 - Other Remedies. Termination of this Agreement under this Article does not relieve Lessee from paying any sum or sums due and payable to Lessor under this Agreement at the time of termination, or any claim for damages then or previously accruing against Lessee under this Agreement. Any such termination will not prevent Lessor from enforcing the payment of any such sum or sums or claim for damages by any remedy provided for by law, or from recovering damages from Lessee for any default under the Agreement. All Lessor's rights, options, and remedies under this Agreement are cumulative, and no one of them is exclusive of the other. Lessor may pursue any or all such remedies or any other remedy or relief provided by law, whether or not stated in this Agreement. No waiver by Lessor of a breach of any of the covenants or conditions of this Agreement is a waiver of any succeeding or preceding breach of the same or any other covenant or condition of this Agreement.

Section 15.03 - Landlord's Lien. Lessor has a lien upon the Museum and the Improvements, including without limitation, all fixtures, chattels, or other property of any description belonging to Lessee that are placed in, or become a part of, the Leased Premises as security for rent due and to become due for the remainder of the Term and any other sum Lessee owes Lessor. The lien does not attach to property not belonging to Lessee, such as any property on loan or consignment from any third party, including without limitation any exhibits owned by third parties and used by Lessee in the operation of the Museum. This lien is not in lieu of, nor in any way affects, the statutory landlord's lien but is in addition to that lien, and Lessee grants Lessor a security interest in all of Lessee's property placed in or on the Leased Premises for purposes of this contractual lien. This does not prevent Lessee from selling any merchandise in the ordinary course of business free of such landlord's lien. If Lessee is in default under this Agreement, Lessor may take possession of all of Lessee's property on the Leased Premises and sell it at public or private sale after giving Lessee reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, for cash or on credit, for the prices and terms that Lessor considers best, with or without having the property present at the sale. The proceeds of the sale will be applied first to the necessary and proper expense of removing, storing, and selling the property, then to the payment of any rent due or to become due under this Agreement, and then to the payment of any other amount owed by Lessee to Lessor under this Agreement; any balance will be paid to Lessee. Lessor may file a copy of this Agreement as a financing statement or, at Lessor's request, Lessee must execute and deliver to Lessor a UCC-1 Financing Statement in form and content satisfactory to Lessor to perfect the security interest granted in this Agreement. At Lessor's request, Lessee must also execute and deliver to Lessor a preferred ship mortgage for the offshore oil rig to be used as the Museum to secure Lessee's obligations herein, which instrument must be in form and content satisfactory to Lessor. Lessor may subordinate the lien to the lien of any lender financing the construction of Improvements or the operation of the Museum if subordination is requested by the lender and Lessor determines that subordination of the lien will not unnecessarily impair Lessor's security for the performance of Lessee's obligations under this Agreement.

## **ARTICLE 16 - LIABILITY**

Section 16.01 - Limitation of Liability of the City. The City of Galveston is never liable to respond in damages or make indemnity, or contribution, or payment of any character from any source other than income and revenues arising from the operation of the property operated by the

BOARD OF TRUSTEES OF THE GALVESTON WHARVES by reason of, due to or caused by a breach of this Agreement.

Section 16.02 - No Personal Liability of Board. The members of the BOARD OF TRUSTEES OF THE GALVESTON WHARVES, either singularly or collectively, are not personally liable on this Agreement or for any breach thereof.

## **ARTICLE 17 - MISCELLANEOUS**

Section 17.01 - Right of Entry and Inspection. Lessee will permit Lessor or Lessor's agents, representatives, or employees to enter and inspect the Leased Premises at reasonable times and upon having given Lessee reasonable notice of the inspection.

Section 17.02 - No Partnership. The relationship between Lessor and Lessee at all times remains solely that of landlord and tenant and is not a partnership or joint venture.

Section 17.03 - Force Majeure. Lessor and Lessee are excused from performing any of their respective duties, obligations or undertakings under this Agreement in the event and so long as the performance of such duty, obligation or undertaking is prevented, delayed, retarded or hindered by an Act of God, epidemic, fire, earthquake, flood, explosion, action of civil commotion, sabotage, malicious mischief, strike, lockout, action of labor unions, condemnation, governmental restriction, order of civil or military or naval authorities, embargo, impossibility of obtaining materials, or any other cause, whether similar or dissimilar to the foregoing, not within the reasonable control of the party in question. Either party entitled to such extension hereunder will give prompt written notice to the other party as soon as possible after the occurrence causing such delay asserting its claim of right to such extension and the reasons therefor.

Section 17.04 - No Termination on Bankruptcy. Neither bankruptcy, insolvency, assignment for the benefit of creditors, nor the appointment of a receiver affects this Agreement so long as all covenants of the Lessee or Lessor are continued in performance by Lessee or Lessor and their respective successors or legal representatives.

Section 17.05 - No Waiver. No waiver by Lessor of any default or breach of any covenant, condition, or stipulation contained in this Agreement is a waiver of any subsequent default or breach of the same or any other covenant, condition, or stipulation of this Agreement.

Section 17.06 - Use Clause. Lessee agrees not to use any part or all of the Leased Premises for any use or purpose in violation of any law, regulation, or ordinance of the United States, the State of Texas, or the City of Galveston, or other lawful authority having jurisdiction over the Leased Premises.

Section 17.07 - Release of Lessor. In the event the City of Galveston or Lessor sells or transfers the Leased Premises or any part thereof and as a part of such transaction assigns its interest in and to this Agreement, and provided such buyer, transferee or assignee agrees to perform as Lessor under this Agreement, then from and after the effective date of such sale, assignment, or transfer, Lessor has no further liability under this Agreement to Lessee except as to matters of liability which accrued and are unsatisfied as of such effective date, it being intended that the covenants and obligations contained in this Agreement on the part of Lessor be binding on Lessor

and its successors and assigns only during and in respect of their respective successive periods of ownership of the fee.

Section 17.08 - Joint and Several Liability. If more than one Lessee or Lessor is named under this Agreement, or becomes liable hereunder, the obligation of all such Lessees or Lessors is joint and several.

Section 17.09 - Risk Allocation for Hazardous Materials. Lessee is responsible for remediation of any environmental contaminations of or from the Leased Premises caused by Lessee or Lessee's contractors, sub-contractors, sub-lessees, invitees or agents, or which occur during the Term. For the purpose of this provision, the term "environmental contamination" means the presence on or about the Leased Premises of any hazardous, toxic, or other like material regulated under any state, federal, or local law dealing with hazardous substances, protection of the environment, or similar matters in excess of lawfully permitted levels.

Section 17.10 - Delivery of Rents and Notices. All rents or other sums, notices, demands, or requests from one party to another must be in writing and must be personally delivered or sent by mail, certified, registered, express or overnight, postage prepaid, to the addresses stated in this section, or to such other address as the party may request in writing, and are deemed to have been given at the time of receipt or delivery:

Lessor:  
Board of Trustees of  
the Galveston Wharves  
123 Rosenberg, 8th Floor  
Galveston, Texas 77550  
OR  
P.O. Box 328  
Galveston, Texas 77553

Attn: General Manager-Port  
Director

Lessee:  
Offshore Rig Museum, Inc.  
c/o Sonat Offshore  
4 Greenway Plaza, Suite 854  
Houston, Texas 77046  
OR  
P.O. Box 4217  
Houston, Texas 77210-4217

Attn: Carol Cage, Executive Director

Section 17.11 - Multiple Parties. If more than one Lessor or Lessee is named in this Agreement, service of any notice on any one of the Lessees or Lessors is deemed service on all of the Lessees or Lessors, respectively.

Section 17.12 - Parties Bound. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

Section 17.13 - Texas Law to Apply and Venue. This Agreement must be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Galveston County, Texas.

Section 17.14 - Legal Construction. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability does not affect any other provision hereof and this

Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein, if consistent with the overall intent of this Agreement.

Section 17.15 - Prior Agreements Superseded. This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties.

Section 17.16 - Amendment. No amendment, modification, or alteration of the terms of this Agreement is binding unless in writing, dated subsequent to the Effective Date and executed by Lessor and Lessee or their successors and assigns.

Section 17.17 - Attorney's Fees. In the event Lessor or Lessee breaches any of the terms of this Agreement and the party not in default employs attorneys to protect or enforce its rights and prevails, then the defaulting party agrees to pay the non-defaulting party's reasonable attorney's fees.

Section 17.18 - Further Assurances. Lessee agrees that it will from time to time and at any reasonable time execute and deliver, or cause to be executed and delivered to Lessor such documents and instruments, and shall take, or cause to be taken, such other actions Lessor may reasonably request to effectuate this Agreement.

Section 17.19 - Exhibits. All Exhibits attached to this Agreement are incorporated by reference.

Section 17.20 - Compliance with Laws. Lessee must comply with all laws, ordinances, rules, regulations and codes governing or in any manner applicable to this Agreement.

Section 17.21 - Counterparts. This Agreement may be executed in any number of counterparts, and each counterpart is deemed to be an original instrument, but all such counterparts together constitute but one Agreement. A photocopy or facsimile reproduction of an original signature of a party binds that party to the terms, covenants and conditions of this Agreement.

Section 17.22 - Remedies and Mitigation. Pursuit of any remedy under this Agreement does not preclude pursuit of any other remedy under this Agreement or provided by law. Lessor and Lessee have a duty to mitigate damages.

Section 17.23 - Limitation of Warranties. Lessor disclaims any implied warranties of merchantability, of fitness for a particular purpose, or of any other kind arising out of this Agreement or the Leased Premises, and Lessee acknowledges the disclaimer of such warranties.

Section 17.24 - Abandoned Property. In addition to any other remedy under this Agreement or provided by law, Lessor may retain, destroy, or dispose of any property left on the Leased Premises at the termination of this Agreement.

Section 17.25 - Abatement. Lessee's covenant to pay rent and Lessor's covenants are independent of each other and, except as otherwise provided in this Agreement, Lessee is not entitled to abate rent for any reason.

Section 17.26 - Time is of the Essence. Time is of the essence in this Agreement.

Section 17.27 - Signage. Lessee must not install or erect any sign on the Leased Premises without first obtaining Lessor's written approval with regard to the size, type, shape, design, color, material, content, and method of attachment of the sign. Lessor agrees that it shall not unreasonably withhold or delay any approval as aforesaid, and agrees that Lessor's approval shall be deemed to have been given if Lessor has not expressed its disapproval in writing received by Lessee by the date which is thirty (30) days after Lessor's receipt of Lessee's written request to install or erect a sign on the Leased Premises. Lessee must, at its sole expense, remove any signs that it installed or erected on or about the Leased Premises and repair any damage done to the Leased Premises or the adjacent land by installing, erecting, or removing the signs. This removal and repair must be completed no later than the termination of this Agreement.

Section 17.28 - Headings. The headings, captions, and arrangements used in this Agreement are for convenience only and do not affect the interpretation of this Agreement.

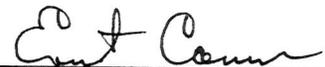
### **ARTICLE 18 - SECURITY DEPOSIT**

Lessee will deposit with Lessor \$50,000.00 in cash, by letter of credit by bond or by valid and enforceable lien against Lessee's Museum and Improvements under terms and conditions acceptable to Lessor. This deposit is necessary to insure that the cost of removal of the Museum and Improvements will be borne by Lessee. Therefore, Lessee will at Lessor's request, deposit additional sums as a security deposit annually or increase Lessor's lien amount to cover any increase, in Lessor's reasonable opinion, in the estimated cost to remove the Museum and Improvements and restore the Leased Premises to its condition on the Effective Date. This deposit will be made no later than the Effective Date. Lessor may apply all or any part of the deposit required in this Article to cure any default of Lessee under this Agreement or to provide funds to remove the facility from the Leased Premises if Lessee fails to do so. In that event, Lessee must deposit with Lessor the amount applied to cure its default immediately on notice from Lessor of the nature and amount of the application. Notwithstanding any provision in this Article 18 to the contrary, Lessor agrees that, in the event Lessee satisfies the requirements of this Article 18 by granting to Lessor an enforceable lien against Lessee's Museum and Improvements, Lessor shall, upon written request of Lessee, and provided that Lessee is not then in default under any of its obligations under this Lease Agreement, execute and deliver to Lessee, Lessor's subordination of its liens against Lessee's Museum and Improvements to the liens securing loans obtained by Lessee for the purposes of financing improvements and/or operating expenses for the Museum, but only to the extent that after the subordination Lessor's security interest is reasonably collateralized.

THIS AGREEMENT has been executed by the parties on the date and year first above written.

#### **LESSOR**

BOARD OF TRUSTEES OF  
THE GALVESTON WHARVES

By:   
Name: ERNEST CONNOR  
Title: GENERAL MANAGER

LESSEE

OFFSHORE RIG MUSEUM, INC., a  
Texas Non-Profit Corporation

By:

*Lester D. Mallory, Jr.*

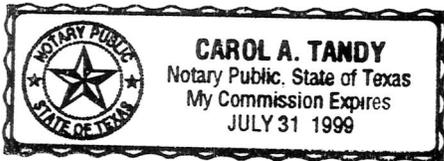
Name: LESTER D. MALLORY, JR.

Title: VICE CHAIRMAN

THE STATE OF Texas §

COUNTY OF Harris §

This instrument was acknowledged before me on the 12th day of December, 1995,  
by Lester J. Mallory, Jr. [Name], Vice Chairman [Title] of OFFSHORE RIG  
MUSEUM, INC., a Texas non-profit corporation, on behalf of said corporation.



*Carol A. Tandy*

Printed Name: Carol A. Tandy

Notary Public, State of Texas

My Commission Expires: July 31, 1999

THE STATE OF TEXAS §

COUNTY OF GALVESTON §

This instrument was acknowledged before me on the 15 day of December, 1995,  
by Ernest Conner [Name], General Manager [Title] of the BOARD OF  
TRUSTEES OF THE GALVESTON WHARVES.

*Jeannine Roark*  
Printed Name: JEANNINE ROARK  
Notary Public, State of Texas  
My Commission Expires: 5/22/96



**OFFSHORE OIL RIG MUSEUM RELEASE FORM**

I, \_\_\_\_\_, who may board or work on or around the Offshore Oil Rig ("Rig"), which is maintained and operated by Offshore Rig Museum, Inc., a Texas non-profit corporation ("Museum"), do hereby assume all risks associated with my being aboard or visiting the Rig or being or working on or around property owned or operated by the Board of Trustees of the Galveston Wharves ("Wharves' Property"), and hereby release and hold harmless the City of Galveston, the Board of Trustees of the Galveston Wharves ("Wharves"), the Rig, its owner, and Offshore Rig Museum, Inc. ("Museum"), and all these entities' respective trustees, council persons, directors, officers, employees, agents, successors and assigns, from and against any and all claims, damages, liabilities, costs and expenses, including without limitation any bodily injuries, property damage or personal injuries which I may incur as a result of weather conditions, pier conditions, the condition of the Rig, etc., and I expressly assume the risk of any and all losses, damages, or injuries which I may sustain while visiting or being aboard the Rig. I further indemnify and hold harmless the City of Galveston and the Wharves, their respective trustees, council persons, directors, officers, employees, agents, successors and assigns against any and all claims, damages, liabilities, costs and expenses, from any bodily injury, property damage, personal injury or death I may suffer while on Wharves' Property or the Rig, whether brought by, through or on my behalf by me, my estate, my heirs, family, successors or assigns, irrespective of who may be at fault, or otherwise responsible under any statute, contract, rule or theory of law, and even though the damage, or injury or death may have been caused or brought about in part or in whole (a) by the sole or concurrent negligence of the Museum or Wharves or their agents, directors, officers or employees, (b) by the unseaworthiness of a vessel or craft, or (c) by defect in the property or equipment of the Museum or Wharves, and even if such defect existed prior to the execution of this Release.

I represent and warrant that I am of legal age and that I have read and fully understand the foregoing terms.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date