

Item # 6f Attach  
Date of Meeting: November 5, 2013

# LEASE AGREEMENT

Between

PORT OF SEATTLE

And

MASTERS, MATES AND PILOTS  
MARITIME ADVANCEMENT TRAINING,  
EDUCATION, AND SAFETY PROGRAM  
DBA PACIFIC MARITIME INSTITUTE

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# LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the PORT OF SEATTLE, a Washington municipal corporation ("the Port"), and MASTERS, MATES AND PILOTS MARITIME ADVANCEMENT, TRAINING, EDUCATION, AND SAFETY PROGRAM, a Maryland non-profit Trusteeship, DBA PACIFIC MARITIME INSTITUTE ("Lessee").

For and in consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties agree as follows:

## SECTION 1: LEASED PREMISES

1.1 Premises. The Port hereby leases to Lessee, and Lessee hereby leases from the Port, the following described premises ("the Premises") located at the Port property commonly known as a portion of the Port's Pier 34, a legal description of which is attached hereto as Exhibit A:

Approximately fifteen thousand five hundred eighty-four (15,084) square feet of office space, commonly referred to as 1729 Alaskan Way South, Seattle, Washington, within the Building, all as shown on the attached Exhibit B.

Approximately twenty-nine thousand five hundred forty-five (29,545) square feet of land space, as shown on the attached Exhibit B.

Together with a non-exclusive right to use the Port-owned roadway on the south side of the premises for vehicular access to and from the premises at Pier 34 as shown on the attached Exhibit B.

At such time that the Tenant, at Tenant's discretion, with written notice to the Port, performs any and all abatement work related to regulated material within the boiler room space at Tenant's sole cost and expense, and subject to the Port's inspection and written acceptance of the completed abatement, the square footage for the office space will increase to 15,584 square feet with the inclusion of the additional 500 square feet of former boiler room space.

1.2 Acceptance of the Premises. Lessee has examined the Premises, accepts them in their present condition, and agrees to make any changes in the Premises necessary to conform to federal, state and local law applicable to Lessee's use of the Premises.

1.3 Quiet Enjoyment. So long as Lessee is not in default under this Lease and subject to the specific provisions, covenants and agreements contained in this Lease, the Port covenants and agrees that the quiet and peaceful possession and enjoyment of the Premises by Lessee shall not be disturbed or interfered with by the Port or by any other party claiming by or through the Port.

## SECTION 2: TERM

2.1 Lease Term. This Lease shall be for a term of ten (10) years, beginning at 12:01 a.m. on April 1, 2014, and, unless extended pursuant to Section 2.2, ending at 11:59 p.m. on March 31, 2024.

2.2 Option to Extend. If Lessee is in compliance with the terms and conditions of this Lease, Lessee has, upon written notice to the Port given not less than 120 days or more than 180 days in advance of expiration of the initial (or extended) Lease term, the option to renew this Lease for one (1) additional five (5) year term.

2.3 Possession. If the Port shall be unable for any reason to deliver possession of the Premises, or any portion thereof, at the time of the commencement of the term of this Lease, the Port shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable, nor shall the term specified herein be in any way extended, but in such event Lessee shall not be liable for any Rent until such time as the Port can deliver possession. If Lessee shall, in the interim, take possession of any portion of the Premises, Lessee shall pay as Rent the full rent specified herein reduced pro rata for the portion of the Premises not available for possession by Lessee. If the Port shall be unable to deliver possession of the Premises at the commencement of the term of this Lease, Lessee shall have the option to terminate this Lease by at least thirty (30) days' written notice, unless the Port shall deliver possession of the Premises prior to the effective date of termination specified in such notice. If Lessee shall, with the Port's consent, take possession of all or any part of the Premises prior to the commencement of the term of this Lease, all of the terms and conditions of this Lease shall immediately become applicable, with the exception that Lessee shall not be obligated to pay any Rent for the period prior to the commencement of the term of this Lease unless otherwise mutually agreed.

## SECTION 3: RENT

3.1 Base Rent. Commencing on the commencement date, Lessee agrees to pay rent ("Base Rent") for the Premises computed as follows:

15,084 sf office @ \$9.40/sf/yr = \$141,789.60/yr ÷ 12 = \$11,815.80/mo.

29,545 sf land @ \$2.90/sf/yr = \$85,680.50/yr ÷ 12 = \$7,140.04/mo.

The Base Rent shall constitute the contract rent for purposes of determining taxable rent for assessment of leasehold excise tax.

The Base Rent shall be paid to the Port in advance on the first day of each and every month during the term, at such place as the Port may designate, without any prior demand, and without any abatement, deduction or setoff whatsoever. If the term commences on any day other than the first day of a calendar month, Base Rent for any fractional month shall be prorated based upon the actual number of days in such fractional month.

### 3.2 Adjustments to Base Rent.

3.2.1 Annual Increase. The Base rent for the office (15,084 sf) and land (29,545 sf), including any future increase to Premises, as stated in Section 3 shall be adjusted annually by 2.5% on the anniversary of the commencement date and every twelfth (12<sup>th</sup>) month thereafter through the term of this Lease, including any extension term.

3.2.2 Market Rate. The Base Rent stated in Section 3.1 shall be subject to renegotiation effective at the end of the sixtieth month following the commencement of this Lease. The Port will give Lessee written notice for proposed Based Rent applicable to the forthcoming rent period not less than 180 nor more than 270 days prior to an effective date of the commencement of the rent period. Promptly following such notice of renegotiation, the parties shall negotiate in good faith for the renegotiated Base Rent for the forthcoming period. Unless expressly provided to the contrary in another paragraph of this lease, such renegotiated Base Rent shall be the fair market rental value of the Premises. The value of any improvements to the Premises financed by Lessee at no cost to the Port shall be excluded in determining the fair market rental value of the Premises. In the Port's initial offer during renegotiation of the Base Rent, the Port may rely on past appraisals of properties that the Port deems comparable. In the event that the parties cannot agree on the Base Rent prior to sixty (60) days before the effective date for renegotiated rent, the Base Rent shall be determined, according to the foregoing formula, 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 valuation of the type of premises subject to this Lease. The appraisal arbitration shall be based on an approach to valuation consistent with the standards of professional appraisal practice and shall include reference to the fair market rental value of comparable properties. The selection of comparable properties and the application of appropriate valuation methodology is to be determined by the arbitrators as a panel. The arbitration panel may ask questions and request further information from each party and will issue a conclusion with regard to valuation. Each party shall select an appraiser to be a member of the arbitration panel within twenty-one (21) days of either party invoking the arbitration process and each party shall compensate the member selected by the party. The third arbitrator shall be selected by the other two members of the panel and be compensated in equal shares by the parties. Each party shall cooperate to expedite the selection of the three arbitrators and in no case may either party delay the selection of the arbitration panel.

3.2.3 Boiler Room Space. Upon written notice to the Tenant of the Port's acceptance of the abatement work within the former boiler room space, the rent will increase subject to the then current rate of the office space.

### 3.3 Late Charges.

3.3.1 Lessee hereby acknowledges that late payment by Lessee to the Port of Rent, or any portion thereof, or any other sums due hereunder will cause the Port to incur costs not otherwise contemplated by this Lease. Accordingly, if any installment of Rent, or any portion thereof, or any other sum due from Lessee shall not be received by the Port within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Port a late charge equal to 5% of such overdue amount. The parties agree

that such late charge represents a fair and reasonable estimate of the costs the Port will incur by reason of late payment by Lessee. Acceptance of such late charge by the Port shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Port from exercising any of the other rights and remedies granted hereunder.

3.3.2 In addition to the late charges provided for in this Section, interest shall accrue on any unpaid Rent and/or other remuneration, or any other sums due hereunder, at the rate of 18% per annum or the maximum rate provided by law, whichever is less, ("the Default Rate") from the date due until paid.

3.4 Use of Term Rent. The Port and Lessee agree that the term "Rent" shall mean and refer collectively to sums denominated as either Base Rent, Percentage Rent (if any), Additional Rent (if any) or any such other sums or charges otherwise payable by Lessee under the terms of this Lease. Failure by Lessee to pay any sum denominated as Rent shall entitle the Port to pursue any or all remedies specified in this Lease as well as remedies specified in RCW Chapter 59.12 or otherwise allowed by law.

#### SECTION 4: SECURITY

4.1 Security. Lessee shall, upon execution of this Lease, obtain and deliver to the Port a good and sufficient corporate surety company bond, irrevocable stand-by letter of credit, cash deposit or other security in an amount equal to the average of six month's Base Rent over the term of the lease. For purposes of the calculation for the Security, the Port assumes the Base Rent will increase at 2.5% each year through year ten, which equates to ONE HUNDRED TWENTY-SEVEN THOUSAND TWENTY-ONE AND 72/100 (\$127,421.72) as an average six month's rent. (hereinafter referred to as "Security"), to secure Lessee's full performance of this Lease, including the payment of all fees and other amounts now or hereafter payable to the Port hereunder. The amount, form, provisions and nature of the Security, and the identity of the surety or other obligor thereunder, shall at all times be subject to the Port's approval. The Security shall remain in place at all times throughout the full term of this Lease and throughout any holdover period. If the Security is in a form that periodically requires renewal, Lessee must renew the Security not less than 45 days before the Security is scheduled to expire. No interest shall be paid on the Security and the Port shall not be required to keep the Security separate from its other accounts. No trust relationship is created with respect to the Security.

4.2 Return of Security. The Security is a part of the consideration for execution of this Lease. If Lessee shall have fully performed all terms and conditions of this Lease, any cash deposit security shall be paid to Lessee within thirty (30) days following the termination (or expiration) date without interest; otherwise the Port shall, in addition to any and all other rights and remedies available under this Lease or at law or equity, retain title thereto.

4.3 Application of Security. The Port may apply all or part of the Security to unpaid Rent or any other unpaid sum due hereunder, or to cure other defaults of Lessee after the expiration of any applicable notice and cure periods. If the Port uses any part of the Security, Lessee shall restore the Security to its then-currently required amount within fifteen (15) days after the receipt of the Port's written request to do so. The retention or application of such

Security by the Port pursuant to this Section does not constitute a limitation on or waiver of the Port's right to seek further remedy under law or equity.

## SECTION 5: USE OF PREMISES

5.1 Use of Premises. Lessee shall use the Premises for a maritime classroom training facility, for simulation, for basic safety training, technical engineer training and similar uses, and general offices and shall not use them for any other purpose without the written consent of the Port which consent will not be unreasonable withheld or delayed.

### 5.2 General Standards Regarding Use.

5.2.1 Lessee shall occupy and use the entire Premises for the purpose set forth in Section 5.1 in a commercially reasonable manner continuously during the entire term of this Lease, with the exception of temporary closures for such periods as may reasonably be necessary for repairs or redecorating or for reasons beyond Lessee's reasonable control.

5.2.2 Lessee shall not use or occupy or permit the Premises or any part thereof to be used or occupied, in whole or in part, in a manner which would in any way: (i) violate any present or future Legal Requirements, (ii) violate any of the covenants, agreements, provisions and conditions of this Lease, (iii) violate the certificate of occupancy then in force with respect thereto, (iv) as will constitute a public or private nuisance, (v) impair, in the Port's reasonable judgment, with the character, reputation or appearance of the Port, or (vi) occasion discomfort, inconvenience or annoyance to either the Port or its adjoining tenants. For purposes of this Lease, the term "Legal Requirements" shall mean and refer to all laws, statutes and ordinances including building codes and zoning regulations and ordinances and the orders, rules, regulations and requirements of all federal, state, county, city or other local jurisdiction departments, agencies, bureaus, offices and other subdivisions thereof, or any official thereof, or of any other governmental, public or quasi-public authority, which may be applicable to or have jurisdiction over the Premises, or the sidewalks or streets adjacent thereto and all requirements, obligations and conditions of all instruments of record on the date of this Lease.

5.2.3 Lessee shall not conduct or permit to be conducted without the prior written consent of the Port, any auction, fire, bankruptcy, "going out of business" or other distress sales of any nature upon or from the Premises, whether voluntary, involuntary, pursuant to any assignment for the payment of creditors, or pursuant to any bankruptcy or other insolvency proceeding, unless ordered by a court of competent jurisdiction.

5.3 Continuing Compliance. Throughout the term of this Lease, Lessee shall, at its own cost and expense, promptly and diligently observe and comply with: (i) all Legal Requirements (including, without limitation, those relating to environmental matters) and the requirements of any fire insurance rating organization and all insurance companies writing policies covering the Premises or any part or parts thereof; (ii) all applicable rules and regulations of the Port pertaining to the building or other realty of which the Premises are a part now in existence or hereafter promulgated for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public; and (iii) all permits, licenses, franchises and other authorizations required for Lessee's use of the Premises or any part thereof.

Lessee shall comply with each of these whether or not they are now in force or at any time in the future may be passed, enacted, or directed.

#### 5.4 Terminal Security.

5.4.1 Without limiting the generality of either Section 5.2 or 5.3, Lessee shall comply at all times with all local, state and federal laws, rules and regulations relating to homeland security (“Security Laws”) applicable to the Premises or any larger facility of which the Premises are a part. If the Premises, either directly or as a result of its location within a larger Port facility, are subject to a government-required security plan (“Security Plan”), Lessee will fully and promptly comply with the Security Plan. Lessee shall be solely responsible for all of its costs of complying with any applicable Security Laws or Security Plan as well as any fines or penalties incurred (whether by Lessee or the Port) as result of its failure to comply with such Security Laws or Security Plan.

5.4.2 Lessee shall not—without the Port’s separate, express written agreement—undertake any activities or handle any cargo that would either: (i) subject the Premises, or any larger facility of which the Premises are a part, to any Security Laws to which it is not already then-subject, or (ii) require the adoption of, or any material modification to, a Security Plan applicable to the Premises, or any larger facility of which the Premises are a part (together, “Additional Security Requirement”). In addition to its own costs of complying with any Additional Security Requirement, Lessee shall further be responsible to the Port for any costs it incurs in complying with any Additional Security Requirement or any fines or penalties incurred as a result of its failure to implement, or comply with, such Additional Security Requirement.

5.5 No Liens. Lessee will not directly or indirectly create or permit to be created and/or to remain, a Lien upon the Premises, including any Alterations (as defined below in Section 7.1), fixtures, improvements or appurtenances thereto, except those Liens expressly permitted by in writing by the Port. In the event any such Lien(s) have been created by or permitted by Lessee in violation of this provision, Lessee shall immediately discharge as of record, by bond or as otherwise allowed by law, any such Lien(s). Lessee shall also defend (with counsel approved by the Port), fully indemnify, and hold entirely free and harmless the Port from any action, suit or proceeding brought on or for the enforcement of such lien(s). As used in this Section, “Lien” shall mean and refer to any mortgage, lien, security interest, encumbrance, charge on, pledge of, conditional sale or other encumbrance on the Premises, any Alteration, fixture, improvement or appurtenance thereto, or any larger building and/or property of which the Premises may be a part.

5.6 Signs. Except for signs existing on the date of commencement of this Lease, which shall be deemed to be approved by the Port, no sign, symbols or other advertising matter shall be attached to or painted on or within the Premises, including windows and doors thereof, without the prior written approval of the Port, which shall not be unreasonably withheld or delayed. At the expiration or sooner termination of this Lease, all signs, symbols, advertising matter or canopies placed on or in the Premises by Lessee shall be removed by Lessee at its expense, and Lessee shall repair any damage or injury to the Premises and correct any unsightly condition caused by the maintenance or removal of said signs or other advertising matter.

## SECTION 6: UTILITIES

6.1 Utilities. Lessee shall be liable for and shall pay throughout the term of this Lease, all charges for all utility services furnished to the Premises, including, but not limited to, light, heat, electricity, ADT or equivalent, gas, water, sewerage, recycling, garbage disposal and janitorial services. In the event that the Premises are part of a building or part of any larger premises to which any utility services are furnished on a consolidated or joint basis, Lessee agrees to pay to the Port Lessee's pro rata share of the cost of any such utility services, specifically including a reasonable cost associated with management of such utility services. Lessee's pro rata share of any such services may be computed by the Port on any reasonable basis, and separate metering or other exact segregation of cost shall not be required.

6.2 Utility Interruptions. With respect to any utility service provided to the Premises as a part of a building or any larger premises of which the Premises are a part, the Port shall have the right to shut down electrical or other utility services to the Premises when necessitated by safety, repairs, alterations, connections, upgrades, relocations, reconnections, or for any other reason, with respect to any such utility system (singularly or collectively, "Utility Work"), regardless of whether the need for such Utility Work arises in respect of the Premises, any other part of the building or larger premises. Whenever possible, the Port shall give Lessee no less than two (2) days prior notice for such utility shutdown. The Port shall not be liable to Lessee for any losses, including loss of income or business interruption, resulting from any interruptions or failure in the supply of any utility to the Premises, except when such losses result from the Port's gross negligence.

6.3 Energy Conservation. The Port shall have the right to institute such reasonable policies, programs and measures as may be necessary or desirable, in the Port's discretion, for the conservation and/or preservation of energy or energy related services, or as may be required to comply with any applicable codes, rules and regulations, whether mandatory or voluntary.

## SECTION 7: ALTERATIONS; OWNERSHIP OF CERTAIN INSTALLATIONS

7.1 Limitation on Alterations. Lessee shall make no changes, alterations, additions, substitutions or improvements (collectively referred to as "Alterations") to the Premises, unless Lessee shall first deliver to the Port plans and specifications for, and obtain the Port's prior written approval of, such Alterations. All such Alterations shall be done at Lessee's sole cost and expense and at such times and subject to such conditions as the Port may from time to time designate.

Notwithstanding the forgoing, Lessee may make certain Alterations to the Premises, as set forth on, and otherwise in conformance with the terms and conditions provided in, the Work Agreement attached hereto as Exhibit C (the "Work").

7.2 Requirements for All Alterations. In addition to, and not in lieu of, conditions imposed by the Port pursuant to Section 7.1, any alterations or improvements permitted by the Port shall be performed: (i) in a good and workmanlike manner; (ii) in compliance with all Legal Requirements; and (iii) in a manner which will not unreasonably interfere with or disturb other tenants of the Port. In addition, prior to commencement of any Alterations, Lessee shall furnish

to the Port proof of insurance for any and all contractors working on behalf of Lessee in the minimum form and limits as set forth in Sections 11.2.1.1 and 11.2.1.2. Any Alterations shall immediately become the property of the Port without any obligation on its part to pay therefor, and shall not be removed by Lessee unless directed to do so in connection with any consent issued under Section 7.1 or pursuant to Section 18.

7.3 Trade Fixtures. Lessee shall retain ownership of all trade fixtures and business equipment and furnishings from time to time installed by Lessee at its expense. Lessee may remove any of such fixtures, equipment or furnishings at any time during the term and shall remove all thereof prior to the expiration of the term. Any such property not removed at the expiration of the term shall, at the election of the Port, become the property of the Port without payment to Lessee, or be deemed abandoned and removed by the Port, at Lessee's expense. Upon any removal of such property, Lessee shall promptly repair any and all damage to the Premises caused thereby and reimburse the Port for its costs and expenses in removing any such property not removed by Lessee and repairing any such damage not repaired by Lessee; this covenant shall survive the termination of this Lease.

## SECTION 8: MAINTENANCE AND REPAIR

### 8.1 Maintenance and Repair by Lessee.

8.1.1 Lessee shall, at its sole cost and expense, keep the Premises – both outside and inside, together with all Alterations, equipment and installations – in good order, condition and repair at all times. Lessee shall make all repairs and replacements (ordinary as well as extraordinary, foreseen and unforeseen) which may be necessary or required so that at all times the Premises are in good order, condition and repair. Without limiting the generality of the foregoing, Lessee shall keep the glass of all windows and doors on the Premises clean and presentable, shall replace all cracked or broken glass in the Premises, shall keep the mechanical and electrical systems and all drains clean and in a good state of repair, shall protect the sprinkler system and all pipes and drains so that they will not freeze or become clogged and shall not permit or suffer any waste, damages, or disfigurement to or upon the Premises or any part thereof. Lessee shall, at its sole cost and expenses, keep the land being used for parking vehicles in good repair and condition including the striping.

8.1.2 Lessee shall also keep the Premises and entryways neat, clean and in sanitary condition, free from infestation of pests and conditions which might result in harborage for, or infestation of pests. As used in this Section, the word “pests,” as used herein, shall include without limitation, rodents, insects, and birds in numbers to the extent that a nuisance is created. Lessee shall also specifically remove all snow and ice from the sidewalk in front of the Premises.

8.2 Maintenance and Repair by Port. Notwithstanding anything to the contrary in Section 8.1, the Port shall repair and maintain the roof (both structure and covering/membrane), exterior walls, foundation and building structure of the Premises in good order, condition and repair. The Port shall perform this work at its sole cost and expense, except to the extent that any such repairs may be required as a result of damage caused by negligence of Lessee or its agents, employees, invitees or licensees, in which event the work shall be at the cost or expense of Lessee. The Port shall be responsible for installation of new asphalt overlay to the parking lot

with timing for such work at the Port's discretion. The Port shall perform such repair or maintenance work called to its attention by Lessee within a reasonable period of time after receipt of such notice by Lessee. There shall be no abatement or reduction of Rent, and the Port shall not be responsible for any loss or damages to Lessee's business, arising by reason of the Port making any repairs, alterations or improvements.

The Port shall perform at its sole cost and expense a one-time repair of the land being used for parking vehicles. The repair shall consist of fill-in of any potholes, paint and stripping and if the Port deems it necessary include an overlay of the asphalt. The timing of such repairs shall be at the Port discretion, but within the term of this lease.

## SECTION 9: TAXES

9.1 Payment of Taxes. Lessee shall be liable for, and shall pay throughout the term of this Lease, all license fees and all taxes payable for, or on account of, the activities conducted on the Premises and all taxes on the property of Lessee 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 Lessee or on the Port. With respect to any such taxes payable by the Port which are on or measured by the Rent payments hereunder, Lessee shall pay to the Port with each Rent payment an amount equal to the tax on, or measured by, that particular payment. All other tax amounts for which the Port is or will be entitled to reimbursement from Lessee shall be payable by Lessee to the Port at least fifteen (15) days prior to the due dates of the respective tax amounts involved; provided, that Lessee shall be entitled to a minimum of ten (10) days' written notice of the amounts payable by it.

9.2 Personal Property Taxes. Lessee shall pay or cause to be paid, prior to delinquency, any and all taxes and assessments levied upon all trade fixtures, inventories and other real or personal property placed or installed in and upon the Premises by Lessee. If any such taxes on Lessee's personal property or trade fixtures are levied against the Port or the Port's property, and if the Port pays the taxes based upon such increased assessment, Lessee shall, upon demand, repay to the Port the taxes so levied.

## SECTION 10: COMMON AREAS

10.1 Roof. The Lessee understands that the Port has a lease with a third party for a roof-mounted sign. Lessee, throughout the term of this lease with reasonable prior notice, will allow the Port and/or its tenant to access the roof-mounted sign.

10.2 License. All common areas and facilities which Lessee is permitted to use and occupy are used and occupied under a revocable license. If the amount of such areas or facilities is revised or diminished, such revision or diminution shall not be deemed a constructive or actual eviction, and the Port shall not be subject to any liability, nor shall Lessee be entitled to any compensation or reduction or abatement of Rent.

## SECTION 11: INSURANCE AND INDEMNITY

### 11.1 Indemnity.

11.1.1 The Port, its officers, employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained by Lessee or by others, including but not limited to all persons directly or indirectly employed by Lessee, or any agents, contractors, subcontractors, licensees or invitees of Lessee, as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to Lessee's use or occupancy of the Premises and of areas adjacent thereto.

11.1.2 Lessee shall defend (with counsel approved by the Port), fully indemnify, and hold entirely free and harmless the Port and its Commissioners, officers, agents and employees from any and all loss, damages, expenses, attorneys' fees, consultants' fees, court costs and other costs for or from: (a) anything and everything whatsoever arising from the condition the Premises or out of the occupancy by the Lessee or subtenant, licensee, invitee or concessionaire of Lessee; and (b) any accident, injury, death or damage to any party however caused in or about the Premises or upon the sidewalks adjacent to the Premises, whether or not caused by the negligence of Lessee or any third party; and (c) any fault or negligence by Lessee or any sublessee, licensee, invitee or concessionaire of the Lessee or of any officer, agent, employee, guest or invitee of any such person; and (d) any failure on Lessee's part to comply with any of the covenants, terms and conditions contained in this Lease; *provided, however*, nothing herein shall require Lessee to indemnify the Port from any accident, injury, death or damage arising out of the sole negligence of the Port or its Commissioners, officers, agents and employees. Lessee agrees that the foregoing indemnity specifically covers actions brought by its own employees, and thus Lessee expressly waives its immunity under industrial insurance, Title 51, as necessary to effectuate this indemnity.

11.1.3 Notwithstanding anything to the contrary in Section 11.1.2, in the event of the concurrent negligence of Lessee, its subtenants, licensees, assignees, concessionaires, agents, employees, or contractors on the one hand and the negligence of the Port, its agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property of any nature and howsoever caused, and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Premises such that RCW 4.24.115 is applicable, Lessee's obligation to indemnify the Port as set forth in this Section shall be limited to the extent of Lessee's negligence and that of Lessee's officers, sublessees, assignees, agents, employees, contractors or licensees, including Lessee's proportional share of costs, court costs, attorneys' fees, consultants' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

11.1.4 **LESSEE AND PORT AGREE AND ACKNOWLEDGE THAT THIS PROVISION IS THE PRODUCT OF MUTUAL NEGOTIATION.** Lessee's obligations under this Section shall survive the expiration or earlier termination of this Lease.

## 11.2 Insurance.

11.2.1 Required Policies. Lessee shall obtain and keep in force, at its sole cost and expense the following types of insurance, in the amounts specified and in the form hereinafter provided for:

11.2.1.1 *General Liability Insurance.* Lessee shall obtain and keep in force a commercial general liability policy of insurance, written on ISO Form CG 00 01 10 01 (or equivalent), that protects Lessee and the Port, as an additional insured using ISO Form 20 26 (either 11 85 or 07 04 revision) or equivalent, against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the tenancy, use, occupancy or maintenance of the Premises and all areas appurtenant thereto, and specifically including the action/inaction of any subtenant, licensee or concessionaire. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1 (one) million dollars (\$1,000,000) per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations. The policy shall contain a minimum \$250,000 sub-limit that covers damage to premises rented or leased to Lessee, including fire damage. This limit shall be identified on the Certificate of Insurance.

11.2.1.2 *Automobile Liability Insurance.* Lessee shall obtain and keep in force a commercial automobile liability policy of insurance, written on ISO Form CA 00 01 07 97 (or equivalent), that protects Lessee and the Port against claims for bodily injury and property damage based upon, involving or arising out of motor vehicle operations on or about the Premises and all areas appurtenant thereto. Lessee shall provide a Waiver of Subrogation on this policy in favor of the Port. Such insurance shall cover any "Auto" (i.e. owned, hired and non-owned) and shall be on an occurrence basis providing single limit coverage in an amount not less than one million dollars (\$1,000,000) per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations.

11.2.1.3 *Property Insurance.* Lessee shall obtain and keep in force property insurance using an ISO CP 10 20 Cause of Loss Broad Form (or an equivalent manuscript form) insuring Lessee's personal property and Alterations (specifically including "betterments and improvements") made by or for Lessee against physical damage, including loss of use of the Premises. The policy shall include coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance of law regulating the reconstruction or replacement of damaged property including any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of the Legal Requirement as the result of the covered cause of loss. The amount of such insurance shall be procured on a replacement cost basis (or the commercially reasonable and available insurable value thereof if, by reason of the unique nature of age of the improvements involved, such latter amount is less than full replacement cost). The policy shall also contain an agreed valuation provision in lieu of any coinsurance clause. The Port of Seattle shall be included as an Additional Insured and Loss Payee on Lessee's property insurance policy with respect to the Port's interest in Alterations.

11.2.1.4 *Other Insurance.* Lessee shall further obtain and keep in force such other and further insurance as the Port may from time to time reasonably request for the protection by insurance of its interest in the Premises.

The limits of insurance specified in this Section shall be subject to periodic adjustment to reflect changes in insuring practices for similar properties in the same geographic area and changes in insurance products.

## 11.2.2 Insurance Policies.

11.2.2.1 *Insurance Companies.* Insurance required hereunder shall be in companies duly licensed to transact business in the State of Washington, and maintaining during the policy term a General Policyholders Rating of 'A-' or better and a financial rating of 'IX' or better, as set forth in the most current issue of "Best's Insurance Guide."

11.2.2.2 *Policies Primary; Deductibles; Per Location Endorsement.* All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by the Port, whose insurance shall be considered excess insurance only. No insurance required herein shall contain a deductible or self-insured retention in excess of \$100,000 without the prior written consent of the Port. If at any time during the term, Lessee shall have in full force and effect a blanket policy of commercial general liability and umbrella liability insurance covering the Premises and other premises and/or properties of Lessee, such insurance shall satisfy the requirements hereof, provided said policy contains a specific endorsement providing a minimum amount of coverage applicable to the Premises equal to or greater than the amount required above (i.e. a "per location" endorsement).

11.2.2.3 *Cancellation/Non-Renewal* – Insurance is to remain current throughout the term of the Lease. The Port shall receive documentation annually to include a certificate of insurance and any applicable endorsements to validate that the insurance required herein has been purchased and is compliant with the Lease requirements within ten (10) days of each insurance renewal. Should any insurance required herein be terminated, cancelled, or not renewed, the Lessee will have five (5) days to obtain replacement insurance for the date of the termination, cancellation or non-renewal. In the event the insurance is not replaced within the five (5) days, the Lease will be considered under Default in accordance with Section 14.

11.2.2.4 *Evidence of Insurance.* Lessee shall deliver, or cause to be delivered, to the Port, certificates of insurance, additional insured endorsements, loss payee endorsements for property insurance, waivers of subrogation and any other documentation or endorsement that provides evidence of the existence and amounts of such insurance as required by this Lease. Upon request by the Port, Lessee shall deliver or cause to be delivered to the Port, certified copies of the policies of insurance that Lessee has purchased in order for the Port to verify insurance coverage, limits, and endorsements or view any exclusions to the Lessee's insurance policies.

11.2.2.5 *No Limitation of Liability.* The limits of insurance required by this Lease or as carried by Lessee shall not limit the liability of Lessee nor relieve Lessee of any obligation hereunder.

11.3 Waiver of Subrogation. Without affecting any other rights or remedies, Lessee (for itself and on behalf of anyone claiming through or under it by way of subrogation or otherwise) hereby waives any rights it may have against the Port, its officers, agents and employees (whether in contract or in tort) on account of any loss or damage occasioned to Lessee arising out of or incident to the perils required to be insured against under this Lease. Accordingly, Lessee shall cause each insurance policy required by this Section 11.2 to further contain a waiver of subrogation clause. The effect of such release and waiver of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

11.4 Increase in Port's Cost of Insurance. Lessee shall not use the Premises in such a manner as to increase the existing rates of insurance applicable to the buildings or structures of which the Premises are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the Premises are a part, and to the extent allocable to the term of this Lease, may be added to the amount of Rent and shall be paid by Lessee to the Port upon the monthly rental day next thereafter occurring.

## SECTION 12: DAMAGE OR DESTRUCTION

12.1 Duty to Repair. If the Premises or any buildings or structures of which the Premises are a part are damaged by fire, the elements, earthquake, accident or other casualty (collectively, "Casualty"), the Port shall, except to the extent either party has the right to terminate this Lease under Section 12.2, use reasonable efforts to promptly repair and restore the Premises and/or the buildings or structures of which the Premises are a part to substantially their former condition to the extent permitted by then-applicable Legal Requirements; *provided, however,* the Port's obligation to repair and restore shall not extend to any Alterations or any of Lessee's personal property, specifically including that which Lessee retains ownership of under Section 7.3.

12.2 Right to Terminate. The Port may elect to terminate this Lease in the event that the Port, in its sole judgment, concludes that the damage to the Premises or any buildings or structures of which the Premises are a part cannot be repaired within thirty (30) days of the Casualty (with the repair work and the preparations therefor to be done during regular working hours on regular work days). In the event that the Port elects to terminate this Lease, the Port shall advise Lessee of that fact within thirty (30) days of the date of the Casualty and notify Lessee of the date, not more than ninety (90) days after the Casualty, upon which the Lease will terminate.

12.3 Abatement of Rent. Unless the casualty results from Lessee's negligence or breach of the terms of this Lease, the Base Rent and Additional Rent, if any, shall be abated for any portion of the Premises that is rendered untenable or inaccessible from the period from the date of the Casualty through the date of substantial completion of the repairs to the Premises (or to the date of termination of the Lease if either party shall elect to terminate the Lease). The Port shall not otherwise be liable to Lessee for any loss in the use in the whole or any part of the Premises (including loss of business) and/or any inconvenience or annoyance occasioned by the

Casualty, by any damage resulting from the Casualty, or by any repair, reconstruction or restoration.

12.4 Waiver. Except as specifically set forth in this Lease, Lessee hereby waives any right that Lessee may have, under any applicable existing or future law, to terminate this Lease in the event of any damage to, or destruction of, the Premises or any buildings or structures of which the Premises are a part.

### SECTION 13: ASSIGNMENT AND SUBLEASE

13.1 Prohibition. Lessee shall not, in whole or in part, assign, sublet, license or permit occupancy by any party other than Lessee of all or any part of the Premises, without the prior written consent of the Port in each instance which consent shall not be unreasonably withheld or delayed; provided the uses of the Premises is not changed from that permitted pursuant to Section 5.1 of this Lease. Lessee shall at the time the Lessee requests the consent of the Port, deliver to the Port such information in writing as the Port may reasonably require respecting the proposed assignee, subtenant or licensee including, without limitation, the name, address, nature of business, ownership, financial responsibility and standing of such proposed assignee, subtenant or licensee. Within twenty (20) business days after receipt of all required information, the Port shall, in its sole discretion, elect one of the following: (a) to consent to such proposed assignment, sublease or license or (b) to refuse such consent.

13.1.1 As a condition for the Port's consent to any assignment, encumbrance or sublease, the Port may require that the assignee, sublessee or licensee remit directly to the Port on a monthly basis, all monies due to Lessee by said assignee, sublessee or licensee (except with respect to excess rentals otherwise due Lessee pursuant to Section 13.2). In addition, a condition to the Port's consent to any assignment, sublease or license of this Lease or the Premises shall be the delivery to the Port of a true copy of the fully executed instrument of assignment, sublease or license and an agreement executed by the assignee, sublessee or licensee in form and substance satisfactory to the Port and expressly enforceable by the Port, whereby the assignee, sublessee or licensee assumes and agrees to be bound by the terms and provisions of this Lease and perform all the obligations of Lessee hereunder.

13.1.2 In the event of any assignment, Lessee and each respective assignor, waives notice of default by the tenant in possession in the payment and performance of the Rent, covenants and conditions of this Lease and consents that the Port may in each and every instance deal with the tenant in possession, grant extensions of time, waive performance of any of the terms, covenants and conditions of this Lease and modify the same, and in general deal with the tenant then in possession without notice to or consent of any assignor, including Lessee; and any and all extensions of time, indulgences, dealings, modifications or waivers shall be deemed to be made with the consent of Lessee and of each respective assignor.

13.1.3 Lessee agrees that any sublease or license will contain a provision in substance that if there be any termination whatsoever of this Lease then the subtenant or licensee, at the request of the Port, will attorn to the Port and the sublessee or licensee, if the Port so requests, shall continue in effect with the Port, but the Port shall be bound to the subtenant or

licensee in such circumstances only by privity of estate. Nothing herein shall be deemed to require the Port to accept such attornment.

13.1.4 No assignment, subletting or license by Lessee shall relieve Lessee of any obligation under this Lease, including Lessee's obligation to pay Rent or any other sum hereunder. Any purported assignment, subletting or license contrary to the provisions hereof without consent shall be void. The consent by the Port to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting.

13.1.5 Lessee shall reimburse the Port in the sum of One Hundred Dollars (\$100.00) plus any reasonable professionals' fees and expenses incurred by the Port in connection with any request by Lessee for consent to an assignment, subletting or license.

13.2 Excess Rental. If in connection with any assignment, sublease or license, Lessee receives rent or other monetary consideration, either initially or over the term of the assignment or sublease, in excess of the Rent called for hereunder, or in case of the sublease of a portion of the Premises, in excess of such Rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for hereunder and out-of-pocket expenditures, operating costs or concessions incurred by Lessee in connection with such assignment, sublease or license, are appropriately taken into account, Lessee shall pay to the Port, as Additional Rent hereunder, fifty percent (50%) of the excess of each such payment of rent or other consideration received by Lessee after its receipt. The provisions of this Section do not apply to Lessee's sublessee referenced in Section 13.4 of this Lease.

13.3 Scope. The prohibition against assigning or subletting contained in this Section 13 shall be construed to include a prohibition against any assignment or subletting by operation of law. Furthermore, for purposes of this Section 13, any sale, transfer or other disposition in the aggregate of fifty percent (50%) or more of the equity ownership in Lessee (i.e. stock with respect to tenant corporation, partnership interests with respect to a tenant partnership, etc.) shall be deemed an assignment. If this Lease be assigned, or if the underlying beneficial interest of Lessee is transferred, or if the Premises or any part thereof be sublet or occupied by anybody other than Lessee, the Port may collect Rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved and apportion any excess Rent so collected in accordance with the terms of Section 13.2, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Lessee from the further performance by Lessee of covenants on the part of Lessee herein contained. No assignment or subletting shall affect the continuing primary liability of Lessee (which, following assignment, shall be joint and several with the assignee), and Lessee shall not be released from performing any of the terms, covenants and conditions of this Lease.

13.4 Approved Sublease. Notwithstanding the foregoing, the Port shall provide its consent to Lessee subletting portions of the Premises to Pacific Maritime Association ("Sublessee") provided that the sublease is in writing, that the Port approves the written sublease prior to final execution by the parties, and that the Lessee and Sublessee execute the Port's standard Conditional Consent to Sublease form. The Port's conditional consent to subletting to Sublessee applies only to Sublessee and no other potential sublessee or assignee.

## SECTION 14: DEFAULT

14.1 Defaults. Time is of the essence of this Lease. The occurrence of any one or more of the following events constitutes a default of this Lease by Lessee with or without notice from the Port:

14.1.1 The vacating or abandonment of the Premises by Lessee.

14.1.2 The failure by Lessee to make any payment of Rent, or any other payment required by this Lease, when due.

14.1.3 The failure by Lessee to observe or perform any covenant, condition, or agreement to be observed or performed by Lessee in this Lease.

14.1.4 The discovery by the Port that any required report, financial statement or background statement provided to the Port by Lessee, any successor, grantee, or assign was materially false.

14.1.5 The filing by Lessee of a petition in bankruptcy, Lessee being adjudged bankrupt or insolvent by any court, a receiver of the property of Lessee being appointed in any proceeding brought by or against Lessee, Lessee making an assignment for the benefit of creditors, or any proceeding being commenced to foreclose any mortgage or other lien on Lessee's interest in the Premises or on any personal property kept or maintained on the Premises by Lessee.

### 14.2 Remedies.

14.2.1 Whenever any default (other than a default under Section 14.1.5 above, upon which termination of this Lease shall, at the Port's option, be effective immediately without further notice) continues unremedied in whole or in part for thirty (30) days after written notice is provided by the Port to Lessee (or for ten (10) days after written notice in the case of default for failure to pay any Rent, or other required payment when due), this Lease and all of Lessee's rights under it will automatically terminate if the written notice of default so provides. Upon termination, the Port may reenter the Premises using such force as may be necessary and remove all persons and property from the Premises. The Port will be entitled to recover from Lessee all unpaid Rent or other payments and damages incurred because of Lessee's default including, but not limited to, the costs of re-letting, including tenant improvements, necessary renovations or repairs, advertising, leasing commissions, and attorney's fees and costs actually incurred ("Termination Damages"), together with interest on all Termination Damages at the Default Rates from the date such Termination Damages are incurred by the Port until paid.

14.2.2 In addition to Termination Damages, and notwithstanding termination and reentry, Lessee's liability for all Rent or other charges which, but for termination of the Lease, would have become due over the remainder of the Lease term ("Future Charges") will not be extinguished and Lessee agrees that the Port will be entitled, upon termination for default, to collect as additional damages, a Rental Deficiency. "Rental Deficiency" means, at the Port's election, either:

14.2.2.1 An amount equal to Future Charges, less the amount of actual rent, if any, which the Port receives during the remainder of the Lease term from others to whom the Premises may be rented, in which case such Rental Deficiency will be computed and payable at the Port's option either:

14.2.2.1.1 In an accelerated lump-sum payment; or

14.2.2.1.2 In monthly installments, in advance, on the first day of each calendar month following termination of the Lease and continuing until the date on which the Lease term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, shall not in any manner prejudice the Port's right to collect any portion of Rental Deficiency by a similar proceeding; or

14.2.2.2 An amount equal to Future Charges less the aggregate fair rental value of the Premises over the remaining Lease term, reduced to present worth. In this case, the Rental Deficiency must be paid to the Port in one lump sum, on demand, and will bear interest at the Default Rate until paid. For purposes of this subparagraph, "present worth" is computed by applying a discount rate equal to one percentage point above the discount rate then in effect at the Federal Reserve Bank in, or closest to, Seattle, Washington.

14.2.3 If this Lease is terminated for default as provided in this Lease, the Port shall use reasonable efforts to re-let the Premises in whole or in part, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the Lease term), for such use or uses and, otherwise on such terms and conditions as the Port, in its sole discretion, may determine, but the Port will not be liable for, nor will Lessee's obligations under this Lease be diminished by reason for any failure by the Port to re-let the Premises or any failures by the Port to collect any rent due upon such re-letting.

14.2.4 In addition to the rights granted by Section 7.3, if upon any reentry permitted under this Lease, there remains any personal property upon the Premises, the Port, in its sole discretion, may remove and store the personal property for the account and at the expense of Lessee. In the event the Port chooses to remove and store such property, it shall take reasonable steps to notify Lessee of the Port's action. All risks associated with removal and storage shall be on Lessee. Lessee shall reimburse the Port for all expenses incurred in connection with removal and storage as a condition to regaining possession of the personal property. The Port has the right to sell any property which has been stored for a period of 30 days or more, unless Lessee has tendered reimbursement to the Port for all expenses incurred in removal and storage. The proceeds of sale will be applied first to the costs of sale (including reasonable attorney's fees), second to the payment of storage charges, and third to the payment of any other amounts which may then be due and owing from Lessee to the Port. The balance of sale proceeds, if any, will then be paid to Lessee.

14.3 Remedies Cumulative. All rights, options and remedies of the Port contained in this Lease shall be construed and held to be distinct, separate and cumulative, and no one of them shall be exclusive of the other, and the Port shall have the right to pursue any one or all of such

remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease.

## SECTION 15: TERMINATION OTHER THAN FOR DEFAULT

15.1 Major Capital Improvement. In the event that the Port, at its sole discretion, shall require the use of the Premises for a major capital improvement for public or private use in connection with the operation of the business of the Port, then this Lease may be terminated by the Port by written notice delivered or mailed by the Port to Lessee not less than three hundred sixty-five (365) days before the termination date specified in the notice. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any Rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee. Lessee shall not be entitled to any compensation at termination for the bargain value of the leasehold or any relocation expenses.

### 15.2 Condemnation.

15.2.1 Total Taking. In the case of a taking by eminent domain of either all of the Premises or such portion of either the Premises or any buildings or structures of which the Premises are a part as shall, in the Port's sole judgment, be required for reasonable use of the Premises, this Lease shall terminate as of the date of such taking. If Lessee is not in default under any of the provisions of this Lease on said date, any Rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.

15.2.2 Partial Taking. In the case of a taking of portion of the Premises or any buildings or structures of which the Premises are a part as shall *not*, in the Port's sole judgment, be required for reasonable use of the Premises, this Lease shall continue in full force and effect, and the Base Rent shall, as of the date of such taking, be equitably reduced based on the proportion by which the Premises (but not the buildings or structures of which the Premises are a part) is reduced.

15.2.3 Damages. The Port reserves all right to the entire damage award or payment for taking by eminent domain, and Lessee waives all claim whatsoever against the Port and/or the authority exercising eminent domain for damages for termination of its leasehold or for interference with its business. The Port and Lessee further agree that all decisions regarding how the eminent domain proceeding should be handled shall be made in the sole discretion of the Port (specifically including any response to a motion for order adjudicating public use and necessity or and request for immediate possession), and Lessee shall take no actions or steps which interfere with the Port's ability to control the handling of the eminent domain proceeding. Notwithstanding the foregoing, nothing in this Section shall be considered to be a waiver or assignment by Lessee of any right to relocation assistance payments or relocation advisory services which may be available in connection with the eminent domain proceeding.

15.2.4 Eminent Domain. The term "eminent domain" as used in this Section 15.2 shall including taking or damaging of property by, through or under any governmental or quasi-governmental authority and the purchase or acquisition in lieu thereof.

15.3 Court Decree. In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any Rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee. Lessee is not entitled to any compensation at termination for the bargain value of the leasehold.

## SECTION 16: ACCESS; EASEMENTS

16.1 Access to Premises. The Port shall have the right to show the Premises at all reasonable times during business hours of Lessee to any prospective purchasers, tenants or mortgagees of the same, and may at any time enter upon the Premises, or any part thereof, for the purpose of ascertaining the condition of the Premises or whether Lessee is observing and performing the obligations assumed by it under this Lease, all without hindrance or molestation from the Lessee. The Port shall also have the right to enter upon the Premises for the purpose of making any necessary repairs and performing any work that may be necessary by reason of Lessee's failure to make any such repairs or perform any such work. The above-mentioned rights of entry shall be exercisable upon request made on reasonable advance notice to Lessee (except that no notice shall be required in the event of an emergency) or an authorized employee of Lessee at the Premises, which notice may be given orally.

### 16.2 Easements.

16.2.1 The Parties recognize that the Port facilities are continuously being modified to improve the utilities, services and premises used and provided by the Port. The Port and its authorized utility service providers are hereby granted a continuous easement or easements that the Port believes is necessary within the Premises of Lessee, without any additional cost to the Port for the purposes expressed hereinabove. The Port, its authorized utility service provider, and their respective agents, shall have the right to enter the Premises of Lessee, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair and operate the sewer, water, and drainage lines, the electrical service, the roadways (specifically including routes of ingress and egress) and all other services and facilities required by the Port for its own use. Provided, however, that the Port by virtue of such use, does not substantially deprive Lessee from its beneficial use or occupancy of its leased area for an unreasonable period of time, not to exceed fifteen (15) working days, without consent of Lessee.

16.2.2 In the event that the Port permanently deprives Lessee from such beneficial use or occupancy, then an equitable adjustment in Rent, or in the cost required to modify its Premises to allow the Lessee to operate its business, will be negotiated and paid by the Port to Lessee. In the event that such entry by the Port is temporary in nature, then the Port shall reimburse Lessee for the cost required to modify its Premises for the temporary period that Lessee is inconvenienced by such Port entry. The Port will not be responsible to Lessee for any reduced efficiency or loss of business occasioned by such entry.

## SECTION 17: NONWAIVER; RIGHT TO PERFORM

17.1 Receipt of Monies Following Termination. No receipt of monies by the Port from Lessee after the termination or cancellation of this Lease in any lawful manner shall (i) reinstate, continue or extend the term of this Lease; (ii) affect any notice theretofore given to Lessee; (iii) operate as a waiver of the rights of the Port to enforce the payment of any Rent and fees then due or thereafter falling due; or (iv) operate as a waiver of the right of the Port to recover possession of the Premises by proper suit, action, proceeding or remedy; it being agreed that after the service of notice to terminate or cancel this Lease, or after the commencement of suit, action or summary proceedings, or any other remedy, or after a final order or judgment for the possession of the Premises, the Port may demand, receive and collect any monies due, or thereafter falling due, without in any manner affecting such notice, proceeding, suit, action or judgment; and any and all such monies collected shall be deemed to be payments on account of the use and occupation and/or Lessee's liability hereunder.

17.2 No Waiver of Breach. The failure of the Port to insist in any one or more instances, upon a strict performance of any of the covenants of this Lease, or to exercise any option herein contained, shall not be construed as a waiver of or relinquishment for the future of the performance of such covenant, or the right to exercise such option, but the same shall continue and remain in full force and effect. The receipt by the Port of the Rent or fees, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Port of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Port. The consent or approval of the Port to or of any act by Lessee requiring the Port's consent or approval shall not be deemed to waive or render unnecessary the Port's consent or approval to or of any subsequent similar acts by Lessee.

17.3 No Waiver of Rent. The receipt by the Port of any installment of Rent or of any amount shall not be a waiver of any Rent or other amount then due.

17.4 Application of Payments. The Port shall have the right to apply any payments made by Lessee to the satisfaction of any debt or obligation of Lessee to the Port, in the Port's sole discretion and regardless of the instructions of Lessee as to application of any such sum, whether such instructions be endorsed upon Lessee's check or otherwise, unless otherwise agreed upon by both parties in writing. The acceptance by the Port of a check or checks drawn by others than Lessee shall in no way affect Lessee's liability hereunder nor shall it be deemed an approval of any assignment of this Lease or subletting by Lessee.

17.5 Port's Right to Perform. Upon Lessee's failure to perform any obligation or make any payment required of Lessee hereunder, and if the failure isn't cured in the time frames as set forth in Section 14.2.1 the Port shall have the right (but not the obligation) to perform such obligation of Lessee on behalf of Lessee and/or to make payment on behalf of Lessee to such parties. Lessee shall reimburse the Port the reasonable cost of the Port's performing such obligation on Lessee's behalf, including reimbursement of any amounts that may be expended by the Port, plus interest at the Default Rate.

## SECTION 18: SURRENDER AND HOLDING OVER

18.1 Surrender. At the expiration or sooner termination of this Lease, Lessee shall promptly: (i) surrender possession of the Premises to the Port in the same condition in which received (or, if altered, then the Premises shall be returned in such altered condition unless otherwise directed), reasonable wear and tear excepted, and (ii) deliver to the Port all keys that it may have to any and all parts of the Premises. If the Premises are not surrendered as provided in this Section, Lessee shall indemnify and hold the Port harmless against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding occupant founded on such delay.

18.2 Removal of Wires. Within ten (10) days following the expiration or earlier termination of this Lease, the Port may elect by written notice to Lessee to either:

18.2.1 Retain, without necessity of payment, any or all wiring, cables, conduit, risers and similar installations installed by Lessee ("Wiring") in either the Premises or any larger property (including buildings or structures) of which the Premises are a part. In the event that the Port elects to retain the wiring, Lessee covenants that: (i) it is the sole owner of the assets transferred or passing to the Port, (ii) it shall have right to surrender the assets transferred or passing to the Port, (iii) the Wiring transferred or passing to the Port are free from all liens and encumbrances, (iv) the Wiring transferred or passing to the Port is in good condition, working order, in safe condition and comply with the requirements of this Agreement, and (v) that all wiring or cables included within the Wiring transferred or passing to the Port is properly labeled at each end, in each telecommunications/electrical closet and junction box, and otherwise as may be required by Port regulations. OR

18.2.2 Remove, or required Lessee to remove, all such Wiring and restore the Premises and any larger property of which the Premises are a part to their condition existing prior to the installation of the Wiring, all at Lessee's sole cost and expense.

This Section shall survive the expiration or earlier termination of this Lease.

18.3 Holding Over. If Lessee, with the consent of the Port, holds over after the expiration or sooner termination of this Lease, the resulting tenancy will, unless otherwise mutually agreed, be for an indefinite period of time on a month-to-month basis. During such month-to-month tenancy, Lessee shall pay to the Port, at the Port's sole discretion, the same rental rate that was in effect immediately prior to the month-to-month tenancy times 150%. Lessee will continue to be bound by all of the additional provisions of this Lease insofar as they may be pertinent.

18.4 For Rent Signs. The Port shall have the right to place and maintain "For Rent" signs in conspicuous places on the Premises for ninety (90) days prior to the expiration or sooner termination of this Lease.

## SECTION 19: ENVIRONMENTAL STANDARDS

19.1 Definitions. “Law or Regulation” as used herein shall mean any environmentally related local, state or federal law, regulation, ordinance or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect. “Hazardous Substances” as used herein shall mean any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant, by any Law or Regulation.

19.2 Hazardous Substances. Lessee shall not allow the presence in or about the Premises of any Hazardous Substance in any manner that could be a detriment to the Premises or in violation of any Law or Regulation. Lessee shall not allow any Hazardous Substances to migrate off the Premises, or the release of any Hazardous Substances into adjacent surface waters, soils, underground waters or air. Lessee shall provide the Port with Lessee’s USEPA Waste Generator Number, and with copies of all Material Safety Data Sheets (MSDS), Generator Annual Dangerous Waste Reports, environmentally related regulatory permits or approvals (including revisions or renewals) and any correspondence Lessee receives from, or provides to, any governmental unit or agency in connection with Lessee’s handling of Hazardous Substances or the presence, or possible presence, of any Hazardous Substance on the Premises.

19.3 Lessee acknowledges that the Premises are subject to the requirements of the City of Seattle (“City”) ordinance regarding stormwater drainage, source control, and other applicable City requirements as well as Washington State Department of Ecology (“Ecology”) stormwater regulations and permits. Lessee will comply with all requirements of the City ordinance and Ecology regulations and permits, including the preparation of and compliance with state Industrial General Stormwater Permits or the Phase I Municipal Permits. If the state or the City cites the Port for violations of the ordinance, Lessee will fully defend and indemnify the Port for any damages, penalties, or other assessments made against the Port for the violations. Lessee will pay the Port’s attorneys’ fees in connection with any enforcement actions carried out against the Port for such violations.

19.4 Violation of Environmental Law. If Lessee, or the Premises, is in violation of any Law or Regulation concerning the presence or use of Hazardous Substances or the handling or storing of hazardous wastes, Lessee shall promptly take such action as is necessary to mitigate and correct the violation unless such violation is a result of Hazardous Substances that Lessee can demonstrate existed prior to the date hereof. If Lessee does not act in a prudent and prompt manner, the Port reserves the right, but not the obligation, to come onto the Premises, to act in place of the Lessee (Lessee hereby appoints the Port as its agent for such purposes) and to take such action as the Port deems necessary to ensure compliance or to mitigate the violation. If the Port has a reasonable belief that Lessee is in violation of any Law or Regulation, or that Lessee’s actions or inactions present a threat of violation or a threat of damage to the Premises, the Port reserves the right to enter onto the Premises and take such corrective or mitigating action as the Port deems necessary. All costs and expenses incurred by the Port in connection with any such actions shall become immediately due and payable by Lessee upon presentation of an invoice therefor.

19.5 Inspection; Test Results. The Port shall have access to the Premises to conduct an annual environmental inspection at the Port’s expense. In addition, Lessee shall permit the Port

access to the Premises at any time upon reasonable notice for the purpose of conducting environmental testing at the Port's expense. Lessee shall not conduct or permit others to conduct environmental testing on the Premises without first obtaining the Port's written consent. Lessee shall promptly inform the Port of the existence of any environmental study, evaluation, investigation or results of any environmental testing conducted on the Premises whenever the same becomes known to Lessee, and Lessee shall provide copies to the Port.

19.6 Removal of Hazardous Substances. Prior to vacation of the Premises, in addition to all other requirements under this Lease, Lessee shall remove any Hazardous Substances placed on the Premises during the term of this Lease or Lessee's possession of the Premises, and shall demonstrate such removal to the Port's satisfaction. This removal and demonstration shall be a condition precedent to the Port's payment of any Security to Lessee upon termination or expiration of this Lease.

19.7 Remedies Not Exclusive. No remedy provided herein shall be deemed exclusive. In addition to any remedy provided above, the Port shall be entitled to full reimbursement from Lessee whenever the Port incurs any costs resulting from Lessee's use or management of Hazardous Substances on the Premises, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Port, injuries to third persons or other properties, and loss of revenues resulting from an inability to re-lease or market the property due to its environmental condition (even if such loss of revenue occurs after the expiration or earlier termination of this Lease).

19.8 Environmental Indemnity. In addition to all other indemnities provided in this Lease, Lessee agrees to defend, indemnify and hold the Port free and harmless from any and all claims, causes of action, regulatory demands, liabilities, fines, penalties, losses, and expenses, including without limitation cleanup or other remedial costs (and including reasonable attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance on the Premises, or the migration of any Hazardous Substance from the Premises to other properties or into the surrounding environment, whether (1) made, commenced or incurred during the term of this Lease, or (2) made, commenced or incurred after the expiration or termination of this Lease if arising out of events occurring during the term of this Lease. Provided, however, Lessee's obligations under this Section 19, including the duty to indemnify the Port pursuant to this Section 19.8.g., shall not apply with respect to any Hazardous Substance either (a) first existing on the Premises, (b) first released in, on or under the Premises, or (c) first migrating from the Premises to other areas of the surrounding environment, prior to the commencement of this Agreement (collectively, the "Preexisting Hazardous Substances"). In the event Lessee is required to remediate Preexisting Hazardous Substances by a government agency with jurisdiction, or named as a defendant in a suit alleging injury, damages or loss from Preexisting Hazardous Substances, the Port shall indemnify, defend and hold the Lessee harmless from liabilities, losses and expenses resulting from such action to the extent such liabilities, losses and expenses arise from Preexisting Hazardous Substances.

SECTION 20: MISCELLANEOUS

20.1 Notice. All notices hereunder shall be in writing and shall be delivered personally, by certified or registered mail, by facsimile or by recognized overnight courier addressed as follows:

*To Lessor:*

Port of Seattle  
Attention: Lease Administration  
P. O. Box 1209  
2711 Alaskan Way  
Seattle, WA 98111

Facsimile: (206) 787-3280

For payments only, the following mailing address should be used:

Port of Seattle  
P. O. Box 34249  
Seattle, WA 98124-1249

*To Lessee:*

Bill Anderson  
Pacific Maritime Institute  
1729 Alaskan Way South  
Seattle, Washington 98134-1711

Glen Paine  
Executive Director  
MM&P MATES Program  
5700 Hammonds Derry Road  
Linthicum Heights, Maryland 21090-1996

Barry Reese  
Controller  
MTAGS-PMI  
692 Maritime Boulevard  
Linthicum Heights, Maryland 21090-1996

With a copy to:

William C. Carrier, III, Esquire  
Tydings & Rosenberg LLP  
100 East Pratt Street, 26<sup>th</sup> Floor  
Baltimore, Maryland 21202

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices shall be deemed delivered (i) when personally delivered; (ii) on the third day after mailing when sent by certified or registered mail and the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing; or (iii) on the first business day after deposit with a recognized overnight courier if deposited in time to permit overnight delivery by such courier as determined by its posted cutoff times for receipt of items for overnight delivery to the recipient.

Payments may be made in the manner provided for notice or may be delivered by regular mail (postage prepaid); provided, payments made by regular mail (postage prepaid) shall be deemed delivered when actually received by the Port.

20.2 Brokers. The Port and Lessee each warrant to the other that it has had no discussions, negotiations and/or other dealings with any real estate broker or agent other than Edwin Mirsky Real Estate Services as broker representing the Tenant in connection with the negotiation of this Lease, and that it knows of no other real estate broker or agent who is or may be entitled to any commission or finder's fee in connection with this Lease. The Port and Lessee each agree to indemnify and hold the other harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation, attorneys' fees and costs) with respect to any leasing commission or equivalent compensation alleged to be owing on account of such party's discussions, negotiations and/or dealings with any real estate broker or agent other than Edwin Mirsky Real Estate Services. This Section is not intended to benefit any third parties and shall not be deemed to give any rights to brokers or finders. No commission(s) or finder's fee(s) shall be paid to Lessee, employee(s) of Lessee or any unlicensed representative of Lessee.

20.3 Commission. The Port shall pay Edwin Mirsky Real Estate Services a commission equal to five percent (5%) of the Base Rent revenue for years one through five and two and one-half (2.5%) for years six through ten for a total commission of \$93,602.30; one half, \$46,801.15, shall be due and payable upon execution of this lease by the Port and Lessee. One-half the commission, equal to the amount of \$46,801.15 shall be due and payable upon the Commencement Date for Rent as set forth in this Lease.

20.4 Consent. Whenever the Port's prior consent or approval is required by this Lease, the same shall not be unreasonably delayed but may, unless otherwise specifically provided by this Lease, be granted or denied in the Port's sole and absolute discretion.

20.5 Wireless Devices. Lessee shall not install any wireless devices and/or transmitters on or about the Premises without the prior written consent of the Port and subject to any and all conditions in such consent. Lessee specifically grants to the Port the power to regulate and control the use of unlicensed frequency bands (including, but not limited to, FCC Part 15 Subpart C, FCC Part 15 Subpart D (both asynchronous and Isochronous), IEEE 802.11 and Bluetooth (ISM), and FCC UNII 1 and UNII 2 (IEEE 802.11a)) on or about the Premises. Notwithstanding anything in this Section 20.5 to the contrary, the Port specifically consents to Lessee's continued use of existing and previously authorized GMDSS transceivers, VHF/HF radios, and internet/phone access system (Microwave to Seattle access point).

20.6 Relationship to the Port and Lessee. Nothing contained herein shall be deemed or construed as creating the relationship of principal and agent, partnership, or joint venture partners, and no provision contained in this Lease nor any acts of Lessee and the Port shall be deemed to create any relationship other than that of Lessee and the Port.

20.7 Time. Time is of the essence of each and every one of Lessee's obligations, responsibilities and covenants under this Lease.

20.8 Recording. Lessee shall not record this Lease or any memorandum thereof without the Port's prior written consent.

20.9 Subordination, Attornment. Unless otherwise designated by the Port, this Lease shall be subordinate to all existing or future mortgages and deeds of trust on the Premises or any larger property of which the Premises may be a part, and to all extensions, renewals or replacements thereof. Within ten (10) days of the Port's request, Lessee shall execute and deliver all instrument or certificates which may be necessary or appropriate to reflect such subordination. Notwithstanding the foregoing, Lessee shall not be required to subordinate to future mortgages or deeds of trust unless the mortgagee or beneficiary under the deed of trust agrees that if it becomes the owner of the property, it will recognize the Lease as long as Lessee is not in default. Within ten (10) days of the Port's request, Lessee shall also execute and deliver to third parties designated by the Port an estoppel certificate or letter in the form requested by the Port or any lender the correctly recites the facts with respect to the existence, terms and status of this Lease. Lessee agrees to attorn to any successor to the Port following any foreclosure, sale or transfer in lieu thereof.

20.10 Promotion of Port Commerce. Lessee agrees that throughout the term of this Lease it will, insofar as practicable, promote and aid the movement of passengers and freight through facilities within the territorial limits of the Port. Lessee further agrees that all incoming shipments of commodities that it may be able to control or direct shall be made through facilities within the territorial limits of the Port if there will be no resulting cost or time disadvantage to Lessee.

20.11 Nondiscrimination – Services.

20.11.1 Lessee agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, sex, age, creed, color or national origin in furnishing, or by refusing to furnish to such person or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby.

20.11.2 It is agreed that Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease. In the event of such noncompliance, the Port may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

20.11.3 Nondiscrimination – Employment. Lessee covenants and agrees that in all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its

1.1 to race, sex, age, color, creed or national origin and, in particular:

business in a manner which assures fair,

equal and nondiscriminatory treatment of all persons without respect Lessee will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are member of racial or other minorities, and

20.11.4 Lessee will comply strictly with all requirements of applicable federal, state and local laws or regulations issued pursuant thereto relating to the establishment of nondiscriminatory requirements in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, sex, age, creed, color or national origin.

20.12 Labor Unrest. Lessee agrees to join with the Port and use its best efforts in avoiding labor unrest, or in the event of a wildcat strike or other labor difficulty, to use its good offices in negotiating and bringing to a swift and satisfactory conclusion any kind of labor dispute that may affect the interests of the Port.

20.13 Federal Maritime Commission Regulations. This Lease may be subject to the Shipping Act of 1984, the Shipping Act of 1916, the Ocean Shipping Reform Act of 1998, and their respective implementing regulations. No future amendment or modification to this instrument will be effective until the appropriate procedures, if any, have been completed in accordance with the procedures of the appropriate federal agency which has jurisdiction over the Shipping Acts.

20.14 Joint and Several Liability. Each and every party who signs this Lease, other than in a representative capacity, as Lessee, shall be jointly and severally liable hereunder. It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of incorporation of the party who is, or of the parties who are, the actual lessee or lessees under this agreement.

20.15 Captions. The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.

20.16 Governing Law; Venue. This Lease shall be construed under the laws of Washington. Exclusive jurisdiction and venue for any action relating hereto shall be in the state or federal courts located in King County, Washington.

20.17 Attorneys' Fees. In the event that either party shall be required to bring any action to enforce any of the provisions of this Lease, or shall be required to defend any action brought by the other party with respect to this Lease, and in the further event that one party shall substantially prevail in such action, the losing party shall, in addition to all other payments required therein, pay all of the prevailing party's actual costs in connection with such action, including such sums as the court or courts may adjudge reasonable as attorneys' fees in the trial court and in any appellate courts.

20.18 Invalidity of Particular Provisions. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or enforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

20.19 Survival of Indemnities. All indemnities provided in this Lease shall survive the expiration or any earlier termination of this Lease. In any litigation or proceeding within the scope of any indemnity provided in this Lease, Lessee shall, at the Port's option, defend the Port at Lessee's expense by counsel satisfactory to the Port.

20.20 License. Lessee's right of access to the Premises shall be by License, attached as Exhibit D (which shall allow ingress/egress over the existing roadway lying within the northeasterly 75 feet, as measured at right angles to the lot line, of the easterly 311.60 feet, as measured along the north line, of Lot 6, Block 370, Plat of Seattle Tide Lands in the City of Seattle, King County, Washington). Provided however, Lessee shall effect the removal of the existing Ingress/Egress Easement recorded as 2003081002368 by the Commencement Date of this Lease.

20.21 Entire Agreement; Amendments. This Lease, together with any and all exhibits attached hereto, shall constitute the whole agreement between the parties. There are no terms, obligations, covenants or conditions other than those contained herein. No modification or amendment of this agreement shall be valid or effective unless evidenced by an agreement in writing signed by both parties.

20.22 Exhibits. Exhibits A, B, C and D are attached to this Lease after the signatures and by this reference incorporated herein.

SECTION 21: SIGNATURES

IN WITNESS WHEREOF the parties hereto have signed this Lease as of the day and year first above written.

PORT OF SEATTLE

MASTERS, MATES AND PILOTS MARITIME  
ADVANCEMENT TRAINING, EDUCATION,  
AND SAFETY PROGRAM DBA PACIFIC  
MARITIME INSTITUTE

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

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

SECTION 22: ACKNOWLEDGMENTS

STATE OF WASHINGTON )  
 ) ss  
COUNTY OF KING )

On this \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ before me personally appeared \_\_\_\_\_, to me known to be the \_\_\_\_\_ of the PORT OF SEATTLE, the municipal corporation that executed the within and foregoing instrument, and acknowledged 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 s/he was authorized to execute said instrument.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Notary Public, in and for the State of Washington,  
residing at \_\_\_\_\_  
My Commission expires: \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss  
COUNTY OF KING )

On this \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ before me personally appeared \_\_\_\_\_ of the \_\_\_\_\_, the individual/entity that executed the within and foregoing instrument as Lessee, and acknowledged said instrument to be the free and voluntary act and deed of said individual/entity, for the uses and purposes therein mentioned, and on oath stated that s/he was authorized to execute said instrument.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Notary Public, in and for the State of Washington,  
residing at \_\_\_\_\_  
My Commission expires: \_\_\_\_\_

EXHIBIT A

- LEGAL DESCRIPTION -

Those portions of Lots 3, 4 and 5 in Block 370 of Seattle Tide Lands, according to plat thereof filed in the Office of the Commissioner of Public Lands at Olympia, Washington, described as follows:

Beginning at the Southeast corner of said Lot 5;  
thence Westerly along the Southerly line thereof 311.595 feet to a point;  
thence Northerly at right angles 128.5 feet to a point;  
thence Easterly along a line parallel with said Southerly line to the Easterly line of said block;  
thence Southerly along said Easterly line to the Point of Beginning;

Situate in the City of Seattle, County of King, State of Washington.

EXHIBIT B  
- PREMISES -

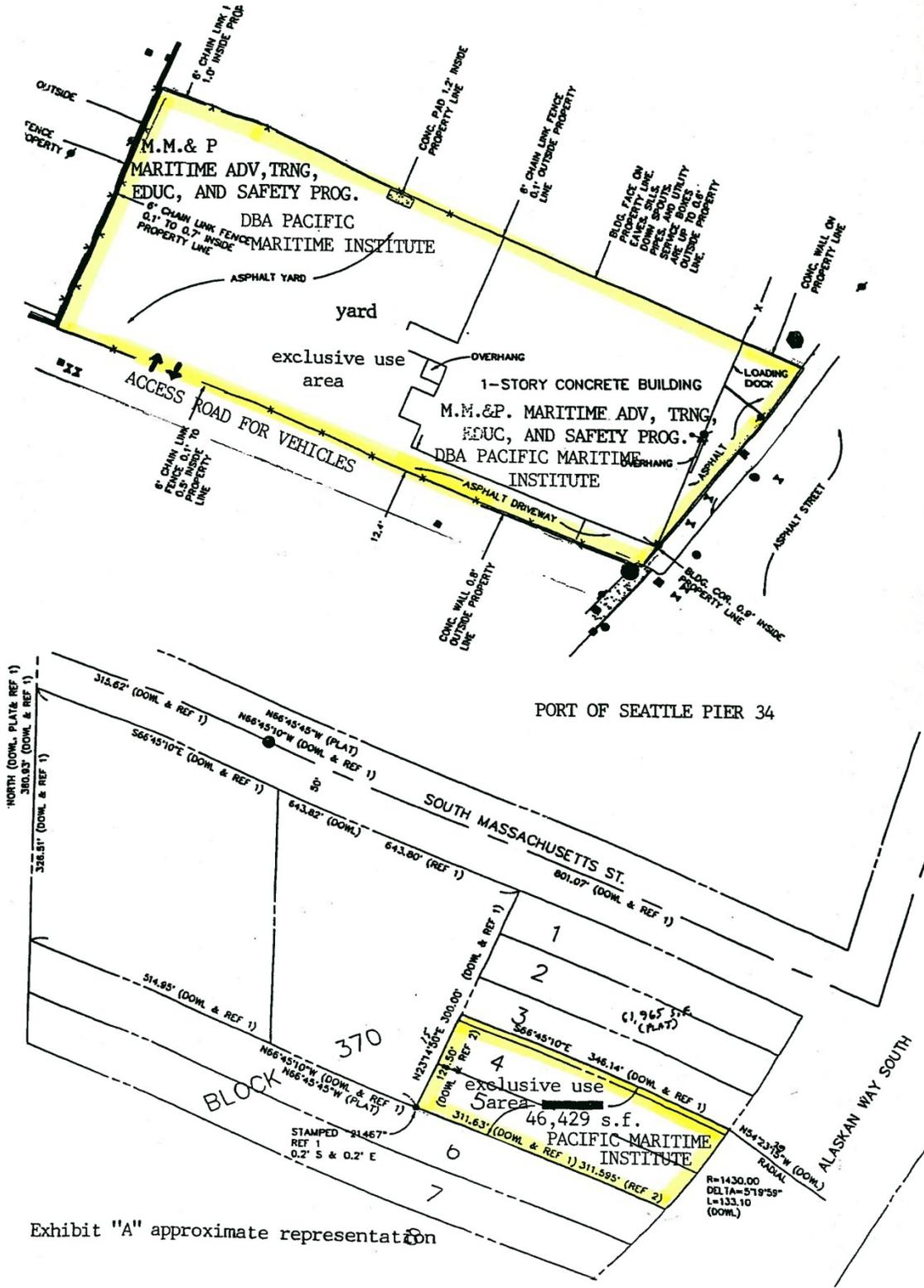


Exhibit "A" approximate representation

## EXHIBIT C

### – WORK AGREEMENT –

1. **The Tenant Work.** Under the Lease, Tenant has agreed to accept the Premises in their current condition without any obligations for the performance of additional improvements or other work by Landlord. Notwithstanding the foregoing, Landlord has agreed that Tenant may perform certain Tenant Improvements, which shall be limited to new carpet and one new HVAC unit. The Tenant Improvements shall be in accordance with the provisions of this Work Agreement and, to the extent not inconsistent herewith, the provisions of the Lease. Performance of the Tenant Improvements shall not serve to abate the payment of Rent or otherwise extend the Rent Commencement Date under the Lease.

2. **Cost of the Work.** Except as provided hereinafter, Tenant shall pay all costs (the “Costs of the Work”) associated with the Tenant Improvements whatsoever, including without limitation, all permits, inspection fees, fees of architects, engineers, and contractors, utility connections, the cost of all labor and materials, bonds, insurance, and any structural or mechanical work, additional HVAC equipment or sprinkler heads, or modifications to any building mechanical, electrical, plumbing or other systems and equipment or relocation of any existing sprinkler heads, either within or outside the Premises required as a result of the layout, design, or construction of the Tenant Improvements.

3. **Review and Approval.**

3.1. **Preliminary Plan and Specifications.**

3.1.1. **Submission.** No later than thirty (30) days after the mutual execution of the Lease, Tenant shall submit two (2) sets of a “Preliminary Plan” (as described in Section 12 herein) to Landlord for approval.

3.1.2. **Review.** Landlord shall, within ten (10) working days after receipt thereof, either approve said Preliminary Plan, or disapprove the same advising Tenant of the reasons for such disapproval. If necessary, Landlord shall also endeavor to obtain Landlord’s insurers approval of any sprinkler drawings. In the event Landlord disapproves said Preliminary Plan, Tenant shall modify the same, taking into account the reasons given by Landlord for said disapproval, and shall submit two sets of the revised Plan to Landlord within five (5) days after receipt of Landlord’s initial disapproval.

3.2. **Working Drawings and Engineering Report.**

3.2.1. **Submission.** No later than sixty (60) days after mutual execution of this lease, Tenant shall submit to Landlord for approval two (2) sets of “Working Drawings” (as defined in Section 12 herein), and a report (the “Engineering Report”) from Tenant’s mechanical, structural and electrical engineers indicating any special heating, cooling, ventilation, electrical, heavy load or other special or unusual requirements of Tenant.

3.2.2. Review. Landlord shall, within ten (10) working days after receipt thereof, either approve the Working Drawings and Engineering Report, or disapprove the same advising Tenant of the reasons for disapproval. If necessary, Landlord shall also endeavor to obtain Landlord's insurers approval of any sprinkler drawings. If Landlord disapproves of the Working Drawings or Engineering Report, Tenant shall modify and submit revised Working Drawings, and a revised Engineering Report, taking into account the reasons given by Landlord for disapproval, within five (5) days after receipt of Landlord's initial disapproval.

3.3. Change Orders. No changes, modifications, alterations or additions to the approved Preliminary Plan or Working Drawings may be made without the prior written consent of Landlord after written request therefore by Tenant. In the event that the Premises are not constructed in accordance with said approved Preliminary Plan and Working Drawings, then Tenant shall not be permitted to occupy and/or conduct business from the Premises until the Premises reasonably comply in all respects with said approved Preliminary Plan and Working Drawings; in such case, the Rent shall nevertheless commence to accrue and be payable as otherwise provided in the Lease.

3.4. Final Inspection. Landlord's acceptance of the Tenant Improvements as being complete in accordance with the approved Preliminary Plan and Working Drawings shall be subject to Landlord's inspection and written approval. Tenant shall give Landlord five (5) days prior written notification of the anticipated completion date of the Tenant Improvements.

3.5. Landlord's Approval.

3.5.1. Landlord shall not unreasonably withhold approval of any Preliminary Plan, Working Drawings, Engineering Report, or Change Order submitted hereunder if they provide for a customary layout, are compatible with the Building's shell and core construction, and will not require any structural modifications to the Building, whether required by heavy loads or otherwise.

3.5.2. Landlord's approval of Tenant's Preliminary Plans, Working Drawings, Engineering Report or Change Order, and Landlord's recommendations or approvals concerning contractors, subcontractors, engineers or architects (if any) shall not be deemed a warranty as to the quality or adequacy of the Tenant Improvements, or the design thereof, or of its compliance with Laws, codes and other legal requirements.

4. Compliance. The Tenant Improvements shall comply in all respects with the following: (a) the Building Code of the City and State in which the Building is located and State, County, City or other laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other such person, (b) applicable standards of the National Board of Fire Underwriters and National Electrical Code, and (c) building material manufacturer's specifications. If necessary, the Tenant Improvements shall also comply with the requirements of Landlord's insurer.

5. Architects, Engineers, and Contractors.

5.1. Qualified Professionals. The Preliminary Plan, Working Drawings, Engineering Report and the Tenant Improvements, shall be prepared and performed by licensed, reputable and qualified architects, engineers and contractors.

5.2. Insurance Requirements.

5.2.1. Professional Liability. All architects and engineers shall carry professional liability insurance with limits not less than one million dollars per claim (\$1,000,000).

5.2.2. Worker's Compensation. All contractors and subcontractors shall carry Worker's Compensation Insurance covering all of their respective employees in the statutorily required amounts.

5.2.3. General Liability. All contractors and subcontractors shall each separately obtain and keep in force a policy of general liability insurance consistent with the requirements of Sections 11.2.1.1 and 11.2.1.2 of the Lease; provided, however, (i) the limit for such insurance shall be at least three million dollars (\$3,000,000) notwithstanding any other amount set forth in the Lease, and (ii) the policies therefore shall cover both Landlord and Tenant, as additional insureds. Evidence of such insurance shall be delivered to Landlord before the construction is commenced or contractor's equipment is moved onto the building.

6. Performance.

6.1. The Tenant Improvements shall be commenced promptly following the Possession Date, and shall thereafter be diligently prosecuted to completion, subject only to delays for reasons beyond Tenant's control (except financial matters). All Tenant Improvements shall conform with the Working Drawings approved by Landlord in writing, and Landlord may periodically inspect the Tenant Improvements for such compliance. The Tenant Improvements shall be coordinated under Landlord's direction with other work being done or to be performed for or by other tenants in the building so that the Tenant Improvements will not interfere with or delay the completion of any other construction work in the building.

6.2. Tenant shall perform the Tenant Improvements in a thoroughly safe, first-class and workmanlike manner in conformity with the approved Preliminary Plan and Working Drawings, and shall be in good and usable condition at the date of completion.

6.3. Tenant shall be required to obtain and pay for all necessary permits and/or fees with respect to the Tenant Improvements, copies of which shall be provided to Landlord prior to commencement of the Tenant Improvements.

6.4. Each contractor and subcontractor shall be required to obtain prior written approval from Landlord for any space outside the Premises within the building, which such contractor or subcontractor desires to use for storage, handling, and moving of his materials and equipment, as well as for the location of any facilities or personnel. Nothing in the paragraph shall, however, give rise to any obligation on Landlord to provide such space.

6.5. The contractors and subcontractors shall be required to remove from the Premises and dispose of, at least once a week and more frequently as Landlord may direct, all debris and rubbish caused by or resulting from the construction. Upon completion of the Tenant Improvements, the contractors and subcontractors shall remove all surplus materials, debris and rubbish of whatever kind remaining within the building which has been brought in or created by the contractors and subcontractors in the performance of the Tenant Improvements. If any contractor or subcontractor shall neglect, refuse or fail to remove any such debris, rubbish, surplus material or temporary structures within two (2) days after notice to Tenant from Landlord with respect thereto, Landlord may cause the same to be removed by contract or otherwise as Landlord may determine expedient, and charge the cost thereof to Tenant as additional Rent under the Lease.

6.6. Tenant shall obtain utility service, including meter, from the utility company supplying service, unless Landlord elects to supply service and/or meters. Tenant shall obtain and furnish Landlord copies of all approvals with respect to electrical, water and telephone work as may be required by the respective company supplying the service.

6.7. Tenant shall, at its cost and expense construct, purchase, install and perform any and all work included within the Tenant Improvements so as to obtain any governmentally required certificate of occupancy and to occupy the Premises as soon as possible.

6.8. Copies of "as built" drawings shall be provided to Landlord no later than thirty (30) days after completion of the Tenant Improvements.

7. Liens. Tenant shall keep the Premises, the building and surrounding areas free from any mechanic's, materialman's or similar liens or other such encumbrances in connection with the Tenant Improvements, and shall indemnify and hold Landlord harmless from and against any claims, liabilities, judgments, or costs (including attorneys' fees) arising in connection therewith. Tenant shall remove any such lien or encumbrance by bond or otherwise within thirty (30) days after written notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof. The amount paid shall be deemed additional rent under the Lease payable upon demand, without limitation as to other remedies available to Landlord under the Lease. Nothing contained herein shall authorize Tenant to do any act which shall subject Landlord's title to the building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract. Any claim to a lien or encumbrance upon the building or Premises arising in connection with the Tenant Improvements shall be null and void, or at Landlord's option shall attach only against Tenant's interest in the Premises and shall in all respects be subordinate to Landlord's title to the building and Premises.

8. Certain Definitions. As used in this Work Agreement, the following terms shall have the meanings provided in this Section.

8.1. Preliminary Plan. "Preliminary Plan" shall mean and refer to a plan, drawn to scale, showing: (1) demising walls, corridor doors, interior partition walls and interior doors (if any), (2) any restrooms, kitchens, computer rooms, file rooms and other special purpose rooms, and any sinks or other plumbing facilities, or other special facilities or equipment, (3) all utility

connections, (4) any communications system, indicating telephone and computer outlet location, (5) and other Lines (as defined in the Lease), and (6) any other details or features required to reasonably delineate the Work to be performed.

8.2. Working Drawings. “Working Drawings” shall mean and refer to fully dimensioned architectural construction drawings and specifications, and any required engineering drawings (including mechanical, electrical, plumbing, air-conditioning, ventilation and heating), and shall include any applicable items described above for the Preliminary Plan, and if applicable: (1) electrical outlet locations, circuits and anticipated usage therefore, (2) reflected ceiling plan, including lighting, switching, and any special ceiling specifications, (3) duct locations for heating, ventilating and air-conditioning equipment, (4) dimensions of all equipment and cabinets to be built in, (5) location of all Lines (as defined in the Lease), (6) location of any equipment or systems (with brand names wherever possible) which require special consideration relative to air-conditioning, ventilation, electrical, plumbing, structural, fire protection, life-fire-safety system, or mechanical systems, (7) weight and location of heavy equipment, and anticipated loads for special usage rooms, and (8) any other details or features required to completely delineate the Work to be performed.

## 9. Incorporation into Lease; Defaults.

9.1. Incorporation. The Parties agree that the provisions of this Work Agreement are hereby incorporated by this reference into the Lease fully as though set forth therein. In the event of any express inconsistencies between the Lease and this Work Agreement, the latter shall govern and control.

9.2. Defaults. If Tenant shall default under this Work Agreement, Landlord may order that all Tenant Improvements being performed in the Premises be stopped immediately, and that no further deliveries to the Premises be made, until such default is cured, without limitation as to Landlord’s other remedies. Any amounts payable by Tenant to Landlord hereunder shall be paid as additional rent under the Lease. Any default by the other party hereunder shall constitute a default under the Lease and shall be subject to the remedies and other provisions applicable thereto under the Lease. If Tenant shall default under the Lease or this Work Agreement and fail to cure the same within the time permitted for cure under the Lease, at Landlord’s option, all amounts paid or incurred by Landlord towards the Improvement Allowance shall become immediately due and payable as additional Rent under the Lease.

Tenant Reimbursement. Landlord shall contribute a Tenant Improvement Allowance of up to EIGHTY-FIVE THOUSAND AND NO/100 DOLLARS (\$85,000) (the “Tenant Improvement Allowance”) towards Tenant’s hard and soft costs and expenses incurred by Tenant in designing, permitting, and constructing the Tenant Improvements. Landlord shall reimburse Tenant within ten (10) business days after Tenant has submitted to Landlord: (i) an invoice for the Tenant Improvement Allowance, (ii) the required “as-built” drawings, including mechanical, plumbing and electrical details, and (iii) a certificate from Tenant’s architect or contractor setting forth the description of the work performed, materials furnished, and costs thereof incurred by or on behalf of Tenant. Tenant must request reimbursement within thirty (30) days of the substantial completion of the Tenant Improvements provided by the Tenant, but not later than July 31, 2014. Landlord’s obligation to pay the Tenant Improvement Allowance is expressly conditioned upon

the Tenant's timely request for such Tenant Improvement Allowance and submission of all documentation required to make such request for the Tenant Improvement Allowance. Any unused/unclaimed portion of the Tenant Improvement Allowance shall be forfeited and not otherwise payable to Tenant.

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DRAFT

## EXHIBIT D

### - LICENSE -



P.O. Box 1209  
Seattle, WA 98111-1209  
Tele: (206) 787-3000  
www.portseattle.org

July 9, 2013

Masters, Mates and Pilots Maritime Advancement, Training, Education, And Safety Program  
dba Pacific Maritime Institute  
1729 Alaskan Way South  
Seattle, Washington 98134

Re: License for Temporary Use and/or Occupancy

To: Masters, Mates and Pilots Maritime Advancement, Training, Education, And Safety Program

This letter will confirm the terms under which the Port of Seattle ("Port") will grant to you ("Licensee") a non-exclusive, revocable license ("the License") for the temporary use approximately seventy-five (75) feet of road located at Jack Block Park adjacent to Pier 34 ("the Premises") for ingress/egress to Pacific Maritime Institute's facility from the south side ("the Permitted Use"). The Premises are reflected on the drawing enclosed with this letter. The following terms apply to this License:

1. Agreement is a License. The relationship between the Port and Licensee is not one of landlord and tenant, but rather one of licensor and licensee. The incurrence of any costs with respect to the Premises or Permitted Use by Licensee shall in no way operate to confer upon Licensee any other interest, status, or estate of any kind other than licensee nor obligate the Port to enter into any agreement conferring such other interest. Licensee shall have no recourse against the Port for any breach hereunder.
2. Term. This License shall commence on September 1, 2013, and terminate at such time as the Lease dated \_\_\_\_\_ between the Port of Seattle and Pacific Maritime Institute expires or earlier terminates. It shall not be subject to extension or renewal without the express written consent of the Port.
3. Terminal Security. Licensee will comply at all times with all local, state, and federal laws, rules, and regulations relating to security ("Security Laws") at any Port facility. If the Premises are subject to a government-approved security plan ("Security Plan"), Licensee will fully and promptly comply with the Security Plan. If the Premises are not subject to a Security Plan and if Licensee undertakes any activity or handles any cargo that brings the Premises or surrounding area under the Security Laws, Licensee will be fully liable for all its costs and Port costs associated with complying with the Security Laws for the Premises and surrounding areas. Licensee will provide the Port evidence satisfactory to the Port that the appropriate government authority has approved any Licensee-prepared security plan. Licensee will be liable for any fines or penalties for its failure to comply with the Security Laws or the Security Plan whether assessed against Licensee or the Port.
4. Environmental. Licensee agrees to comply with all applicable rules and regulations of the Port pertaining to the Premises in existence or hereafter promulgated for water quality

and pollution prevention, for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public. Licensee further agrees to comply with all applicable federal, state, and municipal laws, ordinances, and regulations, including without limitation those relating to environmental matters.

5. Licensee Responsible for Safety and Property. Licensee specifically accepts the Premises in their present condition on an as-is, where-is basis. Licensee's activities within, on or about the Premises shall be at Licensee's sole risk, and the Port shall not be responsible for the safety of Licensee, its employees, agents, licensees or invitees, or for the condition or loss of any items of personal property brought onto the Premises by any of them.
6. Compliance with Laws, Rules, and Regulations. Licensee shall, at its sole cost and expense, use and/or occupy the Premises solely: (i) in the manner contemplated by this License, (ii) in an orderly manner so as to avoid unreasonably interfering with or interrupting the normal business operations and quiet enjoyment of the other occupants of the Premises or adjoining properties or premises, and (iii) in full compliance with all applicable governmental laws, rules, regulations, and codes, specifically including those related to the protection of the environment and those promulgated by the Port for the general safety and convenience of its customers and the public. Licensee also shall, at its sole cost and expense, obtain any and all permits, licenses, and approvals that may be required in order to make lawful the Licensee's activities on the Premises.
7. Indemnity. The Port, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained by Licensee or by others, including but not limited to all persons directly or indirectly employed by the Licensee, or any agents, contractors or subcontractors of Licensee, as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Premises and the areas adjacent thereto, or related in any way to Licensee's use and/or occupancy of the Premises and of areas adjacent thereto. Licensee agrees to defend and to hold and save the Port harmless from all liability or expenses (including attorneys' fees, costs, and all expenses of litigation) in connection with either (i) any such items of actual or alleged injury or damage, except when such injury or damage is caused by the sole negligence of the Port, or (ii) any breach of the terms of this License. Licensee expressly agrees that its duty to defend and indemnify the Port includes negligent acts, which are concurrent, contributory, or both by the Port, resulting in said damage or injury. Licensee also agrees that the foregoing indemnity specifically covers actions brought by its own employees, and thus Licensee expressly waives its immunity under industrial insurance, Title 51 RCW, as necessary to effectuate this indemnity.
8. Licensee Responsible for Damages. Licensee assumes full responsibility for all damages or losses incurred by the Port or others arising from Licensee's entry onto, or use of the Premises, whether caused by Licensee, its employees, agent, licensees or invitees.
9. Applicable Law; Attorneys' Fees. This License shall be construed and enforced in accordance with the laws of the State of Washington. In the event the Port requires the services of an attorney in connection with enforcing the terms of this License, the

July 9, 2013

prevailing party shall be entitled to a reasonable sum for attorneys' fees, witness fees and other court costs and expenses, both at trial and on appeal.

10. Entire Agreement. This letter sets forth all covenants, promises, agreements, conditions and understandings between the Port and Licensee concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between the Port and Licensee other than as set forth in this Agreement. No subsequent alteration, amendment, change or addition to this Licensee shall be binding upon the Port or Licensee unless reduced to writing and signed by both parties.

Please countersign and return the enclosed duplicate original of this Agreement along with any required access fee, security deposit, certificate of insurance, and additional insured endorsement. We appreciate this opportunity to be of service.

Sincerely,

Melinda Miller  
Director, Portfolio and Asset Management

Enclosures  
1. Drawing of Premises

Agreed and accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ :

Masters, Mates and Pilots Maritime Advancement,  
Training, Education, And Safety Program  
dba Pacific Maritime Institute

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

THE PREMISES

- LOCATION -

